



ASX Announcement

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Wellington New Zealand

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| Part One: | Annual Report 2008 |
| Part Two: | Shareholder Review 2008 |
| Part Three: | Notice of Annual General Meeting 2009 |
| Part Four: | Proxy Form 2009 |



Annual Report 08

AMP MARKS 160 YEARS

1849
2009

AMP marks 160 years

AMP opened the doors to its first office, a small room above a grocer's shop on Sydney's George Street, on 1 January 1849.

From there, it steadily expanded to cities and towns across Australia and New Zealand, becoming a central part of national life and a household name.

AMP was founded on the belief that financial security helps people live with dignity.

At the start, it did this by providing life insurance. As times changed, AMP did too, transforming its products and services to meet the needs of the people it serves. Today AMP provides superannuation, retirement income, investment, insurance and selected banking products to 3.4 million customers in Australia and New Zealand.

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Annual Report 2008

All amounts are in Australian dollars, unless otherwise specified. The information in this report is current as at 13 March 2009, unless otherwise specified.

AMP Limited

ABN 49 079 354 519



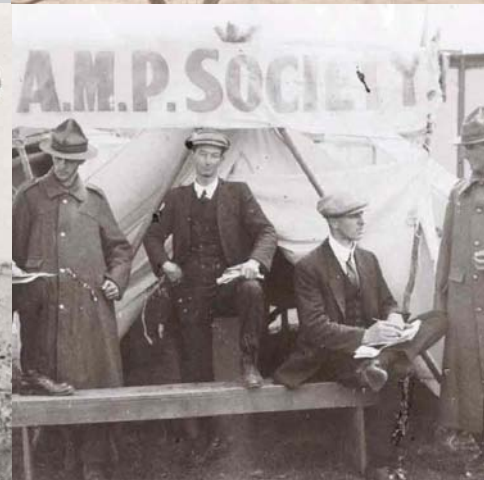
Clockwise from top:

1. The iconic AMP Building at Circular Quay, Sydney, was Australia's first skyscraper, standing 384 feet with 26 storeys. It was opened in 1962 by then Prime Minister Robert Menzies.

2. AMP agents in Cobar, western NSW, covered 2,000 miles in six months on their bicycles in 1896.

3. AMP agents sell policies at an army recruitment camp in New Zealand during the First World War.

4. South Australian agents canvass the field in Alice Springs by camel in 1934.





Welcome to AMP's 2008 Annual Report

This report provides you with AMP's full statutory accounts, along with the directors', remuneration and corporate governance reports. Please read the annual report together with the 2008 Shareholder Review, which summarises AMP's strategy and the performance of its businesses.

Financial performance

In 2008, a year of unprecedented financial and economic turmoil, your company delivered a sound underlying profit – a profit measure that removes the impacts of investment market volatility – of \$810 million (down eight per cent on 2007). Our bottom line profit measure was impacted by a loss on investment income due to extraordinary sharemarket volatility. As a result, profit attributable to shareholders was \$580 million.

The company has taken decisive action to strengthen its capital position, and it now holds capital significantly above minimum regulatory requirements. Its low gearing and high interest cover has been maintained. Your board and the AMP management team are committed to preserving capital in the current environment.

Dividends

The board has declared a final 2008 dividend of 16 cents per share. Your 2008 total dividend is 38 cents per share, plus the additional 2 cents a share paid in October from the proceeds of the Cobalt/Gordian sale. The dividend is 85 per cent franked.

The 38 cents per share dividend represents a total distribution of almost 90 per cent of underlying profit, which is slightly higher than our dividend payout policy of 85 per cent.

Our target dividend payout ratio in future is likely to be in the range of between 75 per cent and 85 per cent of underlying profit and for that to be no less than 85 per cent franked. The payout ratio can be varied to suit the circumstances of the company and market conditions.

Outlook

AMP's over-arching goal remains to be in the top 25% of the top 50 listed Australian companies in terms of total shareholder returns over every five-year cycle. To achieve this in the current environment, AMP is prudently and pragmatically managing costs, capital and liquidity. On 3 March 2009, AMP launched new listed debt securities for Australian and New Zealand investors called AMP Notes. The raising of this Tier 2 capital supports refinancing of subordinated debt.

At the same time, your board and management believe it is vital to maintain investment to strengthen our core business and position the company to benefit when markets recover. While the short-term outlook for the economy and financial markets is volatile, we are confident in the long-term growth outlook of the wealth management sectors where AMP operates.

A handwritten signature in dark ink, appearing to read 'Peter Mason'.

Peter Mason
Chairman

Five-year financial summary

Year ended 31 December	2008 \$m	2007 \$m	2006 \$m	2005 \$m	2004 \$m
Consolidated income statement¹					
Net premium, fee and other revenue	2,877	2,869	2,437	2,178	2,505
Investment gains (losses)	(13,843)	8,128	11,791	9,814	9,300
Profit (loss) before income tax from continuing operations	(1,094)	1,237	1,608	1,551	1,453
Income tax (expense) credit ²	1,668	(445)	(781)	(761)	(545)
Profit from discontinued operations after income tax ¹	6	193	88	—	—
Minority interests	—	—	—	—	(35)
Net profit after tax attributable to shareholders	580	985	915	790	873
Consolidated balance sheet					
Cash and cash equivalents	2,056	2,141	1,108	978	1,072
Investment assets	80,641	102,258	93,484	81,762	71,296
Intangibles	939	1,005	862	632	627
Assets of discontinued operations ¹	—	747	—	—	—
Other assets	3,114	2,266	2,520	2,116	2,270
Total assets	86,750	108,417	97,974	85,488	75,265
Borrowings and subordinated debt	12,376	11,653	10,423	9,518	9,381
Life insurance contract liabilities	19,250	20,635	20,974	20,942	20,639
Investment contract liabilities	41,510	52,357	46,668	38,712	32,737
Outstanding claims	—	—	805	1,037	1,243
Liabilities of discontinued operations ¹	—	672	—	—	—
Other liabilities	11,497	21,086	16,650	12,456	8,120
Total liabilities	84,633	106,403	95,520	82,665	72,120
Net assets	2,117	2,014	2,454	2,823	3,145
Contributed equity	4,481	3,827	4,067	4,749	5,416
Reserves	(2,598)	(2,446)	(1,983)	(2,002)	(2,035)
Retained earnings	154	546	328	63	(240)
Total equity attributable to shareholders	2,037	1,927	2,412	2,810	3,141
Minority interests	80	87	42	13	4
Total equity	2,117	2,014	2,454	2,823	3,145
Other financial data					
Basic earnings per ordinary share (\$ps)	\$0.31	\$0.53	\$0.50	\$0.43	\$0.48
Diluted earnings per ordinary share (\$ps)	\$0.31	\$0.53	\$0.49	\$0.43	\$0.48
Dividends per ordinary share (\$ps)	\$0.40	\$0.46	\$0.40	\$0.32	\$0.27
Number of ordinary shares (m)	1,993	1,875	1,875	1,870	1,860
Funds under management (\$bn)	105	129	122	104	90

Footnote:

- On 5 March 2008, the AMP group completed the sale of its closed reinsurance operations, Cobalt/Gordian. The sale represented a complete exit from this business by the AMP group. For 2008, 2007 and 2006, the results of the discontinued operations are disclosed as a single item in the Consolidated income statement. For 2007, the assets and liabilities of the discontinued operations are disclosed as separate items in the Consolidated balance sheet. As these assets and liabilities were no longer controlled at the end of 2008, they are not included in the Consolidated balance sheet for the year ended 31 December 2008.
- The tax credit in 2008 is predominately the tax effect of policyholder investment losses.

Underlying profit \$810 million

AMP delivered an underlying profit of \$810 million in 2008, compared with \$882 million in 2007. Underlying profit is AMP's key measure of business profitability as it removes investment market volatility and is the earnings base from which dividends are derived.

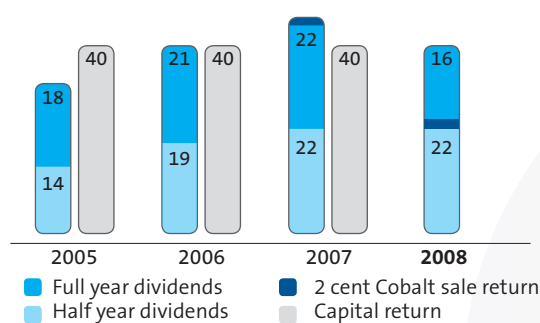
Profit attributable to shareholders \$580 million

Profit attributable to shareholders in 2008 was \$580 million, compared with \$985 million in 2007. The 2007 profit included \$171 million from the Cobalt/Gordian business, which was sold in 2007. The difference between this profit number and the underlying profit is mainly due to an investment income market adjustment loss of \$260 million.

Dividend 16c a share

The final dividend for 2008 is 16 cents per share, bringing the total dividend for 2008 to 38 cents per share, plus an additional two cents a share from proceeds from the sale of Cobalt/Gordian distributed in October 2008. The final dividend will be 85% franked and paid on 9 April 2009.

Dividends and payments to shareholders cents per share



Directors' report

for the year ended 31 December 2008

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 2008.

Directors' details

The directors of AMP Limited during the year ended 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 Dunn (Managing Director and Chief Executive Officer), Brian Clark, David Clarke, Richard Grellman, Meredith Hellicar, John Palmer, Nora Scheinkestel, Peter Shergold (appointed 14 May 2008).

Details of each director's qualifications, experience and special responsibilities are set out below.



Peter Mason AM
Chairman

BCom (Hons), MBA. Age 62

Peter was appointed to the AMP Limited Board in October 2003 and assumed the role of Chairman in September 2005. He is a member of the People and Remuneration Committee and the Nomination Committee, and attends many subsidiary board and audit committee meetings in an ex officio capacity.

Experience: Peter has 40 years experience in investment banking and is currently a Senior Advisor to UBS Investment Bank. He was Chairman of JP Morgan Chase Bank in Australia from 2000 to 2005, and Chairman of their associate, Ord Minnett Group. 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 has previously been chairman or a director of a number of major Australian companies. He was a member of the Council of the University of New South Wales for 13 years. For 12 years he was a director of the Children's Hospital in Sydney and Chairman of the Children's Hospital Fund for eight years. Peter was appointed a member of the Order of Australia for his contribution to the Children's Hospital.

Other current directorships: Peter is a director of David Jones Limited, the University of New South Wales Foundation, and the Australian Research Alliance for Children and Youth. He serves on the Advisory Board of the National Youth Mental Health Foundation (Headspace), and is a member of the Takeovers Panel. He is also a Chairman of the UBS Australia Foundation.



Craig Dunn
**Managing Director &
Chief Executive Officer**
BCom, FCA. Age 45

Craig was appointed Managing Director and Chief Executive Officer on 1 January 2008. He has been a Director of AMP Life Limited since April 2002.

Experience: Prior to becoming CEO, Craig was Managing Director, AMP Financial Services from 2002 to 2007. He joined AMP in January 2000, and has held a number of senior roles, including Managing Director of AMP Banking, and Director, Office of the CEO.

Before joining AMP, Craig was CEO of a Malaysia-based insurance company, a joint venture of Colonial Limited. He worked for KPMG throughout Europe and in Indonesia before joining Colonial. Craig is currently an Advisory Board Member with the Government's Financial Literacy Foundation, a member of the Government's Financial Services Advisory Committee (FSAC) and a former chairman of the Investment and Financial Services Association (IFSA).



Brian Clark
Director
DSc. Age 60

Brian was appointed to the AMP Limited Board on 1 January 2008. He is a member of the Nomination Committee and has been a director of AMP Capital Investors Limited and a member of its Audit Committee since February 2008.

Experience: Brian spent 10 years in a variety of senior executive roles at Vodafone internationally, most recently in a United Kingdom-based role as Group Human Resources Director. He was also Chief Executive Officer of Vodafone's Australian business as well as CEO of the Asia Pacific region, based in Tokyo. He was a member of the company's global Executive Committee throughout his tenure with the company. Before joining Vodafone, Brian spent three years as CEO of Telkom SA Ltd, the state-owned telephone company in South Africa, where he oversaw the partial privatisation of the company and a total re-engineering of its operations.

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

Directorships of listed companies held in past three years: Brian was a director of National Australia Bank Limited from 2001 to 2004 and member of various Vodafone Group PLC subsidiary and separately listed boards.

Other current directorships: Brian has been a director of Boral Limited since May 2007 and a member of the Advisory Board of Merrill Lynch in Australia since November 2007.



David Clarke
Director
LLB. Age 53

David was appointed to the AMP Limited Board in July 2005. He is a member of the Audit Committee and the People and Remuneration Committee and was a director of AMP Capital Investors and a member of its Audit Committee from August 2005 to March 2007.

Experience: David has over 25 years experience in investment banking, funds management and retail banking. He joined Westpac Banking Corporation in July 2000 where he ran the Australian Business and Consumer Bank, prior to being appointed Chief Executive of BT Financial Group, Westpac's wealth management business, in September 2002. David was previously director and chief executive of MLC Limited (a subsidiary of Lend Lease Corporation of which he was a director). He built MLC into one of Australia's leading funds management businesses and led the Asian Pacific business operations of Lend Lease, gaining experience across the group's portfolio of global interests, including property development and financial services. David's early career was spent in Lloyds Bank, culminating in becoming the chief executive of Lloyds Merchant Bank in the United Kingdom. David was appointed Chief Executive Officer and Managing Director of Allco Finance Group Limited in April 2007 and resigned his executive duties in December 2008.

Directorships of listed companies held in past three years: David has been a director of Allco Equity Partners Limited since May 2008 and is a director of Allco Finance Group Limited.

Other current directorships: David has been a governor of Ascham School Limited since 1993 and is a director of the Hornery Institute.



Richard Grellman AM
Director
FCA. Age 58

Richard was appointed to the AMP Limited Board in March 2000. He is chairman of the Audit Committee and a member of the Nomination Committee. He has been a director of AMP Life Limited since November 2001 and chairs its Audit Committee. Richard was a director of Gordian RunOff Limited from May 2004 to March 2008 (and its chairman from May 2005).

Experience: Richard has over 32 years of experience in the accounting profession. He was a partner of KPMG from 1982 to 2000 and a member of KPMG's National Board from 1995 to 1997 and National Executive from 1997 to 2000. He was an independent financial expert for AMP's demutualisation and investigating accountant for AMP's prospectus and listing. In 2007, Richard was appointed a member of the Order of Australia for service to the community, particularly through leadership roles with Mission Australia and fundraising with Variety, The Children's Charity, and to the finance and insurance sectors.

Directorships of listed companies held in past three years: Richard was appointed a director of Centennial Coal Company Limited in February 2008. He has been a director of Bisalloy Steel Group Limited (formerly Atlas Group Holdings Limited) since February 2003 and was a director of Trafalgar Corporate Group Limited until November 2008, having been a director since 2002 and its Chairman since 2006. He was Chairman of Cryosite Limited from December 2002 to March 2008.

Other current directorships: Richard has been Chairman of the Board and Council of the NSW Motor Accidents Authority since 1994, director of Mission Australia since 1984, and President and Chairman since 2000. In 2006 he was appointed Chairman of the NSW Lifetime Care and Support Authority. In 2002 Richard was appointed chairman of the Association of Surfing Professionals (International) Limited.



Meredith Hellicar
Director
BA, LLM (Hons). Age 55

Meredith was appointed to the AMP Limited Board in March 2003. She is Chairman of the People and Remuneration Committee, has been a director of AMP Bank since June 2004 and a director of the AMP Life Limited Board since May 2006 and Chairman since October 2006.

Experience: Meredith has over 20 years of senior executive experience in the oil, coal, logistics, legal and financial services industries. She was previously Managing Director TNT Logistics Asia, Chief Executive of Corrs Chambers Westgarth and Managing Director of InTech Financial Services Limited. Her previous directorships include NSW Treasury Corporation, AurionGold, HLA Envirosiences (Chairman), the NSW Environment Protection Authority and HCS Limited. Meredith was a member of the Takeovers Panel from 1999 until 2008. She was awarded a Centenary Medal in 2003 for service to Australian society in business leadership and is a member of the CEDA Board of Governors.

Directorships of listed companies held in past three years: Meredith was a director of James Hardie Industries NV from October 2001 to February 2007 (she was Chairman from August 2004 to February 2007). She was a director of Southern Cross Airports Group from February 2003 to March 2007. Meredith has been a director of Amalgamated Holdings Limited since October 2003.

Other current directorships: Meredith has been a director of the Sydney Institute since 1993 and was Chairman from April 1998 to April 2008. She has been a director of the Garvan Institute Foundation since March 2002.



John Palmer ONZM
Director
BagrSc, FNZID. Age 61

John was appointed to the AMP Limited Board on 24 July 2007. He is a member of the People and Remuneration Committee, and has been a director of the AMP Life Board since May 2004. He was a director of the AMP Bank Board from 1998 to 2003. John is based in New Zealand.

Experience: John has considerable experience as a director and chairman of companies in the agricultural and finance sectors. His other business interests focus largely on horticultural production and servicing. In 1998 he 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.

Directorships of listed companies held in past three years: John has been the Chairman of Air New Zealand Limited since November 2001 and Chairman of Solid Energy NZ Limited since January 2007. He is a director of Rabobank Australia Limited and Chairman of World of Wearable Art Ltd.



Dr Nora Scheinkestel
Director
LLB (Hons), PhD, FAICD. Age 48

Nora was appointed to the AMP Limited Board in September 2003. She is chairman of the Nomination Committee and a member of the Audit Committee. She has been a director of AMP Capital Investors Limited since February 2004 and chairs its Audit Committee.

Experience: Nora is an experienced company director having served as chairman and non-executive director of companies in a wide range of industry sectors and in the public, government and private spheres. Previous directorships, in addition to those listed below, include North Limited, IOOF Funds Management, Medical Benefits Fund of Australia Limited and chairman and director of various energy and water utilities. Nora is also an Associate Professor at the Melbourne Business School at Melbourne University. Nora's executive background is as a senior banking executive in international and project financing, responsible for the development and financing of major projects in Australasia and South East Asia. Nora's current consulting practice assists government, corporate and institutional clients in areas such as corporate governance, strategy and finance. In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership.

Directorships of listed companies held in past three years: Nora has been a director of PaperlinX since 2000 and of Orica Limited since August 2006. Nora was a director of Newcrest Mining (2000–07), Mayne Group Limited (2005) and of Mayne Pharma Limited (2005–07).



Professor Peter Shergold AC
Director
BA, MA, PhD, FASSA. Age 62

Peter was appointed to the AMP Limited Board on 14 May 2008. He is a member of the Audit Committee and has been a director of the AMP Life Limited Board since August 2008.

Experience: Peter is the Chair of the Centre for Social Impact, a cross-university partnership of the business schools at the University of New South Wales, Melbourne University and Swinburne University of Technology. Prior to this he was Australia's most senior public administrator, serving as Secretary of the Department of the Prime Minister and Cabinet from February 2003 for five years. He had previously been CEO of the Aboriginal and Torres Strait Islander Commission, Public Service Commissioner, Secretary of the Department of Workplace Relations and Small Business, and Secretary of the Department of Education, Science and Training. Prior to joining the public service, Peter lectured at the University of NSW before becoming Head of the Department of Economic History in 1985. He was appointed a Member in the Order of Australia in 1996, was awarded a Centenary Medal in 2003 and was made a Companion in the Order of Australia in 2007 for public service.

Other current directorships: Peter is the Chairman of QuintessenceLabs. In the not-for profit arena he is the Chair of the Australian Rural Leadership Foundation and a director of the National Indigenous Development Centre.

Company Secretaries' Details

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

Brian Salter

General Counsel and Company Secretary
BA, LLB (Hons), LLM (Hons)

Brian joined AMP on 1 July 2008. Before joining AMP, Brian was a partner with law firm Clayton Utz for 19 years. Brian has more than 26 years experience in the legal profession specialising in banking and financial services. He has advised many of Australia's leading financial and wealth management companies on a range of funding, capital management and structured finance transactions and related projects. Brian also lectures part-time in law and is a member of the Editorial Board of the *Journal of Banking and Finance Law and Practice*.

Graeme Blackett

BA, LLB, GradDipCSP, FCIS

Graeme is a Company Secretary of AMP Limited and AMP Life Limited. He joined AMP in November 2006. From 1993 to 2000, Graeme served as Assistant Company Secretary and later as Company Secretary of NRMA Limited and NRMA Insurance Limited. From 2001 to 2002, he was Company Secretary of Reckon Limited, and from 2002 to 2006 served as Assistant Company Secretary for the Westfield Group. He holds a Graduate Diploma in Company Secretarial Practice and is a fellow of Chartered Secretaries Australia.

Prue Milne

BEC, LLM, GradDipCSP

Prue joined AMP in 1998 and held the position of Board Executive and Company Secretary from December 2002 until June 2005. Prue currently holds the position of Executive Legal Counsel with AMP Capital Investors. Prue continues to remain a Company Secretary for AMP Limited. Before joining AMP, she was a senior associate at a major law firm.

Attendance at board and committee meetings

Details of attendance by directors of AMP Limited at meetings of boards and committees (of which they were members) held during the year ended 31 December 2008 are shown in the table below. 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 Held/attended	AMP Limited Board meetings		Audit Committee		Nomination Committee		People and Remuneration Committee		Ad hoc Committees ¹		Subsidiary Board and Committee meetings ²	
	A	B	A	B	A	B	A	B	A	B	A	B
Brian Clark	12	12	—	—	1	1	—	—	2	2	15	15
David Clarke	12	12	1	1	—	—	5	5	—	—	—	—
Craig Dunn	12	11	—	—	—	—	—	—	6	6	24	23
Richard Grellman	12	12	6	6	3	3	—	—	3	3	23	22
Meredith Hellicar	12	12	—	—	—	—	5	4	3	2	13	12
Peter Mason ³	12	12	3	3	3	3	5	5	7	7	—	—
John Palmer	12	11	—	—	—	—	4	4	—	—	10	10
Nora Scheinkestel	12	12	6	6	3	3	—	—	—	—	17	16
Peter Shergold	8	8	3	3	—	—	—	—	—	—	4	4

Footnote:

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

Column B – indicates number of those meetings attended

1 Ad hoc committees of the board were constituted during the year in relation to the financial results and capital raising.

2 Subsidiary board and committee meetings include AMP Life, AMP Bank and AMP Capital Investors.

3 The Chairman attended a number of subsidiary board and committee meetings held during 2008 in an ex officio capacity.

Principal activities

AMP is a company focused on helping people manage their finances so they can enjoy the future they want. It is a leading wealth management company operating in Australia and New Zealand, with selective investment management activities in Asia.

AMP has two core businesses, AMP Financial Services and AMP Capital Investors.

AMP Financial Services offers customers a range of financial products and services, primarily through one of the largest financial planning networks in the market. These products and services include financial planning advice, superannuation, retirement savings and income products, investments, life and selected banking products.

AMP Capital Investors is one of the largest investment managers in Australia and is the largest in New Zealand.

AMP has over 3 million customers in Australia and New Zealand, around 3,800 employees, more than 800,000 shareholders and around \$105 billion of assets under management.

Review of operations and results

AMP is financially strong, with a resilient business model. This business model is built on a pre-eminent brand; a low-cost and scaleable manufacturing platform; a large, aligned planner channel; a broadly-based asset management and packaging business; and cost and capital efficiency.

Recent difficult economic conditions have had a significant impact on AMP's statutory profit for the year ended 31 December 2008 of \$580 million, compared to \$985 million for the previous corresponding period. Basic earnings per share for the year ended 31 December 2008 on a statutory basis was 31.1 cents per share (2007: 53.3 cents per share).

There was an 8 per cent decrease in underlying profit – which smooths the effect of investment market volatility – to \$810 million for the year ended 2008 from \$882 million for the year ended 2007. Underlying profit is AMP's preferred measure of profitability as it removes investment volatility when measuring the profitability of our business. Directors use underlying profit as the primary determinant of dividend decisions. On an underlying basis, earnings per share was 42.9 cents per share (2007: 51.2 cents per share).

AMP's performance against its five key performance measures was as follows:

- Underlying return on equity (RoE) increased to 38.9% from 37.9%.
- Total operating earnings decreased by 4% to \$737 million.
- Cost-to-income ratio increased by 1.6 percentage points to 41.3%.
- 63% of AUM met or exceeded benchmark over the five years to 31 December 2008, impacted by extraordinary markets in 2008, when 17% of AUM met or exceeded benchmark.
- Growth measures:
 - Net cashflows in AMP Financial Services decreased to \$1.4 billion from \$2.9 billion, and external net cashflows in AMP Capital Investors decreased to (\$804) million from \$1.7 billion
 - Value of risk new business increased 41% to \$114 million

AMP experienced total investment losses attributable to shareholders, policyholders and other equity interests for the year ended 31 December 2008, compared to investment gains for the year ended 31 December 2007, reflecting major falls in investment markets in 2008 relative to 2007. Investment returns reflect the interests of both policyholders and shareholders. The vast majority of investment returns are attributable to wealth management products where the shareholder is not directly exposed to changes in asset values.

Total AMP group assets under management were \$105 billion at 31 December 2008, down 19% from \$129 billion at 31 December 2007.

Differences between underlying profit and statutory profit

The 2008 underlying profit of \$810 million excludes an investment income market adjustment of \$260 million.

It also excludes annuity fair value losses of \$117 million, seed pool valuation adjustment losses of \$42 million and loan hedge revaluation losses of \$41 million. However these three items are offset by the exclusion of accounting mismatch profits of \$157 million and other positive items of \$73 million.

Capital management

Capital and reserves of the group increased to \$2,037 million at 31 December 2008 from \$1,927 million at 31 December 2007 as a result of additional share capital issued, 2008 profits and other movements in reserves and contributed equity, partially offset by dividends paid during 2008.

AMP aims to have a capital buffer in excess of minimum regulatory requirements. The AMP group remains soundly capitalised with a surplus capital position of \$898 million above the minimum regulatory capital requirement at 31 December 2008.

In May 2008 AMP issued \$350 million in senior debt domestic bonds. The proceeds were applied to repay \$313 million equivalent of Euro medium-term notes, which were due to mature in November 2008.

On 5 November 2008 AMP raised \$450 million through an institutional placement of 85 million shares, and \$109 million through a shareholders' Share Purchase Plan. These issues enhanced AMP's capital position and increased its business flexibility.

In line with its strategy to optimise its capital mix, AMP continues to evaluate options to raise lower Tier 2 capital subject to market conditions.

AMP has declared a final dividend of 16 cents per share, giving a total dividend for the year ended 31 December 2008 of 40 cents per share (including two cents from the sale of Cobalt Gordian business). This takes AMP's dividend payout ratio to 89% of underlying profit for the year ended 2008. Future dividends are likely to be in the range of 75% to 85% of underlying profit.

AMP offers a dividend reinvestment plan (DRP) for shareholders. For the 2008 interim dividend, AMP removed the current participation limit of 10,000 shares per shareholder and issued new shares to satisfy participation in the plan. These revised conditions will also apply to the 2008 final dividend. The DRP will include a discount of 2.5% and will be partially underwritten to the extent that natural participation is less than 30%.

Impact of accounting mismatches on profit

During the year, the aggregate impact of accounting mismatches increased the net profit attributable to the shareholders of AMP Limited by \$157 million from \$423 million to \$580 million. These accounting mismatches drove a 37% increase in net profit although they have no impact on cash flow and value. Further details on accounting mismatches is provided in the accounting policies Note 1(d) in the Financial Report.

The accounting mismatches arise in respect of:

- gains and losses on 'treasury shares' (2008: gain \$73 million; 2007: loss \$30 million)
- gains and losses on investments in controlled entities of the life statutory funds (2008: gain \$80 million; 2007: loss \$37 million), and
- gains and losses on owner-occupied property (2008: gain \$4 million; 2007: loss \$11 million)
- discounting of deferred tax balances in the valuation of investment contract liabilities (2008: nil; 2007: gain \$7 million).

So that the AMP Limited Financial Report for year ended 31 December 2008 can be drawn up in accordance with Australian Accounting Standards and to present a true and fair view of the results of operations, the accounting mismatches are shown below the line.

Political donations

AMP's policy is that it does not make donations to political parties. No political donations were made during 2008.

Significant changes to the state of affairs

On 5 March 2008, AMP completed the sale of its closed reinsurance and general insurance operations, Cobalt/Gordian, to Enstar Group Limited for \$585 million. See Note 21 of the Financial Report for further details.

Details of capital changes during 2008 are set out earlier in this report.

There have been no other significant changes in the state of affairs during this financial year.

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 end of the year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

- During the last year, global financial and equity markets exhibited significant volatility, and this has continued since balance date. Due to this volatility, directly held investment property is now valued on a more regular basis. Independent property valuations conducted since the end of the financial year indicate the continuation of a declining trend in the valuation of the portfolio. As the majority of investment property is owned by the statutory funds of AMP Life, movements in valuations primarily impact AMP's liability to policyholders, and changes in the valuations have no direct impact on the shareholders' profit after tax.
- On 19 February 2009, AMP announced a final dividend on ordinary shares of 16 cents per share. Details of the announced final dividend and dividends paid and declared during the financial year are disclosed in Note 16 of the Financial Report.

Likely developments

In the opinion of the directors, disclosure of further information about likely developments in AMP's businesses is commercially sensitive and would likely be detrimental and result in unreasonable prejudice to the company.

The environment

AMP's environmental policy guides improvements in direct environmental impacts by reducing our use of energy, water, paper and other materials. It also outlines environmental considerations in our purchasing decisions and product design.

During 2008, AMP established an environment leadership team that is driving the improvement in AMP's operational environmental performance and is chaired by the Managing Director of AMP Capital Investors. The first step for this team was the agreement of new targets on energy use and waste recycling, which have been endorsed by senior management. In 2009, initiatives to meet these targets will be implemented, including new technology and employee awareness and participation activities.

As an investor, AMP believes that engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment. During 2008, AMP Capital Investors continued to be a signatory to the Carbon Disclosure Project (www.cdproject.net) and an active participant in the Investor Group on Climate Change (www.igcc.org.au). AMP Capital Investors is also a signatory to the United Nations Principles of Responsible Investment.

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.

The environment policy is available on AMP's website: www.amp.com.au

The Energy Efficiency Opportunities Act 2006 (the "EEO Act") came into effect on 1 July 2006. Under the EEO Act, AMP is required to assess its energy use and report publicly on the results of the assessment and its response.

AMP is currently registered with the Australian Government Department of Resources, Energy and Tourism for the Energy Efficiency Opportunities (EEO) program. It first became registered on 31 March 2007. AMP subsequently submitted its EEO Assessment and Reporting Schedule to the Department of Industry, Tourism and Resources in December 2007.

AMP has assessed energy efficiency opportunities of the AMP group and prepared a report which is available on the AMP website at www.amp.com.au/socialresponsibility

AMP is fully committed to the EEO program.

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 2008.

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

Indemnification and insurance of directors and officers

Under its Constitution, the company indemnifies, to the extent permitted by law, all officers of the company (including the directors) 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 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. 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
- 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 the following independence declaration from our auditor, Ernst & Young for the year ended 31 December 2008.



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 6248 5959
www.ey.com/au

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 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Andrew Price
Partner
19 February 2009

Liability limited by a scheme approved
under Professional Standards Legislation

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 2008, by the Company's auditor, Ernst & Young.

The Committee is 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.
- The level of fees for non-audit services amounted to \$1,005k or 9 per cent of total audit fees. (Refer to Note 33 of the Financial Report for further details.)

Remuneration report

Directors' report continued

Overview

This audited remuneration report from page 10 to page 30 provides details of AMP's remuneration policies and practices and explains how they are linked to company performance. The report also details the remuneration arrangements for the Managing Director and Chief Executive Officer (CEO) Craig Dunn, nominated executives and the non-executive directors of AMP Limited. This group includes the key management personnel as defined in the *Corporations Act 2001* (Cth) and for the purposes of AASB 124 *Related Party Disclosures*.

The CEO and nominated executives comprise the five 'company executives' and five 'relevant group executives' who have received the highest remuneration during the year, as those terms are defined by the *Corporations Act 2001* (Cth).

AMP's Remuneration Committee

The Remuneration Committee is a committee of the AMP Board. The Remuneration Committee advises the board on the structure, effectiveness, integrity and legal compliance of AMP's remuneration programs, policies and practices.

Key responsibilities include:

- annually reviewing and recommending to the board the total remuneration package of the CEO
- reviewing and approving the remuneration of the CEO's direct reports
- determining the terms and conditions and allocations of the long-term incentive grant, and
- reviewing and approving the performance measures and total expenditure for the AMP group's short-term incentive plan.

On 18 February 2009 the AMP Board approved broadened responsibilities for the committee to include:

- oversight of AMP's succession planning policy and its effectiveness
- review of AMP's talent management strategy and its effectiveness.

The name of the committee was changed to People and Remuneration Committee to better reflect these expanded responsibilities.

Members of the committee are non-executive directors Meredith Hellicar (Chairman), Peter Mason, David Clarke and John Palmer. The committee appoints independent external remuneration consultants to provide advice and market related information to the committee as required. Current terms of reference for the People and Remuneration Committee are available on the AMP website: www.amp.com.au

Significant changes

2009 Remuneration Review

In October, AMP management and the Remuneration Committee decided that there would be no increase in fixed remuneration for middle and senior management, including the CEO and his direct reports, as part of the 2009 remuneration review. This decision was made in response to the impact of the market downturn.

A proposal to increase the non-executive directors' fee pool from \$2.5 million to \$3 million per year was approved by shareholders at the 2008 Annual General Meeting. The board has resolved there will be no increase in non-executive directors' fees for the 2009 financial year. Full details of the remuneration paid to non-executive directors in 2008 are outlined on page 20.

Board changes

On 1 January 2008, Brian Clark was appointed to the AMP Board. On 14 May 2008, Professor Peter Shergold was appointed to the AMP Board.

Executive management

On 1 January 2008, Craig Dunn was appointed CEO and Managing Director, and Jonathan Deane was appointed to the new position of General Manager, Strategy. On 1 July 2008, Brian Salter was appointed General Counsel and Company Secretary. On 18 August 2008, Fiona Wardlaw was appointed General Manager, Human Resources.

1. Executive remuneration

1.1 CEO and nominated executives

The remuneration for the following executives is covered in this report:

Name	Position
<i>CEO and direct reports</i>	
Craig Dunn	Managing Director and Chief Executive Officer
Craig Meller	Managing Director, AMP Financial Services
Stephen Dunne	Managing Director, AMP Capital Investors
Paul Leaming	Chief Financial Officer
Lee Barnett	Chief Information Officer
Matthew Percival	General Manager, Public Affairs
Jonathan Deane	General Manager, Strategy
Brian Salter	General Counsel and Company Secretary
Fiona Wardlaw	General Manager, Human Resources
David Cohen	Former General Counsel (left AMP on 13 June 2008)
<i>Other executives</i>	
Philip Garling	Global Head of Infrastructure, AMP Capital Investors (reports to Stephen Dunne, Managing Director, AMP Capital Investors)

1.2 Philosophy

The AMP Board's approach to executive remuneration is to align remuneration with the creation of value for AMP shareholders. AMP's remuneration is market competitive and aims to attract, retain and motivate high calibre employees who contribute to the success of AMP's business.

AMP pays for performance. All executives have a significant component of their remuneration at risk. Specific details about these components are listed below.

1.3 Remuneration structure

During 2008, executive remuneration comprised four key components:

Fixed	1. Base salary, including salary sacrifice benefits and applicable Fringe Benefits Tax
	2. Superannuation
At risk	3. Short-term incentives (STI)
	4. Long-term incentives (LTI)

Base salary

An executive's salary is determined according to their level of responsibility, importance to the business and market competitiveness. Base salaries are fixed payments and are reviewed (but not necessarily increased) each year, taking into account the appropriate market-based salary for the role and individual.

The base salary is targeted around the median market rate. This means that AMP is ranked broadly in the middle of comparable companies for executive base salaries. Total remuneration above the market median can be achieved through AMP's short- and long-term incentives, which reward high levels of performance.

Superannuation

The CEO and direct reports receive superannuation contributions equal to nine per cent of the superannuation maximum contribution base. All other executives receive superannuation entitlements equal to 10.5 per cent of their base salary and their short-term incentive payment.

Executives may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative guidelines.

Short-term incentives

Short-term incentives (STI) are an annual at risk component of remuneration for the CEO, senior executives and permanent employees of the AMP group, which are paid in cash. Individuals earn STI based on the achievement of AMP's group-wide measures and personal objectives. The STI payment recognises individual high performance.

STI incentive pool

The size of the AMP group's short-term incentive pool available for distribution each year is determined by the People and Remuneration Committee. To make this determination, the People and Remuneration Committee assesses AMP's performance against financial and non-financial measures outlined below. The AMP Board has delegated this authority to the People and Remuneration Committee because it considers the committee is best placed to make this assessment.

The CEO then distributes the pool among business units and group functions based on their contribution to AMP's financial and non-financial results.

Measures

The following group-wide measures were used in 2008 to determine the size of the short-term incentive pool. These measures were chosen because they align with the company's strategy and objectives, as approved by the AMP Board, and provide an overall view of performance.

		Performance measure	How it is measured	Link to strategy
Financial measures	70%	Underlying return on equity	Underlying profit of the business after tax divided by the shareholder equity invested in the company	To position AMP in the top 25% of the Top 50 Industrials in the S&P/ASX100 Index for total shareholder return
		Business growth	Value of net cash flows for AFS and AMPCI, and value of new risk business	To achieve strong business growth, that is value enhancing for shareholders
		Total operating earnings	Profits earned by AMP's operating businesses, minus corporate costs	To position AMP in the top 25% of the Top 50 Industrials in the S&P/ASX100 Index for total shareholder return
		Cost to income ratio	Controllable costs divided by gross margin (being total operating earnings and underlying investment income before tax plus controllable costs)	To maintain and further improve capital and cost efficiencies
		Investment performance	Percentage of assets under management which met or exceeded their benchmarks and the value added to the AMP Life No. 1 Fund	To support AMPCI's purpose and strategy to become a high value-add investment manager
Non-financial measures	30%	Market and competitive positioning	Position in a range of industry surveys covering product and services areas such as superannuation, risk, pensions and investments	To increase market share in our core businesses of superannuation, retirement and individual risk insurance in Australia by developing and delivering market competitive products, services and platforms
		Progress in developing key stakeholder relationships, including customers, planners, regulatory bodies and employees, to support long-term business objectives	Stakeholder feedback from a range of surveys and research studies including: – employee culture and climate surveys – brand tracking – qualitative stakeholder research	To be acknowledged as a high performing company from the perspective of our different stakeholders
		Implementation of key growth initiatives		To achieve strong, sustainable business growth for the long term
		Effective risk management		To deliver business objectives in a manner consistent with AMP's appetite for risk

Individual STI objectives

Individual performance objectives, with both financial and non-financial measures, are set at the start of each year. These measures are chosen because they align with the objectives of the AMP group and relevant business units and functions.

Financial measures: An executive's financial measures may include some of the group-wide measures described above, as appropriate for the executive's role, as well as business-unit or function-specific measures.

Non-financial measures: Some non-financial measures will be common to all senior executive roles, for example leadership, culture, risk and compliance. In addition, executives will have measures that are specific to their business unit or function. Examples of non-financial measures for the CEO in 2008 included appropriate measures relating to AMP's growth strategy, risk management, approach to leadership and talent, personal leadership, and external positioning.

Range: The short-term incentive opportunity ranges from a maximum payment of 50 per cent of base salary for lower level executives up to a maximum of 200 per cent of base salary for the CEO, the Managing Director AFS, and Managing Director AMP Capital Investors. The maximum short-term opportunity depends on the scope of the individual's role (level, responsibility and criticality) and market considerations.

The performance of an individual is assessed by their immediate manager as they are best placed to do this. This assessment is calibrated against the performance of their peers to determine the individual's STI payment. Bonus recommendations are then signed off by the CEO and General Manager, Human Resources to ensure group-wide consistency and quality control. For direct reports to the CEO, the CEO makes a recommendation to the People and Remuneration Committee in relation to their STI payments.

The People and Remuneration Committee assesses the performance of the CEO against his individual objectives, as members of this committee are well placed to assess his performance. The People and Remuneration Committee then makes a recommendation to the AMP Board in relation to any STI payment for the CEO.

Infrastructure Targeted Incentive Plan (AMP Capital Investors)
The Infrastructure Targeted Incentive Plan is offered to relevant employees within the infrastructure business of AMP Capital Investors. This includes Philip Garling, Global Head of Infrastructure. The infrastructure team is responsible for identifying, acquiring and managing investments in areas such as transport, power, roads and water supply.

The objective of the Infrastructure Targeted Incentive Plan is to motivate employees to grow the infrastructure business in a profitable way, and to help retain key employees.

The plan creates a team incentive pool based on a fixed percentage of the realised profit achieved by the infrastructure business above a predetermined profit hurdle. The profit hurdle is set by reference to the infrastructure business plan and is chosen so as to align the interests of employees with the performance of the business. The team incentive pool is allocated amongst team members based on each individual's contribution to profitability over the short, medium and long term.

The AMP Capital Remuneration Committee (ACRC), is an executive committee of AMP Capital Investors, whose membership includes the CEO and the Managing Director, AMP Capital Investors. It determines the profit hurdle, assesses performance relative to the profit hurdle, and approves all individual allocations from the team incentive pool that is generated.

To provide a long-term focus for relevant employees, and to help retain key individuals, in cases when the employee's total annual incentive payment (that is, the sum of their Targeted Incentive Plan and STI payments) is greater than their base salary, the amount above their base salary is deferred for 18 months. If an employee leaves AMP during the deferral period they generally forfeit the entitlement to this amount. In some cases, such as retirement and redundancy, deferred incentives are paid upon termination.

In order to further align the interests of specific employees with AMP, employees in the infrastructure business are required to invest their deferred incentives into AMP Capital Investors managed funds. These investments are facilitated through a full-recourse, interest-free loan provided to employees at the commencement of the deferral period. The money lent to employees is invested wholly in AMP Capital Investors products.

The amount lent to employees is equivalent to the value of their deferred incentives. If the employee remains employed with AMP at the end of the deferral period, the proceeds from the payment of their deferred incentives are used to repay the loan. If the employee resigns from AMP during the deferral period, the employee retains their units in the managed funds but is required to repay the loan amount in full.

Long-term incentives

Long-term incentives (LTI) are the second at risk component of remuneration. LTI are primarily delivered in the form of performance rights and restricted shares. The CEO and his direct reports, as well as selected senior executives, are required to take their LTI grants 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. All other LTI participants are provided with a degree of choice over whether their LTI grant is composed of performance rights, restricted shares or a combination of the two.

In 2006, AMP introduced a policy as part of LTI participation that executives must not enter into any hedging arrangement in relation to any vested or unvested shares, options or performance rights. Breaches of this policy may lead to forfeiture of the relevant long-term incentives.

Immediately prior to the introduction of this policy, all performance rights holders were required to sign a declaration stating they had not previously engaged in hedging in relation to any vested or unvested shares, options or performance rights. In accepting a grant, executives are required to sign an agreement that they will not enter into any hedging arrangements in relation to their LTI.

1.4 Description of long-term incentive plans currently offered

1.4.1 Performance rights

A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period, provided a specific performance hurdle is met. Performance rights are granted at no cost to the participating executive. Prior to exercise, performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

Determining grant price

Prior to making the grant, a fair value is determined by an independent external consultant. This value is based on the share price prevailing at the beginning of the performance period, discounted for the possibility that the performance hurdle may not be met in full. Therefore, the value of a performance right at the end of the performance period, if it vests, is likely to be different to the value when first granted.

How performance rights are allocated

The eligibility for and number of performance rights awarded to executives, other than the CEO, is proposed by the CEO and approved by the People and Remuneration Committee. The eligibility for and number of performance rights awarded to the CEO is proposed by the People and Remuneration Committee and approved by the board, and then subsequently presented for shareholder approval at the AMP Limited Annual General Meeting. The number of performance rights awarded to eligible executives is determined by dividing the dollar value of their approved long-term incentive award by the grant price.

Calculating the allocation of performance rights

Base salary	x	Approved LTI award (% of base salary)	÷	Grant price	=	Number of rights allocated
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The performance hurdle

The number of performance rights that vest is determined by a vesting schedule based on the performance of AMP relative to a comparator group of companies listed on the Australian Securities Exchange (ASX) over a three-year performance period. The performance measure is AMP's Total Shareholder Return (TSR) relative to that of the top 50 industrials in the Standard & Poors/Australian Securities Exchange (S&P/ASX) 100 Index as at the start of the performance period. The performance hurdle and vesting schedule were chosen because they align executives' remuneration with the creation of shareholder value relative to peer companies. More details of the performance hurdle and vesting schedule are set out on pages 15 to 16.

At the end of the performance period, AMP's People and Remuneration Committee receives data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. An independent external consultant is appointed to ensure AMP's performance is measured objectively. The People and Remuneration Committee then determines the number of performance rights that vest by applying this data to the vesting schedule.

The value of the LTI at the end of the performance period

Performance rights have a three year performance period. The value of the LTI to a participant at the end of the performance period (also referred to as the vesting date) would be the amount calculated as follows:

Performance measure achieved %	x	Number of rights allocated	=	Number of rights that vest
Number of rights that vest	x	Market value of shares at the end of the performance period	=	Value of LTI at the end of the performance period

For example:

In 2008, the performance rights granted in September 2005 vested. At the time of the grant, the fair value per performance right was determined to be \$4.19. As AMP's total shareholder return ranked in the top quartile of the comparator group, 100 per cent of the performance rights held by executives in respect of this grant vested and could be exercised for AMP shares. At the time the performance rights vested the AMP share price was \$6.56.

For an executive who was granted 50,000 performance rights in 2005, the fair value of their performance rights at the time of grant was:

Number of performance rights allocated 50,000	x	Fair value of each performance right at date of grant \$4.19	=	Total fair value of performance rights at date of grant \$209,500
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The value to the executive of the performance rights at the end of the performance period, i.e. after three years was:

Performance measure achieved 100%	x	50,000 rights allocated	=	50,000 rights that vest
50,000 rights that vest	x	Market value of shares at the end of the performance period is \$6.56	=	Value of LTI at the end of the performance period is \$328,000

In cases where the performance criteria are not met, the value of the performance rights is zero as they do not vest. For example, performance rights granted in 2002 did not vest at the end of the performance period in 2005 and therefore lapsed.

Exercising performance rights – converting to shares

Executives have two years from the end of the performance period to exercise any performance rights that vest at a nominal exercise price (\$1 per tranche of shares acquired on exercise). If the performance hurdle is not achieved the performance rights lapse immediately without retesting of the performance hurdle.

When executives exercise performance rights, these AMP shares are bought on market so there is no dilutionary effect on the value of existing AMP shares.

Treatment of performance rights on ceasing employment

Unvested performance rights will lapse when an executive resigns from AMP. All performance rights, whether vested or unvested, will also lapse on termination due to misconduct or inadequate performance. In some other cases, such as retirement and redundancy, performance rights continue to be held subject to the same performance hurdle and performance period.

Current grants

The following table summarises the terms and conditions of performance rights awarded to the CEO and executives for grants made during the annual LTI grant process.

Plan	2008 annual grant	2007 annual grant	2006 annual grant	2005 annual grant
Grant date	19 September 2008	5 September 2007 (with additional grant for Craig Meller effective 21 September 2007)	8 September 2006	1 September 2005
Performance period	1 August 2008 – 31 July 2011	1 August 2007 – 31 July 2010	1 August 2006 – 31 July 2009	1 August 2005 – 31 July 2008
Retesting	No retesting applies on any grants of performance rights			
Exercise period	1 August 2011 – 31 July 2013	1 August 2010 – 31 July 2012	1 August 2009 – 31 July 2011	1 August 2008 – 31 July 2010
Expiry date	1 August 2013	1 August 2012	1 August 2011	1 August 2010
Performance condition	AMP's TSR ranking compared to that of the S&P/ASX 100 top 50 companies (industrials) as at the commencement of the performance period. The share prices for the purposes of calculating the share price growth component of TSR are averaged over the previous three months.			
Vesting schedule	– None vest if AMP's TSR ranking is below the 50th percentile of the market comparator group. – 50% vest if AMP's TSR ranking is at the 50th percentile of the market comparator group. – Between the 50th and 75th percentile, vesting is 50% + 2% for each percentile rounded to the nearest whole percentile over the 50th percentile of the comparator group. – 100% vest if AMP's TSR ranking is in at least the 75th percentile of the market comparator group.			
Comparator group (for all grants)	AGL Energy Ltd, Amcor Ltd, AMP Ltd, ANZ Banking Group Ltd, AXA Asia Pacific Holdings Ltd, Boral Ltd, Brambles Ltd, Coca-Cola Amatil Ltd, Commonwealth Bank of Australia, CSL Ltd, Dexu Property Group (previously known as DB Reef Trust), Fairfax Media Ltd, Foster's Group Ltd, Goodman Group, GPT Group, Insurance Australia Group Ltd, Lend Lease Corporation Ltd, Macquarie Airports, Macquarie Group Limited (previously known as Macquarie Bank Ltd), Macquarie Infrastructure Group, Mirvac Group, National Australia Bank Ltd, Orica Ltd, Qantas Airways Ltd, QBE Insurance Group Ltd, Sonic Healthcare Ltd, Stockland, Suncorp-Metway Ltd, Tabcorp Holdings Ltd, Telstra Corporation Ltd, Toll Holdings Ltd, Transurban Group, Wesfarmers Ltd, Westfield Group, Westpac Banking Corporation, Woolworths Ltd <i>St George Bank Ltd was also part of the comparator group for all grants but is no longer listed, following the merger with Westpac Banking Corporation Ltd.</i>			
	plus (for the 2008 annual grant) ASX Limited, Bendigo and Adelaide Bank Limited, Boart Longyear Limited, CFS Retail Property Trust, Computershare Limited, Crown Limited, Incitec Pivot Limited, Leighton Holdings Limited, Lion Nathan Limited, Metcash Limited, News Corporation, Tatts Group Limited, Telecom Corporation of New Zealand Limited.	plus (for the 2007 annual grant) Aristocrat Leisure Ltd, Asciano Group, ASX Limited, Babcock & Brown Ltd, Centro Properties Group, Computershare Ltd, Consolidated Media Holdings Ltd (previously known as Publishing & Broadcasting Ltd), Leighton Holdings Ltd, News Corporation, Tatts Group Ltd. <i>(The following companies are no longer listed, but were originally included in the 2007 comparator group: Alinta Ltd, Coles Group Ltd, Investa Property Group Ltd)</i>	plus (for the 2006 annual grant) Aristocrat Leisure Ltd, ASX Limited, Centro Properties Group, Computershare Ltd, Consolidated Media Holdings Ltd (previously known as Publishing & Broadcasting Ltd), CSR Ltd, James Hardie Industries NV, Telecom Corporation of NZ Ltd. <i>(The following companies are no longer listed, but were originally included in the 2006 comparator group: Coles Group Ltd, Investa Property Group Ltd, Promina Group Ltd, Resmed Inc, Rinker Group Ltd)</i>	plus (for the 2005 annual grant) Aristocrat Leisure Ltd, Centro Properties Group, Consolidated Media Holdings Ltd (previously known as Publishing & Broadcasting Ltd), James Hardie Industries NV, Telecom Corporation of NZ Ltd. <i>(The following companies are no longer listed, but were originally included in the 2005 comparator group: Coles Group Ltd, Foodland Associated, Investa Property Group Ltd, News Corporation Ltd (redomiciled in November 2004 in United States and ceased trading on ASX), Patrick Corporation Ltd, Promina Group Ltd, Rinker Group Ltd, Symbion Health)</i>
Capital return adjustment	To compensate for the reduction in the value of performance rights resulting from the 2005, 2006 and 2007 capital returns, the arrangements with holders were altered so that, in respect of each capital return, they are entitled to be paid 40 cents for each performance right held immediately prior to the relevant capital return that subsequently vests and is converted into an AMP share. For example, an executive holding performance rights granted in 2006 will be entitled to a payment of 40 cents for each performance right granted in 2006 that vests, i.e. after the three year performance period and if the performance criteria are met. Executives who held performance rights granted in 2005 that vested in 2008 received 80 cents for each of those performance rights. No other terms described above were altered. The fair value of each grant of performance rights immediately prior to the alteration was the same as the fair value immediately after the alteration. Further details of the alteration are set out in Section 2.5 of this report.			

2008 CEO grant

Craig Dunn was appointed Managing Director and CEO of AMP on 1 January 2008. At the 2008 Annual General Meeting an additional LTI grant was approved to recognise Craig's promotion to the role of Managing Director and CEO. The details of this additional grant are as follows:

2008 CEO grant	
Grant date	6 June 2008
Performance period	1 January 2008 – 31 December 2010
Retesting	No retesting applies on any grants of performance rights
Exercise period	1 January 2011 – 31 December 2012
Expiry date	1 January 2013
Performance condition	AMP's TSR ranking compared to that of the S&P/ASX 100 top 50 companies (industrials) as at the commencement of the performance period. The share prices for the purposes of calculating the share price growth component of TSR are averaged over the previous three months.
Vesting schedule	– None vest if AMP's TSR ranking is below the 50th percentile of the market comparator group. – 50% vest if AMP's TSR ranking is at the 50th percentile of the market comparator group. – Between the 50th and 75th percentile, vesting is 50% + 2% for each percentile rounded to the nearest whole percentile over the 50th percentile of the comparator group. – 100% vest if AMP's TSR ranking is in at least the 75th percentile of the market comparator group.
Comparator group	AGL Energy Ltd, Amcor Ltd, AMP Ltd, ANZ Banking Group Ltd, Aristocrat Leisure Ltd, Asciano Group, ASX Ltd, AXA Asia Pacific Holdings Ltd, Babcock & Brown Ltd, Bendigo and Adelaide Bank Ltd, Boral Ltd, Brambles Industries Ltd, Coca-Cola Amatil Ltd, Cochlear Ltd, Commonwealth Bank of Australia, Computershare Ltd, Crown Ltd, CSL Limited, Dexu Property Group (previously known as DB Reef Trust), Fairfax Media Ltd, Foster's Group Ltd, GPT Group, Goodman Group (previously known as Macquarie Goodman), Harvey Norman Holdings Ltd, Incitec Pivot Ltd, Insurance Australia Group Ltd, Leighton Holdings Ltd, Lend Lease Corporation Ltd, Macquarie Airports, Macquarie Group Ltd (previously known as Macquarie Bank Ltd), Macquarie Infrastructure Group, Mirvac Group, National Australia Bank Ltd, News Corporation B, Orica Ltd, Qantas Airways Ltd, QBE Insurance Group Ltd, Sonic Healthcare Ltd, Stockland, Suncorp-Metway Ltd, Tabcorp Holdings Ltd, Tatts Group Ltd, Telstra Corporation Ltd, Toll Holdings Ltd, Transurban Group, Wesfarmers Ltd, Westfield Group, Westpac Banking Corporation Ltd, Woolworths Ltd. <i>St George Bank Ltd is no longer listed following the merger with Westpac Banking Corporation Ltd, but was originally included in the 2008 comparator group.</i>

1.4.2 Restricted shares

A restricted share is an ordinary AMP share that has a holding lock in place until the three year vesting period ends. The purpose of restricted shares is to recognise high performing employees who contribute significantly to AMP's overall business success, and to help retain them. The CEO and his direct reports cannot elect to take their annual LTI grant in the form of restricted shares.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply. However, the shares are subject to a holding lock until the end of a three-year vesting period. If the individual resigns from AMP (or is terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited. In some other cases such as retrenchment, 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.

1.4.3 Employee Share Acquisition Plan

AMP currently offers all eligible employees and executives the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP). Under ESAP, participants can elect to receive part of their base salary (and any short-term incentive payments) in the form of AMP shares. There are no performance hurdles applied to these shares as participants sacrifice part of their salary to acquire the shares.

As an additional incentive to acquire shares, participants are entitled to receive (at no cost to the participant) one matching share for every 10 shares acquired (up to a maximum of 100 matching shares in any 12-month period). To receive the full entitlement to matching shares, shares must be held in the plan for a minimum of three years. There are no performance conditions for receiving matching shares as ESAP is primarily designed to encourage employee share ownership, through participation in the plan. Matching shares are bought on market.

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 share entitlement, depending on the reason for leaving the company. To receive the maximum entitlement to matching shares, participants must be employed for the whole three-year period.

Impact of capital returns on matching shares

Shareholders approved capital returns of 40 cents per share at the AMP Limited Annual General Meetings in 2005, 2006 and 2007.

To compensate for the reduction in the value of entitlements to matching shares resulting from the 2005, 2006 and 2007 capital returns, the arrangements with ESAP participants were altered. As a result, in respect of each capital return, they are entitled to be paid 40 cents for each matching share entitlement held in ESAP immediately prior to the relevant capital return that vests and is converted into an AMP share. For example, participants who held matching share entitlements under the plan immediately prior to the 2006 capital return will be paid 80 cents for each matching share that vests in 2009. Participants who held matching share entitlements under the plan immediately prior to the 2005 capital return were paid \$1.20 for each matching share that vested in 2008. The fair value

of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration. Further details of the alteration are set out in Section 2.5 of this report.

1.4.4 AMP Capital Associates Plan

The AMP Capital Associates Plan is offered to selected AMP Capital Investors executives including Stephen Dunne, Managing Director, AMP Capital Investors and Philip Garling, Global Head of Infrastructure.

The objective of the AMP Capital Associates Plan (CAP) is to motivate and retain key executives in AMP Capital Investors by strengthening the alignment of their interests with the long term performance of AMP Capital Investors.

Selected executives within AMP Capital Investors may participate in the AMP Capital Associates Plan. Participants in the plan use their own money to invest in deferred purchase agreements with AMP Capital Holdings Limited. Participants also have the opportunity to borrow money through AMP Banking on full commercial terms, in order to fund their investment. Each deferred purchase agreement is known as a CAP unit. CAP units are notional shares in AMP Capital Investors and allow participants to share in the performance of AMP Capital Investors through annual cash distributions on CAP units and participation in the change in capital value of CAP units. The capital value is realised on redemption of the units. Distributions are linked to a measure of the yield of AMP Capital Investors, and the capital value of CAP units is based on independent external valuations of AMP Capital Investors. There are no performance hurdles associated with the plan as participants use their own money to invest in the CAP units.

On the third anniversary of the purchase of each tranche of CAP units, a one-off bonus distribution equal to 10 per cent of the capital value of that tranche is made in cash to the participant provided that the CAP units have not been redeemed. A participant may only receive bonus distributions on those CAP units for which the aggregate purchase price paid by the participant (across all tranches) is less than or equal to \$1 million. The bonus distribution is compensation for reduced liquidity as, generally, the first opportunity for redemption of the investment is after three years. There are no performance conditions for receiving the bonus distribution.

A minimum holding period of three years applies before CAP units can be redeemed by continuing employees. On redemption, the capital value of the participant's CAP unit holdings is transferred to units in selected AMP Capital unit trusts.

In the event of termination of employment with AMP, holders are generally required to redeem their units. In the case of redundancy, holders have the option to redeem either at the time of termination, or three years after the investment was made. In the case of resignation or termination due to misconduct or poor performance prior to the third anniversary of the purchase of the relevant CAPs, the redemption value will be equal to the lesser of the opening value of the CAPs or the most recent valuation of the CAPs. In some other cases, such as redundancy, the redemptions will be made using the most recent valuation of the CAPs.

Four tranches of CAPs purchases have been made – on 1 January 2005, 1 January 2006, 1 January 2007 and 1 January 2008. A further tranche is planned for 2009.

2. Remuneration tables

This section provides the remuneration details for the CEO and nominated executives and the non-executive directors.

CEO and nominated executives

The following table shows the remuneration details for the Managing Director and Chief Executive Officer (CEO) and nominated executives. The CEO and nominated executives comprise the five 'company executives' and five 'relevant group executives' receiving the highest remuneration during the year, as well as the key management personnel (as those terms are defined by the *Corporations Act 2001*).

Executive		Short-term employee benefits		Post-employment benefits		Subtotal \$'000	Share-based payments ²		Other long-term benefits		Termination payments		Grand total \$'000
		Cash salary \$'000	Short-term incentive \$'000	Other short-term benefits \$'000	Super-annuation benefits ¹ \$'000		Value of options and performance rights ³ \$'000	Value of matching shares and restricted shares ⁴ \$'000	CAPs – bonus distribution ⁵ \$'000	Deferred incentive payment ⁶ \$'000	Cash based payments \$'000	Share based payments \$'000	
Craig Dunn, Managing Director and Chief Executive Officer ⁷	2008	1,387	1,162	–	13	2,562	1,287	–	–	–	–	–	3,849
	2007	879	1,155	–	214	2,248	726	12	–	–	–	–	2,986
Craig Meller, Managing Director, AMP Financial Services ⁸	2008	890	786	–	13	1,689	577	–	–	–	–	–	2,266
	2007	613	659	–	87	1,359	354	–	–	–	–	–	1,713
Paul Leaming, Chief Financial Officer	2008	891	523	–	29	1,443	717	–	–	–	–	–	2,160
	2007	782	900	–	177	1,859	528	9	–	–	–	–	2,396
Stephen Dunne, Managing Director, AMP Capital Investors	2008	870	463	–	27	1,360	647	–	13	–	–	–	2,020
	2007	698	1,080	1	187	1,966	452	–	83	–	–	–	2,501
Lee Barnett, Chief Information Officer	2008	656	442	–	24	1,122	488	–	–	–	–	–	1,610
	2007	550	641	–	125	1,316	320	–	–	–	–	–	1,636
Matthew Percival, General Manager, Public Affairs	2008	490	289	–	21	800	422	1	–	–	–	–	1,223
	2007	454	512	–	101	1,067	324	6	–	–	–	–	1,397
Brian Salter, General Counsel and Company Secretary ⁹	2008	345	300	300	13	958	104	–	–	–	–	–	1,062
	2007					n/a							n/a
Jonathan Deane, General Manager, Strategy ¹⁰	2008	462	249	3	13	727	189	1	–	–	–	–	917
	2007					n/a							n/a
Fiona Wardlaw, General Manager, Human Resources ^{11,12}	2008	210	121	289	5	625	86	16	–	–	–	–	727
	2007					n/a							n/a
Philip Garling, Global Head of Infrastructure, AMP Capital Investors ¹³	2008	426	430	2	52	910	–	–	26	880	–	–	1,816
	2007	406	410	–	73	889	–	–	44	1,577	–	–	2,510
David Cohen, General Counsel (left AMP on 13 June 2008) ¹⁴	2008	261	–	–	27	288	(704)	–	–	–	–	–	(416)
	2007	573	653	0	129	1,355	390	8	–	–	–	–	1,753
2008 Total		6,888	4,765	594	237	12,484	3,813	18	39	880	–	–	17,234
2007 Total		4,955	6,010	1	1,092	12,058	3,094	35	127	1,577	–	–	16,891
2007 Total for CEO and executives disclosed in 2007 ¹⁵		7,329	9,399	1	1,234	17,963	5,754	82	127	1,577	3,747	3,922	33,172

Footnotes 1 to 15 are listed over the page

Footnote:

- 1 All nominated executives receive superannuation contributions equal to 9% of the superannuation maximum contribution base.
- 2 All share-based payments are equity settled as per AASB 2.
- 3 The fair value of options and performance rights has been calculated as at the grant date by external consultants using Monte Carlo simulation techniques. Fair value has been discounted for the probability of not meeting the performance hurdles. The value of the award made in any year is amortised over the vesting period.
- 4 The fair value of restricted shares has been determined using the share price of AMP ordinary shares on the grant date. Under the Employee Share Acquisition Plan (ESAP) participating employees may receive matching shares at the end of the specified vesting period. The employee has no right to dividends on these matching shares until after they are granted. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at grant date less the present value of the expected dividends (not received). The value of the award made in any year is amortised over the vesting period.
- 5 The fair value of the bonus distribution in the AMP Capital Associates Plan has been determined as being 10% of the capital value of each tranche of CAP units as at the most recent valuation date. The value of the bonus distribution is amortised over the three-year vesting period.
- 6 Philip Garling participates in both the AMP Short-term Incentive scheme and the Infrastructure Targeted Incentive Plan. The reported values in both the 'short-term incentive' and 'deferred incentive payments' columns include amounts from these two schemes. Details about the Infrastructure Targeted Incentive Plan are outlined on page 13.
- 7 Craig Dunn was appointed Managing Director and Chief Executive Officer on 1 January 2008.
- 8 Craig Meller was appointed Managing Director, AMP Financial Services on 15 October 2007.
- 9 Brian Salter joined AMP on 1 July 2008. As part of his employment contract, Brian received a sign-on payment of \$300,000.
- 10 Jonathan Deane was appointed General Manager, Strategy on 1 January 2008. As per contractual arrangements, AMP paid \$2,750 in relation to tax advice for Jonathan.
- 11 Fiona Wardlaw joined AMP on 18 August 2008. As part of her employment contract Fiona received a sign-on payment of \$100,000, and payments totalling \$188,744 relating to relocation expenses.
- 12 Fiona Wardlaw received a \$100,000 grant of restricted shares, with half of these shares due to vest two years after her commencement date, and the remaining shares vesting three years after her commencement date.
- 13 Philip Garling is not a direct report to the CEO. However, he is included as one of the five 'relevant group executives' receiving the highest remuneration for 2008. AMP paid \$975 in medical insurance for Philip while he was on an overseas assignment.
- 14 David Cohen's total remuneration for 2008 was negative as a consequence of his performance rights lapsing upon resignation from AMP.
- 15 In line with disclosure requirements, the totals for year ended 31 December 2007 relate to individuals disclosed in the 2007 annual report and so do not equal the sum of amounts disclosed for individuals specified for the 2008 report.

Non-executive directors

The table below shows the remuneration details for the non-executive directors of AMP Limited for 2008. For further details about the remuneration for non-executive directors go to section 5 on page 29.

		Short-term benefits					Post employment benefits	Total \$'000
		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	Super-annuation \$'000	
Peter Mason, Chairman	2008	537	—	—	20	—	50	607
	2007	515	—	—	—	—	46	561
Brian Clark ³	2008	156	62	6	—	—	20	244
	2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a
David Clarke	2008	168	—	6	—	—	16	190
	2007	152	15	6	—	—	16	189
Richard Grellman	2008	198	119	6	20	—	31	374
	2007	182	170	6	—	—	36	394
Meredith Hellicar	2008	181	166	6	20	—	34	407
	2007	165	160	6	—	—	30	361
John Palmer ⁴	2008	164	110	6	—	—	23	303
	2007	61	111	3	—	—	13	188
Nora Scheinkestel	2008	183	69	6	—	—	23	281
	2007	170	66	6	—	—	22	264
Peter Shergold ⁵	2008	107	31	4	—	—	13	155
	2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total for 2008		1,694	557	40	60	—	210	2,561
Total for 2007 for non-executive directors disclosed above		1,245	522	27	—	—	163	1,957
2007 total for non-executive directors disclosed 2007 ⁶		1,374	586	32	—	—	181	2,173

Footnote:

- 1 Details of the non-executive directors' committee memberships and directorships of subsidiary boards are set out in the following table.
- 2 Relates to additional work performed for AMP Group capital initiatives.
- 3 Brian Clark was appointed to the AMP Limited Board on 1 January 2008.
- 4 John Palmer was appointed to the People and Remuneration Committee on 13 February 2008.
- 5 Peter Shergold was appointed to the AMP Limited Board on 14 May 2008.
- 6 In line with disclosure requirements, the totals for year ended 31 December 2007 relate to individuals disclosed in the 2007 annual report and so do not equal the sum of amounts disclosed for individuals specified for the 2008 annual report.

Board, committee and subsidiary board membership during 2008

	AMP Limited Board	Audit Committee	Nomination Committee	People and Remuneration Committee	AMP Life Board	AMP Life Audit Committee	Gordian RunOff Limited ¹	Gordian RunOff Audit Committee ¹	AMP Capital Investors Board	AMP Capital Audit Committee	AMP Bank Board
Peter Mason ²	■	■	■	■							
Brian Clark	■		■						■	■	
David Clarke	■	■		■							
Richard Grellman	■	■	■		■	■	■	■		■	
Meredith Hellicar	■			■	■						■
John Palmer	■			■	■	■					
Nora Scheinkestel	■	■	■						■	■	
Peter Shergold	■	■			■						

Footnote:

1 The Gordian RunOff Board and Audit Committee were dissolved following the sale of this business on 5 March 2008.

2 Peter Mason was a member of the Audit Committee from 8 February 2008 to 30 July 2008.

■ indicates chairman of a board or committee

■ indicates director or member of a board or committee

2.1 Remuneration mix

The table below shows the percentage of total remuneration for 2008 that is related to performance for the CEO and nominated executives. Fixed pay and benefits account for 37 per cent of the total remuneration for the CEO and 27 to 69 per cent of the total remuneration for nominated executives.

Executive ¹	Fixed pay and benefits ²	At risk				Total
		Performance based		Service based		
		STI ³	Performance rights and options ⁴	Matching and restricted shares	CAP units bonus distribution	
Craig Dunn Chief Executive Officer	37%	30%	33%	—	—	100%
Craig Meller Managing Director, AMP Financial Services	40%	35%	25%	—	—	100%
Paul Leaming Chief Financial Officer	43%	24%	33%	—	—	100%
Stephen Dunne Managing Director, AMP Capital Investors	44%	23%	32%	—	1%	100%
Lee Barnett Chief Information Officer	43%	27%	30%	—	—	100%
Matthew Percival General Manager, Public Affairs	41%	24%	35%	—	—	100%
Brian Salter General Counsel and Company Secretary	62%	28%	10%	—	—	100%
Jonathan Deane General Manager, Strategy	52%	27%	21%	—	—	100%
Fiona Wardlaw General Manager, Human Resources	69%	17%	12%	2%	—	100%
Philip Garling Global Head of Infrastructure, AMP Capital Investors	27%	72%	—	—	1%	100%

Footnote:

1 David Cohen's total remuneration for 2008 was negative as a consequence of his performance rights lapsing upon resignation from AMP. He was therefore excluded from this table, as it was not possible to disclose a meaningful remuneration mix.

2 Comprises base salary, superannuation on base salary and non-monetary benefits.

3 Includes superannuation paid on STI, and the Infrastructure Targeted Incentive Plan payments for Philip Garling.

4 For the purposes of executive remuneration disclosure under the *Corporations Act 2001*, performance rights are options.

2.3 Performance rights holdings

The table below summarises the movements, by number, in the holdings of performance rights granted by AMP Limited to the CEO and nominated executives. For details on how the fair value of performance rights have been determined, see section 1.4.1. The fair values shown are as at the dates the performance rights were granted. Philip Garling does not hold performance rights.

The performance rights granted:

- in 2005 were impacted by the capital returns made in 2006 and 2007, and
- in 2006 were impacted by the capital return made in 2007.

See section 2.5 for further information on the impact of capital returns on performance rights.

Name	Grant date	Fair value per performance right	Market price on exercise	Holding at 1 Jan 2008	Rights granted in 2008	Rights exercised in 2008 ^{1,2}	Rights lapsed in 2008	Holding at 31 Dec 2008	Vested and exercisable at 31 Dec 2008
Craig Dunn	1 Sep 05	\$4.19	\$7.05	116,291	—	116,291	—	—	—
	8 Sep 06	\$4.13	—	203,451	—	—	—	203,451	—
	5 Sep 07	\$6.01	—	238,298	—	—	—	238,298	—
	6 Jun 08	\$3.56	—	—	102,914	—	—	102,914	—
	19 Sep 08	\$3.81	—	—	586,593	—	—	586,593	—
Total			—	558,040	689,507	116,291	—	1,131,256	—
Craig Meller	1 Sep 05	\$4.19	\$7.36	59,725	—	59,725	—	—	—
	8 Sep 06	\$4.13	—	83,706	—	—	—	83,706	—
	5 Sep 07	\$6.01	—	73,171	—	—	—	73,171	—
	21 Sep 07	\$5.65	—	68,448	—	—	—	68,448	—
	19 Sep 08	\$3.81	—	—	258,380	—	—	258,380	—
Total				285,050	258,380	59,725	—	483,705	—
Paul Leaming	1 Sep 05	\$4.19	\$7.25	103,025	—	103,025	—	—	—
	8 Sep 06	\$4.13	—	133,929	—	—	—	133,929	—
	5 Sep 07	\$6.01	—	154,739	—	—	—	154,739	—
	19 Sep 08	\$3.81	—	—	259,777	—	—	259,777	—
Total			—	391,693	259,777	103,025	—	548,445	—
Stephen Dunne	1 Sep 05	\$4.19	\$7.36	87,290	—	87,290	—	—	—
	8 Sep 06	\$4.13	—	115,328	—	—	—	115,328	—
	5 Sep 07	\$6.01	—	139,265	—	—	—	139,265	—
	19 Sep 08	\$3.81	—	—	258,380	—	—	258,380	—
Total			—	341,883	258,380	87,290	—	512,973	—
Lee Barnett	1 Sep 05	\$4.19	\$7.09	50,536	—	50,536	—	—	—
	8 Sep 06	\$4.13	—	89,286	—	—	—	89,286	—
	5 Sep 07	\$6.01	—	110,252	—	—	—	110,252	—
	19 Sep 08	\$3.81	—	—	193,576	—	—	193,576	—
Total			—	250,074	193,576	50,536	—	393,114	—
Matthew Percival	1 Sep 05	\$4.19	\$7.09	66,157	—	66,157	—	—	—
	8 Sep 06	\$4.13	—	83,706	—	—	—	83,706	—
	5 Sep 07	\$6.01	—	88,008	—	—	—	88,008	—
	19 Sep 08	\$3.81	—	—	143,297	—	—	143,297	—
Total			—	237,871	143,297	66,157	—	315,011	—
Brian Salter	19 Sep 08	\$3.81	—	—	195,531	—	—	195,531	—
Total			—	—	195,531	—	—	195,531	—
Jonathan Deane	1 Sep 05	\$4.19	\$7.09	24,886	—	24,886	—	—	—
	8 Sep 06	\$4.13	—	29,018	—	—	—	29,018	—
	5 Sep 07	\$6.01	—	29,269	—	—	—	29,269	—
	19 Sep 08	\$3.81	—	—	132,682	—	—	132,682	—
Total			—	83,173	132,682	24,886	—	190,969	—
Fiona Wardlaw	19 Sep 08	\$3.81	—	—	162,012	—	—	162,012	—
Total			—	—	162,012	—	—	162,012	—
David Cohen	1 Sep 05	\$4.19	—	74,426	—	—	74,426	—	—
	8 Sep 06	\$4.13	—	102,307	—	—	102,307	—	—
	5 Sep 07	\$6.01	—	112,186	—	—	112,186	—	—
Total			—	288,919	—	—	288,919	—	—

Footnote:

- 1 This column shows the number of fully-paid ordinary shares in AMP Limited that were delivered by AMP Limited on exercise of the relevant performance rights. A nominal exercise price of \$1 for all shares received on the exercise of performance rights in a particular grant was paid by the holder. No amount remains unpaid per share.
- 2 All rights exercised in 2008, with grant date in 2005, vested during 2008. No other performance rights grants vested during 2008.

2.4 Option holdings

The table below summarises the movements, by number, in the options granted by AMP Limited to the CEO and nominated executives under the former Executive Option Plan. Options are no longer granted under that plan. Craig Meller, Brian Salter, Fiona Wardlaw, Matthew Percival and Philip Garling do not hold options.

Name	Grant date	Exercise price	Holding at 1 Jan 2008	Options granted in 2008	Options exercised in 2008	Options lapsed in 2008	Holding at 31 Dec 2008 ¹
Craig Dunn	19 Feb 00	\$9.91	30,000	—	—	—	30,000
Paul Leaming	26 Jun 99	\$11.44	40,000	—	—	—	40,000
Stephen Dunne	26 Jun 99	\$11.44	10,000	—	—	—	10,000
Lee Barnett	26 Jun 99	\$11.44	20,000	—	—	—	20,000
Jonathan Deane	30 Jun 00	\$11.57	10,000	—	—	—	10,000

Footnote:

1 No options vested in 2008. All holdings at 31 December 2008 are exercisable.

2.5 Vesting of incentives

2.5.1 Incentives that vested, were paid or lapsed during 2008

Short-term incentives

100 per cent of the 2008 short-term incentives for each nominated executive will be paid in cash on 19 March 2009.

With the exception of Philip Garling, no short-term incentives for any nominated executives are deferred.

Philip Garling will receive 33 per cent of his short-term incentive payments on 19 March 2009. The balance of the short-term incentive will vest in September 2010. Deferred incentives are forfeited in the event of resignation.

Long-term incentives

100 per cent of the performance rights awarded to nominated executives on 1 September 2005 vested during 2008 as the performance hurdles for the respective grants were met in full.

100 per cent of the matching share entitlements for nominated executives in respect of shares acquired through the Employee Share Acquisition Plan at various dates in 2005 vested during 2008 as they met the service requirements of these entitlements.

No other long-term incentives awarded to nominated executives in this or previous financial years (as identified below) vested or were forfeited in 2008. Vesting of long-term incentives in future financial years is subject to performance hurdles and/or service requirements.

Incentives that may vest in future years

As described in section 1.3, a portion of the STI and Targeted Incentive Plan (TIP) payments for Philip Garling are deferred for 18 months. The maximum value of Philip Garling's deferred STI and TIP payments for the years 2009 and 2010 is \$1,106,000 and \$1,668,500 respectively. All deferred incentives are forfeited in the event of resignation. Consequently the minimum value of the deferrals in each case would be zero.

Matthew Percival, Lee Barnett, Jonathan Deane and Philip Garling currently hold shares under the Employee Share Acquisition Plan. The maximum number of matching shares they would be entitled to for 2009, 2010 and 2011 is presented in the following table:

	Maximum number of matching shares		
	2009	2010	2011
Lee Barnett	—	74	100
Matthew Percival	100	100	100
Jonathan Deane	72	70	100
Philip Garling	6	6	9

The entitlement to matching shares is forfeited if the employee resigns within three years of purchasing the shares. The minimum matching share entitlement in a given year would therefore be zero.

As described in section 1.4.4, investors in CAPs are entitled to a bonus distribution three years after making their investment. Based on Stephen Dunne's investments in the CAPs scheme for the 2006 tranche, he would receive a maximum bonus distribution of \$90,000 in 2009. Based on Philip Garling's investments in the CAPs scheme, he would receive maximum bonus distributions of \$30,000 and \$70,000 for 2009 and 2010 respectively. The entitlement to a bonus distribution is forfeited if the employee leaves AMP within three years of purchasing the CAP units. The minimum bonus distribution in a given year would therefore be zero.

2.5.2 Cash payments on vesting of long-term incentives as a result of capital return alterations

Shareholders approved capital returns of 40 cents per share at the AMP Limited Annual General Meetings in 2005, 2006 and 2007.

To compensate for the reduction in the value of performance rights and matching share entitlements held under the ESAP resulting from each of the 2005, 2006 and 2007 capital returns, the arrangements with the CEO and nominated executives named in the following table (and other participating executives) were altered in 2005, 2006 and 2007 so that, in respect of each capital return (and subject to adjustment for any future capital reorganisation), the executives are entitled to payment by AMP of:

- 40 cents for each performance right held immediately prior to the relevant capital return that subsequently vests and is converted into an AMP share, and
- 40 cents for each entitlement to matching shares under ESAP held immediately prior to the relevant capital return that subsequently vests and is converted into an AMP share.

As a result of these alterations:

- executives who held performance rights that were granted in 2005 and vested in 2008 received 80 cents for each of those performance rights, and
- executives who received matching shares under ESAP during 2008 in respect of shares acquired during 2005 received a payment of \$1.20 per share for each of those matching shares. Given that the maximum annual matching share entitlement is 100 shares, the maximum potential cash payment to ESAP holders in 2008 was \$120.

The following table sets out the cash amounts paid in 2008 to nominated executives on performance rights and matching share entitlements that vested in 2008. Philip Garling does not hold performance rights. Brian Salter and Fiona Wardlaw did not hold performance rights prior to a capital return payment.

Name	Cash payment on vesting of 2005 performance rights & ESAP matching shares (\$'000)
Craig Dunn	93
Craig Meller	48
Paul Leaming	82
Stephen Dunne	70
Lee Barnett	40
Matthew Percival	53
Jonathan Deane	20

The alterations in respect of performance rights and ESAP matching shares took effect on 26 May 2005, 25 May 2006, and 25 May 2007.

2.6 Analysis of movements in performance rights and option holdings

The following table summarises the movement of options and performance rights, by value, during the year. The performance rights exercised during 2008 were those granted to executives on 1 September 2005. Philip Garling did not hold any performance rights or options during 2008 and has therefore been excluded from the table.

The value reported in the first column of the following table represents the 'fair value' of performance rights as calculated at the grant date by external consultants using Monte Carlo simulation techniques. Fair value has been discounted for the probability of not meeting the performance hurdles.

The value of performance rights exercised during 2008 represents the number of performance rights exercised multiplied by the market value of an AMP share as traded on the ASX at close of trading on the date of exercise, less the \$1 exercise price per tranche of performance rights exercised.

Name	Value of performance rights granted during 2008 (\$'000)	Value of performance rights exercised during 2008 (\$'000)	Value of performance rights lapsed during 2008 (\$'000)	Value of options lapsed during 2008 (\$'000)
Craig Dunn	2,601	840	—	—
Craig Meller	984	427	—	—
Paul Leaming	990	746	—	—
Stephen Dunne	984	624	—	—
Lee Barnett	738	352	—	—
Matthew Percival	546	460	—	—
Brian Salter	745	0	—	—
Jonathan Deane	506	173	—	—
Fiona Wardlaw	617	—	—	—
David Cohen ¹	—	—	704	—

Footnote:

1 The method for valuing David Cohen's lapsed performance rights is according to AASB 2.

2.7 CEO and executive shareholdings in AMP Limited

In 2006 the Remuneration Committee introduced guidelines outlining the minimum number of AMP shares that a senior AMP executive is expected to hold. The guidelines were introduced to strengthen the alignment between the interests of senior executives and shareholders in the long-term performance of AMP. Senior executives are expected to establish and maintain the following minimum shareholdings:

- CEO – 300,000 shares
- direct reports to the CEO – 60,000 shares

Each vested performance right and share held in tax deferral by the executive is treated as being equal to 50 per cent of one share. A five-year transition period (which began in 2006) gives executives a reasonable amount of time to meet their shareholding guidelines. For new appointments, the five-year transition period begins at the time of appointment.

The table below summarises the movements in holdings of shares in AMP Limited held by the nominated executives and their personally-related entities.

Name ¹	Holding at 1 Jan 2008	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes ²	Holding at 31 Dec 2008
Craig Dunn	441,570	–	116,291	968	558,829
Craig Meller	96,207	–	59,725	(59,725)	96,207
Paul Leaming	197,965	–	103,025	(92,733)	208,257
Stephen Dunne	122,106	–	87,290	–	209,396
Lee Barnett	50,745	–	50,536	(48,403)	52,878
Matthew Percival	210,253	–	66,157	(124,901)	151,509
Brian Salter ³	8,078	–	–	1,936	10,014
Jonathan Deane	–	–	24,886	68,028	92,914
Fiona Wardlaw	–	14,558	–	–	14,558
David Cohen	236,345	–	58,300	n/a	n/a

Footnote:

- 1 Philip Garling is not included in this table, however he received 7 matching shares in 2008 under the Employee Share Acquisition Plan.
- 2 Other changes represent individuals' purchases and sales made during the period. Purchases made during the period include those shares purchased and held under the Employee Share Acquisition Plan. For further details on the terms and conditions of this plan, see section 1.4.3 of this report.
- 3 Brian Salter's opening shareholding balance is as at his commencement date with AMP on 1 July 2008.

3. Remuneration and company performance

Company performance and short-term incentives

The following table shows how company performance relates to the short-term incentive pools paid to employees over the past five years. The table also shows the average short-term incentives paid as a percentage of maximum opportunity.

	2004	2005	2006	2007	2008
Operating earnings (\$m)	502	647	752	770	737
Underlying return on equity	21.2%	25.0%	31.0%	37.9%	38.9%
Cost to income ratio (%)	42%	41.0%	39.4%	38.6%	41.3%
Short-term incentive pool (\$m)	71	70	83	94	43
Short-term incentive as % of maximum opportunity	80%	78%	80%	75%	38%

Company performance and long-term incentives

The vesting of options and performance rights awarded to the CEO and executives since June 2000 have all been subject to a performance hurdle relating to AMP's total shareholder return relative to a comparator group of S&P/ASX 100 top 50 companies (industrials). The comparator group members for the various performance rights grants are set out in section 1.4.1.

AMP's total shareholder return compared to the S&P/ASX 50 Index over the past five years is shown below. The total shareholder return is calculated as the growth in share price (using the ASX adjusted price series) plus dividend payments and capital returns over the period.



Source: Bloomberg

The 2004 and 2005 performance rights grants vested in full in 2007 and 2008 respectively following AMP achieving a top quartile TSR ranking. The following table provides a summary of how the current performance rights grants are tracking as at 31 December 2008 based on AMP's relative TSR performance since the start of the respective performance periods.

Grant	Performance period	Total shareholder return to 31 December 2008	TSR percentile ranking relative to comparator group	Vesting status as at 31 December 2008 ¹
2006 grant	1 August 2006 to 31 July 2009	-28.39%	50th	50%
2007 CEO grant	1 January 2007 to 31 December 2009	-33.82%	51st	52%
2007 grant	1 August 2007 to 31 July 2010	-42.26%	52nd	54%
2008 CEO grant	1 January 2008 to 31 December 2010	-43.44%	48th	0%
2008 grant	1 August 2008 to 31 July 2011	-20.92%	44th	0%

Footnote:

- 1 This column shows the percentage of performance rights that would vest if AMP's TSR ranking relative to the comparator group continued at the level shown until the end of the performance period.

4. Senior executive contracts

4.1 Craig Dunn, Managing Director and Chief Executive Officer

Contract components	Details
Length of contract	Open ended.
Base salary	Base salary in 2008 for his role as Managing Director and Chief Executive Officer was \$1.4 million inclusive of compulsory superannuation contributions. Base salary is reviewed annually (but not necessarily increased) by the AMP Board. Base salary will remain unchanged for the 2009 remuneration review, following a decision by the board based on a recommendation by management and the People and Remuneration Committee that there will be no increase in fixed remuneration for middle and senior management. This decision was made in response to the impact of the market downturn.
Superannuation	Superannuation contributions are equal to 9 per cent of the superannuation maximum contribution base. These contributions are included in his base salary.
Short-term incentive (STI)	The range of annual STI opportunity is between 0% to 200% of base salary. Any short-term incentive payments awarded are paid in cash. For the 2008 year the board determined an STI payment of \$1.16 million, which is 83% of his base salary. The STI is based on performance against a range of 2008 financial, non-financial and personal performance measures: – 60% AMP group financial measures (see page 12) – 10% AMP group non-financial measures (see page 12) – 30% personal performance measures (growth strategy, risk management, approach to leadership and talent, personal leadership and external positioning). These measures were recommended by the People and Remuneration Committee and approved by the AMP Board and are considered to be the key indicators of the CEO's performance.
Long-term incentive (LTI)	The contract includes the opportunity for Craig to earn a long-term incentive in the form of performance rights up to 150% of base salary. As approved by shareholders at the 2008 AMP Limited Annual General Meeting Craig received two separate tranches of performance rights under the LTI Plan in 2008 as follows: – for the period from 1 January 2008 to 31 July 2008, 102,914 performance rights with a 'fair value' of \$506,333. This was a one-off grant to reflect Craig's promotion to the role of Managing Director and Chief Executive Officer. It covers the period from his appointment as Managing Director and Chief Executive Officer to the end of the grant period; and – for the period from 1 August 2008 to 31 July 2009 (the next grant period under the LTI Plan), 586,593 performance rights with a fair value of \$2.1 million. Performance rights can be exercised at the end of the three-year performance period, provided a pre-determined performance hurdle is met. Full details of the grant are outlined in section 1.4.1. LTI awards are subject to shareholder approval. If shareholder approval is not obtained for an LTI award, Craig will receive a cash equivalent, subject to the same performance conditions.
End of contract payments	Employment may be terminated at any time by AMP giving 12 months notice or by Craig giving six months notice. In each case AMP may pay the fixed remuneration for the balance of the notice period in order to bring an earlier end to his employment. AMP may terminate Craig's employment immediately in certain events including serious misconduct and material breach of contract. AMP may also terminate the contract with 12 months notice if Craig is incapacitated for an extended period. Accrued fixed salary and statutory entitlements will be paid on any termination. Where AMP terminates employment with notice or employment is terminated due to death, vested and unvested performance rights granted under LTI awards will be retained. Unvested performance rights will continue to be held subject to the original performance hurdles and performance periods. If Craig terminates by giving notice and AMP does not pay out the notice period, he will not be entitled to an STI payment nor will he retain unvested performance rights. Vested performance rights will be retained. On termination for serious misconduct or material breach of contract, no STI payment is payable and all performance rights lapse. If AMP terminates Craig's employment by notice or employment is terminated due to death, the number of performance rights granted in the 12 month LTI cycle in which termination occurs and which he is entitled to retain will be reduced pro rata according to the proportion of that 12 month period in which he has been employed. If Craig terminates his employment by notice and AMP pays out the notice period, he will not be entitled to a pro rata STI payment but vested and unvested performance rights will continue to be held subject to the original performance hurdles and performance periods.

4.2 Direct reports to the CEO

Contract components	Details
Length of contract	Open ended
Base salary	Reviewed annually (not necessarily increased). Base salary is approved by the People and Remuneration Committee. Base salary will remain unchanged for the 2009 remuneration review, following a decision by AMP management and the People and Remuneration Committee that there will be no increase in fixed remuneration for middle and senior management. This decision was made in response to the impact of the market downturn.
Superannuation	All nominated executives receive superannuation contributions equal to nine per cent of the superannuation maximum contribution base. These contributions are included in their base salary.
Short-term incentive (STI)	The maximum short-term incentive opportunity ranges from 150% to 200% of base salary, depending on the role. Actual STI payments are subject to approval by the People and Remuneration Committee.
Long-term incentive (LTI)	Long-term incentive awards are proposed by the CEO and approved by the People and Remuneration Committee. The maximum LTI opportunity is 120% of base salary.
Resignation	Six months notice. Performance rights, options and unvested shares are forfeited.
Termination on notice by AMP	12 months notice or AMP makes a cash payment in lieu of notice (except in the case of termination for serious misconduct).
Termination for serious misconduct	Performance rights, options and unvested shares are forfeited.

The levels of base salary, STI and LTI are reviewed annually and determined in line with the policy outlined in section 1.3 of this report.

4.3 Philip Garling, Global Head of Infrastructure, AMP Capital Investors

Contract components	Details
Length of contract	Open ended
Base salary	Reviewed annually (not necessarily increased). Base salary is approved by the CEO. Base salary will remain unchanged for the 2009 remuneration review, following a decision by AMP management and the People and Remuneration Committee that there will be no increase in fixed remuneration for middle and senior management. This decision was made in response to the impact of the market downturn.
Superannuation	10.5% of base salary and short-term incentive payment as superannuation.
Short-term incentive (STI)	The maximum short-term incentive opportunity is 100% of base salary. Actual STI payments are subject to approval by the AMP Capital Remuneration Committee.
Infrastructure Targeted Incentive Plan	Considered for a discretionary payment in the event that the Infrastructure team exceeds their profit hurdle. Actual payments are subject to approval by the AMP Capital Remuneration Committee.
Resignation	Three months notice. Deferred incentives are forfeited.
Termination on notice by AMP	Three months notice or AMP makes a cash payment in lieu of notice (except in the case of termination for serious misconduct).
Termination for serious misconduct	Deferred incentives are forfeited.

5. Non-executive director remuneration

The 2008 remuneration details for the following non-executive directors are covered in this report:

- Peter Mason, Chairman
- Brian Clark (appointed to the AMP Limited Board on 1 January 2008)
- David Clarke
- Richard Grellman
- Meredith Hellicar
- John Palmer
- Nora Scheinkestel
- Peter Shergold (appointed to the AMP Limited Board on 14 May 2008).

5.1 Philosophy

Fees paid to non-executive directors of the AMP Board are determined having regard to advice provided by AMP's remuneration specialists and external remuneration advisers appointed by the Nomination Committee. Factors that are taken into consideration include:

- the level of fees paid to board members of Australian corporations of a similar size
- the complexity of AMP's operations, and
- the responsibilities and workload requirements of board members.

In order to maintain their independence, no proportion of non-executive directors' remuneration is linked to performance.

5.2 Structure

The components of non-executive directors' remuneration are:

- board fees (including expense allowance), and
- committee and subsidiary board fees.

Company superannuation contributions are made on these fees as outlined in section 5.3.

Board fees

At the 2008 Annual General Meeting, shareholders approved an increase in the aggregate fee pool for non-executive directors from \$2,500,000 to \$3,000,000 as proposed in the 2008 Notice of Meeting. The board fees for 2008 were as follows:

	Chairman	Other non-executive directors
Base fee ¹	\$550,000	\$160,000
Expense allowance ¹	n/a	\$6,000
Total	\$550,000	\$166,000

Footnote:

1 These amounts exclude the minimum company superannuation contributions totalling 9 per cent of fees.

The fee for the AMP Chairman incorporates all payments. No additional fees are paid for his membership of board committees or as a non-executive director of subsidiary boards, nor for his attendance at meetings of board or committees of which he is not a member.

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.

An expense allowance of \$6,000 is paid to each director, except the Chairman, for incidental expenses related to the business of the company.

Committee and subsidiary board fees

During 2008, non-executive directors were paid a fee for service on the AMP Board. Additional fees were paid for service on the Audit, Nomination and People and Remuneration Committees. Individual non-executive directors are paid additional fees for duties associated with membership of AMP subsidiary boards, and for duties associated with due diligence committees and other special purpose committees.

	Board/ Committee chairman	Board/ Committee member
Audit Committee	\$40,000	\$15,000
Nomination Committee	\$15,000	\$7,500
People and Remuneration Committee	\$30,000	\$12,500
AMP Life Limited Board	\$127,500	\$85,000
Gordian RunOff Limited Board	\$75,000	\$50,000
AMP Capital Investors Limited Board	\$110,000	\$70,000
AMP Bank Board	\$60,000	\$40,000

The Gordian RunOff Limited Board was dissolved following the sale of the Cobalt/Gordian business on 5 March 2008.

The amounts presented in the table above exclude the minimum company superannuation contributions totalling nine per cent of fees. Details about board, committee and subsidiary board membership are shown on page 20.

Remuneration table

Refer to page 20 for full details of total remuneration paid to the non-executive directors for 2008.

5.3 How board remuneration is paid

Remuneration is paid in the form of cash, shares and superannuation. Directors may specify the allocation of their total remuneration between these three components, subject to the following conditions:

- at least 26 per cent of fees must be taken in the form of AMP shares through the AMP Non-Executive Directors' Share Plan, and
- the minimum superannuation guarantee contributions must be made.

AMP Non-Executive Directors' Share Plan

A minimum of 26 per cent of non-executive directors' fees must be taken in the form of AMP shares which are held until they are released under the terms of the AMP Non-Executive Directors Share Plan. There are no performance conditions attached to this plan, as non-executive directors sacrifice part of their fees to acquire these shares.

Non-executive directors must retain the AMP shares purchased through the plan for a period of 10 years from the date of acquisition, unless otherwise withdrawn with the approval of the People and Remuneration Committee, or if a director resigns from the AMP Limited Board. Following the release of the shares from the plan, non-executive directors can either sell the shares or continue to hold them.

Non-executive directors do not participate in any employee share plan or receive options or performance rights.

Superannuation

Superannuation contributions totalling nine per cent of fees are paid in addition to fees and allowances. Directors may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative guidelines.

Retirement benefits

AMP ceased providing retirement benefits to directors in March 2003 and entitlements were frozen at that time. One director, Richard Grellman, who was appointed to the board prior to March 2003, has a frozen retirement allowance which provides cash benefits in the event of death or retirement from the board. The retirement allowance was based on a sliding scale that provides a maximum benefit, after 15 years of service, of five times the average fees over the three years preceding retirement or death.

5.4 Shareholdings

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

Name	Holding at 1 Jan 2008	Granted as remuneration during the period	Purchased through the AMP Non-Executive Directors' Share Plan ¹	Other changes ²	Holding at 31 Dec 2008
Peter Mason	228,796	—	21,109	73,802	323,707
Brian Clark	2,000	—	5,385	7,670	15,055
David Clarke	98,100	—	24,873	—	122,973
Richard Grellman	30,722	—	5,710	1,516	37,948
Meredith Hellicar	36,889	—	5,710	2,694	45,293
John Palmer	22,447	—	5,709	1,936	30,092
Nora Scheinkestel	55,082	—	5,710	11,111	71,903
Peter Shergold	—	—	3,596	2,000	5,596

Footnote:

- 1 Represents shares purchased and held under the AMP Non-Executive Directors' Share Plan. For further details on the terms and conditions of this plan, see section 5.3 of this report.
- 2 Includes the purchases and sales of shares 'on market' by non-executive directors.

Signed in accordance with a resolution of the directors.



Peter Mason
Chairman

Sydney, 19 February 2009



Craig Dunn
Managing Director and Chief Executive Officer

Analysis of shareholder profit

for the year ended 31 December 2008

This table shows a detailed analysis of the source of net profit after income tax attributable to shareholders of AMP Limited by business unit.

All amounts are after income tax	2008 \$m	2007 \$m
AMP Financial Services	637	663
AMP Capital Investors	136	150
Total business unit operating earnings	773	813
Group Office costs	(36)	(43)
Total operating earnings	737	770
Underlying investment income	140	158
Interest expense on Group debt	(82)	(59)
AMP Limited tax loss recognition	15	13
Underlying profit	810	882
Market adjustment – investment income	(260)	13
Discontinued business – Cobalt/Gordian	–	171
Other items	73	7
Seed pool valuation adjustments ¹	(42)	–
Profit after income tax before timing differences	581	1,073
Market adjustment – annuity fair value ²	(117)	(13)
Loan hedge revaluations ²	(41)	(4)
Accounting mismatch ²	157	(71)
Net profit attributable to shareholders of AMP Limited	580	985

Footnote:

- 1 Seed pool valuation adjustments represent the abnormal write down of seed pool assets, being Singapore industrial property and Australasian retirement village businesses.
- 2 Timing differences relate to accounting gains/losses that do not reflect the underlying profitability of the group and should reverse over time. For further details regarding Accounting mismatches, see Note 1(d) of the Financial Report.

Approach to corporate governance

AMP has a set of values that recognises our responsibilities to all of our stakeholders, including shareholders, customers, employees, planners, the community and the environment.

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

In March 2003, the ASX Corporate Governance Council (ASX Council) published its Principles of Good Corporate Governance and Best Practice Recommendations. In August 2007, the ASX Council issued revised Corporate Governance Principles and Recommendations, effective 1 January 2008.

AMP has adopted all of the revised ASX principles and recommendations. It is required to report against these in this year's annual report.

In accordance with the ASX principles and recommendations, AMP has posted copies of our governance practices in the corporate governance section on our website: www.amp.com.au including copies of relevant policies and terms of reference.

Roles of the AMP Board and Management

(ASX Recommendation 1.1)

Lay solid foundations for management and oversight

The AMP Board

The AMP Board is responsible to its shareholders for the overall governance and performance of the AMP group.

The AMP Board primarily represents the long-term interests of shareholders by:

- providing strategic direction to AMP through constructive engagement with senior management in the development, execution and modification of AMP's strategy
- appointing the Managing Director and Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary and approving executive succession plans
- monitoring the performance of the CEO
- approving remuneration policies and practices
- reporting to shareholders and ensuring that all regulatory requirements are met
- providing advice and counsel to senior management
- ensuring appropriate group-wide compliance and risk frameworks and controls are in place
- approving policies governing the operations of the AMP group
- approving decisions concerning the capital of the AMP group, including capital restructures and significant changes to major financing arrangements
- approving initiatives or matters otherwise not dealt with as part of the strategy process (e.g. major acquisitions and withdrawal from existing major lines of business)
- monitoring financial results on an ongoing basis
- determining dividends and financing of dividend payments
- oversight and approval of AMP's governance model
- ensuring AMP's business is conducted ethically and transparently

- reviewing strategic risk management including processes for identifying areas of significant business risk, monitoring risk management policies and procedures, overseeing internal controls and reviewing major assumptions used in the calculation of significant risk exposures
- ensuring clear and transparent communication to the market, shareholders and other stakeholders as appropriate
- listening and responding to shareholders' views on the management and direction of the company, and
- considering the interests of all stakeholders.

Management

The CEO is responsible for the overall management and profit performance of the AMP group. The CEO manages the organisation in accordance with the strategy, plans and policies approved by the AMP Board to achieve agreed goals.

AMP Board composition and size

(ASX Recommendations 2.1, 2.2, 2.3 and 2.5)

Structuring the board to add value

The directors determine the size of the AMP Board, with reference to the Constitution, which provides that there will be a minimum of three directors and a maximum of 16 directors. The AMP Board is made up of a majority of independent non-executive directors and has only one executive director, the CEO. The Chairman of the AMP Board is non-executive and independent of the role of the CEO.

AMP's Constitution is available on AMP's website.

Appointment of directors

Nominations of new directors, recommended by the Nomination Committee, are considered by the AMP Board. The Nomination Committee considers a wide base of potential directors, taking into account the range of skills and experience required in relation to the:

- current composition of the AMP Board
- need for independence
- strategic direction and progress of AMP, and
- geographic spread and diversity of AMP's businesses.

From time to time, the Nomination Committee uses external consultants in this practice. The AMP Board assesses nominated directors against a range of criteria including experience, professional skills, personal qualities and their capacity to commit themselves to the AMP Board's activities. Any appointment is subject to any share qualification requirement of AMP's Constitution (Clause 60).

A copy of the Nomination Committee terms of reference is available on AMP's website.

Director independence

It is important that the AMP Board operates independently of executive management. Each of the non-executive directors is considered by the AMP Board to be independent of management. This means that they do not have any business interest or other relationship that could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of the company.

AMP also includes independent directors on the boards of significant regulated subsidiaries.

Chairman's appointment and responsibilities

The chairman is appointed by the AMP Board from the non-executive directors.

The chairman:

- provides appropriate leadership to the AMP Board and AMP
- ensures membership of the AMP Board is balanced and appropriate for AMP's needs
- facilitates AMP Board discussions to ensure the core issues facing the organisation are addressed
- maintains a regular dialogue and mentor relationship with the CEO
- monitors AMP Board performance
- guides and promotes the ongoing effectiveness and development of the AMP Board and individual directors, and
- from time to time, attends AMP Board committee and subsidiary board meetings of which he is not a member.

Conduct of AMP Board business

The AMP Board normally holds around 10 formal board meetings each year and will also meet whenever necessary to carry out its responsibilities.

When conducting AMP Board business, directors have a duty to question, request information, raise any issue of concern, fully canvass all aspects of any issue confronting AMP and vote on any resolution according to their own judgement. Directors keep confidential AMP Board discussions, deliberations and decisions that are not required to be disclosed publicly.

Access to information

Directors are encouraged to access members of senior management at any time to request relevant information.

Directors are entitled to seek independent advice on AMP related matters at AMP's expense. Directors must ensure that the costs are reasonable and must advise the chairman before the advice is sought. The information must be made available to the rest of the AMP Board.

Code of conduct

(ASX Recommendations 3.1 and 3.2)

Promote ethical and responsible decision-making

AMP has adopted a code of conduct outlining the standards of personal and corporate behaviour required of all directors, officers and employees. This code reinforces an already strong ethical culture for the benefit of all stakeholders.

A copy of the code of conduct is provided to all directors and employees on joining AMP.

AMP's code of conduct is available on AMP's website.

Conflicts of interest

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

- disclose to the AMP Board any actual or potential conflicts of interest that may exist as soon as the situation arises
- take necessary and reasonable steps to resolve any conflict of interest within an appropriate period, if required by the AMP Board or deemed appropriate by that director, and
- comply with the *Corporations Act 2001* requirements about disclosing interests and restrictions on voting.

Directors discuss with the chairman any proposed board or executive appointments they are considering undertaking and should advise AMP of such appointments to other companies as soon as possible after the appointment is made.

The same requirement exists for related party transactions, which are also reported in writing to the Company Secretary and, where appropriate, raised for consideration at the next AMP Board meeting.

Trading policy

AMP's Trading Policy sets out AMP's policy regarding the trading in AMP securities by directors and employees and insider trading.

AMP's Trading Policy aims to:

- protect stakeholders' interests at all times
- ensure that directors and employees do not use any information they possess for their personal advantage, or to the detriment of AMP, and
- ensure that directors and employees comply with insider trading provisions of the Corporations Act.

Trading in AMP securities by directors, executives and certain employees ('Designated Persons') is restricted to the following trading windows:

- 30-day period beginning on the second day after the release of AMP's interim and annual results
- 30-day period beginning on the second day after the AMP Annual General Meeting (AGM), and
- period commencing on the day after the issue of a prospectus offering AMP securities (or a document containing equivalent information) and ending on the day the offer closes.

However, Designated Persons may acquire AMP securities under any share plan (such as the Employee Share Acquisition Plan or the Non-Executive Directors' Share Plan, or any successor or similar plans), on a monthly or other regular basis, outside the trading windows referred to above. These securities are acquired in accordance with a fixed purchase program under the terms of the share plan.

Trading in AMP securities, during or outside the formal trading windows, is subject to the overriding prohibition on trading while in the possession of inside information.

Outside the formal trading windows, a director or employee may, in the first 10 business days in December each year:

- elect to participate in or vary or cease their participation in the AMP Employee Share Acquisition Plan and/or the AMP Executive Short-term Incentive Plan (or any successor or similar plans including any short-term incentive bonus), and
- apply to receive performance rights under the AMP International Employee Share Ownership Plan.

During this limited trading window, a Designated Person may not otherwise trade in AMP securities.

Breaches of this policy will be treated seriously and may lead to disciplinary action being taken against the employee, including dismissal.

AMP's Trading Policy is available on AMP's website.

AMP Board Committees

The AMP Board has established committees to consider certain issues and functions in further detail. The chairman of each committee reports on any matter of substance at the next full AMP Board meeting.

There are currently three standing committees:

- Audit Committee
- Nomination Committee, and
- People and Remuneration Committee.

Other committees may be formed from time to time, as required. Each committee has its own terms of reference, approved by the AMP Board and reviewed annually, with additional review when appropriate.

The chairman and CEO attend committee meetings where appropriate. The structure and membership of the AMP Board and its committees are summarised in the table below.

The terms of reference for all committees are available on AMP's website.

Nomination Committee

(ASX Recommendations 2.4 and 2.5)

Evaluating the performance of the board, its committees and individual directors

The Nomination Committee supports and advises the AMP Board on board matters including policies, performance, remuneration, composition and succession planning. This includes identifying, evaluating and recommending candidates to the AMP Board and the boards of key operating subsidiaries and providing advice regarding candidates nominated by shareholders.

The Nomination Committee is responsible for reviewing the remuneration of non-executive directors on the AMP Board and on boards of key operating subsidiary boards. AMP has increased the presence of AMP Board non-executive directors on key operating subsidiaries to increase the non-executive directors' knowledge and understanding of the businesses and to enhance the governance of the subsidiary boards.

The terms of reference for all committees are available on AMP's website.

Board performance assessment

The AMP Board reviews its own performance and that of individual directors, including the chairman, on a regular basis. Reviews are either facilitated by the chairman, (and in the case of his own review by another non-executive director), or by an external consultant as deemed appropriate by the AMP Board from time to time.

In addition, the AMP Board reviews the performance of any director standing for re-election at a general meeting of the company. All committees of the AMP Board as well as the boards, the individual directors and committees of key operating subsidiaries regularly review their own performance.

Retirement of directors

One-third of the directors are required to retire by rotation at each Annual General Meeting (AGM). The directors to retire at each AGM are those who have been longest in office since their last election. Where directors have served for equal periods, they may agree among themselves or determine by lot who will retire. A director must retire at the third AGM since last elected or re-elected.

A director appointed as an additional or casual director by the AMP Board will hold office until the next AGM when the director is required to stand for election. This election will be in addition to any rotational retirements.

The CEO, who is also a director on the AMP Board, is not subject to retirement by rotation and is not to be taken into account in determining the retirement by rotation of directors.

A director who holds any executive office with AMP (including the CEO) ceases to be a director when they no longer hold their executive office. The tenure of non-executive directors will generally be no longer than nine years. A non-executive director can continue to hold office after a nine-year term only if they are re-elected by shareholders at every subsequent AGM.

People and Remuneration Committee

(ASX Recommendations 1.2, 8.1 and 8.2)

Remunerate fairly and responsibly

The People and Remuneration Committee oversees the effectiveness of AMP's succession planning policy and talent management strategy, and advises the AMP Board on overall

Committees

AMP Board

Audit Committee

Chair: Richard Grellman

Members: David Clarke, Nora Scheinkestel, Peter Shergold

Duties:

- AMP's relationship with the external auditor
- Integrity of financial statements
- Business risk management framework, including compliance and internal controls

Nomination Committee

Chair: Nora Scheinkestel

Members: Brian Clark, Peter Mason, Richard Grellman,

Duties:

- Composition of the AMP Board
- Succession planning of the AMP Board
- Appointment of non-executive directors to subsidiary companies
- Continuing education
- Board performance reviews
- Non-executive director remuneration

People and Remuneration Committee

Chair: Meredith Hellicar

Members: David Clarke, Peter Mason, John Palmer

Duties:

- Effectiveness, integrity, competitiveness and alignment with overall business objectives and shareholders' interests of remuneration programs, practices and protocols
- Annual review and recommendation of CEO's total remuneration package
- Effectiveness of AMP's succession planning policy and talent management strategy

remuneration strategy and in particular the effectiveness, competitiveness, integrity and alignment with overall business objectives and shareholder interests of AMP's remuneration programs, protocols and practices.

Other key responsibilities include annually reviewing and recommending to the AMP Board the performance targets and total remuneration package of the CEO, and reviewing and approving the remuneration of the CEO's direct reports and the short-term incentive plan performance measures and incentive pool amounts.

The terms of reference for all committees are available on AMP's website.

Non-executive directors' and executives' remuneration

Comprehensive information on AMP's remuneration policies and practices is contained in the remuneration report on page 12.

Audit Committee

(ASX Recommendations 4.1, 4.2, 4.3, 7.1, 7.2 and 7.3))

Safeguard integrity in financial reporting

Recognise and manage risk

The primary function of the Audit Committee is to review and provide recommendations to the AMP Board in regard to:

- AMP's financial statements and financial reporting systems
- the appointment, performance and independence of the external auditor, and
- internal controls and the assurance provided by internal audit.

The Audit Committee also reviews the effectiveness of the risk management framework including compliance and the adequacy of the scope, cover and cost of the AMP group insurance program.

Risk management

The AMP Board has overall responsibility for ensuring that there is a sound system of risk management and internal control across the business that addresses the material business risks that AMP faces. It also has responsibility for establishing risk management policies and the risk appetite of the AMP group, and ensuring that these are implemented.

The main risk categories that AMP takes into consideration are:

- Strategic Risk
- Operational Risk (including Compliance Risk)
- Financial & Market Risk (including Financial Reporting), and
- Product and Insurance Risk.

Environmental and sustainability risks, to the extent to which they are relevant, are addressed by AMP's Corporate Responsibility Plan.

While the AMP Board is responsible for risk management, the Audit Committee assists the AMP Board by monitoring and reviewing the effectiveness of AMP's risk management and internal control environment. 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 financial risks and major operational risks.

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

Appropriate risk management structures exist throughout the organisation, including the Group Risk and Compliance Committee and business unit risk committees. The 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 AMP Board that risks are being managed effectively across the group.

The Risk Management Policy is available on AMP's website.

Material Business Risks

AMP manages risks across all four main risk categories. Management engages in a regular process to review risks and how they are being managed.

The AMP Board has received and considered management's report on the material business risks for the year ended 31 December 2008.

Compliance

Compliance is a key element of risk management. The AMP Board is responsible for ensuring that adequate measures are undertaken to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to AMP's operations.

As required by the *Corporations Act 2001*, Australian financial services licensed entities have adopted individually tailored conflict of interest policies.

While the AMP Board is responsible for AMP's compliance framework, the Audit Committee assists the AMP Board by monitoring and evaluating AMP's compliance. Consistent with AMP's risk management approach, AMP's compliance measures are subject to monitoring and continuous improvement. Any compliance issues or incidents are reported quarterly to the Audit Committee, or more regularly, if required.

CEO and CFO assurance

The AMP Board receives regular reports about the financial condition and operational results of AMP and its controlled entities. The AMP Board has received and considered the annual certification from the CEO and the CFO in accordance with ASX Recommendations 7.3 and s.295A of the *Corporations Act* stating that:

- the company's financial statements present a true and fair view of our financial position and performance and are in accordance with Australian Accounting Standards, and
- the risk management and internal control systems are sound, appropriate and operate effectively in all material respects in relation to financial reporting risks.

Throughout 2008, significant effort continued to be devoted to the ongoing enhancement of the risk management and internal control systems. Where internal control deficiencies are identified during the year, additional tests of procedures or tests of resulting account balances included in the financial statements have confirmed that there has been no material impact on the financial statements.

Auditor independence

The independence of the external auditor is of particular importance to shareholders and the AMP Board. The AMP Board has adopted a Charter of Audit Independence, which covers the following key points:

- the rotation of the senior audit partner every five years
- the annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence
- the quarterly reporting on the levels of audit and non-audit fees, and
- the specific exclusion of the audit firm from work which may give rise to a conflict.

In accordance with the *Corporations Act 2001* and, based on the advice of the Audit Committee, the directors have satisfied themselves that the provision of non-audit services during the year by the auditors, Ernst & Young, is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Communication with shareholders

(ASX Recommendations 5.1 and 6.1)

Timely and balanced disclosure

Respect the rights of shareholders

AMP is committed to transparency and quality in its communication to shareholders. Our approach to communicating with shareholders and financial markets is set out in AMP's Market Disclosure Policy. Information is communicated to shareholders through the distribution of the Annual Report and other communications as required. All significant information is posted on AMP's website as soon as it is disclosed to the ASX.

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, and
- do not omit material information.

Shareholders can elect to receive all communications electronically or not to receive some communication materials by contacting our share registry or visiting our website.

AMP's Market Disclosure Policy is available on AMP's website.

Annual General Meeting (AGM)

All shareholders are encouraged to attend and/or participate in AMP's AGM. The meeting is webcast live or shareholders can attend in person or send a proxy as their representative. Online completion and lodgement of the proxy form is also available for all shareholders prior to the meeting. Unless indisposed, all AMP directors and senior management attend the meeting, along with a representative from the external auditor.

Full details of the next AGM are included in the mailing for this annual report and are available on AMP's website.

Corporate Responsibility at AMP

AMP was founded on a promise, "to be a sure friend in uncertain times".

This promise will be kept by delivering on AMP's responsibilities, in a balanced way, to all our stakeholders – that is, customers, planners, shareholders, employees and the community in general.

The biggest contribution that AMP can make to the long-term sustainability of its business and to the communities that AMP serves is by bringing extra focus to some well known subjects, which are:

- helping our customers build savings for the future
- encouraging responsible investment, and
- minimising our own environmental impacts.

In addition, AMP continues to invest directly in the community through the AMP Foundation.

Helping our customers build savings for the future

AMP's core business purpose is to help Australians and New Zealanders manage their finances so they can enjoy the future they want. One of the key ways AMP achieves this is by providing our customers with the financial advice, products and services they need to build and protect savings for the future.

By helping our customers take responsibility for their own financial security in retirement, AMP believes that it is also making an important contribution to a strong, sustainable economy.

In addition, AMP works to enhance Australia and New Zealand's retirement savings systems by sharing experiences and insights with government and the community to ensure that the regulatory approach provides incentives for long-term savings within an efficient and competitive financial services market and an informed community.

AMP believes passionately in the role that quality financial advice plays in helping build future savings for our customers and we contribute to the increasing professionalism of the financial planning industry through active participation in industry groups and alliances.

Through online tools, published research and participation in public conversations about financial services issues, AMP works to help all our customers understand what they can do to build and protect their savings for the future.

Encouraging responsible investment

AMP believes there is a clear link between an organisation's environmental and social impacts, ethical practices, the quality of its corporate governance and its long-term business success.

Through AMP Capital Investors, AMP is a significant investor in the Australian and New Zealand market on behalf of our customers. This position is used to improve corporate governance standards across the business sector through policy forums and public dialogue as well as through active engagement with management of the companies over which AMP has some influence.

Minimising our own environmental impacts

AMP helps to safeguard its future and that of our communities by using energy, water and paper resources as efficiently as possible; maximising recycling of waste; and reducing its carbon footprint and the other environmental impacts of its business.

AMP Capital Investors, as a major commercial property manager, is an active participant in industry initiatives designed to better understand and minimise environmental impacts and to set best-practice benchmarks. It continues to work closely with tenants across its portfolio to increase energy efficiency in the buildings it owns and manages. This includes those buildings tenanted by AMP.

Comparison of NZX and ASX Corporate Governance Rules

As an overseas listed issuer, AMP is deemed to satisfy and comply with the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the Australian Securities Exchange (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 (referred to below) in its annual report.

Some material differences may exist between the corporate governance rules and principles of the ASX and NZX. This may arise because the relevant matters are mandatory under the NZX Corporate Governance Rules but are only recommendations under the ASX Corporate Governance Rules (requiring disclosure of non compliance in the annual report).

Further information about the ASX Corporate Governance Rules may be obtained from the ASX website at: www.asx.com.au/about/corporate_governance/index.htm

Full Financial Report

for the year ended 31 December 2008

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Income statement

for the year ended 31 December 2008

		Consolidated		Parent	
	Note	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Income and expenses of policyholders, shareholders and external unitholders¹					
Life insurance premium and related revenue	3	994	930	—	—
Fee revenue	3	1,520	1,601	5	18
Other revenue	3	363	338	5	—
Investment gains and (losses)	3	(13,843)	8,128	750	813
Life insurance claims and related expenses	4	(1,337)	(1,349)	—	—
Operating expenses	4	(2,615)	(2,392)	(7)	(18)
Finance costs	4	(1,090)	(783)	—	—
Movement in external unitholders' liabilities		2,513	(815)	—	—
Change in policyholder liabilities before accounting mismatches					
– life insurance contracts ²		1,009	(201)	—	—
– investment contracts ²		11,235	(4,149)	—	—
Income tax (expense) credit	5	1,668	(445)	91	90
Profit attributable to shareholders of AMP Limited from continuing operations before accounting mismatches					
		417	863	844	903
Profit from discontinued operations after income tax	21	6	193	—	—
Net profit attributable to shareholders of AMP Limited before accounting mismatches					
		423	1,056	844	903
Unmatched changes in policyholder liabilities ('accounting mismatches') due to: ²					
– treasury shares		73	(30)	—	—
– investment in controlled entities of the statutory funds		80	(37)	—	—
– other		4	(4)	—	—
Net profit attributable to shareholders of AMP Limited					
		580	985	844	903

Footnote:

- 1 Income and expenses include amounts attributable to shareholder interests and also policyholder interests in the life statutory funds. Amounts included in respect of the life statutory funds have a substantial impact on most of the consolidated Income statement lines, especially Investment gains and losses. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities before accounting mismatches and Unmatched changes in policyholder liabilities ('accounting mismatches').
- 2 As explained further in Note 1(d), accounting mismatches arise because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets. These mismatches result in policyholder asset movements impacting the Net profit after accounting mismatches and increased volatility of the reported profit.

Earnings per ordinary share

	Note	cents	cents
Basic from continuing operations before accounting mismatches	25	22.1	46.0
Diluted from continuing operations before accounting mismatches	25	22.0	45.8
Basic from continuing operations after accounting mismatches	25	30.8	42.8
Diluted from continuing operations after accounting mismatches	25	30.6	42.7
Basic after accounting mismatches	25	31.1	53.3
Diluted after accounting mismatches	25	31.0	53.1

Balance sheet

as at 31 December 2008

		Consolidated		Parent	
	Note	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Assets					
Cash and cash equivalents		2,056	2,141	9	1
Receivables	6	1,240	1,180	—	299
Current tax assets		139	—	137	—
Equity securities	7	26,803	43,842	—	—
Debt securities	7	32,590	33,138	660	205
Property securities	7	3,450	5,300	—	—
Other financial assets	7	8,571	7,537	—	—
Investment property	8	9,227	9,333	—	—
Property, plant and equipment	9	592	586	—	—
Deferred tax assets	5	970	309	86	87
Inventories and other assets	10	173	191	—	—
Intangibles	11	939	1,005	—	—
Investments in controlled entities	7, 28	—	—	7,072	7,022
Assets of discontinued operations	21	—	747	—	—
Total assets of policyholders, external unitholders, shareholders and minority interests		86,750	105,309	7,964	7,614
Liabilities					
Payables	12	1,274	1,085	65	2
Current tax liabilities		—	501	—	290
Provisions	13	311	406	2	4
Borrowings	14	11,988	11,250	—	—
Deferred tax liabilities	5	493	1,811	—	—
Subordinated debt	15	388	403	—	—
Other financial liabilities		2,047	270	—	—
Defined benefit fund obligations	26	120	1	—	—
Life insurance contract liabilities	19	19,250	20,635	—	—
Investment contract liabilities	20	41,510	52,357	—	—
External unitholders' liabilities		7,252	13,904	—	—
Liabilities of discontinued operations	21	—	672	—	—
Total liabilities of policyholders, external unitholders, shareholders and minority interests		84,633	103,295	67	296
Net assets of shareholders and minority interests		2,117	2,014	7,897	7,318
Equity					
Contributed equity	17	4,481	3,827	4,649	4,012
Reserves	18	(2,598)	(2,446)	(3)	(1)
Retained earnings	18	154	546	3,251	3,307
Total equity attributable to shareholders		2,037	1,927	7,897	7,318
Minority interests		80	87	—	—
Total equity of shareholders and minority interests		2,117	2,014	7,897	7,318

Statement of recognised income and expenses

for the year ended 31 December 2008

		Consolidated		Parent	
	Note	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Income and expenses (net of tax) recognised directly in equity					
Owner occupied property					
– valuation gains (loss) taken to equity	18	(7)	40	–	–
Cash flow hedge movements ¹	18	(129)	23	–	–
Defined benefit fund actuarial gains and (losses) ²	18, 26	(96)	(17)	–	–
Revaluation of hedge of net investment	18	(21)	–	–	–
Exchange differences on translation of foreign operations	18	14	(3)	–	–
Total net income (expense) recognised directly in equity		(239)	43	–	–
Net profit after accounting mismatches		580	985	844	903
Total recognised income and expenses for the period attributable to shareholders of AMP Limited		341	1,028	844	903

Footnote:

- 1 Cash flow hedge movements are predominantly in respect of interest rate swaps used to manage AMP Bank's interest rate risk on its fixed rate mortgage portfolio which are economically effective.
- 2 Under accounting standards, actuarial gains and losses on AMP's employer sponsored defined benefit funds are recognised directly in retained earnings. Whilst the defined benefit funds are in a net deficit position as measured under accounting standards, under an accrued benefits calculation method, which is used to determine employer contributions, the defined benefit funds were in a net surplus position at 31 December 2008. See Note 26(g) for further details.

Statement of cash flows

for the year ended 31 December 2008

	Note	Consolidated		Parent	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
Cash flows from operating activities¹	24(a)				
Cash receipts in the course of operations		13,887	17,161	10	27
Interest and other items of a similar nature received		2,693	1,793	3	2
Dividends and distributions received		2,870	5,537	747	811
Cash payments in the course of operations		(13,656)	(16,523)	(8)	(21)
Finance costs		(1,136)	(797)	—	—
Income tax (paid) refund		(708)	(849)	24	89
Cash flows from (used in) operating activities		3,950	6,322	776	908
Cash flows from investing activities¹					
Net proceeds from sale of/(payments to acquire):					
– investment property		(155)	(486)	—	—
– equity securities and unit trusts		(2,956)	(4,148)	—	—
– interest bearing securities		270	152	—	—
– loans		(1,869)	(1,100)	—	—
– other investments		(291)	65	—	—
Proceeds from loans from controlled entities		—	—	—	310
Loan to controlled entities		—	—	(455)	—
Proceeds from capital return from controlled entity		—	—	—	421
Proceeds from disposal of controlled and associated companies ²		45	—	—	—
Additional investment in controlled entities		—	—	(50)	—
Payments to acquire controlled and associated companies ³		(46)	(36)	—	—
Cash flows from (used in) investing activities		(5,002)	(5,553)	(505)	731
Cash flows from financing activities¹					
Proceeds from borrowings – non-Banking operations		432	937	—	—
Repayment of borrowings – non-Banking operations		(337)	(303)	—	(83)
Net movement in borrowings – Banking operations		(189)	1,107	—	—
Net movement in deposits from customers		313	(296)	—	—
Proceeds from issue of shares		552	—	552	—
Payment of capital return ⁴		—	(738)	—	(750)
Dividends paid ⁵		(806)	(795)	(815)	(806)
Cash flows from (used in) financing activities		(35)	(88)	(263)	(1,639)
Net increase (decrease) in cash and cash equivalents⁶		(1,087)	681	8	—
Cash and cash equivalents at the beginning of the period		6,486	5,808	1	1
Effect of exchange rate changes on cash and cash equivalents		(1)	(3)	—	—
Cash and cash equivalents at the end of the period	24(b)	5,398	6,486	9	1

Footnote:

1 Amounts include cash flows attributable to discontinued operations. See Note 21 for further information.

2 Cash flows relate to the sale of the discontinued operations net of cash disposed.

3 Cash flows are in respect of acquisitions and disposals of operating companies controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group net of cash acquired.

4 Payment of capital return is presented net of the capital return on 'treasury shares'.

5 Dividends paid is presented net of dividends on 'treasury shares'. See Note 18 for further information.

6 The net decrease in cash and cash equivalents during the period has been impacted by a change in the way certain policyholder assets are invested. Certain short-term interest bearing securities investments which were previously held directly within the statutory funds and classified as cash equivalents, are now invested via units in investment vehicles. Cash and cash equivalent balances attributable to shareholders of AMP are not impacted by the change.

Notes to the financial statements

for the year ended 31 December 2008

1. Summary of significant accounting policies

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), a company limited by shares, and all entities that it controlled during the year and at the balance 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 Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

The AMP group is predominantly a wealth-management business conducting operations through AMP Life Limited (AMP Life), a registered life insurance company, and other entities. As described in Note 1(c) below, the assets and liabilities arising from investment contracts and life insurance contracts are measured predominantly on the basis of fair value. Subject to the exceptions noted in the accounting policies below, other assets and liabilities in this Financial Report are also measured on a fair value basis.

Assets and liabilities have been presented on the face of the Balance sheet 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 is not always known, estimates have been provided in Note 20 (for life statutory funds) and Note 21 (for discontinued operations). Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policy

Since 1 January 2008, the AMP group has adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual periods beginning on or after 1 January 2008. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the AMP group.

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards that have been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2008. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the group's or company's results, financial position or disclosures other than the following:

- AASB 3 (Revised) *Business Combinations* and AASB 127 (Revised) *Consolidated and Separate Financial Statements*: These revised standards introduce significant changes to accounting for business combinations including any internal restructures meeting the definition of a business combination. These changes will only impact accounting for business combinations that occur after the revised accounting standards become applicable to the AMP group from 1 January 2010.
- AASB 101 (Revised) *Presentation of Financial Statements*: This revised standard introduces a number of amendments

that may impact the presentation of the company's primary financial statements and notes to the financial statements. The revised standard includes presentation and disclosure alternatives that are yet to be assessed by the company. The revised standard will not impact the measurement or recognition of amounts disclosed in the company's Financial Report. The revised standard is applicable to the AMP group from 1 January 2009.

- AASB 8 *Operating Segments*: This new standard requires the 'management approach' to disclosing information about reportable segments. The financial information is required to be reported on the same basis as is used internally by the chief decision maker for evaluating operating segment performance and on deciding how to allocate resources to operating segments. Such information may be provided using different measures to that used in preparing the income statement and balance sheet. Decisions regarding the final presentation and disclosure changes to be made to the operating segments note are yet to be finalised. The revised standard is applicable to the AMP group from 1 January 2009.

(b) Principles of consolidation

This Financial Report consolidates the financial information of controlled entities. Control is determined as the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In certain cases an entity or business may be controlled even though the AMP group does not own more than half of the voting power. In these cases control has been determined based on the AMP group's power to obtain benefits from the entity or business.

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

AMP Life conducts wealth-management business (see Note 1(c) below) through separate life statutory funds. Transactions in respect of policyholder activities within the life statutory funds are consolidated into the AMP group Financial Report, along with all activities attributable to the shareholders of the parent entity.

The life statutory funds include controlling interests in unit trusts and companies. The total amounts of each underlying asset, liability, income and expense of the controlled entities are recognised in the consolidated financial statements.

When a controlled unit trust is consolidated, the share of the unitholder liability attributable to the AMP group is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Balance sheet.

The share of the net assets of controlled companies attributable to minority interests is disclosed separately on the Balance sheet. In the Income statement, the net profit or loss of the controlled entities relating to minority interests is removed before determining the net profit or loss attributable to shareholders of the parent entity.

Controlled entities that are acquired are accounted for using the purchase method of accounting. Information from the Financial Reports 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 Report includes the results for the part of the reporting period during which the parent entity had control. All inter-company balances and transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

In the course of normal operating investment activities, the life statutory funds acquire equity interests in entities which,

1. Summary of significant accounting policies continued

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 unit trusts with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

Certain controlled entities of the life statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group. There were no significant acquisitions or disposals of controlled operating companies during 2008 or 2007, other than the disposal of the general insurance operations during 2008. See Note 21 for further details.

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 deemed by accounting standards to be controlled by the AMP group and are therefore consolidated.

(c) Accounting for wealth-management and insurance business

The accounting treatment of certain transactions in this Financial Report varies depending on the nature of the contract underlying the transactions. The three major contract classifications relevant to the wealth-management and insurance business of the AMP group are:

- investment contracts
- life insurance contracts, and
- general insurance contracts (up to the date of disposal of the general insurance operations).

The other transactions of the AMP group, not covered by the areas listed above, are predominantly investment management services and banking.

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 AMP Life relates to wealth-management products such as savings, investment-linked and retirement income policies. The nature of this business is that AMP Life receives deposits from policyholders and those funds are invested on behalf of the policyholders. With the exception of fixed retirement income policies, the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities. For fixed retirement income policies, the resulting liability is linked to the fair value of the fixed retirement income payments and associated management services.

Under accounting standards such contracts are defined as *life investment contracts* and described as *investment contracts* throughout this Financial Report.

Life insurance contracts

AMP Life also issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of AMP Life. These policies are referred to as discretionary participating contracts.

Under accounting standards, such contracts are defined as *life insurance contracts*.

General insurance contracts

The general insurance operations of the AMP group were sold on 5 March 2008. The operations comprised the management

of the outstanding claims liability on previously issued direct and reinsurance contracts. These contracts transfer significant insurance risk by agreeing to compensate the insured on the occurrence of a specified insured event, such as damage to property or the crystallisation of a third party liability (or the reinsurance thereof), within a given timeframe.

Under accounting standards, such contracts are defined as *general insurance contracts*.

Assets backing investment contract and life and general insurance contract liabilities

These assets are measured on a basis that is consistent with the measurement of the liabilities, to the extent permitted under accounting standards.

Life insurance contract liabilities and general insurance contract liabilities are measured as described in Note 1(x) and 1(r) and investment contract liabilities are measured at fair value, per Note 1(w), assets backing such liabilities are measured at fair value, to the extent permitted under accounting standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described below.

All assets that back investment contract and life insurance contract liabilities are included within the life statutory funds and, as such, are separately identifiable. The general insurance business also maintains separate insurance funds that segregate the assets backing general insurance contract liabilities.

General insurance contracts and the assets backing general insurance contracts, form part of the general insurance operations which have been classified as discontinued operations. For further details see Note 21.

Assets not backing investment and insurance contract liabilities

To ensure consistency across the AMP group, and except where specifically stated otherwise, all financial assets and all non-financial assets, including those not backing investment or insurance contract liabilities, are recognised at fair value to the extent permitted under accounting standards. Similarly, adjustments to the value of such assets are recognised in the Income statement when the corresponding accounting standards allow such treatment. The accounting policy for the parent entity's investments in controlled entities is set out in Note 1(k).

(d) Accounting mismatches

Under IFRS, accounting mismatches arise from some of the life statutory funds' transactions because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the liability to policyholders in respect of the same items. These mismatches result in policyholder asset movements impacting the net profit after income tax attributable to shareholders and increase volatility of the reported profit. Accounting mismatches primarily arise in respect of:

- gains and losses on 'treasury shares'
- gains and losses on investments in controlled entities of the life statutory funds
- gains and losses on owner-occupied properties
- discounting of deferred tax balances in the valuation of investment contract liabilities (2007 only).

The International Accounting Standards Board (IASB) has discussed accounting mismatches at previous Board meetings. The IASB has confirmed that "it would be preferable to eliminate such (mismatch) effects" and the IASB is reviewing alternative accounting treatments to address the accounting mismatch issue. These discussions are part of the wider IASB Insurance Contracts (Phase II) project which has a long time-frame.

1. Summary of significant accounting policies continued

'Treasury shares'

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

Under IFRS, the AMP group cannot recognise 'treasury shares' on the consolidated Balance sheet. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated when the life statutory funds are consolidated into the AMP group. The cost of the investment in the shares is deducted from contributed equity.

However, the corresponding investment contract and insurance contract liabilities, and related Income statement change in the liabilities, remain upon consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements increasing the net profit after income tax attributable to shareholders by \$73m (2007: decrease \$30m).

Investments in controlled entities of the life statutory funds

The majority of the life statutory funds' investments are held through controlling interests in a number of separate entities and these investments are measured at fair value. These investment assets are held on behalf of policyholders, and, as a result, the life statutory funds also recognise a corresponding liability to the policyholder.

Consolidation principles require the underlying net assets of the controlled entities to be recognised in the consolidated financial statements. The value of the underlying assets recognised will not necessarily be the same value as the life statutory funds' value of investments in the controlled entities.

However, the corresponding investment contract and insurance contract liabilities, and related Income statement change in the liabilities, remain upon consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements increasing the net profit after income tax attributable to shareholders by \$80m (2007: decrease \$37m).

Owner-occupied property

Under IFRS, property owned by the AMP group which is also occupied by the AMP group is considered property, plant and equipment in the consolidated Balance sheet. Upward revaluations of owner-occupied property are recognised in equity. Downward revaluations are recognised in the Income statement to the extent that they exceed previous upward revaluations of the same property.

However, to the extent any such property is held by the AMP life statutory funds, investment contract and life insurance contract liabilities are required to reflect owner-occupied property at fair value, with movements in those liabilities recognised in the Income statement. This mismatch can result in policyholder asset movements impacting the net profit after income tax attributable to shareholders. At the AMP group consolidated level, this mismatch results in policyholder asset movements increasing the net profit after income tax attributable to shareholders by \$4m (2007: \$11m reduction).

Discounting of deferred tax balances in the valuation of investment contract liabilities

The calculation of investment contract liabilities for unit linked business includes a deduction for the policyholders' share of current tax payable and deferred tax balances of the AMP group. Historically, the deferred tax relating to unit linked business was discounted in setting unit prices, where relevant, and therefore in the calculation of investment contract liabilities. IFRS does not allow discounting of deferred tax for financial reporting purposes and, as a result, there has been an historical mismatch

between the deferred tax retained within investment contract liabilities and that reported within the financial statements.

During 2006, a decision was made on the advice of the Appointed Actuary, having regard to the equity of policyholders and the circumstances of the investment sectors, to move to a non-discounted approach for deferred tax for those investment sectors where discounting was previously applied. The removal of the discounting of deferred tax reverses these accounting mismatches recognised in prior periods. The discounting of deferred tax had been completely reversed as at the end of 2007 and therefore there is no impact in the current period. The impact of the reversal in the 2007 comparative Income statement was a profit of \$7m.

(e) Cash and cash equivalents

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

(f) Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. Reinsurance and other recoveries receivable are discounted to present value in a manner consistent with the outstanding claims liability. See Note 1(r).

(g) Equity securities

Equity securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset, exclusive of any transaction costs. Equity securities are subsequently measured at fair value with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the Income statement in the period in which they arise.

The fair value of a quoted equity security reflects the quoted bid price at the Balance sheet date. In the case of certain assets backing investment contract and life insurance contract liabilities there is no active market for these equity securities. A fair value is established using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option-pricing models. There is no reduction for realisation costs in the value of an equity security.

Investments in associates

Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets. These are valued in the same manner as equity securities described above.

(h) Debt securities

Debt securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs. For debt securities held by AMP's banking operations, initial fair value is determined as the purchase cost of the asset inclusive of any directly attributable transaction costs.

Debt securities, except for those held by AMP's banking operations, are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the Income statement for the period in which they arise. The fair value of a traded interest-bearing security reflects the bid price at the Balance sheet date. Interest-bearing securities that are not frequently traded are

1. Summary of significant accounting policies continued

valued by discounting the estimated recoverable amounts, using prevailing interest rates. There is no reduction for realisation costs in the value of a debt security. Unlisted interest-bearing securities are valued using interest rate yields obtainable on comparable listed investments. The fair value of loans is established by discounting the estimated recoverable amount using prevailing interest rates. There is no reduction for realisation costs in the value of a debt security.

Debt securities held by AMP's banking operations are subsequently carried at amortised cost using the effective interest rate method.

(i) Property securities

Property securities, comprising investments in property trusts, are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs. Property securities are subsequently measured at fair value with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the Income statement for the period in which they arise.

The fair value of a listed property security reflects the bid price at the Balance sheet date. If there is no active market for a property security, a fair value is established using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. There is no reduction for realisation costs in the value of a property security.

The accounting policies for directly held investment property and owner-occupied property are described in Notes 1(l) and (m) respectively.

(j) Other financial assets

Other financial assets include investments in joint ventures and partnerships, units held in cash trusts and diversified trusts and derivatives. See Note 1(u).

Investments in joint ventures and partnerships

Investments in joint ventures and partnerships that back investment contract and life insurance contract liabilities are treated as financial assets and are valued in the same manner as previously described for equity securities described above. See Note 1(g).

Cash trusts and diversified trusts

The fair value of units in a listed cash trust or diversified trust reflects the quoted bid price at the Balance sheet date. There is no reduction for realisation costs in the value of units in a cash trust.

(k) Investments in controlled entities

Investments by AMP Limited in controlled entities are recorded 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.

(l) 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(m) below.

Investment property is initially recognised at cost, including transaction costs, and is subsequently measured at fair value. Capitalised expenditure comprises capital and refurbishment additions, and during development includes finance costs and other directly attributable costs. Subsequent to initial recognition investment properties are remeasured at fair value with any gains or losses arising from changes in fair value recognised in the Income statement in the period in which they arise.

Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction. Fair value is determined by independent registered valuers applying '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. There is no reduction for realisation costs in the value of investment property.

All property valuations are undertaken on a rolling annual basis. The valuation schedule may be altered when a property is undergoing or being appraised for redevelopment, refurbishment or sale; is experiencing other changes in asset or tenant profiles which may significantly impact value; or when there have been significant changes in the property market such as updates to comparable property sales which may have an impact on the individual asset values.

(m) Property, plant and equipment

Owner-occupied property

Where the whole or a significant portion of a property owned by the AMP group is held for use by the 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.

Owner-occupied property is initially recognised at cost, including transaction costs. It 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 1(l) above.

When a revaluation increases the carrying value of a property, the increase is recognised directly in equity in the owner-occupied property revaluation reserve. However, an increase is recognised in the Income statement to the extent that it 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 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 determined by comparing proceeds with the carrying amount and are recognised in the Income statement. The balance of the 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.

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.

(n) Intangible assets

Goodwill

Goodwill is initially recognised as the excess of the cost of a business combination over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition. Subsequently, goodwill is carried at cost less any accumulated impairment losses.

1. Summary of significant accounting policies continued

Goodwill is not subject to amortisation but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the assets, including goodwill, an impairment loss is recognised in the Income statement.

Management rights

Rights to receive fees for asset management services acquired either directly or as part of a business combination are recognised as an intangible asset when they can be separately identified and reliably measured and it is probable that the expected benefits will flow to the AMP group. Management rights are initially measured at cost. All management rights have been assessed to have an indefinite useful life, as the contractual rights to manage the assets have no fixed term. Management rights are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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 over the estimated useful life of the asset, being a period not exceeding five years, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier).

Other intangible assets

Other intangible assets comprise acquired customer relationships. These intangible assets are a result of business combinations and are recognised when they can be separately identified, reliably measured and it is probable that the expected benefits will flow to the AMP group. These intangible assets are initially measured at cost and are subsequently amortised over their estimated useful life.

(o) Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, all financial assets, except debt securities held by AMP's banking operations, and investment properties are not subject to impairment testing. Other assets such as property, plant and equipment, goodwill, intangibles, borrowings and debt securities held by AMP's banking operations are subject to impairment testing.

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

An impairment loss is recognised in the Income statement, being the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (including realisation costs) and its value in use.

(p) Taxes

Tax consolidation

AMP Limited and wholly-owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

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

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

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

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

Income tax for investment contracts and life insurance contracts business

The income tax expense recognised in the Income statement arising in AMP Life reflects tax imposed on shareholders as well as policyholders.

Investment contracts and life insurance contracts liabilities are established net 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 AMP Life making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are not classified as income tax expense.

Income tax for other business

The income tax expense for all other business is the tax payable on taxable income for the current period, based on the income tax rate 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 Balance-sheet carrying amounts
- unused tax losses.

Deferred tax

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

1. Summary of significant accounting policies continued

future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

Goods and services tax

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 particular expense.

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

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.

(q) Payables

Payables are financial liabilities and are measured at fair value. Given the short-term nature of most payables, the recoverable amount approximates fair value.

(r) Outstanding claims

The outstanding claims liability in respect of life insurance contracts is measured as the best estimate of the present value of expected future payments for claims incurred at the balance date. A risk margin is added to allow for the inherent uncertainty in the best estimate and to increase the probability that the liability is adequately provided for. The level of risk margin applied for financial reporting is the same as that applied for regulatory solvency purposes. The liability includes an allowance for inflation and superimposed inflation and is discounted to present value using a risk-free rate.

Claims incurred at the balance date comprise:

- claims which have been reported but not yet paid
- claims incurred but not yet reported
- claims incurred but not enough reported
- the anticipated direct and indirect costs of settling these claims.

Outstanding claims are determined by the Approved Actuary in accordance with Actuarial and Prudential Standards.

Outstanding claims form part of the general insurance operations which have been classified as discontinued operations. For further details see Note 21.

(s) 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.
- 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, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

If the effect of the time-value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate. This rate reflects the current market assessments of the time-value of money and, where appropriate, the risks specific to the liability.

Employee entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the balance date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. See Note 1(gg).

Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the balance date. In determining the present value of future cash outflows, discount rates used are based on the interest rates attaching to government securities which have terms to maturity approximating the terms of the related liability.

Restructuring

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

(t) Borrowings and subordinated debt

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value, net of directly attributable incremental transaction costs.

Borrowings and subordinated debt, other than those held by controlled entities of the life 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 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 values 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(u).

Borrowings of the controlled entities of the life statutory funds are subsequently measured at fair value with movements recognised in the Income statement.

(u) Derivatives and hedging

The AMP group is exposed to changes in interest and foreign exchange rates. To mitigate the risks arising from these exposures, the AMP group uses derivative financial instruments

1. Summary of significant accounting policies continued

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 on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are carried 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), or
- a hedge of highly probable forecast transactions (cash flow hedge), or
- a hedge of a net investment in a foreign operation (net investment hedge).

The AMP group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as its 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, or will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is carried out at both hedge inception and on an ongoing basis.

Accounting for hedges

(i) Fair value hedges:

- Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded 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.
- 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 to maturity.

(ii) Cash flow hedges:

- The effective portion of changes in the fair value of derivatives that are designated to qualify as cash flow hedges are recognised in equity in the cash flow hedges reserve. The balance of the cash flow hedges reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item will affect 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 directly in equity (including related tax impacts) 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 profit or loss.

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 and available-for-sale securities) is based on quoted market prices at the Balance sheet date. The quoted market price used for financial assets held by the AMP group is the current bid price; the quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, discounted cash-flow methods and comparison to quoted market prices or dealer quotes for similar instruments. Inputs to the models are market observable.

(v) Recognition and derecognition of financial assets and liabilities

Financial assets are recognised at trade date. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(w) Investment contract liabilities

Investment contracts consist of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets, after tax, charged to the policyholders with the exception of the impact of the accounting mismatch items. See Note 1(d).

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being their net present value using a risk-free discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon. The risk-free discount rate is determined by the Appointed Actuary based on the Commonwealth Government bond rate or the inter-bank zero coupon mid swap rates, depending on the nature, structure and term of the contract liabilities.

(x) Life insurance contract liabilities

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

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

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows

1. Summary of significant accounting policies continued

(premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The liability is calculated as the net present value of these projected cash flows using best-estimate assumptions about the future. When the benefits under the life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is determined by the Appointed Actuary based on the Commonwealth Government bond rate or the inter-bank zero coupon mid swap rates depending on the nature, structure and terms of the contract liabilities.

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

The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Allocation of operating profit and unvested policyholder benefits

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

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

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

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

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

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

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

Allocation of expenses within the life statutory funds

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

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

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

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

(y) 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.

(z) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements for each of the AMP group entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The presentation currency of this Financial Report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance sheet 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 presentational currency, the transactions and balances of that entity are translated as follows:

- Income and expenses are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. In this case, income and expenses are translated at the dates of the transactions.
- Assets and liabilities are translated at the closing rate at the Balance sheet date.
- All resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

When a foreign operation is sold, a proportionate share of such exchange differences is recognised in the Income statement as part of the gain or loss on sale.

1. Summary of significant accounting policies continued

(aa) 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 Balance sheet.

Investment contracts

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

- origination fees and ongoing investment management fees. See Note 1(bb).
- amounts credited directly to investment contract liabilities. See Note 1(w).

(bb) Fee and other revenue

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

Investment contracts consist of a financial instrument and an investment-management services element. The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that origination fee is based on commission paid to financial planners for providing initial advice. The financial instrument is classified as an investment contract and is measured at fair value. See Note 1(w).

The revenue that can be attributed to the origination service is recognised at inception. Any commission paid related to that fee is also recognised as an expense at that time. See Note 1(ee).

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

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

(cc) 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.

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

(dd) Insurance claims and related expense

Life insurance contracts

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

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

Investment contracts

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

General insurance contracts

A claims expense in respect of general insurance contracts is recognised in the Income statement either as claims are incurred or as movements in outstanding claims occur.

General insurance claims expense forms part of the result of the general insurance operations which have been classified as discontinued operations. For further details see Note 21.

(ee) Operating expenses

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

Expenses of controlled entities of the life 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 commissions and other payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts. See Note 1(bb).

(ff) Finance costs

Finance costs include:

- (i) borrowing costs:
 - interest on bank overdrafts, borrowings and subordinated debt
 - amortisation of discounts or premiums related to borrowings
 - finance charges in relation to finance leases.
- (ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
- (iii) 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.

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

(gg) 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 an expense in respect of the services received and is recognised in the Income statement over the vesting period of the instrument. There is an equivalent increase 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 Balance sheet 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.

1. Summary of significant accounting policies continued

Where the terms of an equity-settled share-based payment are modified and the expense increases as a result of the modification, then 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.

If the instruments vest, shares are purchased on-market and transferred to the employee. This purchase results in a decrease in the share-based payments reserve for the amount of the cost of the purchase.

(hh) Superannuation funds

The AMP group operates two 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. New employees are only offered defined contribution benefits. AMP also makes contributions to multiple superannuation funds in respect of employees who are not members of AMP operated funds. These contributions are made on a defined contribution basis.

For the defined contribution sections, the AMP group pays contributions to the funds on a mandatory basis. The AMP group has no further payment obligations once the contributions have been paid. The contributions are recognised in the Income statement as an operating expense when they fall due.

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, the AMP group recognises the net deficit or surplus position of each fund in the Balance sheet. 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 a government bond yield as the discount rate. The defined-benefit obligation is calculated annually, with half-yearly reviews, by independent actuaries.

After taking into account any contributions paid into the defined-benefits 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 in full (net of tax), directly in retained profits. The movement is also reflected in the Statement of recognised income and expenses.

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

(ii) Earnings per share

Basic and diluted earnings per share before accounting mismatches, is calculated by dividing the consolidated profit attributable to shareholders before accounting mismatches 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 included in calculating the weighted average number of ordinary shares outstanding.

Basic earnings per share after accounting mismatches, is calculated by dividing the consolidated profit attributable to shareholders after accounting mismatches of AMP Limited, by the weighted average number of ordinary shares outstanding during the period excluding the weighted average number of 'treasury shares'.

Diluted earnings per share after accounting mismatches 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.

(jj) Disposal groups

Disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. For a disposal group to be classified as a discontinued operation, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group will be recognised at the date of derecognition, which, in relation to AMP's general insurance operations, was 5 March 2008.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view of resale. The results of discontinued operations are presented separately on the face of the Income statement. The assets and liabilities of discontinued operations are presented separately on the face of the Balance sheet.

2. Segment information

	Continuing operations					Discontinued operations	
	AMP Financial Services	AMP Capital Investors	Other ³	Eliminations	Total from continuing operations	General Insurance ⁵	Total
	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m	2008 \$m
Business segments							
External revenue	(11,116)	321	(171)	–	(10,966)	2	(10,964)
Inter-segment revenue	60	284	801	(1,151)	(6)	6	–
Total revenue^{1, 2}	(11,056)	605	630	(1,151)	(10,972)	8	(10,964)
Segment result	(625)	146	(618)	–	(1,097)	9	(1,088)
Income tax (expense) credit	1,249	(22)	444	–	1,671	(3)	1,668
Profit attributable to shareholders of AMP Limited	624	124	(174)	–	574	6	580
Comprises:							
Operating earnings	544	124	(251)	–	417	6	423
Unmatched changes in policyholder liabilities (accounting mismatches) ⁴	80	–	77	–	157	–	157
Total assets	84,407	889	1,849	(395)	86,750	–	86,750
Total liabilities	82,476	691	1,861	(395)	84,633	–	84,633
Depreciation	21	1	6	–	28	–	28
Amortisation	28	2	30	–	60	–	60
Impairment losses	73	–	169	–	242	–	242
Other non-cash expenses	(12,411)	7	8	–	(12,396)	–	(12,396)
Assets acquired during the year	44	1	–	–	45	–	45
Geographic segments							
	Australia 2008 \$m	New Zealand 2008 \$m	Other 2008 \$m	Eliminations 2008 \$m	Total 2008 \$m		
Revenue from external sales	(11,432)	522	10	(64)	(10,964)		
Total assets	83,358	3,148	371	(127)	86,750		
Assets acquired during the year	22	23	–	–	45		

Footnote:

- 1 Segment revenue from continuing operations includes premium and related revenue of \$994m, fee revenue of \$1,520m, other revenue of \$363m and net investment losses of \$13,843m as detailed in Note 3.
- 2 Segment revenue includes operating revenue activity between segments. These transactions are priced on an arm's length basis and are eliminated on consolidation.
- 3 The after tax impact of \$117m annuity fair value adjustments and \$42m Seed pool valuation adjustments (on Singapore industrial property and Australasian retirement businesses) is included in Other.
- 4 The impact of accounting mismatches relating to investments in controlled entities of the life statutory funds and, in 2007 only, discounting of deferred tax balances is reflected within the AMP Financial Services segment. The remainder of the accounting mismatches are reflected as Other. See Note 1(d) for further information on accounting mismatches.
- 5 The segment balances in respect of the discontinued operations include amounts derived from transactions with other business segments. These amounts have been eliminated in the profit from discontinued operations on the face of the Income statement.

2. Segment information continued

Business segments	Continuing operations				Discontinued operations		Total 2007 \$m
	AMP Financial Services	AMP Capital Investors	Other ³	Eliminations	Total from continuing operations	General Insurance ⁵	
	2007 \$m	2007 \$m	2007 \$m	2007 \$m	2007 \$m	2007 \$m	
External revenue	10,567	423	7	—	10,997	21	11,018
Inter-segment revenue	60	307	49	(457)	(41)	41	—
Total revenue^{1, 2}	10,627	730	56	(457)	10,956	62	11,018
Segment result	1,317	219	(233)	—	1,303	250	1,553
Income tax (expense) credit	(556)	(63)	166	—	(453)	(44)	(497)
Profit attributable to shareholders of AMP Limited	761	156	(67)	—	850	206	1,056
Comprises:							
Operating earnings	791	156	(26)	—	921	206	1,127
Unmatched changes in policyholder liabilities (accounting mismatches) ⁴	(30)	—	(41)	—	(71)	—	(71)
Total assets	102,742	1,097	1,835	(1,654)	104,020	1,289	105,309
Total liabilities	101,331	804	2,247	(1,654)	102,728	567	103,295
Depreciation	39	1	5	—	45	—	45
Amortisation	13	—	35	—	48	—	48
Impairment losses	5	—	8	—	13	—	13
Other non-cash expenses	4,427	5	14	—	4,446	(1)	4,445
Assets acquired during the year	65	3	—	—	68	—	65
Geographic segments							
		Australia 2007 \$m	New Zealand 2007 \$m	Other 2007 \$m	Eliminations 2007 \$m	Total 2007 \$m	
Revenue from external sales		10,640	397	20	(39)	11,018	
Total assets		102,621	2,575	261	(148)	105,309	
Assets acquired during the year		50	17	1	—	68	

Footnote:

- 1 Segment revenue from continuing operations includes premium and related revenue of \$930m, fee revenue of \$1,601m, other revenue of \$338m and net investment gains of \$8,128m as detailed in Note 3.
- 2 Segment revenue includes operating revenue activity between segments. These transactions are priced on an arm's length basis and are eliminated on consolidation.
- 3 The after tax impact of \$13m annuity fair value adjustments is reflected within Other.
- 4 The impact of accounting mismatches relating to investments in controlled entities of the life statutory funds and, in 2007 only, discounting of deferred tax balances is reflected within the AMP Financial Services segment. The remainder of the accounting mismatches are reflected as Other. See note 1(d) for further information on accounting mismatches.
- 5 The segment balances in respect of the discontinued operations include amounts derived from transactions with other business segments. These amounts have been eliminated in the profit from discontinued operations on the face of the Income statement.

Business segment information

AMP Financial Services (AFS) – provides financial planning, investment services, superannuation, mortgage and savings products (provided by AMP Bank) and life insurance products in Australia and New Zealand. The AFS segment also includes investments of the life statutory funds which have controlling equity interests in trusts and companies which conduct investment activities and operating businesses. The individual assets, liabilities, revenues and expenses of those operating businesses are recognised in the AFS segment.

AMP Capital Investors (AMPCI) – provides investment management services in Australia, New Zealand and Asia including private capital, infrastructure and property portfolios and socially responsible investments. AMPCI also acquires assets to seed new funds or opportunities (Seed pool).

General Insurance – comprises reinsurance and corporate insurance operations in run-off. The AMP group completed the sale of its general insurance operations on 5 March 2008. For further details, see Note 21.

Other – includes the provision of support services to the business units, corporate funding and investment of shareholder capital not allocated to reportable segments.

3. Income

	Note	Consolidated		Parent	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
(a) Life insurance premium and related revenue					
Life insurance contract premium revenue	19	958	904	—	—
Reinsurance recoveries	19	36	26	—	—
Total life insurance premium and related revenue		994	930	—	—
(b) Fee revenue					
Investment management and origination fees		1,346	1,419	—	—
Financial advisory fees		157	166	—	—
Banking business fees		16	14	—	—
Service fees					
— subsidiaries		—	—	5	18
— other entities		1	2	—	—
Total fee revenue¹		1,520	1,601	5	18
(c) Other revenue					
Defined benefit fund income	26	8	8	—	—
Other revenue ²		355	330	5	—
Total other revenue		363	338	5	—
(d) Investment gains and losses					
Interest					
— subsidiaries		—	—	1	1
— other entities ³		2,636	1,611	2	1
Dividends and distributions					
— subsidiaries		—	—	747	811
— associated entities		115	324	—	—
— other entities		3,132	5,553	—	—
Rental income		721	680	—	—
Net realised and unrealised gains and losses ⁴		(20,473)	(120)	—	—
Other investment income		26	80	—	—
Total investment gains and losses		(13,843)	8,128	750	813

Footnote:

- 1 The consolidated balances include fee income from trust and fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of \$16m (2007: \$14m) fees from banking operations, which are fees from financial assets that are not measured at fair value through profit or loss.
- 2 The consolidated balances include trading revenues of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- 3 The consolidated balances include interest income from financial assets measured at fair value through profit or loss, designated as such upon initial recognition, with the exception of \$801m (2007: \$628m) interest income from held to maturity investments and loans and receivables in banking operations, which are measured at amortised cost.
- 4 The consolidated balances include net gains or losses on financial assets or financial liabilities designated at fair value through profit or loss upon initial recognition.

4. Expenses

	Note	Consolidated		Parent	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
(a) Life insurance claims and related expenses					
Life insurance contract claims and related expenses	19	(1,292)	(1,308)	—	—
Outwards reinsurance expense	19	(45)	(41)	—	—
Total life insurance claims and related expenses		(1,337)	(1,349)	—	—
(b) Operating expenses					
Commission expense		(557)	(562)	—	—
Investment management expenses		(224)	(304)	—	—
Fee expense on banking business		(14)	(12)	—	—
Fee and commission expenses¹		(795)	(878)	—	—
Wages and salaries		(543)	(580)	(3)	(10)
Contributions to defined contribution funds		(54)	(45)	—	—
Defined benefit fund expense	26	—	(2)	—	—
Share based payments expense	27	(15)	(17)	—	(6)
Other staff costs		(57)	(60)	—	(1)
Staff and related expenses		(669)	(704)	(3)	(17)
Occupancy and property maintenance expenses		(284)	(240)	—	—
Information technology and communication		(104)	(145)	—	—
Professional fees		(95)	(90)	—	—
Advertising and marketing		(39)	(36)	—	—
Travel and entertainment		(27)	(27)	—	—
Impairment of intangibles ²	11	(242)	(13)	—	—
Other expenses ³		(360)	(259)	(4)	(1)
Other operating expenses		(1,151)	(810)	(4)	(1)
Total operating expenses		(2,615)	(2,392)	(7)	(18)
(c) Finance costs					
Interest expense on borrowings and subordinated debt ⁴		(838)	(643)	—	—
Other finance costs		(252)	(140)	—	—
Total finance costs		(1,090)	(783)	—	—

Footnote:

- 1 The consolidated balances include fee expenses from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of \$14m (2007: \$12m) fees expense on banking business, which are fees from financial liabilities that are not measured at fair value through profit or loss.
- 2 The consolidated balances include impairment of capitalised costs attributable to shareholders and impairment of goodwill balances of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group and also balances within entities in which shareholders and policyholders are co-investors. See Note 11 for further details.
- 3 The consolidated balances include trading expenses of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- 4 The consolidated balances include \$518m (2007: \$421m) interest expense on borrowings and subordinated debt in banking operations, which are measured at amortised cost.

5. Income tax

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
(a) Analysis of income tax (expense) credit				
Current tax	(458)	(606)	1	3
(Decrease) increase in deferred tax assets	712	(16)	46	47
Decrease (increase) in deferred tax liabilities	1,177	190	—	—
Over (under) provided in previous years	237	(13)	44	40
Income tax (expense) credit	1,668	(445)	91	90

(b) Relationship between income tax expense and accounting profit

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the period and the actual income tax expense recognised in the Income statement for the period. The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders.

In respect of income tax expense attributable to shareholders, the tax rate which applies in 2008 in both Australia and New Zealand is 30%. The tax rate applicable in New Zealand in 2007 was 33%. There are certain differences between the amounts of income and expenses recognised in the Financial Report and the amounts recognised for income tax purposes.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against policyholder liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax-exempt. The rate applicable to New Zealand life insurance business during the period was 30%. (For the comparative period rates ranged between 30%–33%).

During 2007 the New Zealand Government announced a change in the company tax rate from 33% to 30% for the 2008/2009 tax year. Deferred tax assets and deferred tax liabilities expected to be realised or settled after the change in tax rate has taken effect, were remeasured at 31 December 2007 to reflect the announced tax rate.

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Profit (loss) before income tax from continuing operations	(1,094)	1,237	753	813
Policyholder tax credit (expense) recognised as a charge to policyholders in determining profit before income tax	1,421	(242)	—	—
Profit before income tax from continuing operations excluding tax charged to policyholders	327	995	753	813
Prima facie tax at the rate of 30% (2007: 30%)	(98)	(299)	(226)	(244)
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	30	13	—	—
Non-deductible expenses	(31)	(28)	—	—
Non-taxable income	33	22	—	—
Tax offsets and credits	11	17	1	1
Dividend income from controlled entities	—	—	224	243
Other items	18	(18)	—	—
Over (under) provided in previous years after excluding amounts attributable to policyholders ¹	236	37	44	40
Benefit arising from previously unrecognised tax losses	51	56	48	50
Difference in overseas tax rates	(3)	(3)	—	—
Income tax (expense) credit attributable to shareholders	247	(203)	91	90
Income tax (expense) credit attributable to policyholders	1,421	(242)	—	—
Income tax (expense) credit per Income statement	1,668	(445)	91	90

Footnote:

1 The over provision mainly relates to benefits of entering the tax consolidation regime in 2003 not recognised at that time.

5. Income tax continued

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
(c) Analysis of deferred tax asset				
Expenses deductible and income recognisable in future years	162	158	3	1
Unrealised movements on borrowings and derivatives	90	26	—	—
Unrealised investment losses	577	—	—	—
Losses available for offset against future taxable income	64	—	81	84
Other	77	125	2	2
Total deferred tax assets	970	309	86	87
(d) Analysis of deferred tax liability				
Unrealised investment gains	269	1,683	—	—
Unrealised movements on borrowings and derivatives	63	67	—	—
Other	161	61	—	—
Total deferred tax liability	493	1,811	—	—
(e) Amounts recognised directly in equity				
The following are the net current and deferred tax balances relating to items that are charged or credited directly to equity:				
— net current tax asset	3	4	1	2
— net deferred tax asset (liability)	80	(7)	3	—
(f) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	209	226	189	206
Capital losses	556	667	556	667

6. Receivables

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Investment income and sales proceeds receivable	500	367	—	—
Life insurance contract premiums receivable	283	281	—	—
Reinsurers' share of life insurance contract liabilities	58	47	—	—
Trade debtors ¹	230	242	—	—
Other receivables				
— subsidiaries – tax-related amounts	—	—	—	291
— subsidiaries – other	—	—	—	8
— associated entities	—	1	—	—
— other entities	169	242	—	—
Total receivables^{2, 3}	1,240	1,180	—	299

Footnote:

- 1 The consolidated balances include trade debtors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- 2 \$9m (2007: \$198m) of total receivables is expected to be realised 12 months or more from reporting date.
- 3 All receivables are measured at fair value through profit or loss, designated as such upon initial recognition.

7. Equity, debt and property securities and other financial assets

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Equity securities				
Directly held				
– associated entities	352	378	–	–
– other entities	20,421	32,336	–	–
Held via unit trusts				
– associated entities	1,349	1,098	–	–
– other entities	4,681	10,030	–	–
Total equity securities¹	26,803	43,842	–	–
Debt securities²				
Interest-bearing securities directly held ³	18,329	20,339	–	–
Interest-bearing securities held via unit trusts				
– associated entities	3	–	–	–
– other entities	2,958	3,326	–	–
Secured loans	10,875	9,004	–	–
Unsecured loans				
– subsidiaries	–	–	660	204
– associated entities	62	122	–	–
– other entities	326	325	–	1
Convertible notes	37	22	–	–
Total debt securities⁴	32,590	33,138	660	205
Property securities				
Held via unit trusts				
– associated entities	2,315	2,469	–	–
– other entities	1,135	2,831	–	–
Total property securities¹	3,450	5,300	–	–
Other financial assets				
Cash securities held via unit trusts	1,063	1,173	–	–
Other financial assets ^{3, 5, 6}	7,508	6,364	–	–
Total other financial assets¹	8,571	7,537	–	–
Investments in controlled entities⁷	–	–	7,072	7,022

Footnote:

- 1 All equity and property securities, and other financial assets are designated at fair value through profit or loss.
- 2 Debt securities of \$22,436m (2007: \$24,556m) are measured at fair value. The remaining amount of \$10,154m (2007: \$8,582m) represents interest-bearing securities and secured loans held by banking operations which are measured at amortised cost and are subject to impairment testing.
- 3 Certain controlled unit trusts of the AMP Life statutory funds invest in forward mortgage backed securities. The presentation has been revised in 2008 to show the net fair value, rather than gross positions, which more fully reflects the hedging nature of these instruments. Comparative information has been reclassified to be consistent with the current period disclosure causing a reduction in Debt securities of \$3,149m, a reduction in Investment purchases payable of \$3,108m and an increase in Other financial assets of \$41m. There was no impact on net assets or profit.
- 4 Total debt securities includes \$6,863m (2007: \$5,551m) of debt securities in consolidated securitisation vehicles.
- 5 The other category includes mainly balanced trusts and derivative financial assets.
- 6 Other financial assets includes gross derivative assets of \$2,554m in respect of policyholder investment activity of the statutory funds in AMP Life. Derivative financial liabilities on the face of the Balance sheet includes \$1,797m in respect of gross derivative liabilities relating to investment activities of the AMP Life statutory funds.
- 7 The increase in the carrying value of Investments in controlled entities is a result of an additional investment during the period.

8. Investment property

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Investment property				
Directly held	9,227	9,333	—	—
Total investment property	9,227	9,333	—	—
Movements in investment property				
Balance at the beginning of the period	9,333	7,841	—	—
Additions				
— through direct acquisitions ¹	160	741	—	—
— subsequent expenditure recognised in carrying amount	90	56	—	—
Acquisitions through business combinations	17	128	—	—
Disposals ¹	(111)	(311)	—	—
Net gains (losses) from fair value adjustments ²	(284)	888	—	—
Foreign currency exchange differences	22	(10)	—	—
Balance at the end of the period	9,227	9,333	—	—

Footnote:

- 1 Additions through direct acquisitions and disposals include amounts for investment entities in which the life statutory funds hold a controlling equity interest.
- 2 Investment property is measured at fair value.

9. Property, plant and equipment

31 December 2008	Owner-Occupied Property ¹ \$m	Leasehold Improvements \$m	Plant & Equipment ² \$m	Total \$m
Property, plant and equipment				
Gross carrying amount	332	71	389	792
Less: accumulated depreciation and impairment losses	—	(47)	(153)	(200)
Property, plant and equipment at written down value	332	24	236	592
Movements in property, plant and equipment				
Balance at the beginning of the period	342	29	215	586
Additions				
— through direct acquisitions	—	—	33	33
— subsequent expenditure recognised in carrying amount	3	—	—	3
Acquisitions through business combinations	—	—	11	11
Disposals	—	—	(5)	(5)
Increases (decreases) from revaluations recognised directly in equity	(7)	—	—	(7)
Depreciation expense for the period	(6)	(5)	(17)	(28)
Foreign currency exchange differences	—	—	(1)	(1)
Balance at the end of the period	332	24	236	592
31 December 2007				
Property, plant and equipment				
Gross carrying amount	342	71	331	744
Less: accumulated depreciation and impairment losses	—	(42)	(116)	(158)
Property, plant and equipment at written down value	342	29	215	586
Movements in property, plant and equipment				
Balance at the beginning of the period	300	30	172	502
Additions				
— through direct acquisitions	—	5	63	68
— subsequent expenditure recognised in carrying amount	4	—	—	4
Acquisitions through business combinations	—	—	17	17
Disposals	—	—	(4)	(4)
Increases from revaluations recognised directly in equity	43	—	—	43
Depreciation expense for the period	(5)	(6)	(34)	(45)
Foreign currency exchange differences	—	—	1	1
Balance at the end of the period	342	29	215	586

Footnote:

- 1 Owner-occupied property is measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been \$200m.
- 2 The consolidated balances include operating assets of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

10. Inventories and other assets

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Inventories	105	86	—	—
Prepayments	51	76	—	—
Other assets	17	29	—	—
Total inventories and other assets^{1, 2}	173	191	—	—

Footnote:

- 1 \$32m (2007: \$56m) of Total inventories and other assets is expected to be realised 12 months or more from the reporting date.
- 2 The consolidated balances include inventories and other assets of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

11. Intangibles

31 December 2008

	Goodwill ^{1, 2} \$m	Capitalised costs ³ \$m	Management rights \$m	Other intangibles \$m	Total \$m
Intangibles					
Gross carrying amount	849	483	23	66	1,421
Less: accumulated amortisation and/or impairment losses	(90)	(372)	(3)	(17)	(482)
Intangibles at written down value	759	111	20	49	939
Movements in intangibles					
Balance at the beginning of the period	793	156	24	32	1,005
Additions through acquisitions of controlled entities ²	54	—	—	23	77
Additions through separate acquisition	—	—	—	1	1
Additions through internal development	—	159	—	—	159
Amortisation expense for the period ⁴	—	(50)	(1)	(9)	(60)
Impairment losses (recognised) or reversed in profit	(85)	(154)	(2)	(1)	(242)
Foreign currency exchange differences	(3)	(1)	(1)	—	(5)
Other movements	—	1	—	3	4
Balance at the end of the period	759	111	20	49	939

31 December 2007

	Goodwill ¹ \$m	Capitalised costs ³ \$m	Management rights \$m	Other intangibles \$m	Total \$m
Intangibles					
Gross carrying amount	798	325	26	44	1,193
Less: accumulated amortisation and/or impairment losses	(5)	(169)	(2)	(12)	(188)
Intangibles at written down value	793	156	24	32	1,005
Movements in intangibles					
Balance at the beginning of the period	731	109	22	—	862
Additions through acquisitions of controlled entities	140	—	2	32	174
Additions through separate acquisition	—	—	—	—	—
Additions through internal development	—	106	—	—	106
Disposals	(73)	—	—	—	(73)
Amortisation expense for the period ⁴	—	(48)	—	—	(48)
Impairment losses (recognised) or reversed in profit	(5)	(8)	—	—	(13)
Other movements	—	(3)	—	—	(3)
Balance at the end of the period	793	156	24	32	1,005

Footnote:

- 1 Total Goodwill at 31 December 2008 comprises amounts attributable to shareholders of \$517m, attributable to policyholders of \$213m and amounts within entities in which shareholders and policyholders are co-investors of \$29m.
- 2 The additions to goodwill during 2008 of \$54m arose on acquisitions of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- 3 Capitalised costs are required to be amortised over their estimated useful lives as well as being assessed for indicators of impairment at each reporting date. Impairment testing carried out during the period indicated that the carrying value of some capitalised costs exceeded their recoverable amount. Consequently these capitalised costs were written down to their recoverable amount.
- 4 Amortisation expense for the period is included in Operating expenses in the Income statement.

Impairment testing for goodwill

Goodwill includes balances attributable to shareholders, balances attributable to policyholders in investment entities controlled by the life statutory funds and also balances within entities in which shareholders and policyholders are co-investors.

Goodwill attributable to shareholders

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

Under IFRS transition rules, the amortised cost value of \$517 million at 1 January 2004 was deemed to be the value carried forward and tested annually for impairment. AMP Life is deemed to be the cash-generating unit for the purposes of impairment testing.

The key financial indicators considered when testing goodwill for impairment include estimates of future cash flows, relevant product profit margins and the embedded value of the AMP Life business as a whole. The embedded value for internal key performance indicators uses a risk discount rate of the annualised 10 year bond yield of 4.0% in Australia (31 December 2007: 3.4%) and 3.7% in New Zealand (31 December: 3.5%) with a 3% margin (31 December 2007: 3%). With the exception of the application of this risk discount rate, assumptions applied in estimating the embedded value are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP Life. See Note 1(w) and Note 19 for more details.

11. Intangibles continued

As a result of the surplus discounted present value of future profits (being embedded value less shareholder capital) over the goodwill held at AMP Life parent, there has been no impairment recognised at 31 December 2008.

Goodwill attributable to both shareholders and policyholders

The goodwill arising on acquisition of a New Zealand retirement property business represents the commercial value of future development potential of the acquired businesses. The investment in this business is co-owned by policyholders and shareholders with ownership interests approximately evenly split. At 31 December 2008, the goodwill was impaired by \$25m. The recoverable amount of goodwill was based on its 'fair value less costs to sell' and was determined by reference to advanced sale negotiations with a third party for a 50% interest in the business.

Goodwill attributable to policyholders

The policyholder goodwill has arisen on acquisitions of operating subsidiaries controlled by the life statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group.

Impairment reviews performed at 31 December 2008 identified impairments in the value of goodwill in a number of the operating subsidiaries of a policyholder controlled private equity fund. The goodwill held within this fund represents the future value of cash flows expected to be derived from numerous subsidiary entities which have been acquired by the fund since inception. 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 11% and 13%.

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 out based on revenue growth rates of between 0%–15% pa, with profitability margins held constant.

Forecast revenue levels have been based on a number of assumptions within the different operating subsidiaries, with key assumptions being:

- Take-up of new shop space by major retailers, and
- Activity levels and demand for new equipment in the resources, construction and infrastructure industries.

Due to the reduced availability of trade financing and reduced activity levels within the resource and related sectors which a number of the entities operate within, a number of these subsidiaries are projecting reduced cash flows from operations going forward. Impairment testing based on those revised forecast cash flows has resulted in a total impairment loss of \$60m.

Shareholders have no direct exposure to movements in goodwill attributable to policyholders. However, due to the impact of accounting mismatches on investments in controlled entities of the life statutory funds (see Note 1(d)), 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.

Impairment testing of capitalised costs

Capitalised costs mainly include capitalised project costs in respect of the development of various internal software assets as well as finance, funds management, product, planner and customer related information management systems. Costs are capitalised when they meet the criteria specified in AASB 138 *Intangible Assets* referring to the creation of an asset with expected future economic benefits to the organisation. Capitalised costs are amortised over the estimated useful life of the asset.

As required under accounting standards, at each reporting date AMP group assesses whether there is any indication that capitalised costs may be impaired. After considering various external and internal sources of information such as current economic conditions and anticipated future cash flows to be generated from these assets, it was assessed that sufficient indicators of impairment existed such that an assessment of the carrying value of capitalised costs was necessary.

Impairment tests were carried out in which future cash flows expected to be generated through either cost efficiencies or new business opportunities were reassessed in light of the current economic environment and the most recent management forecasts. Impairment tests were carried out on a "value in use" basis. This involves estimating the future net cash flows expected to be derived from continuing use of the assets and applying an appropriate discount rate to those cash flows (approximately 15% across AMP group).

Changes in the following factors led to a reassessment of the estimated recoverable amounts of capitalised costs:

- The reduced period over which projects are expected to provide economic benefits;
- Upgrading of various information systems, bringing forward the obsolescence of older systems enhancements;
- Higher ongoing costs in respect of operating and maintaining the assets; and
- Decline in expected net cash flows arising from the assets in the near-term, largely due to a decline in the market value of assets under management, current market volatility and revised assumptions in respect of timing of discretionary inflows.

As such, there has been a change in the quantum or timing of the realisation of some benefits.

Impairment testing indicated recoverable amounts for a number of the assets were below current carrying amounts and as such an impairment loss of \$154m was recognised in order to correctly reflect these assets at their recoverable amounts.

Impaired assets will continue to be reassessed at each reporting date for indicators of further impairment or indicators of increases in the recoverable amounts of those assets. If such indicators exist, these assets may be further impaired or previous impairment losses may be reversed in future periods.

12. Payables

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Investment purchases payable ¹	247	65	—	—
Life insurance and investment contracts in process of settlement	212	217	—	—
Accrued expenses	90	124	—	—
Interest payable	78	59	—	—
Trade creditors	154	147	—	—
Other payables				
— subsidiaries – tax-related amounts	—	—	64	—
— other entities	493	473	1	2
Total payables^{2, 3}	1,274	1,085	65	2

Footnote:

- 1 Certain controlled unit trusts of the AMP Life statutory funds invest in forward mortgage backed securities. The presentation has been revised in 2008 to show the net fair value, rather than gross positions, which more fully reflects the hedging nature of these instruments. Comparative information has been reclassified to be consistent with the current period disclosure causing a reduction in Debt securities of \$3,149m, a reduction in Investment purchases payable of \$3,108m and an increase in Other financial assets of \$41m. There was no impact on net assets or profit.
- 2 The consolidated balances include Trade creditors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- 3 \$171m (2007: \$183m) of Total payables is expected to be settled 12 months or more from the reporting date.

13. Provisions

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
(a) Provisions				
Employee entitlements	179	226	2	4
Restructuring	5	8	—	—
Other	127	172	—	—
Total provisions¹	311	406	2	4

	Employee entitlements \$m	Restructuring \$m	Other \$m	Total \$m
(b) Movements in provisions – consolidated				
Balance at the beginning of the period	226	8	172	406
Additional provisions recognised	222	4	126	352
Reductions from remeasurement or settlement without cost	(5)	—	(16)	(21)
Payments/other sacrifices of economic benefits	(264)	(7)	(154)	(425)
Additions (reductions) through foreign exchange movements	—	—	(1)	(1)
Balance at the end of the period	179	5	127	311

	Employee entitlements \$m	Restructuring \$m	Other \$m	Total \$m
(c) Movements in provisions – parent				
Balance at the beginning of the period	4	—	—	4
Additional provisions recognised	3	—	—	3
Reductions from remeasurement or settlement without cost	—	—	—	—
Payments/other sacrifices of economic benefits	(5)	—	—	(5)
Balance at the end of the period	2	—	—	2

Footnote:

- 1 \$16m (2007: \$26m) of Total provisions is expected to be settled 12 months or more from the reporting date.

14. Borrowings

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Bank overdrafts	15	10	—	—
Bank loans	2,122	426	—	—
Bonds and notes ¹	7,347	8,711	—	—
Deposits ²	2,052	1,739	—	—
Other loans				
– other entities	452	364	—	—
Total borrowings^{3, 4, 5}	11,988	11,250	—	—

Footnote:

- The AMP group uses interest-rate swaps and cross-currency swaps to manage interest rate and currency risk inherent in certain debt issues. The group continued to achieve hedge accounting for the current period resulting in the carrying value of bonds and notes being \$2m lower (2007: \$60m lower) reflecting cumulative changes in fair value of the underlying hedged item for the period that the effective hedge relationships were in place.
- Deposits is mainly comprised of at call cash on deposit and term deposits at variable interest rates within the AMP group's banking operations.
- Total borrowings includes amounts to fund:
 - AMP Bank and operating businesses in which the life statutory funds hold a controlling equity interest of \$10,624m (2007: \$10,149m). Of the balance at 31 December 2008, \$5,209m is due to be settled within 12 months of the reporting date. This amount includes \$1,814m of deposits in AMP Bank that are contractually at call customer savings accounts.
 - Corporate and other shareholder investment activities of AMP of \$1,364m (2007: \$1,101m). Of the balance at 31 December 2008, \$176m is expected to be settled within 12 months of the reporting date.
- Total borrowings include \$4,891m (2007: \$5,509m) of debt in consolidated securitisation vehicles.
- All borrowings are measured at fair value through profit or loss, with the exception of \$6,574m (2007: \$6,417m) of borrowings held in AMP Bank and the consolidation securitisation vehicles, which are measured at amortised cost.

15. Subordinated debt

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Subordinated Floating Rate Note (3 month BBSW + 0.56%, maturity April 2014)	100	100	—	—
7.125% GBP Subordinated Guaranteed Step-Up Bonds (maturity 2019)	205	224	—	—
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	83	79	—	—
Total subordinated debt^{1, 2, 3}	388	403	—	—

Footnote:

- The AMP group uses interest-rate swaps and cross-currency swaps to manage interest rate and currency risk inherent in certain debt issues. The group continued to achieve hedge accounting for the current period resulting in the carrying value of subordinated debt being \$2m lower (2007: \$12m lower) reflecting cumulative changes in fair value of the underlying hedged item for the period that the effective hedge relationships were in place.
- Subordinated debt includes amounts to fund:
 - AMP Bank – subordinated debt of \$100m (2007: \$100m). Of the balance at 31 December 2008, \$100m is expected to be settled within 12 months of the reporting date.
 - Corporate activities of AMP – subordinated debt of \$288m (2007: \$303m). Of the balance at 31 December 2008, \$205m is expected to be settled within 12 months of the reporting date.
- All subordinated debt is measured at fair value through profit or loss, with the exception of \$100m (2007: \$100m) held by AMP Bank, which is measured at amortised cost.

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Final dividends paid				
2007 paid in 2008: 22 cents per ordinary share franked to 85% (2006 paid in 2007: 21 cents per ordinary share franked to 85%)	412	394	412	394
2007 paid in 2008: Additional 2 cents per ordinary share franked to 85% from proceeds of Cobalt/Gordian sale	38	n/a	38	n/a
Interim dividends paid				
2008: 22 cents per ordinary share franked to 85% (2007: 22 cents per ordinary share franked to 85%)	412	412	412	412
Additional 2 cents per ordinary share franked to 85% from proceeds of Cobalt/Gordian sale	38	n/a	38	n/a
Total dividends paid^{1, 2}	900	806	900	806
Final dividend proposed but not recognised^{2, 3}				
2008: 16 cents per ordinary share franked to 85%	319	n/a	319	n/a
	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Dividend franking account^{4, 5}				
Franking credits available to shareholders of AMP Limited (at 30%)	133	249	133	249

Footnote:

- 1 Total dividends paid includes dividends paid on 'treasury shares'. See Note 18 for further information regarding the impact of 'treasury shares' on dividends paid and retained profits.
- 2 All dividends are franked at a tax rate of 30%.
- 3 As the final dividend proposed is greater than the consolidated profit after tax for the period, APRA's prudential standards require AMP to obtain approval from APRA prior to the payment of this dividend. APRA approval has been granted for the payment of the 2008 final dividend proposed.
- 4 The franking credits available to shareholders are based on the balance of the dividend franking account at year end adjusted for:
 - a) franking credits that will arise from the payment of the current tax liability
 - b) franking debits that will arise from the payment of dividends recognised as a liability at the year end
 - c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end
 - d) franking credits that the entity may be prevented from distributing in subsequent years.
- 5 The company's ability to utilise the franking account credits depends on there being sufficient available profits to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by \$116m.

17. Contributed equity

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Movements in issued capital				
Balance at the beginning of the period	4,012	4,253	4,012	4,253
84,905,660 (2007: nil) shares issued under institutional placement ¹	444	—	444	—
21,042,467 (2007: nil) shares issued under share purchase plan ¹	108	—	108	—
12,089,606 (2007: nil) shares issued under dividend reinvestment plan ²	85	—	85	—
Transfer of Capital Reserve to Issued Capital ³	—	509	—	509
Reduction in share capital through Capital return ⁴	—	(750)	—	(750)
611 (2007: 1,369) shares issued to former members of the AMP Society ⁵	—	—	—	—
Balance at the end of the period	4,649	4,012	4,649	4,012
Total issued capital				
1,992,891,288 (2007: 1,874,852,944) ordinary shares fully paid	4,649	4,012	4,649	4,012
Movements in 'treasury shares'⁶				
Balance at the beginning of the period	(185)	(186)	—	—
Decrease (increase) in cost of 'treasury shares' due to sales and purchases	17	(11)	—	—
Decrease in cost of 'treasury shares' due to capital return	—	12	—	—
Balance at the end of the period	(168)	(185)	—	—
Total contributed equity				
1,967,430,642 (2007: 1,849,660,382) ordinary shares fully paid ⁶	4,481	3,827	4,649	4,012

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

Footnote:

- As part of the capital raising announced on 5 November 2008 to enhance AMP's capital position and increase business flexibility through the ongoing market turbulence:
 - shares were placed under Institutional Placement at a price of \$5.30 per share. Issue costs amounting to \$6m (net of tax) have been deducted from the proceeds; and
 - shares were issued on 11 December 2008 to eligible shareholders under a Share Purchase Plan. These shares were issued at a price of \$5.16. Issue costs amounting to \$1m (net of tax) have been deducted from the proceeds.
- 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 2008 interim dividend (paid in October 2008) at \$7.06 per share. No shares were issued in relation to the 2006 final dividend or 2007 interim and final dividends. Shares in respect of these dividends were purchased on market and transferred to DRP participants.
- During 2007 the entire balance of the Capital reserve was transferred to Issued capital in accordance with section 23 of ATO Class Ruling 2007/30. The amount transferred was subsequently used to fund part of the capital return made during 2007 (see footnote (4) below).
- On 15 February 2007, AMP announced a proposed capital return of 40 cents per share to the shareholders of AMP Limited. The capital return was approved by shareholders at the annual general meeting on 17 May 2007. The record date for determining entitlement to the capital return was 25 May 2007 and payment was made on 18 June 2007.
- The former members of AMP Society exchanged their membership rights for shares in AMP Limited on demutualisation. 1,043,357,051 (2007: 1,043,356,440) shares have been issued since demutualisation to former members at an issue price of \$3.00 per share. Ongoing minor adjustments represent shares issued to former members from the Capital reserve up until the point of the transfer of the reserve to issued capital (see Note 18).
- Of the ordinary shares on issue, AMP Life Limited (a wholly owned controlled entity) holds 25,460,646 (2007: 25,192,562) shares in AMP Limited on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life Limited 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.

18. Reserves and retained earnings

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Capital reserve¹				
Balance at the beginning of the period	—	509	—	509
Transfer of Capital reserve to Issued capital ¹	—	(509)	—	(509)
Balance at the end of the period	—	—	—	—
Equity contribution reserve²				
Balance at the beginning of the period	1,019	1,019	—	—
Movements during the period	—	—	—	—
Balance at the end of the period	1,019	1,019	—	—
Share-based payments reserve³				
Balance at the beginning of the period	(6)	8	(1)	1
Expense during the period	15	17	—	6
Share purchases	(24)	(31)	(2)	(8)
Balance at the end of the period	(15)	(6)	(3)	(1)
Cash flow hedges reserve⁴				
Balance at the beginning of the period	41	18	—	—
Gains (losses) from changes in fair value	(129)	23	—	—
Balance at the end of the period	(88)	41	—	—
Owner-occupied property revaluation reserve⁵				
Balance at the beginning of the period	101	61	—	—
Revaluations during the period	(7)	40	—	—
Balance at the end of the period	94	101	—	—
Foreign currency translation reserve⁶				
Balance at the beginning of the period	(16)	(13)	—	—
Net translation adjustment on self-sustaining foreign operations	14	(3)	—	—
Balance at the end of the period	(2)	(16)	—	—
Foreign operations hedge reserve⁷				
Balance at the beginning of the period	—	—	—	—
Net revaluation of hedge of net investment	(21)	—	—	—
Transfer to income statement on disposal of asset	—	—	—	—
Balance at the end of the period	(21)	—	—	—
Demerger loss reserve⁸				
Balance at the beginning of the period	(3,585)	(3,585)	—	—
Movements during the period	—	—	—	—
Balance at the end of the period	(3,585)	(3,585)	—	—
Total reserves	(2,598)	(2,446)	(3)	(1)

Footnotes 1 to 8 are listed over the page

18. Reserves and retained earnings continued

		Consolidated		Parent	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
Retained earnings					
Balance at the beginning of the period		546	328	3,307	3,210
Net profit after tax attributable to shareholders of AMP Limited		580	985	844	903
Defined benefit fund actuarial losses		(96)	(17)	—	—
Gain on sale of 'treasury shares' recognised directly in retained earnings		15	45	—	—
Dividends paid ⁹		(900)	(806)	(900)	(806)
Less: dividends paid on 'treasury shares' ⁹		9	11	—	—
Balance at the end of the period		154	546	3,251	3,307

Footnote:

- 1 During 2007 the entire balance of the capital reserve was transferred to Issued capital in accordance with section 23 of ATO Class Ruling 2007/30. The amount transferred was subsequently used to fund part of the Capital return made during 2007. The Capital reserve was the balance remaining from the amount capitalised in 1998 on the demutualisation of AMP Society after allotting shares to former members under the terms of the demutualisation. Minor adjustments were made from time to time which involved the issue of further shares to former members.
- 2 The Equity contribution reserve recognises the additional loss on the demerger of AMP's UK operations in December 2003. The additional loss is 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.
- 3 The Share-based payments 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.
- 4 The Cash flow hedges reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges. There were no material movements in this reserve other than those disclosed.
- 5 The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.
- 6 Exchange differences arising on translation of foreign controlled entities within the AMP group are taken to the Foreign currency translation reserve.
- 7 The Foreign operations hedge 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 operations.
- 8 The Demerger loss reserve represents the transfer from Shareholders' retained earnings of the total loss on demerger.
- 9 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.

19. Life insurance contracts

(a) 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(x) 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 Investment Account	Projection	Bonuses
Risk	Modified Accumulation	n/a
Participating Allocated Annuities	Projection/Accumulation	Expected premiums
Life Annuities	Accumulation/Modified Accumulation	n/a
	Projection	Annuity payments

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

(i) Risk-free discount rates

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

Business type	Basis	31 December 2008		31 December 2007	
		Australia	New Zealand	Australia	New Zealand
Retail risk	10 year government bond rate	4.0%	4.7%	6.4%	6.5%
Group risk	Outstanding claims 2 year government bond rate	2.8%	n/a	7.0%	n/a
Life annuities	Non-CPI Zero coupon inter-bank swap curve	3.2%–4.4%	4.2%–5.4%	6.9%–7.6%	7.1%–9%
	CPI Commonwealth Indexed Bond curve + 20 bp	2.2%–2.7%	3.8%	2.8%–3.8%	4.5%

(ii) Participating business discount rates

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

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

	Local equities	International equities	Property	Corporate bonds	Other fixed interest	Cash
Australia						
31 December 2008	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)
31 December 2007	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)
New Zealand						
31 December 2008	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)
31 December 2007	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)

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

19. Life insurance contracts continued

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

	Equities	Property	Fixed interest	Cash
Australia				
31 December 2008	31%	11%	40%	18%
31 December 2007	35%	15%	34%	16%
New Zealand				
31 December 2008	40%	17%	37%	6%
31 December 2007	45%	19%	29%	7%

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

(iii) Future participating benefits

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

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

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

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

Typical supportable bonus rates on major product lines are as follows (31 December 2007 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
Australia	0.7%–1.0% (1.2%–1.6%)	1.0%–1.6% (1.6%–2.2%)
New Zealand	0.5%–0.8% (0.9%–1.2%)	0.5%–0.8% (0.9%–1.2%)

Terminal bonus

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

Crediting rates (investment account)

Australia	1.5%–4.8% (4.4%–8.2%)
New Zealand	2.8%–3.6% (3.5%–4.6%)

(iv) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the balance sheet date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (v) below. These expenses include fees charged to the life statutory funds by service companies in the AMP Life 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's own experience with the annual CPI rates derived from:

- the difference between long-term government bonds and indexed government bonds for Australia
- long-term government bonds for New Zealand.

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

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

	Australia	New Zealand
31 December 2008	1.5% CPI, 3.0% Expenses	1.0%, 3.0% Expenses
31 December 2007	3.5% CPI, 3.0% Expenses	2.2%, 3.0% Expenses

19. Life insurance contracts continued

(vi) Bases of taxation

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

(vii) Voluntary discontinuance

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

Future rates of discontinuance used at 31 December 2008 are unchanged from those assumed at 31 December 2007 except for:

- Australia – changes to durational based lapsed rates for Flexible Lifetime Super (FLS) risk business and introduction of additional factors for Term business.
- New Zealand – higher withdrawal rates on lump sum risk, disability business and conventional business.

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

Business type	31 December 2008		31 December 2007	
	Australia	New Zealand	Australia	New Zealand
Conventional	3.3%–4.0%	2.3%–2.4%	3.3%–4.0%	2.2%
Investment account	n/a	n/a	n/a	n/a
Retail risk	10.0%–11.0%	7.3%–8.6%	10.0%–11.0%	6.8%–8.1%
FLS risk business (ultimate rate)	7.5%	n/a	7.5%	n/a

(viii) Surrender values

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

(ix) Mortality and morbidity

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

Rates of mortality assumed at 31 December 2008 are 1% to 6% lower than those assumed at 31 December 2007 in Australia and New Zealand. Rates of annuitant mortality are unchanged.

Typical mortality assumptions, in aggregate, are as follows:

Risk products	Conventional – % of IA95–97		Term – % of IA95–97	
	Male	Female	Male	Female
Australia	80%	80%	63%	63%
New Zealand	78%	78%	63%	63%

Annuities

	Male – % of IM80*	Female – % of IF80*
Australia and New Zealand	72%	61%

For disability income business, the claim assumptions are currently based on CIDA85, which is derived from North American experience. It is adjusted for AMP Life's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. Incidence rates and termination rates are both unchanged as at 31 December 2008 compared to those at 31 December 2007.

For trauma cover, standard tables are not available and so assumptions are mostly based on Australian population statistics, with adjustment for smoking status as well as AMP Life's recent claim experience. Assumptions at 31 December 2008 are unchanged from those used at 31 December 2007.

The Actuarial tables used were:

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

19. Life insurance contracts continued

(x) Impact of changes in assumptions

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

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

The impact on future profit margins of changes in actuarial assumptions from 31 December 2007 to 31 December 2008 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at balance sheet date) is as shown in the table below.

Assumption change	Change in future profit margins \$m	Change in life insurance contract liabilities \$m	Change in shareholder profit and equity \$m
Non-market related changes to discount rates	(49)	—	—
Mortality and morbidity	69	—	—
Discontinuance rates	(31)	—	—
Maintenance expenses	(64)	—	—
Other assumptions	154	1	(1)

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.

(b) Insurance risk sensitivity analysis – life insurance contracts

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

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

Variable	Change in variable	Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
		Gross of reinsurance \$m	Net of reinsurance \$m	Gross of reinsurance \$m	Net of reinsurance \$m
Mortality	10% increase in mortality rates	(2)	(2)	2	2
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	—	—	—	—
Morbidity – disability income	20% increase in incidence rates and decrease in recovery rates	—	—	1	—
Discontinuance rates	10% increase in discontinuance rates	—	—	—	—
Maintenance expenses	10% increase	—	—	—	—

19. Life insurance contracts continued

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
(c) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	1,987	2,014	—	—
Less: component recognised as a change in life insurance contract liabilities	(1,029)	(1,110)	—	—
Life insurance contract premium revenue ¹	958	904	—	—
Reinsurance recoveries	36	26	—	—
Total life insurance contract premium and related revenue	994	930	—	—
(d) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	(2,631)	(2,879)	—	—
Less: component recognised as a change in life insurance contract liabilities	1,339	1,571	—	—
Life insurance contract claims expense	(1,292)	(1,308)	—	—
Outwards reinsurance expense	(45)	(41)	—	—
Total life insurance contract claims and related expenses	(1,337)	(1,349)	—	—
(e) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
— Commission	(46)	(44)	—	—
— Other	(83)	(72)	—	—
Life insurance contract maintenance expenses				
— Commission	(76)	(67)	—	—
— Other	(276)	(261)	—	—
Investment management expenses	(45)	(47)	—	—

Footnote:

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

19. Life insurance contracts continued

	Note	Consolidated		Parent	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
(f) Life insurance contract liabilities					
Life insurance contract liabilities determined using projection method					
<i>Best estimate liability</i>					
– Value of future life insurance contract benefits		12,440	10,790	–	–
– Value of future expenses		2,849	2,359	–	–
– Value of future premiums		(10,295)	(8,422)	–	–
<i>Value of future profits</i>					
– Life insurance contract holder bonuses		2,134	3,235	–	–
– Shareholders' profit margins		2,824	2,538	–	–
Total life insurance contract liabilities determined using projection method¹		9,952	10,500	–	–
Life insurance contract liabilities determined using accumulation method					
<i>Best estimate liability</i>					
– Value of future life insurance contract benefits		7,688	8,190	–	–
– Value of future acquisition expenses		(12)	(16)	–	–
Total life insurance contract liabilities determined using accumulation method		7,676	8,174	–	–
Value of declared bonus		474	549	–	–
Unvested life insurance contract holder benefits¹		1,190	1,448	–	–
Total life insurance contract liabilities before reinsurance		19,292	20,671	–	–
Add: Reinsurers share of life insurance contract liabilities		54	43	–	–
Total life insurance contract liabilities per the Life Act	20(e)	19,346	20,714	–	–
Less: deferred tax balances separately disclosed on the balance sheet		(96)	(79)	–	–
Total life insurance contract liabilities	20(e)	19,250	20,635	–	–

Footnote:

- 1 For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested life insurance contract holder benefits and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

	Note	Consolidated		Parent	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
(g) Reconciliation of changes in life insurance contract liabilities					
Total life insurance contract liabilities at the beginning of the period		20,635	20,974	–	–
Change in life insurance contract liabilities recognised in the					
Income statement		(1,009)	201	–	–
Premiums recognised as an increase in life insurance contract liabilities	19(c)	1,029	1,110	–	–
Claims recognised as a decrease in life insurance contract liabilities	19(d)	(1,339)	(1,571)	–	–
Change in deferred tax balances separately disclosed on the					
Balance sheet ¹	20(e)	–	(79)	–	–
Change in reinsurers share of life insurance contract liabilities		11	9	–	–
Foreign exchange adjustment		(77)	(9)	–	–
Total life insurance contract liabilities at the end of the period	19(f)	19,250	20,635	–	–

Footnote:

- 1 Deferred tax liabilities of \$79m were initially recognised in 2007. Subsequent changes in deferred tax balances of \$16m for the 2008 financial year are included in the changes in life insurance contract liabilities recognised in the Income statement.

19. Life insurance contracts continued

(h) Life insurance risk

The life insurance activities of AMP Life involve a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders, often in conjunction with the provision of wealth-management products. Financial risks involved in AMP Life are covered in Note 20.

The design of products carrying insurance risk is managed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life open to claims from causes that were not anticipated. Product prices are set through a process of financial analysis, including review of previous AMP Life and industry experience and specific product design features. The variability inherent in insurance risk is managed by having a large portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

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

AMP Life reinsures (cedes) to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk.

This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses.

The specialist reinsurance companies are regulated by APRA or industry regulators in other jurisdictions and have strong credit ratings from A+ to AAA.

Terms and conditions of life insurance contracts

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

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on the death or ill-health, that are fixed and not at the discretion of AMP Life.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
<i>Life annuity contracts</i>	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy, including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on death or maturity.	Operating profit arising from these contracts is allocated 80:20% between the policyholders and shareholder in accordance with the Life Act. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as bonuses.	Market earning rates on assets backing the liabilities, lapses, expenses, and mortality.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders in accordance with the Life Act. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities.

19. Life insurance contracts continued

(i) Liquidity risk and future net cash outflows

The table below shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the current date using the assumed future investment earning rate for each product.

	Up to 1 year \$m	1 to 5 years \$m	Over 5 years \$m	Total \$m
31 December 2008	1,156	3,143	5,978	10,277
31 December 2007	1,351	3,739	7,139	12,229

20. Other life insurance and investment contracts disclosures

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$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	405	446	–	–
– Profits (losses) arising from difference between actual and assumed experience ¹	35	21	–	–
– Capitalised (losses) reversals	(1)	–	–	–
Profit related to life insurance and investment contract liabilities	439	467	–	–
Attributable to:				
– Life insurance contracts	313	282	–	–
– Investment contracts	126	185	–	–
Investment earnings on assets in excess of life insurance and investment contract liabilities	(14)	91	–	–

Footnote:

- 1 2008 experience profits mainly arise from the differences in actual mortality, morbidity, voluntary discontinuance and investment experience to that assumed and release of tax provisions.

Accounting mismatches

As explained in Note 1(d), accounting mismatches arise from some of the life statutory funds' transactions because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets.

These mismatches result in policyholder asset movements impacting the net profit after income tax attributable to shareholders and increase volatility of the reported profit. Accounting mismatches arise in respect of the reversal of prior period mismatches due to the removal of discounting on deferred tax balances in the valuation of investment contract liabilities – parent and consolidated (nil, 2007: profit \$7m) and gains and losses on investments in controlled entities of the life statutory funds – consolidated (profit \$80m, 2007: loss \$37m).

(b) Restrictions on assets

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

(c) Capital guarantees

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Life insurance contracts with a discretionary participating feature				
– Amount of the liabilities that relate to guarantees	14,308	14,602	–	–
Investment linked contracts				
– Amount of the liabilities subject to investment performance guarantees	1,166	1,159	–	–
Other life insurance contracts with a guaranteed termination value				
– Current termination value	1,739	564	–	–

20. Other life insurance and investment contracts disclosures continued

(d) Solvency and capital adequacy

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These prudential reserving requirements are specified by the *Life Act* and accompanying Actuarial Standards. AMP Life holds additional amounts of reserves to provide a higher level of security for policyholder benefits than would be achieved by holding the statutory minimum.

Under the *Life Act*, there are two requirements for each life statutory fund:

- the solvency requirement
- the capital adequacy requirement.

Solvency requirements

The solvency requirement is the absolute minimum that must be satisfied for the business to be allowed to continue to operate. Its purpose is to ensure, as far as practicable, that at any time the fund will be able to meet all existing life insurance contract liabilities, investment contract liabilities and other liabilities as they become due.

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the solvency reserve required at all times during the reporting period. Across all the life statutory funds, the excess assets, expressed as a percentage of the solvency reserve, at 31 December 2008 were 65% (31 December 2007: 82%).

Capital adequacy requirements

The capital adequacy requirement is a separate requirement (usually higher) that must be satisfied for the life entity to be allowed to make distributions to its shareholders and to operate without regulatory intervention. Its purpose is to ensure, as far as practicable, that there is sufficient capital in each life statutory fund for the continued conduct of the life insurance business, including writing new business, in a way which is in the interests of policyholders and in accordance with the *Life Act*.

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the capital adequacy reserve required at all times during the reporting period. For this purpose, the capital adequacy reserve is defined as the solvency reserve, plus the difference between the capital adequacy requirement and the solvency requirement. Across all the life statutory funds, the excess assets, expressed as a percentage of the capital adequacy reserve, as at 31 December 2008 was 29% (31 December 2007: 13%).

(e) Actuarial information

Mr Rocco Mangano, as the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the Financial Report and in the tables in this Note and Note 19.

Other than in respect of the treatment of tax on deferred acquisition costs within the New Zealand branch of statutory fund 1 (see below), the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*.

Deferred tax on acquisition costs

Australian and New Zealand accounting standards both require the tax effect of transactions to be separately disclosed. In Australia the tax and accounting recognition of acquisition costs is the same, hence there is no deferred tax arising from their deferral and inclusion as part of the MoS liability. However, in New Zealand the tax regime recognises a deduction for acquisition expenses as they are incurred rather than over the life of the policy. This results in a difference in the tax and accounting recognition and creates a deferred tax liability.

For accounting purposes this amount of \$96m (2007: \$79m) is removed from the life insurance contract liability and included within the deferred tax liability. The actuarial standards for life insurance contracts require the policy liabilities to be calculated using the present value of future cash flows net of any tax effect. As a result, the amount of policy liabilities determined in accordance with the *Life Act* of \$19,346m (2007: \$20,714m) includes the deferral of the tax deduction for acquisition expenses and differs from the amount recognised in this Financial Report of \$19,250m (2007: \$20,635) by this amount.

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

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$9,406m (2007: \$11,445m) of policy liabilities may be settled within 12 months of the reporting date.

(g) Disaggregated information

As describe in Note 1(a), the *Life Act* requires the life insurance business of AMP Life to be conducted within statutory funds that are separate to the AMP Life shareholder's fund. The financial statements of AMP Life (which are lodged with the relevant Australian regulators) disclose all major components of the financial statements disaggregated between the various life insurance statutory funds and the shareholder's fund, as well as by investment-linked and non-investment-linked business.

21. Discontinued operations

(a) Details of discontinued operations

On 11 December 2007, the AMP group entered into a sale agreement for its closed reinsurance and general insurance operations, Cobalt Gordian. The sale was finalised on 5 March 2008 and represented a complete exit from this business by the AMP group.

The Cobalt Gordian business included:

- the residual general insurance portfolios including the international reinsurance business and the old AMP Corporate insurance portfolios not divested in 2001
- Cobalt Solutions, a specialist management service organisation which manages the run-off of the AMP group's general insurance business.

The operations had been closed to new business since 1999 and there had been no new general insurance contracts issued in the seven years prior to and including this Financial Report.

(b) Financial performance and cash flow information of discontinued operations

The financial performance and cash flow information presented are for the current period from 1 January 2008 to 5 March 2008 and the comparative period from 1 January 2007 to 31 December 2007.

	5 Mar 2008 \$m	31 Dec 2007 \$m
Financial performance of discontinued operations		
The results of the discontinued operations are presented below:		
Revenue	3	21
Expenses ¹	4	223
Profit before tax from discontinued operations	7	244
Income tax expense on profit from discontinued operations	(2)	(51)
Gain on disposal of discontinued operations	1	–
Income tax expense on gain on disposal of discontinued operations	–	–
Profit after tax from discontinued operations	6	193

Footnote:

1 The net negative expenses include releases of provisions.

	5 Mar 2008 \$m	31 Dec 2007 \$m
Cash flow information – discontinued operations		
The net cash flows of the discontinued operations are as follows:		
Net cash inflow (outflow) from operating activities	(26)	(98)
Net cash inflow (outflow) from investing activities	47	285
Net cash inflow (outflow) from financing activities	–	–
Net cash inflow (outflow) of discontinued operations	21	187

21. Discontinued operations continued

	5 Mar 2008 \$m	31 Dec 2007 \$m
Assets¹		
Cash and cash equivalents	52	37
Reinsurance and other recoveries receivable	65	66
Trade and other receivables	24	11
Debt securities	517	570
Other financial assets	46	26
Deferred tax assets	37	37
Other assets	10	—
Total assets of discontinued operations	751	747
Liabilities¹		
Trade and other payables	30	8
Current tax liability	—	24
Outstanding claims liability	510	525
Other financial liabilities	115	115
Total liabilities of discontinued operations	655	672
Net assets attributable to discontinued operations	96	75

Footnote:

- 1 The assets and liabilities of the discontinued operations are after excluding asset and liability balances with other controlled entities of the AMP group.

(d) Details of the disposal of the discontinued operations

	5 Mar 2008 \$m	31 Dec 2007 \$m
Gross cash consideration	437	—
Less: Inter-company loan repayments ¹	(340)	—
Net cash consideration	97	—
Less: Net assets attributable to discontinued operations disposed	(96)	—
Gain on disposal of discontinued operations before income tax	1	—
Income tax credit (expense) on gain on disposal of discontinued operations	—	—
Net gain on disposal of discontinued operations	1	—

Footnote:

- 1 On completion of the sale of the discontinued operations, a component of the cash consideration received by the AMP group was used to repay inter-company loan assets of the discontinued operations.

22. Risk management and financial instruments information

Financial Risk Management objectives

The principal objective of AMP group's Financial Risk Management (FRM) strategy is to establish a robust structure for the determination of risk appetite and the measuring, monitoring, reporting and escalation of financial risks. The AMP group seeks to manage financial risks to maximise the return on shareholder capital, while ensuring:

- that the AMP group remains solvent
- there is sufficient cash flow available to execute the operational strategy set by AMP Limited Board of Directors (the Board).

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

Financial Risk Management structure

The board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other bodies and individuals within the AMP group that manage and monitor financial risks.

The Board

The Board is responsible for the approval of the FRM Policy, shareholder capital investment strategy, capital and financing plans, approval of transactions outside the FRM policy and setting the financial risk appetite.

The Audit Committees

The AMP Limited Audit Committee (AMP AC) is responsible for ensuring the existence of effective financial risk management policies and procedures, and oversight of the execution of the FRM Policy. The AMP Life, AMP Capital Investors (AMPCI) and AMP Bank Audit Committees are delegated this responsibility for the elements specific to their respective business units.

AMP Group Asset and Liability Committee

The AMP Group Asset and Liability Committee (Group ALCO) oversees and monitors shareholders financial risks and capital financing strategy. Group ALCO provides advice to the Board on FRM Policy, shareholder capital investment strategy, capital and financing plans, and the execution of approved plans. It also monitors and reports to the AMP AC on compliance with the FRM Policy and risks undertaken by subsidiary entities that present a risk to shareholder capital.

AMP Life Asset and Liability Committee

The AMP Life Asset and Liability Committee (Life ALCO) oversees and monitors the management of all financial risks, other than pricing and product risks, for both the shareholders fund and the statutory funds of AMP Life. In relation to asset and liability management within Statutory Fund No. 1, Life ALCO reviews and recommends changes in asset mixes for participating business and provides advice to the Board in relation to bonus and crediting rate recommendations. In relation to capital management, Life ALCO will oversee and monitors the regulatory capital position of the AMP Life Statutory Funds; provides advice to the AMP Life Board in relation to half-yearly transfer recommendations from the AMP Life Statutory Funds; provides recommendations to the AMP Life Board in relation to capital management initiatives within the AMP Life Statutory Funds and convenes meetings of the AMP Life Surplus Management Committee if regulatory capital triggers are breached.

AMP Group Treasury

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

Internal audit

Internal audit has the responsibility for audit compliance with the FRM Policy as part of its ongoing audit cycle. It is required to review the policy effectiveness and report to the AMP AC.

Controlled entity boards

The directors and boards of various AMP Limited operating controlled entities are required to comply with the Board approved risk appetite. The AMP Limited operating controlled entities are also responsible for approving, where relevant, policyholder asset and liability strategy, and allocated subsidiary shareholder capital investment and for reporting to the AMP AC, entity audit committees and Group ALCO on financial risks.

Appointed Actuary

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

22. Risk management and financial instruments information continued

Risks and mitigation

The AMP group's activities expose it to a variety of financial risks:

- market risk, including interest rate risk, currency risk, equity price risk and investment risk
- liquidity and re-financing risk
- credit risk.

The AMP group uses derivative financial instruments, such as foreign exchange contracts, and interest-rate swaps, to hedge certain risk exposures. The major risks associated with financial instruments and the AMP group's policies for managing these risks are set out below.

(a) Market risk

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk in the AMP group primarily arises from the management of insurance contracts and from non-trading market risk positions arising from balance sheet and capital management activities.

Accounting standards require the disclosure of sensitivity to changes in market risk variables such as equity prices, exchange rates and interest rates. This sensitivity is not intended to show the impact on the profit for the entire period, just an illustrative example of the direct impact of a change in the value of the financial assets held at the period end as a result of the change in market rate.

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case or stress test scenario) over the period to the subsequent reporting date.

(i) Interest rate risk

Interest rate risk is the risk to the AMP group's earnings and capital arising from movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates. Interest rate risk management is decentralised in business units within the AMP group as detailed below.

AMP group's long-term borrowings and subordinated debt

Interest rate risk arises on the AMP group's long-term borrowings and subordinated debt. The AMP group raises long-term borrowings through Australian dollar, pound sterling and euro denominated fixed-rate and floating-rate medium term notes and subordinated bonds. The foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. The AMP group manages its interest rate risk by entering floating-to-fixed interest-rate swaps, which have the economic 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.

The AMP group's policy is to maintain between 40%–60% of its borrowings and subordinated debt at a fixed rate. At the balance date, 45% (2007: 49%) of the AMP group's borrowings and subordinated debt were effectively at fixed rates.

AMP Life

As discussed in Note 1, AMP Life conducts wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds comprise cash, equity securities, debt securities, property securities, other financial assets and investment property that are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital. A substantial portion of the interest-bearing financial assets therefore represents investments held in life insurance funds in respect of policyholders' interests.

Interest rate risk to the shareholder of AMP Life arises in respect of financial assets and liabilities held in the shareholder fund and in the life statutory funds, to the extent that there is an economic mismatch between the timing of payments to life insurance and investment contract holders and the duration of the assets held in the statutory funds to back these liabilities. Where the liability to the investment contract holder is directly linked to the value of the assets held to back that liability (i.e. investment-linked business), there is no residual interest rate exposure to the shareholder.

The management of the risks associated with investments undertaken by life statutory funds and the shareholder fund, including interest rate risk, is subject to the relevant regulatory requirements, which are governed by the *Life Act*. This includes satisfying solvency requirements, which requires statutory reserves to be held specifically to address interest rate risk to the extent that assets are not matched against liabilities.

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

AMP Bank

Interest rate risk arises in AMP Bank from mismatches of repricing terms (e.g. 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. AMP Treasury manages the interest rate exposure in AMP Bank by maintaining a risk position, which is generally neutral, within the limits delegated and approved by the AMP Bank board.

22. Risk management and financial instruments information continued

Interest rate risk sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on the AMP group's shareholder profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date (31 December 2008 and 2007) and there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes the effective portion of changes in the fair value of derivatives that are designated to qualify as cash flow hedges.

Change in variables	31 December 2008		31 December 2007	
	Impact on profit after tax \$m	Impact on equity \$m	Impact on profit after tax \$m	Impact on equity \$m
+100 basis points	(18)	11	(15)	21
-100 basis points	18	(11)	13	(23)

The categories of risks faced did not change from previous periods, however, the methods used for deriving sensitivity information changed to achieve consistency with current period disclosures.

(ii) Currency risk

Losses in value may result from translating the AMP group's capital invested in overseas operations into Australian dollars at balance date (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

Subject to materiality, the AMP group:

- does not hedge the capital invested in overseas operations, except for Seed pool foreign currency investments, thereby accepting the foreign currency translation risk on invested capital;
- converts all corporate debt to Australian dollars through cross-currency swaps;
- hedges individual investment assets in the Seed pool and backing shareholder capital, including the international equities futures portfolio held directly by the shareholder but excluding the international equities portfolio attributable to shareholders within the life statutory 80:20 funds;
- hedges expected foreign currency receipts and payments once the value and timing of the expected cash flow is known.

Currency risk sensitivity analysis

The analysis below demonstrates the impact of a 10% movement of currency rates against the Australian dollar with all other variables held constant, on the AMP group's shareholder profit after tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. It is assumed that the relevant change occurs as at the reporting date.

Change in variables	31 December 2008		31 December 2007	
	Impact on profit after tax \$m	Impact on equity \$m	Impact on profit after tax \$m	Impact on equity \$m
10%	1	1	3	3
-10%	(1)	(1)	(3)	(3)

Included in the above analysis, major currency exposures relate to US dollars, euros and other currencies. Sensitivity analysis on individual currencies is not significant.

(iii) Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in levels of equity indices and the value of individual stocks. The AMP group holds all of its equities portfolio at fair value through profit or loss.

Sensitivity analysis

The analysis below demonstrates the impact of a 10% movement in Australian and International equities. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments, therefore any potential indirect impact on fees from AMP group's investment-linked business has been excluded. It is assumed that the relevant change occurs as at the reporting date.

	31 December 2008		31 December 2007	
	Impact on profit after tax \$m	Impact on equity \$m	Impact on profit after tax \$m	Impact on equity \$m
10% increase in Australian equities	15	15	32	32
10% increase in International equities	12	12	25	25
10% decrease in Australian equities	(15)	(15)	(27)	(27)
10% decrease in International equities	(12)	(12)	(23)	(23)

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

22. Risk management and financial instruments information continued

(iv) Investment risk

Investment risk is the risk of volatility in the AMP group's net investment earnings and value that result in a reduced ability to implement corporate strategy. Investment earnings arise from the AMP group's investment of shareholder capital. Investment classes include equities, property and interest-bearing instruments, so the management of investment risk encompasses equity price risk and interest rate risk.

For the purposes of the FRM Policy, investment risk management involves decisions made regarding the allocation of investment assets across asset classes and/or markets and includes the management of risks within these asset classes. Investment risk management relates to the investment allocation decisions made by the AMP group in relation to the investment of shareholder capital.

Previously, the investment risk in the shareholder funds was managed by reference to the probability of loss over a one-year time horizon at a 99% confidence level (Value at Risk). This loss tolerance was set at 3% of shareholder funds (with a tolerance range of + or – 0.5%) under a fat-tailed distribution. During 2008, AMP reviewed its financial risk settings across the group. In view of the equity market exposure in the business (e.g. through fees on Assets Under Management), AMP elected to reduce its exposure to equities in the shareholders funds.

AMP Capital Finance Limited, a wholly owned controlled entity, was established as part of the investment risk strategy of the AMP group, to assist business growth through the acquisition of assets to seed new funds or opportunities (Seed pool). AMP group seeks to generate future revenues from the subsequent on-sale of these assets to clients through new or existing funds.

(b) Liquidity and refinancing risk

Liquidity risk is the risk that the AMP group will not be able to meet its debt obligations, or other cash outflows, as they fall due, because of lack of liquid assets or access to adequate funding on acceptable terms. Refinancing risk, a subset of liquidity risk, is the risk that the maturity profile of debt makes it difficult to refinance (or rollover) maturing debt, or that it creates an excessive exposure to potentially unfavourable market conditions at any given time.

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

The AMP group's FRM Policy includes a Liquidity Crisis Management Policy. Compliance with this Liquidity Crisis Management Policy in part requires that the AMP group has access to funding through committed standby facilities, external bank liquidity facilities, commercial paper and medium-term note programs.

As at 31 December 2008, two operating subsidiaries of the private equity investment entities controlled by the AMP Life statutory funds had payment defaults on their external bank loans. These defaults totalled \$7.25m. The carrying amount of the loans payable in default was \$283m. The financiers of these loans payable do not have legal recourse to AMP. These defaults do not have any direct effect on any other AMP debt. As at the date of this report the financiers and the relevant subsidiaries were in the process of renegotiating the terms of the loans payable. To date, the financiers to the relevant subsidiaries have waived (either formally or informally) the payment defaults whilst the renegotiations of the loans payable are taking place.

The following table summarises the maturity profile of the group's financial liabilities at 31 December 2008. This is based on contractual undiscounted repayment obligations, except for insurance contract liabilities when maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments that are subject to notice are treated as if notice were to be given immediately. The carrying values of financial guarantee contracts have been assessed as nil.

22. Risk management and financial instruments information continued

Maturity profiles of undiscounted financial liabilities¹

	Up to 1 year \$m	1 to 5 years \$m	Over 5 years \$m	No term \$m	Investment- linked ³ \$m	Total \$m
2008						
Borrowings ²	6,870	1,051	2,559	195	2,615	13,290
Subordinated debt	318	—	132	—	—	450
Investment contract liabilities	990	1,290	599	—	38,850	41,729
External unitholders' liabilities	—	—	—	—	7,252	7,252
Cross-currency swaps ⁴	267	1,497	502	—	7,309	9,575
Payables	312	17	10	247	688	1,274
Loan commitments	1,032	—	—	—	—	1,032
Total undiscounted financial liabilities⁵	9,789	3,855	3,802	442	56,714	74,602
2007						
Borrowings ²	4,087	204	6,351	265	1,853	12,760
Subordinated debt	—	358	128	—	—	486
Investment contract liabilities	485	664	676	—	50,856	52,681
External unitholders' liabilities	—	—	—	—	13,904	13,904
Cross-currency swaps ⁴	312	895	1,824	—	—	3,031
Payables	320	21	7	231	506	1,085
Loan commitments	766	—	—	—	—	766
Total undiscounted financial liabilities⁵	5,970	2,142	8,986	496	67,119	84,713

Footnote:

- 1 Estimated net cash outflow profile of life insurance contract liabilities is disclosed in Note 19.
- 2 Borrowings include deposits in banking operations, and other corporate borrowings and are inclusive of expected cash outflows.
- 3 For investment-linked business in AMP Life, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. If all policyholders claimed their funds, there may be some delays in settling this liability as assets were liquidated but in this reporting period the shareholder had no direct exposure to any liquidity risk as a result of investment-linked contracts. As a result, the tables in this section shows the policyholder liability in AMP Life in aggregate only, without any maturity profile analysis. This is also consistent with AMP Life's management practice.
- 4 Contractual amounts to be exchanged for which gross cash flows are exchanged.
- 5 The totals in the table above will not necessarily agree back to the totals in the Balance sheet, as these maturity profiles are based on undiscounted cash flows and the Balance sheet is based on discounted cash flows.

(c) Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in credit risk on that instrument.

The AMP group's FRM Policy sets out the assessment and determination of what constitutes credit risk for the AMP group.

The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are escalated to the AMP group Treasurer (Group Treasurer), CFO and CEO through the FRM Report.

Credit risk management is decentralised in business units within the AMP group; however, credit risk directly impacting shareholder capital is measured and managed by AMP Treasury by aggregating risk from credit exposures taken in business units as detailed below. In addition, group limits are allocated to business units to ensure that individual credit exposures do not aggregate across the group.

AMP Life

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

AMP Capital Investors (AMPCI)

Credit risk on fixed Income portfolios managed by AMPCI (consistent with interest rate and foreign currency risk) is managed by the AMP Capital B&CR team and reported to the fixed income desk. This credit risk arises as part of a broader portfolio of investments under investment mandates with AMP Capital and to the extent relating directly to shareholder funds, is included in the aggregation by AMP Treasury and reported to AMP group ALCO.

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 Policy ALCO monthly. Exposures relating directly to shareholder funds are included in the aggregation by AMP Treasury and reported to AMP group ALCO.

Maximum exposure to credit risk

AMP group's maximum exposure to credit risk, without taking account of any collateral or other credit enhancements as of 31 December 2008 was \$44,457m (2007: \$43,996m) and loan commitments of \$1,032m (2007: \$766m).

22. Risk management and financial instruments information continued

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 the credit risk in the AMP group 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. AMP group's maximum credit exposure to any non-sovereign counterparty as at 31 December 2008 was \$847m (2007: \$705m) with a currently AA rated counterparty.

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

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

Compliance is monitored and exposures and breaches are escalated to the Group Treasurer, CFO and CEO through the FRM Report.

Credit exposure by credit rating

The following table provides information regarding the credit risk exposures of the AMP group at 31 December 2008 according to the credit ratings of the counterparties, where there is a direct risk to shareholder capital, these exposures are managed within limits set by the AMP group's FRM policy:

	2008 \$m	2007 \$m
AAA	5,605	5,652
AA	4,689	6,757
A	1,933	1,254
BBB	1,229	430
Below BBB	282	146
Total financial assets with credit risk exposure managed by Treasury¹	13,738	14,239
Financial assets with credit risk exposure not managed by Treasury ²	30,719	29,757
Other assets ³	42,293	61,313
Total assets	86,750	105,309

Footnote:

- 1 Balance mainly includes interest-bearing securities and cash equivalents.
- 2 Balance includes financial assets of investment-linked business in AMP Life, where the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Balance also includes receivables of \$1,240m (2007: \$1,180m) and secured loans held by banking operations of \$9,577m (2007: \$8,103m), which are not managed by Treasury in accordance with the AMP group's FRM policy.
- 3 Balance represents all other financial and non-financial assets, with no credit risk exposure.

Credit exposure by industry type

Whilst information was provided in the previous year, Group Treasury no longer manages credit exposure by industry type for the AMP group. This change has been approved by Group ALCO and noted by the AMP Limited Audit Committee and the AMP group's FRM policy was changed accordingly.

22. Risk management and financial instruments information continued

Credit risk of the loan portfolio in AMP Bank

AMP Bank is predominantly a lender for residential properties – both owner-occupied and for investment. In every case AMP Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property by a qualified independent valuer. A large portion of AMP Bank's residential loan portfolio is securitised and all loans in securitisation vehicles are mortgage insured thereby further mitigating the risk. As well, AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits as a further basis of limiting lending risk. AMP Bank secures its loan portfolio with mortgages over relevant properties and as a result manages credit risk on its loan portfolio by loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount by the lower of AMP Bank's approved valuation amount or the purchase price. The average LVR of AMP Bank's loan portfolio for existing and new business is set out in the following table.

LVR	Existing business 2008	New business 2008	Existing business 2007	New business 2007
0–50	28%	12%	29%	9%
51–60	12%	8%	13%	7%
61–70	16%	13%	17%	9%
71–80	32%	50%	31%	61%
81–95	10%	10%	10%	8%
> 95	2%	7%	0%	6%

Past due but not impaired financial assets of the AMP group

The following table provides an aged analysis of financial assets of the AMP group that are past due as at reporting period 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 year-end.

	Past due but not impaired				Total \$m
	Less than 31 days \$m	31 to 60 days \$m	61 to 90 days \$m	More than 91 days \$m	
2008					
Receivables					
– Reinsurance and other recoveries receivables	2	–	–	–	2
– Trade debtors	1	1	–	2	4
– Other receivables	17	7	6	12	42
Debt securities					–
– Loans secured	294	32	12	41	379
Total¹	314	40	18	55	427

	Past due but not impaired				Total \$m
	Less than 31 days \$m	31 to 60 days \$m	61 to 90 days \$m	More than 91 days \$m	
2007					
Receivables					
– Trade debtors	1	–	–	2	3
– Other receivables	10	3	2	13	28
Debt securities					
– Loans secured	224	37	12	24	297
Total¹	235	40	14	39	328

Footnote:

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

22. Risk management and financial instruments information continued

Impaired financial assets and impairment assessment

AMP Bank has impaired loans of \$2.2m (2007: \$2.1m), which have been fully provided for during the year.

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.

and makes recommendations to the AMP Bank Board and Audit Committee.

The Managing Director and Head of Credit of AMP Banking operations have delegated authority to approve specific provisions up to \$100,000. Specific provisions greater than \$100,000 are noted by the Credit Committee and AMP Bank Audit Committee and approved by the AMP Bank Board.

Collective impairment loan loss provision

In May 2008, the AMP Bank Audit Committee approved a new collective impairment loan loss provision methodology. The new methodology is a statistical based model that removes subjectivity from the provisioning process and makes the provision reflective of historical loss performance.

The new model was developed utilising historical losses incurred by AMP Bank and researching external data sources to develop a series of probability of default and loss given default factors that can be applied to on balance sheet arrears accounts. 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. To date this represents a small factor of the overall model performance.

The model is reviewed quarterly and specific factors are formally validated every six months and reported back 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 also reviewed quarterly and recommendations made to the AMP Bank Audit Committee.

Renegotiated loans

Where possible, AMP Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. AMP Bank renegotiated the terms of \$1.2m (2007: \$0.5m) of loans during the year, that otherwise would be past due or impaired.

Collateral

AMP Bank uses residential property as collateral against its loans to customers. As at 31 December 2008, the fair value of the collateral that AMP Bank has relating to these loans is \$5.5m (2007: \$1.7m). AMP Bank also has lenders mortgage insurance which covers any shortfall upon sale of these properties against the carrying value of the loans. The properties are valued by independent valuers at the time of possession. AMP Bank may decide to sell the properties in the ordinary course of business to recover the outstanding loan balances that the customer owes to AMP Bank.

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value and recorded in the Balance sheet as assets and liabilities. Asset and liability values on different transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement unless they qualify as cash flow hedges for accounting purposes, as set out in Note 1(u).

Derivative transactions undertaken by life insurance controlled 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. Derivative financial instruments are held for risk and asset management purposes within mandates, and not for the purpose of speculation.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

Derivative transactions undertaken by non life insurance controlled entities

AMP group treasury and banking operations 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 on the next page.

22. Risk management and financial instruments information continued

- i) *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 are:
 - *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 e.g. BBSW
 - *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.
- ii) *Forward and futures contracts* – these are agreements between two parties establishing a contract 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 counterparties in the over-the-counter market (OTC), whereas futures are standardised contracts transacted on regulated exchanges.
- iii) *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.

As stated above, derivative transactions are entered for the purposes of hedging assets, liabilities, forecast transactions, cash flows, and credit exposures. The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies as such for accounting purposes.

Derivative transactions may qualify for hedges for accounting purposes if they are fair value or cash flow hedges or hedges of net investments in foreign operations. The group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in Note 1(u), 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.

Fair value hedges

The AMP group's fair value hedges principally consist of cross-currency swaps and interest-rate swaps that are used to protect against changes in the fair value of fixed-rate long-term debt due to movements in market interest rates and exchange rates.

The AMP group achieved fair value hedge accounting on various corporate and AMP Bank borrowings and subordinated debt effective from 1 January 2005. For the year ended 31 December 2008, the AMP group recognised a net loss of \$49m (2007: \$8m net gain) representing the ineffective portion of fair value hedges. The fair values of outstanding derivatives designated as fair value hedges was a net liability of \$237m at 31 December 2008 (2007: \$213m net asset).

Cash flow hedges of forecast transactions

The AMP group is exposed to variability in future interest cash flows on assets held and debt securities issued by AMP Bank, which earn and bear interest at fixed and variable rates. Gains and losses on the effective portions of derivatives designated as cash flow hedges of variable rate debt are initially recorded in the cash flow hedges reserve and are transferred to the Income statement when the forecast cash flows are realised. The gains and losses on the ineffective portions of these derivatives are recognised immediately in the Income statement. The AMP group achieved cash flow hedge accounting effective from 1 January 2005. A net gain of \$0.6m from hedge ineffectiveness arose (2007: nil gains or losses). As at 31 December 2008, the fair values of outstanding derivatives recognised as cash flow hedges of forecast transactions were a net liability of \$125m (2007: \$57m net asset).

At 31 December 2008, the notional principal amounts and period of expiry of the interest rate swap contracts that are cash flow hedges are as follows:

	2008 \$m	2007 \$m
0–1 years	902	700
1–2 years	815	902
2–3 years	510	780
3–4 years	330	320
4–5 years	100	330
Total notional principal amounts	2,657	3,032

Risk of derivative 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 group's overall credit risk policies.

22. Risk management and financial instruments information continued

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 hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations. A net loss on the hedge of the net investment of \$21m was recognised in equity for the year.

For the year ended 31 December 2008, the AMP group recognised a net loss of \$3.3m (2007: \$2.3m net loss) representing the ineffective portion of hedges relating to investments in foreign operations.

(e) Net fair values

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the AMP group's Balance sheet at their fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Total carrying amount as per the Balance sheet		Aggregate fair value	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Financial assets				
Loans – secured	10,875	9,004	11,009	8,975
Total financial assets	10,875	9,004	11,009	8,975
Financial liabilities				
Bonds and notes	7,347	8,711	7,493	8,777
Subordinated Floating Rate Note	100	100	106	106
Total financial liabilities	7,447	8,811	7,599	8,883

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Refer to Note 1(u) for fair value estimation methods.

Debt securities

Loans and interest-bearing securities within AMP Banking operations of \$10,154m (2007: \$8,582) are recognised at amortised cost net of impairment losses. 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 carried 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.

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.

Subordinated debt

Subordinated debt comprises listed securities and their fair value is determined with reference to the actual quoted market prices at balance date. The fair value of subordinated debt is predominantly hedged by derivative instruments – mainly cross-currency and interest-rate swaps.

(f) Fair value measures

Where possible, valuation techniques use observable market inputs. However, valuation techniques may require assumptions which impact the carrying value of assets. Whilst it is possible that changes in assumptions may impact the carrying value of assets, these assets are largely held to back investment contract liabilities and life insurance contract liabilities, therefore the impact of changes in assumptions are unlikely to be material to net assets or profit attributable to shareholders. Note 19 describes the significant assumptions relevant to the valuation of insurance contract liabilities as well as the sensitivity of profit and equity to changes in these assumptions.

(g) Securitisation

During the year, mortgages totalling \$3,049m (2007: \$2,166m) were transferred to securitisation vehicles. At 31 December 2008, AMP has outstanding securitised assets amounting to \$6,863m (2007: \$5,410m) after allowing for amortisation of the initial assets securitised.

(h) Amounts expected to be received in no more than 12 months after the reporting date

The majority of the balances of equity securities, debt securities, property securities and other financial assets are assets of the life statutory funds referred to in Note 20(f). The remainder includes debt securities of \$798m (2007: \$606m) in consolidated securitisation vehicles which are expected to be received in no more than 12 months after the reporting date.

23. 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.

The AMP group's capital resources include ordinary equity and interest-bearing liabilities. The AMP group excludes 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 is subordinated debt and other instruments that would qualify as regulatory capital under Australian Prudential Regulation Authority (APRA) standards.

The AMP group makes adjustments to the statutory shareholder equity for accounting mismatch items. Under Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the accounts at different values to the value used in the calculation of policy liabilities in respect of the same asset. These mismatch items include:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- life company statutory funds' investments in controlled entities
- owner-occupied properties.

The current AMP group's capital resources consist of:

	31 December 2008 \$m	31 December 2007 \$m
AMP statutory equity attributable to shareholders	2,037	1,927
Accounting mismatch items and cash flow hedge reserves ¹	204	309
AMP shareholder equity	2,241	2,236
Subordinated debt ²	350	350
Senior debt ²	1,154	819
Total AMP capital resources	3,745	3,405

Footnote:

- 1 The amount in 2008 includes the impact of both accounting mismatches and the cash flow hedge reserve on AMP shareholder equity; the amount in 2007 includes the impact of accounting mismatches.
- 2 Balances above represent amounts to be repaid upon maturity. Equivalent amounts in the balance sheet are reflected at their current fair value.

The AMP group assesses the adequacy of its capital requirements through regulatory capital and ratings capital. The AMP group targets a level of capital resources to satisfy all these capital measures. The AMP group's capital management strategy forms part of the AMP group's broader strategic planning process.

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

23. Capital management continued

(i) Regulatory capital

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, a life insurance company and approved superannuation trustees all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

The shareholder minimum regulatory capital requirement (MRR) is the amount of shareholder capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. These requirements are as follows:

- AMP Life Limited – solvency, capital adequacy and management capital requirements as specified under the *Life Act* and APRA Life Insurance Prudential Standards
- AMP Bank Limited – capital requirements as specified under APRA Banking Prudential Standards
- AMP Capital Investors Limited – capital and liquidity requirements under its Australian Financial Services Licence.

All 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 31 December 2008 the regulatory capital resources above MRR was \$898m (\$895m at 31 December 2007), or 2.1 times MRR (2.1 times at 31 December 2007). The MRR coverage ratio will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

AMP's regulated businesses each target a level of capital equal to MRR plus a target surplus.

The AMP Life Statutory Funds target surplus is set by reference to a probability of breaching regulatory capital requirements. This is a two tiered test where the target surplus is set as the greater of the amount required for a:

- 0.5% probability of breaching solvency over one year
- 10% probability of breaching capital adequacy over one year.

AMP Banking's target surplus reflects an additional 0.75% of risk weighted assets above the APRA minimum requirements.

AMP Capital Investors' target surplus is set to cover the Seed pool investment risk and operational risks.

(ii) Ratings capital

The AMP group's capital management strategy is framed against an objective of maintaining the AMP group's A range credit ratings. In line with the target credit rating, the AMP group maintains an AA range financial strength rating for its wholly owned life insurance company, AMP Life Limited. The AMP group targets a level of gearing, interest coverage and capital in line with rating agency guidelines for an A range credit rating and AA range financial strength rating.

The key ratings for the AMP group companies, as published by Standard & Poor's and Moody's Investor Services, at 31 December 2008 were as follows:

Company	Standard & Poor's	Moody's
	Credit rating/Financial strength rating	Credit rating/Financial strength rating
AMP Group Holdings Limited	A/stableA-1	A2/Stable
AMP Life Limited	AA-/stable	Aa2/Stable
AMP Bank Limited	A/Stable/A-1	A2/Stable/P-1

24. Notes to the statement of cash flows

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	580	985	844	903
Depreciation of operating assets	28	45	—	—
Amortisation and impairment of intangibles	302	61	—	—
Investment gains and losses and movements in external unitholders liabilities	17,906	939	—	—
Dividend and distribution income reinvested	(333)	(474)	—	—
Share-based payments	15	(17)	—	(2)
Decrease (increase) in receivables and other assets	(84)	(244)	297	10
(Decrease) increase in net policy liabilities	(12,232)	5,351	—	—
(Decrease) increase in income tax balances	(2,593)	(212)	(426)	(1)
(Decrease) increase in payables	361	(112)	61	(2)
Cash flows from (used in) operating activities¹	3,950	6,322	776	908

Footnote:

1 Amounts include cash flows attributable to discontinued operations held for sale. See Note 21 for further information.

(b) Reconciliation of cash

Comprises:

Cash on hand	997	1,278	9	1
Cash on deposit	1,059	900	—	—
Bank overdrafts (included in Borrowings)	(15)	(10)	—	—
Short term bills and notes (included in Debt securities)	3,357	4,318	—	—
Balance at the end of the period	5,398	6,486	9	1

(c) Financing arrangements

(i) Overdraft facilities

Bank overdraft facility available	316	300	—	—
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(ii) Credit standby facilities

Revolving and standby credit facilities				
Available	385	485	—	—
Used	—	—	—	—
Unused	385	485	—	—

(iii) Loan facilities

In addition to facilities arranged through bond and note issues (refer Notes 14 and 15), financing facilities are provided through bank loans under normal commercial terms and conditions.

Available	2,658	1,563	—	—
Used	(2,148)	(805)	—	—
Unused	510	758	—	—

(iv) Bond and note funding programs

Available	17,706	20,639	—	—
Used	(7,347)	(9,100)	—	—
Unused	10,359	11,539	—	—

(d) Acquisition and disposal of controlled entities

In the course of normal operating investment activities, the life 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 unit trusts with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

Certain controlled entities of the life statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group. There were no significant acquisitions or disposals of controlled operating companies during 2008 or 2007, other than the disposal of the general insurance operations during 2008. See Note 21 for further details.

25. 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. As all options were out of the money for 2008 and 2007, they have been determined not to be dilutive for those periods. Performance rights have been determined to be dilutive in 2008 and 2007. 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.

Since the end of the financial year and up to the date of the report, no performance rights have been issued, no performance rights have been exercised and 9,777 performance rights have lapsed. During the same period no options have been issued or exercised, however, 4,000 options have lapsed. There have been no movements in the number of shares on issue.

Of the ordinary shares on issue, AMP Life (a wholly owned controlled entity) holds 25,460,646 (2007: 25,192,562) shares in AMP Limited on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life Limited to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. In determining the weighted average number of ordinary shares used in the calculation of earnings per share after accounting mismatches, a reduction is made for the average number of shares held by AMP Life in AMP Limited during the period.

	Consolidated	
	2008 million shares	2007 million shares
(b) Weighted average number of ordinary shares used		
<i>(i) before accounting mismatches</i>		
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,890	1,875
Add: potential ordinary shares considered dilutive	9	8
Weighted average number of ordinary shares used in calculation of diluted earnings per share	1,899	1,883
<i>(ii) after accounting mismatches</i>		
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,865	1,849
Add: potential ordinary shares considered dilutive	9	8
Weighted average number of ordinary shares used in calculation of diluted earnings per share	1,874	1,857
	\$m	\$m
(c) Level of earnings used		
Basic from continuing operations before accounting mismatches	417	863
Diluted from continuing operations before accounting mismatches	417	863
Basic from continuing operations after accounting mismatches	574	792
Diluted from continuing operations after accounting mismatches	574	792
Basic after accounting mismatches	580	985
Diluted after accounting mismatches	580	985
	cents	cents
(d) Earnings per share		
Basic from continuing operations before accounting mismatches	22.1	46.0
Diluted from continuing operations before accounting mismatches	22.0	45.8
Basic from continuing operations after accounting mismatches	30.8	42.8
Diluted from continuing operations after accounting mismatches	30.6	42.7
Basic after accounting mismatches	31.1	53.3
Diluted after accounting mismatches	31.0	53.1

26. Superannuation funds

AMP contributes to two 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 following disclosures relate only to the defined-benefit sections of the plans.

The following tables summarise the components of the net amount recognised in the consolidated Income statement, the movements in the defined-benefit obligation and plan assets, and the net amounts recognised in the consolidated Balance sheet for the defined-benefit funds.

	Consolidated	
	2008 \$m	2007 \$m
(a) Defined-benefit income (expense)		
Current service cost	(1)	(2)
Interest cost	(19)	(17)
Expected return on plan assets ^{1,2}	28	25
Total defined-benefit income (expense)	8	6
(b) Movements in defined-benefit obligation		
Balance at the beginning of the period	(387)	(356)
Current service cost	(1)	(2)
Interest cost	(19)	(17)
Contributions by plan participants	(3)	(1)
Actuarial gains and losses ³	(23)	(33)
Benefits paid	40	22
Balance at the end of the period	(393)	(387)
(c) Movement in fair value of plan assets		
Balance at the beginning of the period	396	382
Expected return on plan assets	28	25
Actuarial gains and losses ³	(114)	10
Contributions by plan participants	3	1
Benefits paid	(40)	(22)
Balance at the end of the period	273	396

Footnote:

- 1 The expected return on plan assets is determined at the beginning of the period, and is based on financial modelling of expected real returns for each of the major asset classes, combined with the price inflation assumption to develop nominal returns.
- 2 The actual return on fund assets for the period was a loss of \$85m (2007: \$35m gain).
- 3 As explained in Note 1, actuarial gains and losses are recognised directly in retained profits.

26. Superannuation funds continued

	Consolidated	
	2008 \$m	2007 \$m
(d) Defined-benefit (deficit) surplus		
Present value of wholly funded defined-benefit obligations	(393)	(387)
Less: Fair value of plan assets	273	396
Plus: Past service costs not yet recognised	—	—
Net defined-benefit (deficit) surplus recognised in the Balance sheet	(120)	9
Movement in net defined-benefit (deficit) surplus		
(Deficit) surplus at the beginning of the period	9	26
Plus: Total income (expenses) recognised in income	8	6
Plus: Employer contributions	—	—
Plus: Actuarial gains (losses) recognised in the Statement of recognised income and expense ¹	(137)	(23)
(Deficit) surplus at the end of the period²	(120)	9

Footnote:

- 1 The cumulative amount of the net actuarial losses recognised in the Statement of recognised income and expense is \$30m (2007: \$102m gain).
- 2 All actuarial gains and losses, and past service costs have been recognised in the Balance sheet.

(e) Historical analysis of defined-benefit (deficit) surplus

	Consolidated			
	2008 \$m	2007 \$m	2006 \$m	2005 \$m
Australian defined-benefit (deficit) surplus				
Present value of wholly funded defined-benefit obligations	(362)	(342)	(309)	(324)
Less: Fair value of plan assets	251	352	334	303
Net defined-benefit (deficit) surplus recognised in the Balance sheet¹	(111)	10	25	(21)
Actuarial gains and losses arising on plan liabilities	(24)	(35)	10	5
Actuarial gains and losses arising on plan assets	(107)	11	30	20
New Zealand defined-benefit (deficit) surplus				
Present value of wholly funded defined-benefit obligations	(31)	(45)	(47)	(44)
Less: Fair value of plan assets	22	44	48	45
Net defined-benefit (deficit) surplus recognised in the Balance sheet²	(9)	(1)	1	1
Actuarial gains and losses arising on plan liabilities	1	1	(3)	1
Actuarial gains and losses arising on plan assets	(7)	(2)	4	1

Footnote:

- 1 At the dates of the most recent financial reports of the plan, the surplus measured as the difference between the net market value of Australian plan assets and the accrued benefits of the plan was \$11m (2007: \$23m).
- 2 At the dates of the most recent financial reports of the plan, the surplus measured as the difference between the net market value of New Zealand plan assets and the accrued benefits of the plan was \$1m (2007: \$4m).

26. Superannuation funds continued

(f) 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:

	Australia		New Zealand	
	2008	2007	2008	2007
Discount rate	4.0%	6.3%	3.4%	6.9%
Expected return on assets (before tax)	6.2%	7.8%	5.3%	5.3%
Expected rate of pension increases	2.0%	3.0%	1.0%	1.9%
Expected rate of salary increases	3.5%	4.5%	n/a	n/a
Proportion of benefits expected to be taken as pensions	60.0%	60.0%	n/a	n/a
Inflation increases	n/a	n/a	2.5%	2.5%

(g) Arrangements for employer contributions for funding defined-benefit funds

The information set out in Note 26(a) and (b) regarding the measurement and recognition of defined-benefit funds' surpluses or deficits is determined in accordance with AASB 119 *Employee Benefits*. However, for the purposes of recommending contributions to the defined-benefit funds, fund actuaries consider the positions of the funds as measured under AAS 25 *Financial Reporting by Superannuation Plans* which determines the funds' liabilities according to different measurement rules. The surplus determined under AAS 25 differs from the net deficit recognised in the Balance sheet under AASB 119, largely due to the use of different discount rates in valuing benefits.

At the dates of the most recent Financial Reports of the plans, the surplus measured as the difference between the net market value of plan assets and the accrued benefits of the plans was \$11m (2007: \$23m) for the Australian defined-benefit fund and \$1m (2007: \$4m) for the New Zealand defined-benefit fund.

Funding methods and current recommendations – Australia

The Australian defined-benefit funds' funding policy is intended to fully cover benefits by the time they become payable. The method of funding benefits adopted is the attained age normal method. This funding method aims to spread the cost of future benefits for current members evenly over their future working lifetimes.

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Part (f) above, except for the discount rate which is assumed to be 6.75% (before tax) for the purposes of determining accrued benefits.

Funding methods and current recommendations – New Zealand

The New Zealand defined-benefit funds' funding policy is intended to fully cover benefits by the time they become payable. The main group of benefits is pension rights of retired members and their spouses. The retirement benefits of active members are valued on a simplified actuarial projection basis as they are not material to the valuation of the fund.

As at 1 January 2006, the date of the last triennial valuation, the fund was considered to be in a sound financial position with assets exceeding the value of accrued benefits. As such the actuarial advice at that time was for AMP to take a contribution holiday until 1 July 2007. The actuary also recommended that an informal actuarial report be prepared at 1 January 2007 and this recommended the contribution holiday be extended until 1 July 2008. Effective from 1 July 2008, the employer has been making cash contributions to the fund. The employer has also been reimbursing the fund's expenses. The next formal actuarial valuation will be conducted as at 1 January 2009 and will be completed by 31 July 2009.

(h) Allocation of assets

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

	Australia ¹		New Zealand ¹	
	2008	2007	2008	2007
Equity	61%	46%	55%	63%
Property	7%	18%	17%	19%
Fixed interest	19%	21%	19%	9%
Cash	12%	5%	9%	9%
Alternative growth assets	1%	10%	0%	0%

Footnote:

- 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 Limited.

27. Share-based payments

(a) Summary of AMP's share-based payment plans

AMP has a number of employee share-based payment plans. These long-term incentive plans form part of AMP's overall remuneration strategy, and are necessary for AMP to attract, motivate and retain high performing employees who contribute to the success of the business. Long-term incentives represent an 'at risk' component of remuneration.

A number of share-based payment plans are no longer offered to employees as part of AMP's long-term incentive program. This is in line with AMP's strategy to simplify the choice of long-term incentive plans offered to employees. Whilst some plans are no longer offered, due to the requirement to record the share-based payments expense over the vesting period of the payments, the plans do form part of the share-based payments expense for the period. As such, information about these plans is provided below as well as plans which AMP currently offers as part of its long-term incentive program.

On adoption of AIFRS, exemptions were permitted which allowed AMP to only recognise a share-based payments expense for equity instruments that were granted after 7 November 2002 and that had not vested on or before 1 January 2005. All plans described below form part of the share-based payments expense recorded in the Income statement except the Employee and Executive Option Plan which ceased to be offered prior to 7 November 2002. Details of this plan have been provided below, however, no expense has been recorded in relation to these instruments. The following table provides a list of AMP's share-based payment plans and the share-based payments expense recorded in relation to those plans during the year:

	Consolidated	
	2008 \$'000	2007 \$'000
Plans currently offered		
Performance rights	10,160	13,916
Restricted shares	4,759	2,655
Employee share acquisition plan – matching shares	105	77
Plans no longer offered		
Executive Short-term Incentive Program – matching shares	–	79
Employee and Executive Option Plan	n/a	n/a
Total share-based payments expense	15,024	16,727

(b) Performance rights

Plan description

The CEO and his direct reports, as well as selected senior executives, are required to take their LTI grants 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. All other LTI participants are provided with a degree of choice over whether their LTI grant is composed of performance rights, restricted shares or a combination of the two.

A performance right is a right to acquire one fully paid ordinary share in AMP after a three-year performance period, provided a specific performance hurdle is met. Prior to exercise, performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

In 2002, 2003, 2004, 2007 and 2008 AMP offered share bonus rights to employees in overseas domiciles where it was 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.

The performance hurdle

The number of performance rights that vest is determined by a vesting schedule based on the performance of AMP relative to a comparator group of companies listed on the Australian Securities Exchange (ASX) over a three-year performance period. The performance measure is Total Shareholder Return (TSR) relative to the top 50 industrials in the Standard & Poor's/Australian Securities Exchange (S&P/ASX) 100 Index as at the start of the performance period. The performance hurdle and vesting schedule were chosen because they align executives' remuneration with the creation of shareholder value relative to peer companies.

At the end of the performance period, AMP's People and Remuneration Committee receives data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. An independent external consultant is appointed so as to ensure AMP's performance is measured objectively. The Remuneration Committee then determines the number of performance rights that vest by applying this data to the vesting schedule.

Exercising performance rights

Executives have two years from the end of the performance period to exercise any performance rights that vest at a nominal exercise price (\$1 per tranche of shares acquired on exercise). If the performance hurdle is not achieved the performance rights lapse immediately without retesting of the performance hurdle. When executives exercise performance rights, these AMP shares are bought on market so there is no dilutionary effect on the value of existing AMP shares.

Treatment of performance rights on ceasing employment

Unvested performance rights will lapse when an executive resigns from AMP. All performance rights, whether vested or unvested, will also lapse on termination due to misconduct or inadequate performance. In some other cases, such as redundancy and retirement, performance rights continue to be held subject to the same performance hurdle and performance period.

27. Share-based payments continued

Plan valuation

The fair value of performance rights has been calculated as at the grant date, by external consultants using a simulation technique known as a Monte Carlo simulation. Fair value has been discounted for the probability of not meeting the TSR performance hurdles.

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 performance period.

For the purposes of the valuation it is assumed that 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 the current period and the comparative period:

Grant date	Share price	Contractual life	Dividend yield	Volatility	Risk-free rate	Performance hurdle discount	Fair value
19/09/2008	\$7.00	4.9 years	5.8%	29%	5.4%	46%	\$3.81
06/06/2008	\$7.61	4.9 years	4.6%	25%	6.9%	53%	\$3.56
21/09/2007	\$10.32	4.9 years	4.3%	20%	6.4%	45%	\$5.65
05/09/2007	\$10.70	4.9 years	4.3%	20%	6.3%	44%	\$6.01
09/03/2007	\$9.98	4.9 years	4.3%	20%	6.0%	54%	\$4.64

The following table shows the movements during the period of all performance rights:

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2008	Exercised during the year ¹	Granted during the year	Lapsed during the year	Balance at 31 Dec 2008 ²
23/10/2003	30/08/2006–29/08/2008	Nil	32,118	32,118	—	—	—
18/03/2004	30/08/2006–29/08/2008	Nil	6,449	6,449	—	—	—
06/09/2004	01/08/2007–31/07/2009	Nil	171,799	141,086	—	—	30,713
01/09/2005	31/07/2008–31/07/2010	Nil	2,112,838	1,849,281	—	85,912	177,645
08/09/2006	01/08/2009–31/07/2011	Nil	2,548,265	—	—	152,678	2,395,587
09/03/2007	01/01/2010–31/12/2011	Nil	553,940	—	—	—	553,940
05/09/2007	01/08/2010–31/07/2012	Nil	2,661,041	—	—	202,014	2,459,027
21/09/2007	01/08/2010–31/07/2012	Nil	68,448	—	—	—	68,448
06/06/2008	01/01/2011–31/12/2012	Nil	—	—	102,914	—	102,914
19/09/2008	01/08/2011–31/07/2013	Nil	—	—	4,375,745	10,999	4,364,746
Total			8,154,898	2,028,934	4,478,659	451,603	10,153,020

Footnote:

1 The weighted average share price at the time of exercise of these performance rights was \$8.87.

2 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 3.7 years.

Since the end of the financial year and up to the date of the report, no performance rights have been issued, no performance rights have been exercised, and 9,777 performance rights have lapsed. Of the performance rights outstanding at the end of the period, 30,713 granted on 06/09/2004 and 177,645 granted on 01/09/2005 have vested and are exercisable.

2005, 2006 and 2007 capital returns

Shareholders approved capital returns of 40 cents per share at the AMP Limited Annual General Meetings in 2005, 2006 and 2007.

To compensate for the reduction in the value of performance rights resulting from the 2005, 2006 and 2007 capital returns, the arrangements with holders were altered so that, in respect of each capital return, they are entitled to be paid 40 cents for each performance right held immediately prior to the relevant capital return that subsequently vests and is converted into an AMP share. For example, an executive holding performance rights granted in 2006 will be entitled to a payment of 40 cents for each performance right granted in 2006 that vests, i.e. after the three-year performance period and if the performance criteria are met. Executives who held performance rights granted in 2005 that vested in 2008 received 80 cents for each of those performance rights. No other terms described above were altered. The fair value of each grant of performance rights immediately prior to the alteration was the same as the fair value immediately after the alteration.

27. Share-based payments continued

(c) Restricted shares

Plan description

A restricted share is an ordinary AMP share that has a holding lock in place until the three-year vesting period ends.

The purpose of the restricted shares is to recognise high performing employees who contribute significantly to AMP's overall business success, and help retain them. The CEO and his direct reports cannot elect to take their annual LTI grant in the form of restricted shares.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply. However, the shares are subject to a holding lock until the end of a three-year vesting period. If the individual resigns from AMP (or is terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited. In the case of retrenchment, 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 using the share 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 have been granted during the current period and comparative period and the fair value of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
19/09/2008 ¹	1,546,460	\$7.33
05/09/2007 ¹	451,589	\$10.79

Footnote:

- 1 In 2007 and 2008, AMP offered share bonus rights to employees in overseas domiciles where it was not possible or tax-efficient to grant restricted shares. The terms and conditions of the share bonus rights are identical to the terms and conditions of the restricted shares except the share bonus rights are not entitled to dividends and settlement is in cash rather than equity instruments.

2005, 2006 and 2007 capital returns

No adjustments were made to the restricted shares for the 2005, 2006 and 2007 capital returns.

(d) Employee Share Acquisition Plan

Plan description

AMP currently offers all eligible employees and executives the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP). Under ESAP participants can elect to receive part of their base salary (and any short-term incentive payments) in the form of AMP shares. There are no performance hurdles applied to this part of the plan as participants sacrifice part of their salary to acquire these shares.

As an additional incentive to acquire shares, participants are entitled to receive (at no cost to the participant) one matching share for every 10 shares acquired (up to a maximum of 100 matching shares in any 12-month period). To receive the full entitlement to matching shares, shares must be held in the plan for a minimum of three years. There are no performance conditions for receiving matching shares as ESAP is primarily designed to encourage employee share ownership, through participation in the plan. Matching shares are bought on market.

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, depending on the reason for leaving the company. To receive the maximum entitlement to matching shares, participants must be employed for the whole three-year period.

Plan valuation

Under ESAP, participating employees receive matching shares at the end of a three-year vesting period. During this vesting period, the employee has no right to the matching shares and does not receive the dividends on the matching shares. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at grant date less the present value of the expected dividends (not received). 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.

27. Share-based payments continued

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 of matching shares as at the grant date.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2008 – various	106,700	\$7.17
2007 – various	28,320	\$9.11

2005, 2006 and 2007 capital returns

Shareholders approved capital returns of 40 cents per share at the AMP Limited Annual General Meetings in 2005, 2006 and 2007.

To compensate for the reduction in the value of entitlements to matching shares resulting from the 2005, 2006 and 2007 capital returns, the arrangements with ESAP participants were altered so that, in respect of each capital return, they are entitled to be paid 40 cents for each matching share entitlement held in ESAP immediately prior to the relevant capital return that vests and is converted into an AMP share. For example, participants who held matching share entitlements under the plan immediately prior to the 2006 capital return will be paid 80 cents for each matching share that vests in 2009. Participants who held matching share entitlements under the plan immediately prior to the 2005 capital return were paid \$1.20 for each matching share that vested in 2008. The fair value of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration.

(e) Executive Short-term Incentive Program

Plan description

At the time the program was offered, AMP invited selected executives to nominate up to 25% of any 2002 and 2003 short-term incentive to be allocated as AMP shares. In addition, selected senior executives were required to take 30% of their 2002 and 2003 short-term incentive as shares. As executives salary sacrificed their short-term incentive for AMP shares, no performance hurdles applied after the short-term incentive was granted.

For shares acquired on 10 March 2004, as part of the 2003 Executive Short-term Incentive Program, a three-year holding lock was imposed on these shares and executives who remained employed for three years received a full entitlement of one matching share (for no cash consideration) for each share held in the plan for three years. There were no performance criteria attached to receiving matching shares as the program was designed primarily as a retention tool. Participants who ceased employment with AMP during the three-year holding period lost their entitlement to receive some or all of their matching shares, depending on the reason their employment ceased.

Matching shares valuation

Under the Executive Short-term Incentive Program, participating executives receive matching shares at the end of a three-year vesting period. During this vesting period, the executive has no right to the matching shares and does not receive the dividends on the matching shares. Each matching share entitlement has been valued by external consultants as the face value of an AMP ordinary share at grant date (date of the deferral of the short-term incentive into the Executive Short-term Incentive Program) less the present value of the expected dividends (not received). 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 Executive Short-term Incentive Program and the fair value of matching shares as at the grant date.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2005, 2006, 2007 and 2008 not offered	n/a	n/a
10/03/2004 (vested in 2007)	253,319	\$4.52
29/03/2004 (vested in 2007)	34,188	\$5.68

Impact of capital returns

To compensate for the reduction in the value of entitlements to matching shares resulting from the capital returns made in 2005 and 2006, arrangements with participants in the program were altered so that, in respect of each of those capital returns, they were paid 40 cents for each matching share entitlement that vested and was converted into an AMP share. No compensation was paid for the 2007 capital return as all matching shares under this program had vested by this time. For shares acquired on 10 March 2004 as part of the 2003 Executive Short-term Incentive Program, a payment of 80 cents per share was made to each eligible participant when their matching share entitlements vested on 10 March 2007. The fair value of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration.

(f) Employee and Executive Option Plan

Plan description

In the past, employees and executives were granted options to purchase AMP shares, subject to various performance hurdles. However, options have not been offered since 2002.

The ability to exercise options is subject to a performance hurdle that is tested at the end of a three-year performance period. Prior to their exercise, option holders do not receive dividends or have other shareholder benefits (including any voting rights). The performance hurdle is Total Shareholder Return (TSR) relative to a group of comparable companies by size. The number of options that vest is determined by a vesting schedule based on the level of company performance relative to the comparator group.

27. Share-based payments continued

At the end of the performance period, AMP's People and Remuneration Committee uses data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. The use of an independent external consultant ensures objectivity in measuring AMP's performance. If some or all options do not vest at this time, then the performance period is extended by two years. Options that have not vested at the end of the extended performance period lapse. Options that have vested can be exercised up to 10 years from the grant date.

As mentioned previously, all options were granted prior to 7 November 2002 and are therefore exempt from being included in the calculation of the share-based payments expense which is recorded in the Income statement.

Details of options over unissued ordinary shares of AMP Limited are as follows:

Grant date	Exercise period	Exercise price ¹	Balance at 1 Jan 2008	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2008
Executive Option Plan							
26/06/1999	26/06/2002–25/06/2009	\$11.44	968,212	–	–	342,927	625,285
28/08/1999	26/06/2002–25/06/2009	\$11.17	16,538	–	–	4,573	11,965
30/10/1999	30/10/2002–29/10/2009	\$10.83	20,000	–	–	–	20,000
18/12/1999	18/12/2002–17/12/2009	\$11.35	40,000	–	–	40,000	–
01/01/2000	01/01/2003–31/12/2009	\$11.90	29,544	–	–	–	29,544
19/02/2000	19/02/2003–18/02/2010	\$9.91	30,000	–	–	–	30,000
21/03/2001	21/03/2004–20/03/2011	\$14.19	39,791	–	–	39,791	–
21/07/2001	21/07/2004–20/07/2011	\$14.75	9,000	–	–	9,000	–
Employee Option Plan							
26/06/1999	26/06/2002–25/06/2009	\$11.44	524,070	–	–	124,742	399,328
28/08/1999	20/08/2002–25/06/2009	\$11.17	13,624	–	–	–	13,624
01/01/2000	01/01/2003–31/12/2009	\$11.90	217,432	–	–	13,000	204,432
30/06/2000	30/06/2003–29/06/2010	\$11.57	1,362,060	–	–	260,500	1,101,560
28/10/2000	28/10/2003–27/10/2010	\$12.29	31,406	–	–	10,000	21,406
09/12/2000	09/12/2003–08/12/2010	\$13.65	10,000	–	–	–	10,000
21/07/2001	21/07/2004–20/07/2011	\$14.75	748,205	–	–	161,625	586,580
15/12/2001	15/12/2004–14/12/2011	\$12.89	1,294	–	–	–	1,294
Total			4,061,176	–	–	1,006,158	3,055,018

Footnote:

- 1 The exercise prices shown in this column became effective on 17 May 2007. To compensate for the impact of the 2007 capital return of 40 cents per share the exercise prices of outstanding options were reduced by 40 cents per share in accordance with ASX listing rules.
- 2 The weighted average remaining contractual life of options outstanding at the end of the period is 1.3 years.

The current exercise prices of outstanding options are generally above the current market price of AMP shares.

Since the end of the financial year and up to 31 January 2009, 2,000 employee options granted on 26/06/1999 and 2,000 employee options granted on 30/06/2000 have lapsed and no options have been exercised. The total number of options on issue at 31 January 2009 is 3,051,018.

2005, 2006 and 2007 capital return

In accordance with the ASX listing rules and the rules of the plan, the exercise prices of outstanding options were reduced by 40 cents per option following the 2005, 2006 and 2007 capital returns of 40 cents per share to shareholders. The terms and conditions of the options were not altered as a result of the capital returns as the reduction in exercise prices occurred under their original terms.

28. Group controlled entity holdings

Details of significant investments in controlled entities are as follows:

Name of entity	Country of incorporation	Share type	Footnote	% Holdings	
				2008	2007
1 York Street Holdings Pty Ltd	Australia	Ord		100	100
140 St Georges Terrace Pty Limited	Australia	Ord		100	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		100	100
A.C.N. 086 091 643 Pty Limited	Australia	Ord		100	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
ACPP Industrial Pty Ltd	Australia	Ord		100	100
ACPP Office Pty Ltd	Australia	Ord		100	100
ACPP Retail Pty Ltd	Australia	Ord		100	100
AG Australia Holdings Limited	Australia	Ord	2	—	100
Allmarg Corporation Limited	NZ	Ord, Pref		100	100
AMP (UK) Finance Services Plc	UK	Ord		100	100
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Australia Nominees Pty Limited	Australia	Ord	2	—	100
AMP Australian Financial Services Holdings Limited	Australia	Ord		100	100
AMP Bank Limited	Australia	Ord		100	100
AMP Capital Advisors India Private Limited [formerly AMP Capital Research (India) Private Limited]	India	Ord		100	100
AMP Capital Bayfair Pty Limited	Australia	Ord		100	100
AMP Capital Finance Limited	Australia	Ord		100	100
AMP Capital Finance Mauritius Limited	Australia	Ord	1	100	—
AMP Capital Global Property Securities Pty Limited	Australia	Ord		100	100
AMP Capital Holdings Limited	Australia	Ord		100	100
AMP Capital Investments Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 2 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 11 Limited	NZ	Ord A & B		100	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		100	100
AMP Capital Investors Advisory (Beijing) Limited	Republic of China	Ord		100	100
AMP Capital Investors (C.I.) Limited	Jersey	Ord	2	—	100
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord	1	100	—
AMP Capital Investors (New Zealand) Limited	NZ	Ord		100	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		100	100
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		100	100
AMP Capital Investors (Singapore) REIT Management Limited	Singapore	Ord		100	100
AMP Capital Investors (UK) Limited	UK	Ord		100	100
AMP Capital Investors International Holdings Limited	Australia	Ord		100	100
AMP Capital Investors Japan KK	Japan	Ord		100	100
AMP Capital Investors Limited	Australia	Ord		100	100
AMP Capital Investors Real Estate Pty Limited [formerly AMP Real Estate Pty Ltd]	Australia	Ord		100	100
AMP Capital Lifestyle Limited	Australia	Ord		100	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord		100	100
AMP Capital Office and Industrial (Singapore) Pte Limited	Singapore	Ord		100	100
AMP Capital Offshore Investments Limited	NZ	Ord	1	100	—
AMP Capital Palms Pty Limited	Australia	Ord		100	100
AMP Capital Property Nominees Ltd	Australia	Ord		100	100
AMP Capital Retirement Limited [formerly AMP Capital Retirement Properties Limited]	NZ	Ord		99	99
AMP Capital Shopping Centres Pty Limited	Australia	Ord		100	100
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		100	100
AMP Custodial Investments No. 1 Limited	NZ	Ord A & B, Pref		100	100
AMP Custodian Services (NZ) Limited	NZ	Ord		100	100
AMP Davidson Road Pty Limited	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 GBS Limited	Australia	Fixed		100	100
AMP GDPF Pty Limited	Australia	Ord		100	100

28. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings	
				2008	2007
AMP General Insurance Holdings Limited	Australia	Ord	2	—	100
AMP General Insurance Limited	Australia	Ord	2	—	100
AMP GI Distribution Pty Limited	Australia	Ord		100	100
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 Guardians Pty 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	NZ	Ord		100	100
AMP Investment Services No. 2 Pty Limited	Australia	Ord		100	100
AMP Investment Services Pty Limited	Australia	Ord		100	100
AMP Investments Chile Limitada	Chile	Ord		100	100
AMP Lending Services Limited	Australia	Ord		100	100
AMP Life Limited	Australia	Ord		100	100
AMP Life (NZ) Investment Holdings Limited	NZ	Ord	1	100	—
AMP Life (NZ) Investment Limited	NZ	Ord	1	100	—
AMP Macquarie Holding Pty Limited	Australia	Ord		100	100
AMP Macquarie Pty Limited	Australia	Ord		100	100
AMP NZ Carpark Limited	NZ	Ord	1	100	—
AMP Pacific Fair Pty Limited	Australia	Ord		100	100
AMP Personal Investment Services Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord	1	100	—
AMP Private Capital Funds Holdings Limited	NZ	Ord, Pref		100	100
AMP Private Capital New Zealand Limited	NZ	Ord		100	100
AMP Private Capital No. 2 Pty Limited	Australia	Ord		100	100
AMP Private Capital Pty Limited	Australia	Ord		100	100
AMP Private Investments Pty Limited	Australia	Ord		100	100
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Riverside Plaza Pty Limited	Australia	Ord		100	100
AMP Royal Randwick Pty Limited	Australia	Ord		100	100
AMP Services (NZ) Limited	NZ	Ord		100	100
AMP Services Holdings Limited	Australia	Ord		100	100
AMP Services Limited	Australia	Ord		100	100
AMP Superannuation (NZ) Limited	NZ	Ord		100	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP Warringah Mall Pty Ltd	Australia	Ord		100	100
AMP/ERGO Mortgage and Savings Limited	NZ	Ord		100	100
AMPG (1992) Ltd	Australia	Ord	2	—	100
Arrive Wealth Management Limited	Australia	Ord		100	100
Arrow Systems Pty Limited	Australia	Ord		100	50
Arthur Ellis & Co. Limited	NZ	Ord		100	100
Arthur Ellis Limited	NZ	Ord		100	100
Auburn Mega Mall Pty Limited	Australia	Ord		100	100
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		100	100
Cobalt Solutions Australia Limited	Australia	Ord	2	—	100
Cobalt Solutions Services Limited	Australia	Ord	2	—	100
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Donaghys Australia Pty Limited	NZ	Ord		50	75
Donaghys Industries Limited	NZ	Ord		50	75
Donaghys International Limited	NZ	Ord		50	75
Donaghys Limited	NZ	Ord, Pref		50	75
Donaghys Pty Limited					
[formerly Donaghys Sarlon Pty Limited]	NZ	Ord		50	75
ERGO Personal Financial Services Limited	NZ	Ord		100	100
Focus Property Services Pty Limited	Australia	Ord	3	100	100
Glendenning Pty Limited	Australia	Ord		100	100
Gordian RunOff (UK) Limited	UK	Ord	2	—	100
Gordian RunOff Limited	Australia	Ord	2	—	100
Hillross Financial Services Limited	Australia	Ord		100	100

28. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	2008 % Holdings	2007
Honeysuckle 231 Pty Limited	Australia	Ord	3	60	60
Hospital Car Parking Limited	NZ	Ord	1	100	—
Hospital Car Parking Holdings Limited	NZ	Ord	1	100	—
INSSA Pty Limited	Australia	Ord		100	100
Inversiones Mineras Los Andes Limitada	Chile	Ord		100	100
Investment Services Nominees Pty Limited	Australia	Ord		100	100
Jeminex Ltd	Australia	Ord	3	51	52
Kent Street Pty Limited	Australia	Ord		100	100
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Kramar Holdings Pty Limited	Australia	Ord	3	72	72
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		100	100
Mowla Pty. Ltd.	Australia	Ord		100	100
Omega (Australia) Pty Limited	Australia	Ord		100	100
PHF No. 1 Management Pty Limited	Australia	Ord		100	100
PHF No. 1 Pty Limited	Australia	Ord		100	100
PHFT Finance Pty Limited	Australia	Ord		100	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Priority One Agency Services Pty Ltd	Australia	Ord		100	100
Priority One Financial Services Limited	Australia	Ord		100	100
Quay Asset Management Limited	Australia	Ord		100	100
Quay Mining (No. 2) Limited					
[formerly AMP (Bermuda) Limited]	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Roost 2007 Limited	NZ	Ord		100	100
SADS Pty Limited	Australia	Ord		100	100
SAPM Limited	Australia	Ord, Red Pref		100	100
Scrabster Bay Pty Limited	Australia	Ord		100	100
Shanghai AMP Property Co Ltd	Republic of China	Ord	3	81	81
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		86	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 3A Investments Pty Limited	Australia	Ord	1	100	—
Sugarland Shopping Centre Pty Limited	Australia	Ord		100	100
Summerset Holdings Limited	NZ	Ord		99	99
Summerset Management Company Limited	NZ	Ord		100	100
Summerset Services Limited	NZ	Ord	2	—	100
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sunshine West Income Pty Limited	Australia	Ord	3	100	100
TGI Australia Limited	Australia	Ord	2	—	100
The India Infrastructure Fund LLC	Mauritius	Red Pref		100	100
TOA Pty Ltd	Australia	Ord		100	100
United Equipment Holdings Pty Limited	Australia	Ord	3	59	59
Victoria Avenue Nominees Limited	Australia	Ord		100	100
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100

Footnote:

- 1 Companies acquired or established in 2008.
- 2 Companies disposed of or deregistered in 2008.
- 3 Not audited by Ernst & Young.

28. Group controlled entity holdings continued

Details of significant investments in controlled trusts are as follows:

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings	
			2008	2007
140 St Georges Terrace Trust	Australia		100	100
35 Ocean Keys Trust	Australia		75	78
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		69	66
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
AMP Balanced Enhanced Equity	Australia		96	97
AMP Capital Asia ex-Japan Fund	Australia		84	97
AMP Capital Asian Equity Growth Fund	Australia	1	88	—
AMP Capital Business Space REIT	Singapore		100	100
AMP Capital Commodities C Class	Australia		100	100
AMP Capital Core Infrastructure Fund	Australia	2	—	56
AMP Capital Credit Strategies	Australia		90	100
AMP Capital Diversified TAA	Australia		100	100
AMP Capital Future Directions Asia ex-Japan Fund	Australia	1	72	—
AMP Capital Future Directions Opportunity Fund	Australia	1	100	—
AMP Capital Global Infrastructure Securities Fund	Australia	2	—	59
AMP Capital Global Listed Infrastructure Fund	Australia	2	—	60
AMP Capital Global TAA Fund	Australia	1	100	—
AMP Capital Investors Australian Equity Long Short Fund	Australia		100	100
AMP Capital Investors China Strategy Growth Fund	Australia	1	100	—
AMP Capital Investors External Fund Manager Balanced	Australia	1	100	—
AMP Capital Investors External Fund Manager Conservative	Australia	1	100	—
AMP Capital Investors External Fund Manager Infrastructure 1	Australia	1	98	—
AMP Capital Investors Infrastructure Fund 1	Australia		100	100
AMP Capital Lifestyle Trust	Australia		100	100
AMP Capital Macro Strategies	Australia	1	69	—
AMP Capital Mature Life Fund A	Australia		100	100
AMP Capital Mature Life Fund B	Australia		100	100
AMP Capital New Balanced Conservative Fund	Australia		100	100
AMP Capital Palms Trust	Australia		75	78
AMP Conservative Enhanced Equity Fund	Australia		91	92
AMP Equity Fund	NZ	1	55	—
AMP Infrastructure Fund 1	Australia		100	100
AMP Investments Asia Pacific Power Fund	Australia	2	—	100
AMP Investments Australian Pacific Airports Fund	Australia		58	70
AMP Investments World Index Fund	NZ	1	58	—
AMP Liverpool Trust X	Australia		75	78
AMP Macquarie Holdings Trust	Australia		90	90
AMP Macquarie Trust	Australia		90	90
AMP Pacific Fair Trust	Australia		90	90
AMP Private Capital Trust No. 4	Australia		100	100
AMP Private Capital Trust No. 9	Australia		100	100
AMP Private Equity Fund IIIA	Australia		94	83
AMP Private Equity Fund IIIB	Australia		94	83
AMP Property Securities Fund	NZ	2	—	60
AMP Shopping Centre Fund	Australia		75	78
AMP UK Shopping Centre Fund	Australia		100	100
AMP US Property Trust	Australia		100	100
AMP Wholesale Office Fund	Australia		64	67
AMP Wholesale Shopping Centre Trust No. 2	Australia		90	90
Australian Corporate Bond Fund	Australia		98	60
AWOF New Zealand Office Trust	NZ		64	67
Bayfair Trust (NZ)	NZ		75	78
Casey Central Trust	Australia		75	78
Core Plus Strategies Fund	Australia		64	51
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
Enhanced Index International Share Fund	Australia		86	83
Enhanced Index Share Fund	Australia		85	74
External Fund Manager Australian Share Fund 1	Australia		97	97

28. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	2008 % Holdings	2007
External Fund Manager Australian Share Fund 2	Australia		99	99
External Fund Manager Australian Share Fund 3	Australia		98	98
External Fund Manager Australian Share Fund 4	Australia		96	94
External Fund Manager Australian Share Fund 5	Australia		96	96
External Fund Manager Australian Share Fund 6	Australia		99	99
External Fund Manager Australian Share Fund 7	Australia		98	99
External Fund Manager Diversified Fund 1	Australia	2	—	99
External Fund Manager Diversified Fund 2	Australia		90	97
External Fund Manager Diversified Fund 3	Australia	2	—	99
External Fund Manager Diversified Fund 4	Australia	2	—	100
External Fund Manager Diversified Fund 5	Australia		95	99
External Fund Manager Diversified Fund 6	Australia		92	93
External Fund Manager Fixed Interest Fund 1	Australia	2	—	99
External Fund Manager Fixed Interest Fund 2	Australia		98	97
External Fund Manager Fixed Interest Fund 3	Australia		98	98
External Fund Manager Fixed Interest Fund 4	Australia		94	94
External Fund Manager International Share Fund 1	Australia		98	98
External Fund Manager International Share Fund 2	Australia	2	—	97
External Fund Manager International Share Fund 3	Australia		97	97
External Fund Manager International Share Fund 4	Australia		99	99
External Fund Manager International Share Fund 5	Australia		96	96
External Fund Manager International Share Fund 6	Australia		99	100
External Fund Manager International Share Fund 7	Australia	1	98	—
External Fund Manager Listed Property Fund 1	Australia		96	96
Floating Rate Income Fund	Australia		84	63
Future Direction Australian Bond Fund	Australia		93	92
Future Directions Australian Share Fund	Australia		89	88
Future Directions Australian Share Fund 1	Australia		97	97
Future Directions Australian Share Fund 2	Australia		93	93
Future Directions Australian Share Fund 3	Australia		90	87
Future Directions Australian Small Company Fund	Australia		86	84
Future Directions Balanced Fund	Australia		97	95
Future Directions Conservative Fund	Australia		92	84
Future Directions Core International Share Fund 2	Australia		53	54
Future Directions Enhanced Index Global Property Securities Fund	Australia	1	100	—
Future Directions Enhanced Index International Bond Fund	Australia	1	100	—
Future Directions Enhanced Index International Bond Fund	Australia	1	100	—
Future Directions Enhanced Index International Share Fund	Australia		75	92
Future Directions Geared Australian Share Fund	Australia		89	87
Future Directions Global Property Securities Fund 1	Australia		94	91
Future Directions Growth Fund	Australia		92	91
Future Directions High Growth Fund	Australia		92	90
Future Directions Infrastructure Trust	Australia		100	96
Future Directions International Bond Fund	Australia		93	92
Future Directions International Bond Fund 3	Australia		87	83
Future Directions International Share Fund	Australia		72	89
Future Directions International Share Fund 1	Australia		92	92
Future Directions International Share Fund 2	Australia		84	84
Future Directions International Share Fund 3	Australia		99	99
Future Directions International Share Fund 4	Australia		97	97
Future Directions International Share Fund 5	Australia	2	—	98
Future Directions Moderate Conservative Fund	Australia		91	99

28. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings	
			2008	2007
Future Directions Property Feeder Fund	Australia		95	90
Future Directions Property Fund	Australia		100	93
Future Directions Total Return Fund	Australia		95	90
Glendenning Trust	Australia		100	100
Global Credit Strategies Fund	Australia		93	90
Global Defender Fund	NZ	2	–	90
Global Growth Opportunities Fund	Australia		94	93
Hedged International Share Fund	Australia		79	94
International Bond Fund	Australia		90	89
International Share Fund	Australia		59	81
International Unlisted Investment Fund	Australia	2	–	100
Kent Street Investment Trust	Australia		100	100
Kent Street Unit Trust	Australia		100	100
Listed Property Trusts Fund	Australia		61	56
Loftus Street Trust	Australia		64	67
Macquarie Australian Enhanced	Australia	1	95	–
Macquarie Balanced Growth	Australia		63	51
Managed Treasury Fund	Australia		79	76
Merrill Lynch Mercury Balanced Pooled Super Fund	Australia	2	–	76
Monash House Trust	Australia		100	100
Ocean Keys Holding Trust	Australia		75	78
Ocean Keys Trust	Australia		75	78
Principal Healthcare Holding Trust	Australia		100	100
Progress 2002 – 1 Trust	Australia		100	100
Progress 2003 E1 Trust	Australia		100	100
Progress 2003 – 1 Trust	Australia		100	100
Progress 2004 – 2 Trust	Australia		100	100
Progress 2004 – E1 Trust	Australia		100	100
Progress 2005 – 1 Trust	Australia		100	100
Progress 2005 – 2 Trust	Australia		100	100
Progress 2006 – 1 Trust	Australia		100	100
Progress 2007 – 1 G	Australia		100	100
Progress 2008 – 1 R	Australia	1	100	–
Progress Warehouse Trust No 1	Australia		100	100
Progress Warehouse Trust No 2	Australia		100	100
Responsible Investment Leaders Australian Share Fund	Australia	2	–	57
Responsible Investment Leaders Balanced Fund A	Australia	2	–	51
Responsible Investment Leaders Conservative Fund	Australia		92	89
Responsible Investment Leaders Growth Fund	Australia		96	96
Responsible Investment Leaders High Growth Fund	Australia	1	100	–
Riverside Plaza Trust	Australia		100	100
Royal Randwick Trust	Australia		75	78
Select Property Portfolio No. 1	Australia		86	86
Sustainable Future Australian Share Fund	Australia	2	–	54
Sydney Cove Trust [formerly Highway Trust]	Australia		100	100
The Pinnacle Fund	Australia		99	99
Warringah Mall Trust	Australia		92	93
Wholesale Australian Bond Fund	Australia		94	90

Footnote:

- 1 Controlling interest acquired in 2008.
- 2 Controlling interest disposed in 2008.

29. Investments in associated entities

Details of significant investments in associated entities are as follows:

			Ownership interest		Carrying amount	
Companies ¹			2008	2007	2008	2007
Name of company	Principal activity ²	Footnote	%	%	\$m	\$m
Held by AMP Life						
Diversified Commercial Backed Mortgage Securities Pty Ltd	Investment in mortgage securities		29%	—	131	—
Gove Aluminium Finance	Aluminium smelting		30%	30%	187	200
Orphan Holdings Pty Ltd	Pharmaceuticals	3	—	38%	—	40
Others (each less than \$20m)			Various		34	138
Total investments in associated entities					352	378

Footnote:

- 1 The balance date for all significant associated companies is 31 December.
- 2 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 hold between a 20% and 50% equity interest.
- 3 Company disposed of in 2008.

Details of significant investments in associated entities are as follows:

Unit trusts ¹ Name of trust	Principal activity	Footnote	Ownership interest		Carrying amount	
			2008 %	2007 %	2008 \$m	2007 \$m
Held by AMP Life						
AMP Capital China Growth Fund	Investment trusts		35%	34%	85	151
AMP Equity Trust	Investment trusts		34%	34%	186	300
AMP Investments World Index Fund	Investment trusts	3	—	36%	—	134
AMP NZ Property Fund	Investment trusts	4	—	34%	—	342
AMP Property Portfolio	Investment trusts	2	38%	—	333	—
Bourke Place Trust	Investment trusts		50%	50%	215	202
Darling Park Property Trust	Investment trusts		50%	50%	225	245
Future Directions Hedged Credit Interest Fund	Investment trusts	2	38%	—	51	—
Global Property Securities Fund	Investment trusts		25%	23%	149	251
Infrastructure Equity Fund	Investment trusts		26%	30%	120	144
Marrickville Metro Trust	Investment trusts		50%	50%	82	86
Property Income Fund A	Investment trusts		29%	29%	229	245
Responsible Investments Leader Balanced Fund	Investment trusts	2	38%	—	188	—
Southland Trust	Investment trusts		50%	50%	548	529
Strategic Infrastructure Trust Europe 1	Investment trusts		32%	48%	83	62
Strategic Infrastructure Trust Europe 2	Investment trusts		32%	48%	83	62
Sustainable Futures Australia Share Fund	Investment trusts	2	49%	—	487	—
Tea Tree Plaza Trust	Investment trusts		50%	50%	263	255
Value Plus Australia Share Fund	Investment trusts	2	23%	—	61	—
Others (each less than \$50m)	Investment trusts		Various		459	590
Investment in associated unit trusts					3,848	3,598

Footnote:

- 1 The balance date for all significant associated companies is 31 December.
- 2 Trust became an associated entity during 2008.
- 3 Trust became a controlled entity during 2008.
- 4 Trust was disposed of in 2008.

30. Forward investments, leasing and other commitments

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Commitments to provide credit	—	766	—	—
Forward investment – due within one year				
Balance outstanding under contracts for the purchase of freehold and leasehold properties and/or erection of buildings thereon	—	—	—	—
Total forward investment	—	—	—	—
Operating lease commitments (non-cancellable)				
Due within one year	47	17	—	—
Due within one year to five years	161	32	—	—
Due later than five years	23	6	—	—
Total operating lease commitments	230	56	—	—

31. Contingent liabilities

The following matters are not recognised in the Balance sheet:

- In the course of normal business operations AMP is exposed to legal issues, which involve litigation.
- Contingent liabilities considered to be covered under an insurance policy, but where indemnity has not been granted yet, are not reported here, to avoid making an admission which prejudices the insurer's rights.
- AMP Limited has entered into a deed to provide capital maintenance and liquidity support to AMP Bank Limited.
- In the normal course of business, the AMP group enters into various types of investment contracts that can give rise to contingent liabilities. These include foreign exchange contracts, financial futures, interest rate derivatives and exchange traded options. These contracts are entered into in the normal management of the investment portfolio.
- In the normal course of business, the AMP group enters into various types of business contracts that can give rise to contingent liabilities. These include guarantees for performance obligations and undertakings for financial support to controlled entities in the AMP group.

	Consolidated	
	2008 \$m	2007 \$m
(f) Other items		
Uncalled capital on shares in relation to: ¹		
– associated entities	6	48
– other entities	76	147
Uncalled capital on units in relation to: ¹		
– associated unit trusts	14	—
– other unit trusts	14	19
Estimated maximum liabilities under legal actions pending	—	—
Bank guarantees and other contingent liabilities	—	250

Footnote:

- Uncalled capital represents a commitment to make further capital contributions for shares, unit trusts and certain private capital investments held by policyholders within the Life statutory funds.

32. 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:

Name	Position
Brian Clark	Non-executive director (appointed 1 January 2008)
David Clarke	Non-executive director
Richard Grellman	Non-executive director
Meredith Hellicar	Non-executive director
Peter Mason	Non-executive Chairman
John Palmer	Non-executive director
Nora Scheinkestel	Non-executive director
Peter Shergold	Non-executive director (appointed 14 May 2008)
Lee Barnett	Chief Information Officer
David Cohen	General Counsel (resigned 30 May 2008)
Jonathan Deane	Director, Group Strategy
Craig Dunn	Chief Executive Officer
Stephen Dunne	Managing Director, AMP Capital Investors
Paul Leaming	Chief Financial Officer
Craig Meller	Managing Director, AMP Financial Services
Matthew Percival	General Manager, Public Affairs
Brian Salter	General Counsel and Company Secretary (appointed 1 July 2008)
Fiona Wardlaw	General Manager, Human Resources (appointed 18 August 2008)

(b) Performance rights and options holdings of key management personnel

The following table summarises the holdings of performance rights and options granted to the key management personnel.

Name	Holding at 1 Jan 08 or appointment	Granted	Exercised	Lapsed	Holding at 31 Dec 08 or resignation	Vested and exercisable at 31 Dec 08
Performance Rights						
Craig Dunn	558,040	689,507	116,291	—	1,131,256	—
Craig Meller	285,050	258,380	59,725	—	483,705	—
Stephen Dunne	341,883	258,380	87,290	—	512,973	—
Paul Leaming	391,693	259,777	103,025	—	548,445	—
David Cohen ¹	288,919	—	—	288,919	—	—
Matthew Percival	237,871	143,297	66,157	—	315,011	—
Lee Barnett	250,074	193,576	50,536	—	393,114	—
Jonathan Deane ²	83,173	132,682	24,886	—	190,969	—
Brian Salter ²	—	195,531	—	—	195,531	—
Fiona Wardlaw ²	—	162,012	—	—	162,012	—
Options						
Craig Dunn	30,000	—	—	—	30,000	—
Stephen Dunne	10,000	—	—	—	10,000	—
Paul Leaming	40,000	—	—	—	40,000	—
Lee Barnett	20,000	—	—	—	20,000	—
Jonathan Deane ²	10,000	—	—	—	10,000	—

Footnote:

1 David Cohen's performance rights lapsed in 2008 on his resignation.

2 Became a KMP during 2008.

32. 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 personally related entities.

Name	Holding at 1 Jan 08 or appointment	Granted as remuneration during the period	Received on exercise of performance rights or options	Purchased through AMP NEDs Share Plan	Other changes ¹	Holding at 31 Dec 08 or retirement
Brian Clark	2,000	—	—	5,385	7,670	15,055
David Clarke	98,100	—	—	24,873	—	122,973
Richard Grellman	30,722	—	—	5,710	1,516	37,948
Meredith Hellicar	36,889	—	—	5,710	2,694	45,293
Peter Mason	228,796	—	—	21,109	73,802	323,707
John Palmer	22,447	—	—	5,709	1,936	30,092
Nora Scheinkestel	55,082	—	—	5,710	11,111	71,903
Peter Shergold	—	—	—	3,596	2,000	5,596
Lee Barnett	50,745	—	50,536	—	(48,403)	52,878
David Cohen	236,345	—	58,300	—	(58,300)	236,345
Jonathan Deane	—	—	24,886	—	68,028	92,914
Craig Dunn	441,570	—	116,291	—	968	558,829
Stephen Dunne	122,106	—	87,290	—	—	209,396
Paul Leaming	197,965	—	103,025	—	(92,733)	208,257
Craig Meller	96,207	—	59,725	—	(59,725)	96,207
Matthew Percival	210,253	—	66,157	—	(124,901)	151,509
Brian Salter	8,078	—	—	—	1,936	10,014
Fiona Wardlaw	—	14,558	—	—	—	14,558

Footnote:

1 Other changes includes the purchases and sales of shares on market by key management personnel and their related parties.

(d) 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. The Remuneration Report also includes individuals who are required to be disclosed under *Corporations Act 2001* requirements, however, do not meet the definition of key management personnel and as such are not included in the following table.

	Short-term benefits \$'000	Post employment benefits \$'000	Share-based payments \$'000	Other long-term benefits \$'000	Termination benefits \$'000	Total \$'000
Non-executive directors¹						
2008	2,351	210	—	—	—	2,561
2007	1,940	163	—	—	—	2,103
2007 – as disclosed in 2007 ²	1,992	181	—	—	—	2,173
Key management personnel excluding non-executive directors						
2008	11,389	185	3,831	13	—	15,418
2007	10,150	1,020	3,129	83	—	14,382
2007 – as disclosed in 2007 ²	15,913	1,161	5,836	83	7,669	30,662
All key management personnel						
2008 ³	13,740	395	3,831	13	—	17,979
2007 ³	12,090	1,183	3,129	83	—	16,485
2007 – as disclosed in 2007 ²	17,905	1,342	5,836	83	7,669	32,835

Footnote:

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 2007 Financial Report.

3 These amounts represent the total remuneration paid to the key management personnel listed in Note 32(a) for 2008 and 2007.

32. Related-party disclosures continued

(e) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the disclosing entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP 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 by AMP or any of its subsidiaries.

All loans to key management personnel and their related parties

	Balance at 1 Jan 08 \$'000	Written off \$'000	Net advances (repayments) \$'000	Balance at 31 Dec 08 \$'000	Interest charged \$'000	Interest not charged \$'000	Number in group
Key management personnel and their related parties¹	4,225	—	844	5,069	391	—	6

Individuals and their related parties with loans above \$100,000 during reporting period

	Balance at 1 Jan 08 \$'000	Written off \$'000	Net advances (repayments) \$'000	Balance at 31 Dec 08 \$'000	Interest charged \$'000	Interest not charged \$'000	Highest indebtedness in period \$'000
Craig Dunn	22	—	410	432	8	—	433
Stephen Dunne	1,200	—	(200)	1,000	104	—	1,200
Lee Barnett	766	—	(254)	512	58	—	798
Jonathan Deane	750	—	—	750	63	—	751
Paul Leaming	—	—	244	244	1	—	245
Craig Meller	1,487	—	644	2,131	157	—	2,476

Footnote:

- 1 All loans to key management personnel and their related parties are on terms 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. No guarantees are given or received in relation to these loans.

(f) Other related-party transactions

AMP controlled entities provide management services to associated unit trusts at normal commercial rates. Shares and other financial securities have been traded between AMP and respective trusts at market value. AMP controlled entities provide management services to operating trusts with fees determined on a cost recovery basis. Interests held in associated entities (including percentage ownership) are set out in Note 29.

33. Auditors' remuneration

	Consolidated		Parent	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Amounts received or due and receivable by Auditors of AMP Limited for:				
Audit services				
Audit or review of financial statements	8,143	7,603	140	140
<i>Other audit services</i>				
– Regulatory	274	439	–	–
– Non-regulatory ¹	1,497	1,140	–	–
Total audit service fees	9,914	9,182	140	140
Non-audit services				
<i>Assurance related services</i>				
– Technical advice	75	10	–	–
– Other assurances services ²	757	1,209	–	–
<i>Other non-audit services</i>				
– Transaction support	24	100	–	–
– Tax and compliance advice	52	89	–	–
– Other services	97	74	–	–
Total non-audit services	1,005	1,482	–	–
Total amounts received or due and receivable by Auditors of AMP Limited^{3,4}	10,919	10,664	140	140

Footnote:

- 1 Other audit work includes fees for reviews of the full year and half year Investor Reports, compliance audits and other audit procedures performed for multiple vehicles owned by the life statutory funds.
- 2 Other assurance services include fees for fund prospectus reviews, AMP Bank securitisation opinions and other procedures performed for multiple investment vehicles owned by the life 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.

34. Events occurring after reporting date

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the period which has significantly affected or may significantly affect the operations of the consolidated entity, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

- During the last year, global financial and equity markets exhibited significant volatility, and this has continued since balance date. Due to this volatility, directly held investment property is now valued on a more regular basis. Independent property valuations conducted since the end of the financial year indicate the continuation of a declining trend in the valuation of the portfolio. As the majority of investment property is owned by the statutory funds of AMP Life, movements in valuations primarily impact AMP's liability to policyholders, and changes in the valuations have no direct impact on the shareholders' profit after tax.
- On 19 February 2009, AMP announced a final dividend on ordinary shares of 16 cents per share.

Directors' declaration

for the year ended 31 December 2008

In accordance with a resolution of the directors of AMP Limited, we state for the purposes of Section 295(4) of the *Corporations Act 2001* that, in the opinion of the directors:

- (a) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) The financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and
- (c) The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth).



Peter Mason

Chairman

Sydney, 19 February 2009



Craig Dunn

Managing Director and Chief Executive Officer



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Independent auditor's report to the members of AMP Limited

We have audited the accompanying financial report of AMP Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit we have met the independence requirements of the *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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of AMP Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of AMP Limited and the consolidated entity at 31 December 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of AMP Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Andrew Price
Partner, Sydney
19 February 2009

Shareholder information

Distribution of shareholdings at 28 February 2009

Range	Number of holders	Ordinary shares held	% of issued capital
1-1000	616,638	247,247,743	12.4065
1,001 – 5,000	186,048	377,123,165	18.9234
5,001 – 10,000	16,758	118,274,088	5.9348
10,001 – 100,000	7,961	160,588,075	8.0580
100,001 and over	279	1,089,658,217	54.6773

The total number of shareholders holding less than a marketable parcel of 104 shares is 50,601.

Twenty largest shareholdings as at 28 February 2009

Rank	Name and account	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	336,749,489	16.900
2	J P Morgan Nominees Australia Limited	286,204,125	14.360
3	National Nominees Limited	150,205,739	7.540
4	Citicorp Nominees Pty Limited	52,597,572	2.640
5	ANZ Nominees Limited <Cash Income A/C>	40,841,314	2.050
6	Cogent Nominees Pty Limited	18,735,560	0.940
7	AMP Life Limited	14,418,155	0.710
8	Queensland Investment Corporation	11,448,194	0.570
9	Australian Reward Investment Alliance	11,195,758	0.560
10	Australian Foundation Investment Company Limited	10,231,388	0.510
11	Citicorp Nominees Pty Limited <Cfs Wsle 452 Aust Share A/C>	9,256,181	0.460
12	Citicorp Nominees Pty Limited <Cfs Wsle Geared Shr Fnd A/C>	8,507,295	0.430
13	ARGO Investments Limited	7,130,954	0.360
14	ANZ Nominees Limited <SI Cash Income A/C>	6,749,484	0.340
15	BNP Paribas <BNP Cooper Neff A/C>	4,498,081	0.230
16	UBS Wealth Management Australia Nominees Pty Ltd	4,296,193	0.220
17	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	4,006,580	0.200
18	Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	3,753,221	0.190
19	Citicorp Nominees Pty Limited <Cfsil Cfsws Gear 452 Au A/C>	3,581,830	0.180
20	Djerriwarrh Investments Limited	3,565,072	0.180
Totals		987,702,185	49.561

Substantial shareholders

The Company has received no substantial shareholding notices.

Total number of holders of ordinary shares and their voting rights

As at 28 February 2009, the share capital of AMP Limited consisted of 1,992,891,288 ordinary shares held by 827,684 shareholders. The voting rights attaching 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 on a poll.

Total number of options over unissued shares and option holders

As at 28 February 2009, AMP Limited had on issue 3,005,518 options over unissued ordinary shares in AMP Limited held by 2,156 option holders.

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 book

A book of business that is not open to new customers.

Contingent liabilities

A situation existing at balance date, where a potential future claim may occur, but the liability is not sufficiently probable or reliably measurable to warrant recognition in the financial statements at balance date.

Controllable costs

Costs that AMP incurs in running its business. Controllable costs include operational and project costs, but exclude variable distribution costs, investment management fees and interest on group debt.

Cost to income ratio

A measure of the proportion of earnings used to pay AMP's controllable costs.

Demerger

AMP's demerger on 23 December 2003 created separate businesses; AMP in Australasia and Henderson Group in the United Kingdom.

Earnings per share (EPS)

This represents the profit made by AMP, divided by the number of shares on issue.

Embedded value (EV)

A calculation for the AFS business of the value of the shareholder equity and the future profits expected to emerge from the business currently in-force. The value is 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 Australian assets managed by AMP which met or exceeded their respective benchmarks for the year.

Long-term incentive

A long-term incentive is an award provided in the form of performance rights and restricted shares, to align an executive's interest with the interests of shareholders. Long-term incentives at AMP are subject to a performance hurdle and/or a service requirement.

Mismatch items

Under accounting standards, accounting mismatches arise because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets. Mismatch items have no impact on the group's underlying profit, cash flow or value.

Operating earnings

Operating earnings are the profits earned by AMP's operating businesses. Operating earnings exclude investment income on funds held as capital within AMP's operating businesses.

Option

A right to acquire an AMP share at a pre-determined price during an exercise period, subject to meeting performance hurdles. AMP has not offered options under its Employee or Executive Option Plans since 2002.

Performance right

This is 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.

Restricted share

This is a form of remuneration designed to reward long-term performance. A restricted share is an ordinary AMP share that has a holding lock in place until a three-year vesting period ends.

Return on invested capital (RoIC)

Is the return that shareholders have earned on the capital invested in our businesses.

Short-term incentive

A cash payment based on performance during the year against pre-defined business objectives aligned to company strategy.

Underlying profit

Underlying profit (which smoothes out the effect of investment market volatility) is calculated by aggregating operating earnings, corporate costs, interest expense on group debt, earnings from discontinued businesses, recognition of tax losses and underlying investment income. Underlying investment income is based on average long-term rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying return on equity (RoE)

A measure of the return a company makes on shareholder equity. Calculated as underlying profit divided by average monthly shareholder equity during the year.

Value of new business (VNB)

A measure for the AFS business of the future profits (expressed in today's dollars) expected to emerge from new business written during the year.

Vesting

Remuneration term defining the point at which any performance hurdles have been met and a financial benefit may be realised by the recipient.





Need help?

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AMP is incorporated and domiciled in Australia
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