The National Mutual Life Association of Australasia Limited

ABN 72 004 020 437

Directors' report and Financial report for the year ended 31 December 2015

THE NATIONAL MUTUAL LIFE ASSOCIATION OF AUSTRALASIA LIMITED
ABN 72 004 020 437
DIRECTORS' REPORT AND FINANCIAL REPORT
31 DECEMBER 2015

Contents

Registered Office:
33 Alfred Street
Sydney NSW 2000 Australia

The National Mutual Life Association of Australasia, a company limited by shares, is incorporated and domiciled in Australia.

Directors' Report

for the year ended 31 December 2015

The directors of The National Mutual Life Association of Australasia Limited ('NMLA' or 'the company') present their report on the company for the financial year ended 31 December 2015.

NMLA is a company limited by shares and is incorporated and domiciled in Australia. AMP AAPH Limited is the company's parent entity, and AMP Limited is the ultimate parent entity.

The Registered Office of the company is 33 Alfred Street, Sydney, NSW 2000.

Directors

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

Catherine Brenner	Chairman, Non-Executive Director
Pauline Blight-Johnston	Executive Director
Craig Meller	Executive Director
Anthony Coleman	Non-Executive Director
Diana Eilert	Non-Executive Director
Andrew Harmos	Non-Executive Director
Trevor Matthews	Non-Executive Director
Peter Shergold	Non-Executive Director

Principal activities

NMLA provides a range of products and services to customers in Australia and overseas, mainly New Zealand. These products and services are distributed through self-employed financial planners and advisers aligned with the AMP group. These products and services include superannuation, investments, retirement savings, income protection and life insurance. There have been no significant changes in the nature of these activities during the year.

Review of operations and results

The operating result for the year ended 31 December 2015 was a profit after tax of $233m (2014: $201m).

Dividends and distributions

Details of the dividends and distributions paid and dividends recommended or declared for payment but not paid are disclosed in Note 11 of the Financial Report.

Significant changes in the state of affairs

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

Events occurring after reporting date

On 17 February 2016, NMLA declared a $119m final dividend of $5.72 per share.

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the company's operations in future years, the results of those operations in future years or the company's state of affairs in future years, which is not already reflected in this report.

Likely developments

Information about likely developments in the operations of the company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

Environmental regulation

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

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

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

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

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

Directors' 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), for 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 of AMP Limited. During or since the end of the financial year, no such indemnities have been provided.

During the financial year, AMP Limited agreed to insure all the officers of the company 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.

AMP Group Holdings Limited ("AMPGH") has entered into a deed of indemnity and access with each director and secretary of the company. Each deed of indemnity and access provides that:

- these officers will have access to the books of the company for their period of office and for ten (and in certain cases, seven) years after they cease to hold office (subject to certain conditions); and

- AMPGH agrees to indemnify the officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a director or secretary of the company and of other AMP group companies.

Auditor's independence
The directors have obtained an independence declaration from the company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2015.

Rounding
In accordance with the Australian Securities and Investments Commission (ASIC) Class Order 98/100, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Memorandum of Demutualisation

The Memorandum of Demutualisation, which is part of the Explanatory Memorandum dated 13 June 1995, sets out rules for the management of NMLA's business.

The rules cover items such as:

- establishment and maintenance of sub accounts for various categories of policies;
- allocation of operating profits and losses;
- distribution of retained profits; and
- maintenance of interest fluctuation reserves.

For the financial year ended 31 December 2015, the Directors have received a report from the NMLA Appointed Actuary stating that in his opinion NMLA has managed its business in accordance with the Memorandum of Demutualisation in all material respects.

Catherine Brenner
Director

Pauline Blight-Johnston
Director

Sydney, 17 February 2016

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Auditor's Independence Declaration to the Directors of The National Mutual Life Association of Australasia Limited

As lead auditor for the audit of The National Mutual Life Association of Australasia Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Kieren Cummings
Partner
17 February 2016

Statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 $m	2014 $m
Income and expenses of the shareholder and policyholders[1]			
Life insurance contract premium and related revenue	13(a)	1,148	1,110
Fee revenue	3(a)	176	190
Other revenue		-	9
Investment gains	3(b)	633	1,238
Life insurance contract claims and related expenses	13(b)	(879)	(857)
Operating expenses	4	(406)	(426)
Finance costs		(6)	(6)
Change in policyholder liabilities			
- life insurance contracts	13(e)	(24)	(336)
- investment contracts		(326)	(535)
Profit for the year before income tax		**316**	**387**
Income tax expense	5 (a)	(83)	(186)
Profit for the year		**233**	**201**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations			
- exchange gains (losses)		(3)	13
Total comprehensive income for the year		**230**	**214**

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

Statement of financial position

as at 31 December 2015

	Note	2015 $m	2014 $m
Assets			
Cash and cash equivalents		183	174
Receivables	6	705	728
Intercompany tax receivable		18	-
Prepayments		1	1
Investments in financial assets	7	12,686	13,111
Property, plant and equipment		1	2
Deferred tax assets	5(c)	180	186
Intangibles - capitalised costs		1	2
Total assets of policyholders and the shareholder		**13,775**	**14,204**
Liabilities			
Payables	8	728	701
Intercompany tax payable		67	49
Current tax liability		3	-
Provisions	9	12	22
Derivative financial liabilities	7	92	100
Subordinated debt	10	85	85
Deferred tax liabilities	5(d)	178	200
Life insurance contract liabilities	13(d)	5,892	6,121
Investment contract liabilities		5,167	5,435
Total liabilities of policyholders and the shareholder		**12,224**	**12,713**
Net assets of the shareholder of The National Mutual Life Association of Australasia Limited		**1,551**	**1,491**
Equity[1]			
Contributed equity	12	926	916
Reserves		(71)	(68)
Retained earnings		696	643
Total equity of the shareholder of The National Mutual Life Association of Australasia Limited		**1,551**	**1,491**

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

Statement of changes in equity

for the year ended 31 December 2015

	Note	Contributed equity $m	Foreign currency translation reserve $m	Retained earnings $m	Total equity $m
2015					
Balance at the beginning of the year		916	(68)	643	1,491
Profit (loss)		-	-	233	233
Other comprehensive income		-	(3)	-	(3)
Total comprehensive income		-	(3)	233	230
Return of ordinary share capital	12	(90)	-	-	(90)
Capital notes issued	12	100	-	-	100
Dividends paid - ordinary shares	11	-	-	(179)	(179)
Distributions paid - capital notes	11	-	-	(1)	(1)
Balance at the end of the year		**926**	**(71)**	**696**	**1,551**
2014					
Balance at the beginning of the year		916	(81)	608	1,443
Profit (loss)		-	-	201	201
Other comprehensive income		-	13	-	13
Total comprehensive income		-	13	201	214
Dividends paid - ordinary shares		-	-	(166)	(166)
Balance at the end of the year		**916**	**(68)**	**643**	**1,491**

Statement of cash flows

for the year ended 31 December 2015

	Note	2015 $m	2014 $m
Cash flows from operating activities			
Cash receipts in the course of operations		1,558	1,887
Interest and other items of a similar nature received		71	90
Dividends and distributions received		63	88
Cash payments in the course of operations		(2,359)	(3,912)
Finance costs		(6)	(6)
Income tax paid		(96)	(24)
Cash flows used in operating activities	18a	**(769)**	**(1,877)**
Cash flows from investing activities			
Net proceeds from sale of / (payments to acquire):			
- investments in financial assets		874	1,712
Cash flows from investing activities		**874**	**1,712**
Cash flows from financing activities			
Proceeds from the issue of capital notes	12	100	-
(Payment) for the return of share capital	12	(90)	-
Dividends and distributions paid	11	(180)	(166)
Cash flows from financing activities		**(170)**	**(166)**
Net decrease in cash and cash equivalents		**(65)**	**(331)**
Cash and cash equivalents at the beginning of the year		256	585
Effect of exchange rate changes on cash and cash equivalents		1	2
Cash and cash equivalents at the end of the year	18b	**192**	**256**

Notes to the financial statements

for the year ended 31 December 2015

1. Basis of preparation and summary of significant accounting policies

The National Mutual Life Association of Australasia Limited ('NMLA' or 'the company') is a company limited by shares, and incorporated and domiciled in Australia. This Financial Report includes financial statements for NMLA as a single entity only.

(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. NMLA is a for-profit entity for the purposes of preparing financial statements. The Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements for the year ended 31 December 2015 were authorised for issue on 17 February 2016 in accordance with a resolution of the directors.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest million dollars ($m), unless otherwise stated.

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

Consolidated information has not been prepared to show the financial position and operations of NMLA and its controlled entities at, or during the year ended 31 December 2015 in accordance with exemptions available under Australian Accounting Standards. Consolidated information has been prepared and is available for the ultimate parent, AMP Limited, and its controlled entities.

NMLA is a registered life insurance company.

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

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

Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2015, but have not had any material effect on the financial position or performance of the company.

The company has elected to early adopt the following new accounting standards from 1 January 2015:
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*.

There is no material impact to the financial position or performance of the company as a result of the early adoption of these amendments.

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

- AASB 9 *Financial Instruments.* This standard makes significant changes to the classification of financial instruments and to hedge accounting requirements and disclosures, and introduces a new expected loss model when recognising expected credit losses on financial assets. This standard is mandatory for adoption by the company for the year ending 31 December 2018. The financial impact to the company of adopting AASB 9 *Financial Instruments* has not yet been quantified.

- AASB 15 *Revenue from Contracts with Customers*. This standard makes significant changes to revenue recognition and adds some additional disclosures. The application of this standard has been deferred until 2018. Hence, this standard is now mandatory for adoption by the company for the year ending 31 December 2018. The financial impact to the company of adopting AASB 15 *Revenue from Contracts with Customers* has not yet been quantified.

Notes to the financial statements

for the year ended 31 December 2015

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

(b) 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 two major contract classifications relevant to the wealth-management and insurance business of NMLA are investment contracts and life insurance contracts.

For the purposes of this Financial Report, holders of investment contracts or life insurance contracts are collectively and individually referred to as policyholders.

Investment contracts

The majority of the investment contracts business of NMLA relates to wealth-management products such as savings, investment-linked and retirement income policies. The nature of this business is that NMLA 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 Australian Accounting Standards such contracts are defined as *life investment contracts* and described as *investment contracts* throughout this Financial Report.

Life insurance contracts

NMLA 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 known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of NMLA.

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

Assets measurement basis

Investment contract liabilities are measured at fair value as described in Note 1(q) and life insurance contract liabilities are measured as described in Note 1(p). Assets backing such liabilities are measured at fair value, to the extent permitted under Australian Accounting Standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under Australian Accounting Standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described later in Note 1.

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

(c) Cash and cash equivalents

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

(d) Receivables

Receivables that back investment contract liabilities and life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at nominal amounts due, less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

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

(e) Investments in financial assets

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

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

- the fair value of listed equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, a fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
- the fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
- the fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
- there is no reduction for realisation costs in determining fair value.
- the fair value of derivative financial assets is determined in accordance with the policy set out in Note 1(n).

Investments in controlled entities
Investments by NMLA in controlled entities are treated as financial assets and are valued in the same manner as equity securities.

(f) Investments in associates

Associated entities are defined as those entities over which NMLA has significant influence but there is no capacity to control.

Investments in associates held to back investment contract liabilities and life insurance contract liabilities are designated on initial recognition as financial assets measured at fair value through profit or loss.

(g) Property, plant and equipment

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

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

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

(h) Intangible assets

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

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

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

(i) Impairment of assets

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

Other assets such as property, plant and equipment, and intangible assets are subject to impairment testing.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

(j) Taxes

Tax consolidation

AMP Limited and its wholly-owned Australian controlled entities which are Australian domiciled companies (including NMLA) 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. Entities in the tax-consolidated group continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities make (receive) contributions to (from) the head entity for the balances assumed by the head entity, as described above. The contributions are calculated in accordance with the tax funding agreement. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments to the Australian Taxation Office.

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

Income tax expense

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

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

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

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

Income tax for investment contracts and life insurance contracts business

The income tax expense recognised in the Statement of comprehensive income of NMLA reflects tax imposed on the shareholders as well as policyholders.

Investment contracts and life insurance contracts liabilities are established in Australia net, and in New Zealand gross of the policyholders' share of any current tax payable and deferred tax balances of NMLA.

Arrangements made with some superannuation funds result in NMLA making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and not included in income tax expense.

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

Where NMLA 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 Statement of comprehensive income net of any reimbursement.

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

Employee entitlements
Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

(m) Subordinated debt
All subordinated debts are financial liabilities and are initially recognised at fair value and net of directly attributable transaction costs.

Subordinated debts are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of comprehensive income over the period of the contract using the effective interest rate method.

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

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

Derivatives held in NMLA are not designated as hedging instruments. As such, changes in the fair value of derivative financial instruments are recognised in the Statement of comprehensive income in the period in which they arise.

Notes to the financial statements

for the year ended 31 December 2015

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

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

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

(o) Recognition and derecognition of financial assets and liabilities
Financial assets and financial liabilities are recognised at the date NMLA becomes a party to the contractual provisions of the instrument. 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.

(p) Life insurance contract liabilities
The Financial Reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as Margin on Services (MoS).

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

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

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

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

Once profit is allocated to participating policyholders it can only be distributed to participating 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 are as follows:

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

(ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
- the profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund.
- the underwriting profit arising in respect of Tailored Super business is allocated 90% to policyholders and 10% to shareholders

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

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

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 that are directly attributable to an individual life insurance contract or investment contract or product are allocated directly to a particular expense category, fund, class of business and product line as appropriate.

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

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

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

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

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

(r) Contributed Equity
Ordinary shares and capital notes are recognised as the fair value of consideration received by the company. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

(s) Foreign currency transactions
Functional and presentation currency
The Financial Report is presented in Australian dollars (the presentation currency). Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is Australian dollars.

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

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

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

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

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

Investment contracts
There is no premium revenue in respect of investment contracts. Amounts received from policyholders in respect of investment contracts comprise:
- origination fees and ongoing investment management fees. See Note 1(u).
- amounts credited directly to investment contract liabilities. See Note 1(q).

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

(u) Fee and other revenue

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

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

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

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

(v) Investment gains or losses

Dividend and interest income are recognised in the Statement of comprehensive income on an accruals basis when NMLA obtains control of the right to receive the revenue.

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

(w) 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(q).

(x) Operating expenses

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

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

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

(y) Finance costs

Finance costs include:

(i) borrowing costs:
- interest on bank overdrafts and subordinated debts; and
- amortisation of discounts or premiums related to borrowings; and

(ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are recognised as expenses when incurred.

2. Significant accounting judgements, estimates and assumptions

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

(a) Fair value of investments in financial assets
NMLA measures investments in financial assets at fair value through profit or loss. Where available, quoted market prices for same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in Note 16.

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

Judgement is applied by management in assessing whether there are any impairment indicators and, where required, determining the recoverable amount.

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

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

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

(e) Life insurance contract liabilities
The measurement of insurance contract liabilities is determined using the Margin on Services (MoS) methodology. The determination of the liability amounts involves judgement in selecting the valuation methods and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The Board is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary. Further detail on the determination of life insurance contract liabilities is set out in Note 13.

(f) Investment contract liabilities
Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions. Further details on investment contract liabilities are set out in Note 14.

Notes to the financial statements

for the year ended 31 December 2015

3. Revenue and investment income

	2015 $m	2014 $m
(a) Fee revenue		
Investment management and origination fee	176	190
Total fee revenue	**176**	**190**
(b) Investment gains and (losses)		
Interest	72	90
Dividends and distributions	496	803
Net realised and unrealised gains and (losses)	65	345
Total investment gains and (losses)	**633**	**1,238**

Notes to the financial statements

for the year ended 31 December 2015

4. Operating expenses

	2015 $m	2014 $m
Operating expenses		
Commission expense	(158)	(169)
Investment management expenses	(20)	(24)
Fee and commission expenses	**(178)**	**(193)**
Service fee expense	(198)	(204)
Amortisation of intangibles - capitalised costs	(1)	(1)
Depreciation of property, plant and equipment	(1)	-
Other expenses	(28)	(28)
Other operating expenses	**(228)**	**(233)**
Total operating expenses	**(406)**	**(426)**

Notes to the financial statements

for the year ended 31 December 2015

5. Income tax

	2015 $m	2014 $m
(a) Analysis of income tax expense		
Current tax (expense) credit	(122)	(115)
Decrease (increase) in deferred tax liabilities	28	(26)
(Decrease) in deferred tax assets	(6)	(42)
Over (under) provided in previous years including amounts attributable to policyholders	17	(3)
Income tax expense	**(83)**	**(186)**

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

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

	2015 $m	2014 $m
Profit before income tax	316	387
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before income tax	(9)	(122)
Profit before income tax excluding tax charged to policyholders	**307**	**265**
Prima facie shareholder tax at the rate of 30%	(92)	(80)
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 life insurance tax treatment	(1)	(4)
Non-taxable income	2	2
Difference in overseas tax rate	1	1
Over (under) provided in previous years after excluding amounts attributable to policyholders	12	16
Other items	4	1
Income tax expense attributable to the shareholder	(74)	(64)
Income tax expense attributable to the policyholder	(9)	(122)
Income tax expense	**(83)**	**(186)**

Notes to the financial statements

for the year ended 31 December 2015

5. Income tax (continued)

	2015 $m	2014 $m
(c) Analysis of deferred tax asset		
Expenses deductible and income recognisable in future years	54	45
Losses available for offset against future taxable income	126	141
Total deferred tax assets	**180**	**186**
(d) Analysis of deferred tax liability		
Unrealised investment gains	134	160
Other	44	40
Total deferred tax liability	**178**	**200**

Notes to the financial statements

for the year ended 31 December 2015

6. Receivables

	2015 $m	2014 $m
Investment income receivable	4	3
Investment sales and margin accounts receivable	69	82
Life insurance contract premiums receivable	98	99
Reinsurance and other recoveries receivable	23	22
Reinsurers' share of life insurance contract liabilities	414	450
Other receivables	97	72
Total receivables[1]	**705**	**728**

1 $319m (2014: $374m) of total receivables is expected to be recovered more than 12 months from reporting date.

Notes to the financial statements

for the year ended 31 December 2015

7. Investments in financial assets and other financial liabilities

	2015 $m	2014 $m
(a) Investments in financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	10	12
Debt securities	853	982
Investments in unlisted equities and managed investment schemes [1]	11,502	11,785
Derivative financial assets	321	332
Total financial assets measured at fair value through profit or loss	**12,686**	**13,111**
(b) Other financial liabilities		
Derivative financial liabilities	92	100
Total other financial liabilities	**92**	**100**

1 Includes investments in controlled entities of $10,816m (2014: $11,108m).

Notes to the financial statements

for the year ended 31 December 2015

8. Payables

	2015 $m	2014 $m
Investment purchases and margin accounts payable	471	450
Life insurance and investment contracts in process of settlement	104	109
Other payables	153	142
Total payables[1]	**728**	**701**

1 Nil (2014: nil) payables are expected to be settled more than 12 months from reporting date.

Notes to the financial statements

for the year ended 31 December 2015

9. Provisions

	2015 $m	2014 $m
Employee entitlements[1]	9	17
Other[2]	3	5
Total provisions	**12**	**22**

31 Dec 2015	Employee entitlements $m	Other $m	Total $m
Movements in provisions			
Balance at the beginning of the year	17	5	22
Additional provisions made during the year	4	2	6
Unused amounts reversed during the year	(6)	(2)	(8)
Provisions used during the year	(6)	(2)	(8)
Balance at the end of the year	**9**	**3**	**12**

1 Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share based payments. $1m (2014: $1m) of the balance is expected to be settled more than 12 months from the reporting date.

2 $1m (2014: $1m provisions are expected to be settled more than 12 months from reporting date.

10. Subordinated debt

	2015 $m	2014 $m
Subordinated Notes (first call date 18 December 2018, maturity 18 December 2023)[1]	85	85
Total subordinated debt[2]	**85**	**85**

1 Subordinated Notes may convert into NMLA shares if a Non Viability Trigger Event occurs. The interest payable on the subordinated debt is BBSW3M + 2.65%.

2 $85m of this balance is expected to be settled more than 12 months from the reporting date.

11. Dividends and distributions

	2015 $m	2014 $m
Dividends and distributions paid during the year		
Unfranked dividends $8.60 (2014: $7.98) per ordinary share	(179)	(166)
Distributions paid - capital notes	(1)	-
Total dividends and distributions paid	**(180)**	**(166)**
Final dividend proposed but not recognised		
2015:$5.72 (2014: $5.19) per ordinary share	(119)	(108)

12. Contributed equity

	2015 $m	2014 $m
Ordinary shares[1]	826	916
Capital notes[2]	100	-
Total contributed equity at the end of the year	**926**	**916**
Movements in ordinary shares		
Balance at the beginning of the year	916	916
Return of ordinary share capital	(90)	-
Balance at the end of the year 20,811,616 (2014: 20,811,616) ordinary shares fully paid	826	916
Movements in Capital Notes		
Balance at the beginning of the year	-	-
Capital notes issued[2]	100	-
Balance at the end of the year 406,000 (2014: nil) capital notes	100	-
Total contributed equity at the end of the year	**926**	**916**

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

2. NMLA has issued capital notes to AMP Limited as follows:
   - $60m of capital notes (6,000 notes with a face value of $10,000 per note) issued in March 2015. NMLA has the right but not the obligation to redeem the notes on 27 March 2020 or, subject to certain conditions, at a later date.
   - $40m of capital notes (400,000 notes with a face value of $100 per note) issued in November 2015. NMLA has the right but not the obligation to redeem the notes on 22 December 2021 or, subject to certain conditions, at a later date.

The capital notes are non-cumulative, subordinated, perpetual and unsecured. Distributions on the capital notes are at the absolute discretion of NMLA. In the event that APRA determines NMLA to be non-viable, the Notes may be written off. In a winding up of NMLA, the capital notes will rank ahead of ordinary shares, but behind all other creditors for payment.

13. Life insurance contracts

	2015 $m	2014 $m
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	1,161	1,187
Less: component recognised as a change in life insurance contract liabilities	(98)	(162)
Life insurance contract premium revenue[1]	1,063	1,025
Reinsurance recoveries	85	85
Total life insurance contract premium and related revenue	**1,148**	**1,110**
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	(1,059)	(2,377)
Less: component recognised as a change in life insurance contract liabilities	296	1,603
Life insurance contract claims expense	(763)	(774)
Outwards reinsurance expense	(116)	(83)
Total life insurance contract claims and related expenses	**(879)**	**(857)**
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- Commission	(39)	(50)
- Other	(73)	(78)
Life insurance contract maintenance expenses		
- Commission	(94)	(93)
- Other	(110)	(109)
Investment management expenses	(10)	(12)

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

13. Life insurance contracts (continued)

	2015 $m	2014 $m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	6,685	6,783
- value of future expenses	1,822	1,863
- value of future premiums	(7,557)	(7,622)
Value of future profits		
- life insurance contract holder bonuses	685	603
- shareholder's profit margins	864	888
Total life insurance contract liabilities determined using the projection method	**2,499**	**2,515**
Life insurance contract liabilities determined using the accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	2,545	2,743
- value of future acquisition expenses	(84)	(90)
Total life insurance contract liabilities determined using the accumulation method	**2,461**	**2,653**
Value of declared bonus	24	26
Unvested policyholder benefits liabilities[1]	494	477
Total life insurance contract liabilities before reinsurance	**5,478**	**5,671**
Add: Reinsurers' share of life insurance contract liabilities	414	450
Total life insurance contract liabilities gross of reinsurance	**5,892**	**6,121**

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 policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

	Note	2015 $m	2014 $m
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities at the beginning of the year		6,121	7,058
Change in life insurance contract liabilities recognised in the statement of comprehensive income		24	336
Premiums recognised as an increase in life insurance contract liabilities	13(a)	98	162
Claims recognised as a decrease in life insurance contract liabilities	13(b)	(296)	(1,603)
Change in reinsurers' share of life insurance contract liabilities		(36)	82
Foreign exchange adjustment		(19)	86
Total life insurance contract liabilities at the end of the year	13(d)	**5,892**	**6,121**

13. Life insurance contracts (continued)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities
Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of margin on services (MoS). Refer to Note 1(p) for a description of MoS and the methods for calculating life insurance contract liabilities.

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

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

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

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

		31 December 2015		31 December 2014	
Business type	Basis[1]	Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims)	Zero coupon government bond yield curve	2.0 - 3.7	2.7 - 4.5	2.1 - 3.8	3.6 - 4.1
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	2.5 - 4.2	3.1 - 5.0	2.4 - 4.0	3.8 - 4.3
Life annuities	Zero coupon government bond yield curve (including liquidity premium)	n/a	3.3 - 5.1	n/a	3.9 - 4.4

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

13. Life insurance contracts (continued)

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

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

	10 year government bond yields	Risk premiums				
		Local equities	International equities	Property & Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2015						
Australia	2.9	4.5	3.5	2.5	0.8	(0.5)
New Zealand	3.6	4.5	3.5	2.5	0.0	(0.5)
31 December 2014						
Australia	2.8	4.5	3.5	2.5	0.7	(0.5)
New Zealand	3.7	4.5	3.5	2.5	0.0	(0.5)

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

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

Average asset mix[1]	Equities	Property & Infrastructure	Fixed Interest	Cash
	%	%	%	%
31 December 2015				
Australia	36	18	32	14
New Zealand	38	19	34	9
31 December 2014				
Australia	37	18	32	13
New Zealand	38	19	34	9

1 The asset mix in the table above includes only conventional business. As described in Note 1 (p), 100% of investment profits on investment account business are allocated to policyholders.

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

(iii) Future participating benefits
For participating business, the total value of future bonuses (and the associated shareholder's profit margin) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and 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; and
- ongoing capital adequacy.

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

13. Life insurance contracts (continued)

(iii) Future participating benefits (continued)
Typical supportable bonus rates on major product lines are as follows (31 December 2014 in parentheses):

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
	%	%
Australia	0.5 - 1.0 (0.5 - 0.8)	0.9 - 1.4 (0.8 - 1.1)
New Zealand	0.8 (0.7)	1.1 (1.0)

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

Crediting Rates

Crediting rates (investment account)	
	%
Australia	3.1 - 7.9 (2.9 - 8.6)
New Zealand	5.9 - 7.4 (5.1 - 7.3)

(iv) Future maintenance and investment expenses
Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (v) below. These expenses include fees charged to the life statutory funds by service companies in the AMP group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

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

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

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

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

	Australia		New Zealand	
	%		%	
31 December 2015	2.2 CPI	3.0 Expense	2.5 CPI	3.0 Expense
31 December 2014	2.3 CPI	3.0 Expense	2.5 CPI	3.0 Expense

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

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

	31 December 2015		31 December 2014	
Business type	Australia	New Zealand	Australia	New Zealand
	%	%	%	%
Conventional	2.1 - 9.4	1.9 - 2.5	3.5 - 4.0	4.1 - 4.7
Retail risk (lump sum)	13.3 - 15.1	11.6	13.3 - 15.8	11.6
Retail risk (income benefit)	12.0 - 13.3	9.5	12.0 - 14.0	9.5
Investment account	n/a	n/a	n/a	n/a

13. Life insurance contracts (continued)

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

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

Rates of mortality assumed at 31 December 2015 for NMLA are as follows:

- Conventional business mortality rates in Australia and New Zealand are based on IA95-97 with an allowance for future mortality improvements. These rates are a change from those assumed at 31 December 2014, which were based on IA90-92 with no allowance for future mortality improvement. The assumption change was made to more closely align the assumption to actual experience over the preceding five years.
- Annuitant mortality rates are unchanged from those assumed at 31 December 2014.
- Retail risk mortality rates for Australia are unchanged from those assumed at 31 December 2014. The rates are based on the Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.
- Retail risk mortality rates for New Zealand are based on Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.

For TPD and Trauma business, the NMLA retail risk products assumptions are based on the latest industry table IA04-08 modified based on aggregated experience with overall product specific adjustment factors.

For income protection business, the assumptions are based on the IAD89-93 standard table modified for NMLA in both Australia and New Zealand with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period.

The mortality assumptions are summarised in the following table:

	Conventional - 2015 % of IA95-97	
Conventional	**Male**	**Female**
31 December 2015		
Australia	67.5	67.5
New Zealand	73.0	73.0

	Retail Lump Sum - % of table	
Risk Products	**Male**	**Female**
31 December 2015		
Australia[1]	88 - 104	88 - 104
New Zealand	120	98

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors.

Annuities	Male - % of IML00*	Female - % of IFL00*
31 December 2015		
Australia and New Zealand[1]	95.0	80.0

1 Annuities tables modified for future mortality improvements.

13. Life insurance contracts (continued)

(ix) Mortality and morbidity (continued)
Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates - % of IAD 89-93	Termination rates (ultimate) - % of IAD 89-93
31 December 2015		
Australia	60 - 125	41 - 72
New Zealand	53 - 80	41 - 57

Retail Lump Sum	Male % of IA04-08	Female % of IA04-08
31 December 2015		
Australia TPD[1]	125 - 138	158 - 175
Australia Trauma[2]	96 - 116	96 - 111
New Zealand TPD[1]	194	194
New Zealand Trauma[2]	101	101

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

The Actuarial tables used were as follows:

IA90-92	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1990-1992.
IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995-1997. The table has been modified to allow for future mortality improvements.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name “A graduation of the 2004-2008 Lump Sum Investigation Data”. We refer to this table as IA04-08. The table contains separate graduations for Smokers, Non Smokers, Males and Females and Death With and Without Riders
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989-1993. This table has been extensively modified based on aggregate experience.

13. Life insurance contracts (continued)

(x) Impact of changes in assumptions

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

Changes in assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date. The impact on future profit margins of changes in assumptions from 31 December 2014 to 31 December 2015 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in the shareholder's profit and equity $m
31 December 2015			
Non-market related changes to discount rates	(1)	-	-
Mortality and morbidity	14	-	-
Discontinuance rates	-	-	-
Maintenance expenses	9	-	-
Other assumptions[1]	(7)	-	-

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

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

(g) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in the shareholder profit after income tax and equity	
Variable	**Change in variable**	**Gross of reinsurance $m**	**Net of reinsurance $m**	**Gross of reinsurance $m**	**Net of reinsurance $m**
Mortality [1]	10% increase in mortality rates	2	2	(1)	(1)
Annuitant mortality	50% increase in the rate of mortality improvement	-	-	-	-
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity - disability income	10% increase in incidence rates	109	88	(77)	(61)
Morbidity - disability income	10% decrease in recovery rates	181	139	(127)	(98)
Discontinuance rates	10% increase in discontinuance rates	18	18	(13)	(12)
Maintenance expenses	10% increase in maintenance expenses	8	8	(5)	(5)

1 This includes the impact on death benefits that are payable on some disability income products.

13. Life insurance contracts (continued)

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

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

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

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

NMLA reinsures (cedes) to reinsurance companies a proportion of its portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:
- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks; and
- provide protection against large losses.

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

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

13. Life insurance contracts (continued)

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

(i) Liquidity risk and future net cash outflows

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

	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
2015	283	456	1,887	2,626
2014	546	1,141	2,599	4,286

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14. Other life insurance and investment contracts disclosures

	2015 $m	2014 $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	148	133
- Profits (losses) arising from difference between actual and assumed experience	41	30
- Profits (losses) arising from change in assumptions	6	(58)
- Capitalised losses reversals	-	2
Profit related to life insurance and investment contract liabilities	**195**	**107**
Attributable to:		
- Life insurance contracts	156	66
- Investment contracts	39	41
Profit related to life insurance and investment contract liabilities	**195**	**107**
Investment earnings on assets in excess of life insurance and investment contract liabilities	**37**	**65**

(b) Restrictions on assets in statutory funds

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

The Life Act requires the life insurance business of NMLA to be conducted within life statutory funds.

NMLA has six statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed ordinary business (whole of life, endowment, investment account and retail and group risk).
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, retail and group investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
No. 3 fund	Taiwan	All business (individual whole of life, endowment and term and group life).
No. 4 fund	Australia	Capital guaranteed superannuation business (whole of life, endowment, investment account and retail (lump sum only) and group risk).
No. 5 fund	Australia	Investment-linked ordinary business.
No. 6 fund	Australia	North longevity guarantee.

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met. See further details about solvency and capital adequacy in Note 14(d).

14. Other life insurance and investment contracts disclosures (continued)

(c) Capital guarantees

	2015 $m	2014 $m
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	3,576	3,820
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	48	52
Other life insurance contracts with a guaranteed termination value		
- Current termination value	88	32

(d) Capital requirements

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

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

The excess of the company's capital base over the PCA as at 31 December 2015 was $497m (2014: $441m).

The Appointed Actuary of NMLA has confirmed that the capital base of each life statutory fund and shareholder's fund have exceeded PCA at all times during 2014 and 2015.

14. Other life insurance and investment contracts disclosures (continued)

(d) Capital requirements (continued)

2015		No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	No 4 Statutory Fund $m	No 5 Statutory Fund $m	No 6 Statutory Fund $m	Share-holder's Fund $m	Total $m
Capital Base									
Net assets as per Life Insurance Act	**A**	910	31	17	400	7	5	181	1,551
- Common equity Tier 1 Capital		910	31	17	400	7	5	81	1,451
- Additional Tier 1 Capital		-	-	-	-	-	-	100	100
Total regulatory adjustments to net assets	**B**	(419)	1	-	(291)	(1)	1	(5)	(714)
- Total regulatory adjustments to Common equity Tier 1 Capital		(419)	1	-	(291)	(1)	1	(5)	(714)
- Total regulatory adjustments to Additional Tier 1 Capital		-	-	-	-	-	-	-	-
Tier 2 Capital	**C**	57	6	-	22	-	-	-	85
Total regulatory adjustments to Tier 2 Capital	**D**	-	-	-	-	-	-	-	-
Total capital base	**E(A+B+C+D)**	548	38	17	131	6	6	176	922
Prescribed capital									
Insurance risk charge		109	-	-	16	-	-	-	125
Asset risk charge		139	21	-	34	1	-	2	197
Asset concentration risk charge		-	-	-	-	-	-	-	-
Operational risk charge		35	12	-	16	-	-	-	63
Less aggregation benefit		(55)	-	-	(9)	-	-	-	(64)
Combined stress scenario adjustment		79	-	-	24	-	-	1	104
Total Prescribed capital Amount (PCA)	**F**	307	33	-	81	1	-	3	425
Capital adequacy multiple	**E/F**	179%	115%	N/A	162%	600%	N/A	5867%	217%

2014		No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	No 4 Statutory Fund $m	No 5 Statutory Fund $m	No 6 Statutory Fund $m	Share-holder's Fund $m	Total $m
Capital Base									
Net assets as per Life Insurance Act	**A**	908	26	15	349	7	4	182	1,491
- Common equity Tier 1 Capital		908	26	15	349	7	4	182	1,491
- Additional Tier 1 Capital		-	-	-	-	-	-	-	-
Total regulatory adjustments to net assets	**B**	(446)	0	-	(260)	(1)	0	(5)	(712)
- Total regulatory adjustments to Common equity Tier 1 Capital		(446)	0	-	(260)	(1)	0	(5)	(712)
- Total regulatory adjustments to Additional Tier 1 Capital		-	-	-	-	-	-	-	-
Tier 2 Capital	**C**	57	6	-	22	-	-	-	85
Total regulatory adjustments to Tier 2 Capital	**D**	-	-	-	-	-	-	-	-
Total capital base	**E(A+B+C+D)**	519	32	15	111	6	4	177	864
Prescribed capital									
Insurance risk charge		100	-	-	2	-	-	-	102
Asset risk charge		140	14	-	34	1	-	3	192
Asset concentration risk charge		-	-	-	-	-	-	-	-
Operational risk charge		35	12	-	18	-	-	-	65
Less aggregation benefit		(52)	-	-	(2)	-	-	-	(54)
Combined stress scenario adjustment		89	-	-	28	-	-	1	118
Total Prescribed capital Amount (PCA)	**F**	312	26	-	80	1	-	4	423
Capital adequacy multiple	**E/F**	167%	122%	N/A	138%	638%	N/A	4426%	205%

14. Other life insurance and investment contracts disclosures (continued)

(e) Actuarial information
Mr Anton Kapel, the Appointed Actuary of NMLA, 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 13.

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

(f) Amounts which may be recovered or settled within 12 months after the reporting date
Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $1,915m (2014: $1,873m) of policy liabilities may be settled within 12 months of the reporting date.

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14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information

(i) Income statement by statutory fund and shareholders' fund

2015	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holders' Fund $m	Total $m
Income and expenses of policyholders and the shareholder								
Life insurance premium and related revenue	772	-	-	375	-	1	-	1,148
Fee revenue	7	122	-	44	3	-	-	176
Investment gains / (losses)	298	238	-	82	11	-	4	633
Life insurance claims and related expenses	(604)	-	-	(275)	-	-	-	(879)
Operating expenses	(229)	(70)	-	(103)	(3)	(1)	-	(406)
Finance costs	(5)	-	-	(1)	-	-	-	(6)
Change in policyholder liabilities								
- life insurance contracts	(26)	-	-	2	-	-	-	(24)
- investment contracts	(19)	(257)	-	(43)	(7)	-	-	(326)
Profit before income tax	**194**	**33**	**-**	**81**	**4**	**-**	**4**	**316**
Income tax expense	(67)	8	-	(18)	(3)	-	(3)	(83)
Net profit for the year	**127**	**41**	**-**	**63**	**1**	**-**	**1**	**233**

2014	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holders' Fund $m	Total $m
Income and expenses of policyholders and the shareholder								
Life insurance premium and related revenue	777	-	-	332	-	1	-	1,110
Fee revenue	4	125	-	53	8	-	9	199
Investment gains / (losses)	610	430	-	173	17	3	5	1,238
Life insurance claims and related expenses	(622)	-	-	(235)	-	-	-	(857)
Operating expenses	(242)	(73)	-	(108)	(2)	-	(1)	(426)
Finance costs	(4)	-	-	(2)	-	-	-	(6)
Change in policyholder liabilities								-
- life insurance contracts	(203)	-	(2)	(127)	-	(4)	-	(336)
- investment contracts	(49)	(414)	-	(60)	(12)	-	-	(535)
Profit / (loss) before income tax	**271**	**68**	**(2)**	**26**	**11**	**-**	**13**	**387**
Income tax expense	(150)	(27)	-	(18)	(7)	-	16	(186)
Net profit / (loss) for the year	**121**	**41**	**(2)**	**8**	**4**	**-**	**29**	**201**

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

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

2015	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holder's Fund $m	Elim-ination $m	Total $m
Assets									
Investments in financial assets	4,897	4,897	21	2,643	224	-	4	-	12,686
Other assets	682	148	4	165	2	9	453	(374)	1,089
Total assets of policyholders and the shareholder	**5,579**	**5,045**	**25**	**2,808**	**226**	**9**	**457**	**(374)**	**13,775**
Liabilities									
Life insurance contract liabilities	3,665	-	8	2,214	-	5	-	-	5,892
Investment contract liabilities	240	4,740	-	-	187	-	-	-	5,167
Other liabilities	764	274	-	194	31	-	276	(374)	1,165
Total liabilities of policyholders and the shareholder	**4,669**	**5,014**	**8**	**2,408**	**218**	**5**	**276**	**(374)**	**12,224**
Net assets	**910**	**31**	**17**	**400**	**8**	**4**	**181**	**-**	**1,551**
Equity									
Contributed equity	203	-	19	218	14	3	469	-	926
Reserves	19	-	-	-	-	-	(90)	-	(71)
Retained earnings / (Accumulated loss)	688	31	(2)	182	(6)	1	(198)	-	696
Total equity	**910**	**31**	**17**	**400**	**8**	**4**	**181**	**-**	**1,551**

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(ii) Statement of financial position by statutory fund and shareholders' fund (continued)

2014	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holders' Fund $m	Elim-ination $m	Total $m
Assets									
Investments in financial assets	4,974	5,109	20	2,769	235	-	4	-	13,111
Other assets	718	144	3	170	-	11	413	(366)	1,093
Total assets of policyholders and the shareholder	**5,692**	**5,253**	**23**	**2,939**	**235**	**11**	**417**	**(366)**	**14,204**
Liabilities									
Life insurance contract liabilities	3,728	-	8	2,381	-	4	-	-	6,121
Investment contract liabilities	250	4,992	-	-	193	-	-	-	5,435
Other liabilities	806	235	-	209	35	3	235	(366)	1,157
Total liabilities of policyholders and the shareholder	**4,784**	**5,227**	**8**	**2,590**	**228**	**7**	**235**	**(366)**	**12,713**
Net assets	**908**	**26**	**15**	**349**	**7**	**4**	**182**	**-**	**1,491**
Equity									
Contributed equity	269	-	19	217	14	3	394	-	916
Reserves	23	-	(2)	-	-	-	(89)	-	(68)
Retained earnings / (Accumulated loss)	616	26	(2)	132	(7)	1	(123)	-	643
Total equity	**908**	**26**	**15**	**349**	**7**	**4**	**182**	**-**	**1,491**

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

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

2015	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holder's Fund $m	Total $m
Opening retained earnings	616	26	(2)	132	(7)	1	(123)	643
Net profit / (loss) for the year	127	41	-	63	1	-	1	233
Transfer between statutory and shareholder's fund	(55)	(36)	-	(13)	-	-	104	-
Dividends and distributions paid	-	-	-	-	-	-	(180)	(180)
Closing retained earnings / (accumulated losses)	**688**	**31**	**(2)**	**182**	**(6)**	**1**	**(198)**	**696**

2014	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holder's Fund $m	Total $m
Opening retained earnings	522	30	-	136	(11)	1	(70)	608
Net profit for the year	121	41	(2)	8	4	-	29	201
Transfer between statutory and shareholder's fund	(27)	(45)	-	(12)	-	-	84	-
Dividends paid	-	-	-	-	-	-	(166)	(166)
Closing retained earnings / (accumulated losses)	**616**	**26**	**(2)**	**132**	**(7)**	**1**	**(123)**	**643**

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

2015	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holder's Fund $m	Total $m
Opening contributed equity	269	-	19	217	14	3	394	916
Transfer between statutory and shareholder's fund	(66)	-	-	1	-	-	65	-
Return of ordinary share capital	-	-	-	-	-	-	(90)	(90)
Capital Notes issued	-	-	-	-	-	-	100	100
Closing contributed equity	**203**	**-**	**19**	**218**	**14**	**3**	**469**	**926**

2014	No.1 Statutory Fund $m	No.2 Statutory Fund $m	No.3 Statutory Fund $m	No.4 Statutory Fund $m	No.5 Statutory Fund $m	No.6 Statutory Fund $m	Share-holder's Fund $m	Total $m
Opening contributed equity	402	-	19	202	18	4	271	916
Transfer between statutory and shareholder's fund	(134)	-	-	15	(4)	(1)	123	-
Closing contributed equity	**269**	**-**	**19**	**217**	**14**	**3**	**394**	**916**

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

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

2015	Non-Investment Linked[1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Total $m
Income and expenses of policyholders and the shareholder					
Life insurance premium and related revenue	1,148	-	1,148	-	1,148
Fee revenue	51	125	176	-	176
Other revenue	-	-	-	-	-
Investment gains	380	249	629	4	633
Life insurance claims and related expenses	(879)	-	(879)	-	(879)
Operating expenses	(333)	(73)	(406)	-	(406)
Finance costs	(6)	-	(6)	-	(6)
Change in policyholder liabilities					
- life insurance contracts	(24)	-	(24)	-	(24)
- investment contracts	(62)	(264)	(326)	-	(326)
Profit before income tax	**275**	**37**	**312**	**4**	**316**
Income tax expense	(85)	5	(80)	(3)	(83)
Net profit for the year	**190**	**42**	**232**	**1**	**233**

2014	Non-Investment Linked[1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Total $m
Income and expenses of policyholders and the shareholder					
Life insurance premium and related revenue	1,110	-	1,110	-	1,110
Fee revenue	57	133	190	9	199
Investment gains	786	447	1,233	5	1,238
Life insurance claims and related expenses	(857)	-	(857)	-	(857)
Operating expenses	(350)	(75)	(425)	(1)	(426)
Finance costs	(6)	-	(6)	-	(6)
Change in policyholder liabilities					
- life insurance contracts	(336)	-	(336)	-	(336)
- investment contracts	(109)	(426)	(535)	-	(535)
Profit before income tax	**295**	**79**	**374**	**13**	**387**
Income tax expense	(168)	(34)	(202)	16	(186)
Net profit for the year	**127**	**45**	**172**	**29**	**201**

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

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

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

2015	Non-Investment Linked [1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Elim-ination $m	Total $m
Assets						
Investments in financial assets	7,561	5,121	12,682	4	-	12,686
Other assets	860	150	1,010	453	(374)	1,089
Total assets of policyholders and the shareholder	**8,421**	**5,271**	**13,692**	**457**	**(374)**	**13,775**
Liabilities						
Life insurance contract liabilities	5,892	-	5,892	-	-	5,892
Investment contract liabilities	240	4,927	5,167	-	-	5,167
Other liabilities	958	305	1,263	276	(374)	1,165
Total liabilities of policyholders and the shareholder	**7,090**	**5,232**	**12,322**	**276**	**(374)**	**12,224**
Net assets	**1,331**	**39**	**1,370**	**181**	**-**	**1,551**
Equity						
Contributed equity	443	14	457	469	-	926
Reserves	19	-	19	(90)	-	(71)
Retained earnings / (Accumulated loss)	869	25	894	(198)	-	696
Total equity	**1,331**	**39**	**1,370**	**181**	**-**	**1,551**

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

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

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

2014	Non-Investment Linked [1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Elim-ination $m	Total $m
Assets						
Investments in financial assets	7,763	5,344	13,107	4	-	13,111
Other assets	903	143	1,046	413	(366)	1,093
Total assets of policyholders and the shareholder	**8,666**	**5,487**	**14,153**	**417**	**(366)**	**14,204**
Liabilities						
Life insurance contract liabilities	6,121	-	6,121	-	-	6,121
Investment contract liabilities	250	5,185	5,435	-	-	5,435
Other liabilities	1,019	269	1,288	235	(366)	1,157
Total liabilities of policyholders and the shareholder	**7,390**	**5,454**	**12,844**	**235**	**(366)**	**12,713**
Net assets	**1,276**	**33**	**1,309**	**182**	**-**	**1,491**
Equity						
Contributed equity	508	14	522	394	-	916
Reserves	21	-	21	(89)	-	(68)
Retained earnings / (Accumulated loss)	747	19	766	(123)	-	643
Total equity	**1,276**	**33**	**1,309**	**182**	**-**	**1,491**

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

14. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(vii) Retained earnings by non-investment linked and investment linked

2015	Non-Investment Linked[1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Total $m
Opening retained earnings	747	19	766	(123)	643
Net profit for the year	190	42	232	1	233
Transfer between statutory and shareholder's fund	(68)	(36)	(104)	104	-
Dividends and distributions paid	-	-	-	(180)	(180)
Closing retained earnings / (accumulated losses)	**869**	**25**	**894**	**(198)**	**696**

2014	Non-Investment Linked[1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Total $m
Opening retained earnings	659	19	678	(70)	608
Net profit for the year	127	45	172	29	201
Transfer between statutory and shareholder's fund	(39)	(45)	(84)	84	-
Dividends paid	-	-	-	(166)	(166)
Closing retained earnings / (accumulated losses)	**747**	**19**	**766**	**(123)**	**643**

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

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

2015	Non-Investment Linked[1] $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Total $m
Opening contributed equity	508	14	522	394	916
Transfer between statutory and shareholder's fund	(65)	-	(65)	65	-
Return of ordinary share capital	-	-	-	(90)	(90)
Capital Notes issued	-	-	-	100	100
Closing contributed equity	**443**	**14**	**457**	**469**	**926**

2014	Non-Investment Linked(1) $m	Investment Linked $m	Total Statutory Funds $m	Share-holder's Fund $m	Total $m
Opening contributed equity	627	18	645	271	916
Transfer between statutory and shareholder's fund	(119)	(4)	(123)	123	-
Closing contributed equity	**508**	**14**	**522**	**394**	**916**

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

15. Risk management and financial instruments disclosures

(a) Financial risk management

Financial risk management (FRM) in NMLA is conducted as part of AMP group's enterprise risk management framework. The Risk Committee, supported by the Group Asset and Liability Committee (Group ALCO), is responsible for ensuring financial risks are appropriately managed.

Risks and mitigation

Financial risks arising in NMLA include market risk (investment risk, interest rate risk, foreign exchange risk, currency risk, property risk, and equity price risk); liquidity and refinancing risk; and credit risk. These risks are managed according to the Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments in NMLA is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90% confidence level (profit at risk). In respect of investments held in the shareholders' fund and in the life statutory funds, the loss tolerance over the discretionary investments is set at a low level because AMP has equity market exposure in its businesses (for example through fees on assets under management).

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets. These movements include foreign exchange rates, interest rates, credit spreads, equity prices or property prices. Market risk arises from the management of insurance contracts and investment of shareholder capital including investments in equities, property, interest bearing investments and borrowings.

(b) Market risk sensitivity analysis

The paragraphs below include sensitivity analysis tables showing how the profit after tax and equity would have been impacted by changes in market risk variables including interest rate risk and currency risk as defined in AASB 7 *Financial Instruments: Disclosures*. They show the direct impact on the profit after tax or equity of a reasonably possible change in factors which affect the carrying value of financial assets and financial liabilities held at the end of the reporting period.

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case, stress test scenario nor does it represent a forecast. In addition it does not include the impact of any mitigating management actions) over the period to the subsequent reporting date. The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

(i) Interest rate risk

Interest rate risk is the risk of an impact on NMLA's profit after tax and equity from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of the AMP group. As discussed in Note 14(b) NMLA conducts its wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds including interest-bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.

The interest rate risk of NMLA which impacts shareholders arises in respect of financial assets and liabilities held in the shareholders' fund and in the life statutory funds. A risk arises to the extent that there is an economic mismatch between the timing of payments to life policyholders and the duration of the assets held in the life statutory funds to back the policyholder liabilities. Where a liability in respect of investment contracts is directly linked to the value of the assets (where applicable, net of related liabilities) held to back that liability (investment-linked business), there is no residual interest rate exposure which would impact shareholders.

Management of various risks associated with investments undertaken by life statutory funds and the life shareholders' fund, such as interest rate risk is subject to the relevant regulatory requirements governed by the Life Act. NMLA is required to satisfy capital adequacy requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

NMLA 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 NMLA Board's target surplus philosophy for capital as advised by the appointed actuary.

15. Risk management and financial instruments disclosures (continued)

(b) Market risk sensitivity analysis (continued)

Interest rate risk sensitivity analysis
This analysis demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.

	2015		2014	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
Change in variables	**$m**	**$m**	**$m**	**$m**
+100 basis points	12	12	8	8
-100 basis points	(25)	(25)	(17)	(17)

(ii) Currency risk
Currency risk is the risk of an impact on NMLA's profit after tax and equity from movements in foreign exchange rates. Changes in value would occur in respect of translating NMLA's capital invested in overseas operations into Australian dollars at reporting date (translation risk) or from foreign exchange rate movements on specific cash flow transactions (transaction risk).

NMLA does not hedge the capital invested in overseas operations thereby accepting the foreign currency translation risk on invested capital with movements through foreign currency translation reserve.

Currency risk sensitivity analysis
This analysis demonstrates the impact of a 10 % movement of exchange rates against the Australian dollar, with all other variables held constant, on the profit after tax and equity due to changes in fair value of currency sensitive monetary assets and liabilities at the reporting date. It is assumed that the 10 % change occurs as at the reporting date.

	2015		2014	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
Change in variables	**$m**	**$m**	**$m**	**$m**
10% depreciation of AUD	2	2	-	-
10% appreciation of AUD	(2)	(2)	-	-

(iii) Equity price risk
Equity price risk is the risk of an impact on NMLA's profit after tax and equity from movements in equity prices. NMLA measures equity securities at fair value through profit or loss. Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Equity price risk sensitivity analysis
The analysis demonstrates the impact of a 10% movement in Australian and International equities held at the reporting date. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments. Any potential indirect impact on fees from NMLA's investment linked business is not included.

	2015		2014	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
Change in variables	**$m**	**$m**	**$m**	**$m**
10% increase in Australian equities	3	3	2	2
10% increase in International equities	4	4	5	5
10% decrease in Australian equities	(3)	(3)	(2)	(2)
10% decrease in International equitie	(4)	(4)	(5)	(5)

15. Risk management and financial instruments disclosures (continued)

(c) Liquidity and refinancing risk

Liquidity risk is the risk that NMLA is not able to meet its debt obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk is the risk that NMLA is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

The following table summarises the maturity profiles of NMLA's undiscounted financial liabilities and off-balance sheet items at the reporting date. The maturity profiles are based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities and off balance sheet items

2015	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Other[2] $m	Total $m
Non-derivative financial liabilities					
Payables	728	-	-	-	728
Subordinated debt	5	93	-	-	98
Investment contract liabilities	29	94	220	4,927	5,270
Total undiscounted financial liabilities and off balance sheet items[3]	**762**	**187**	**220**	**4,927**	**6,096**

2014	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Other[2] $m	Total $m
Non-derivative financial liabilities					
Payables	701	-	-	-	701
Subordinated debt	5	99	-	-	104
Investment contract liabilities	29	98	240	5,185	5,552
Total undiscounted financial liabilities and off balance sheet items[3]	**735**	**197**	**240**	**5,185**	**6,357**

1. The table provides maturity analysis of NMLA's financial liabilities and non-investment linked contracts including term annuities as well as investment linked business of the company's New Zealand Branch which exists within the non-investment linked business in Note 14g(v).
2. Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all these policyholders claimed their funds, there may be some delay in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk.
3. Estimated net cash outflow profile of life insurance contract liabilities is disclosed in note 13(i) and is excluded from the above table.

(d) Credit risk

Credit risk includes both settlement credit exposures and traded credit exposures. Credit default risk is the risk of an adverse impact on results and asset values relative to expectations due to a counterparty failing to meet their contractual commitments in full and on time (obligator's non-payment of a debt). Traded credit risk is the risk of an adverse impact on results and asset values relative to expectations due to changes in the value of a traded financial instrument as a result of changes in credit risk on that instrument.

The AMP concentration risk policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each counterparty and credit rating band. Compliance with this policy is monitored and exposures and breaches are reported to senior management and the Risk Committee through monthly and quarterly FRM reports.

Credit risk management is decentralised in business units within the AMP group. However, credit risk directly and indirectly (i.e. in the participating business) impacting shareholder capital is measured and managed by AMP Group Treasury on a group basis, by aggregating risk from credit exposures taken in business units.

15. Risk management and financial instruments disclosures (continued)

Exposure to credit risk
The exposures on interest bearing securities and cash equivalents which impact the NMLA's capital position are managed by AMP Treasury within limits set by the AMP Concentration Risk Policy. The following table provides information regarding the credit risk exposures for rated items monitored by AMP Treasury according to the credit rating of the counterparties.

	2015 $m	2014 $m
AAA	1,321	855
AA- to AA+	3,027	1,756
A- to A+	1,029	540
BBB- to BBB+	709	259
BB+ and below	186	210
Total financial assets with credit risk exposure monitored by AMP Treasury	**6,272**	**3,620**

(e) Derivative financial instruments

Derivative financial instruments are measured at fair value in the Statement of financial position as assets and liabilities. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Statement of comprehensive income.

NMLA uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

The market risk of derivatives is managed and controlled as an integral part of the financial risk of NMLA. The credit risk of derivatives is also managed in the context of the NMLA's overall credit risk policies and includes the use of Credit Support Annex (CSA)'s which facilitate the bi-lateral posting of collateral.

(f) Master netting or similar agreements

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

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

In 2015, NMLA has $4m derivative assets which are subject to legally enforceable master netting arrangements. Total derivative assets of $321m would be reduced by $4m to the net amount of $317m and derivative liabilities of $92m would be reduced by $4m to the net amount of $88m.

16. Fair value information

Fair value measures
NMLA's assets and liabilities measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability, for example interest rate yield curves observable at commonly quoted intervals, currency rates, option volatilities, credit risks, and default rates.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the NMLA's own data, reflecting the NMLA's own estimates about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

The following table shows an analysis of financial instruments measured at fair value by each level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
2015	**$m**	**$m**	**$m**	**$m**
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	-	10	-	10
Debt securities	-	853	-	853
Investments in unlisted managed investment schemes	-	11,499	3	11,502
Derivative financial assets	-	321	-	321
Total financial assets	**-**	**12,683**	**3**	**12,686**
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	-	92	-	92
Investment contract liabilities	-	18	5,149	5,167
Total financial liabilities	**-**	**110**	**5,149**	**5,259**

	Level 1	Level 2	Level 3	Total fair value
2014		**$m**	**$m**	**$m**
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	1	11	-	12
Debt securities	-	982	-	982
Investments in unlisted managed investment schemes	-	11,782	3	11,785
Derivative financial assets	-	332	-	332
Total financial assets	**1**	**13,107**	**3**	**13,111**
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	-	100	-	100
Investment contract liabilities	-	22	5,413	5,435
Total financial liabilities	**-**	**122**	**5,413**	**5,535**

16. Fair value information (continued)

Fair value measures (continued)
The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting date:

2015	Balance at the beginning of the year $m	FX gains or (losses)[2] $m	Total gains/ (losses)[2,4] $m	Purchases/ deposits $m	Sales/ (With-drawals) $m	Net transfers in/(out)[1,3] $m	Balance the at end of the year $m	Total gains and (losses) on assets and liabilities held at reporting date $m
Assets classified as level 3								
Equity securities and listed managed investment schemes	-	-	-	-	-	-	-	-
Investments in unlisted managed investment schemes	3	-	-	-	-	-	3	-
Total financial assets	**3**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
Liabilities								
Investment contract liabilities	5,413	(3)	160	403	(824)	-	5,149	148
Total financial liabilities	**5,413**	**(3)**	**160**	**403**	**(824)**	**-**	**5,149**	**148**

2014	Balance at the beginning of the year $m	FX gains or (losses)[2] $m	Total gains/ (losses)[2,4] $m	Purchases/ deposits $m	Sales/ (With-drawals) $m	Net transfers in/(out)[1,3] $m	Balance at end of period $m	Total gains and (losses) on assets and liabilities held at reporting date $m
Assets classified as level 3								
Equity securities and listed managed investment schemes	1	-	-	-	(1)	-	-	-
Investments in unlisted managed investment schemes	9	-	(6)	-	-	-	3	6
Total financial assets	**10**	**-**	**(6)**	**-**	**(1)**	**-**	**3**	**6**
Liabilities								
Investment contract liabilities	5,553	9	320	450	(919)	-	5,413	294
Total financial liabilities	**5,553**	**9**	**320**	**450**	**(919)**	**-**	**5,413**	**294**

1. NMLA recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities.
2. Gains or losses are classified in investment gains and losses or change in policyholder liabilities in the Statement of comprehensive income.
3. There have been no significant transfers from Level 1 or Level 2 or vice versa.
4. As at 31 December 2015, net unrealised losses relating to financial assets was nil (2014:$6m unrealised loss).

16. Fair value information (continued)

Fair value measures (continued)
The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions:

2015	Carrying amount[1,2] $m	Effect of reasonably possible alternative assumptions [3] (+) $m	(-) $m	Valuation Technique	Key Unobservable Inputs
Assets					
Equity securities and listed managed investment schemes	-	-	-	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value grow th rate Cash flow forecasts
Investments in unlisted managed investment schemes	3	-	-	Published redemption prices	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes
Liabilities					
Investment contract liabilities[2]	5,149	-	-	Valuation model based on published unit prices and the fair value of backing assets	Fair value of financial instruments Cash flow forecasts Credit risk

2014	Carrying amount[1,2] $m	Effect of reasonably possible alternative assumptions [3] (+) $m	(-) $m		
Assets					
Equity securities and listed managed investment schemes	-	-	-	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value grow th rate Cash flow forecasts
Investments in unlisted managed investment schemes	3	-	-	Published redemption prices	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes
Liabilities					
Investment contract liabilities	5,413	-	-	Valuation model based on published unit prices and the fair value of backing assets	Fair value of financial instruments Cash flow forecasts Credit risk

1. The fair value of the asset or liability w ould increase/decrease if the discount rate decreases/increases. The fair value of the asset or liability w ould increase/decrease if the other inputs increase/decrease.
2. Each individual asset and industry profile w ill determine the appropriate valuation to be utilised in each specific valuation and can vary from asset to asset. The discount rate ranges for equity securities fall w ithin (+0.5% - 0.5%).
3 Reasonably possible alternative assumptions have been calculated by changing one or more of signif icant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting discount rate by 25bps-100bps. On investment contract liabilities this included adjustments to credit risk by 50bps.

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

17. Capital management

NMLA and its subsidiaries hold capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with NMLA's risk appetite, approved by the board.

NMLA and its subsidiaries assess the adequacy of its capital requirements against regulatory capital requirements. NMLA is an operating entity within the AMP group and is an APRA regulated company. Controlled entities of NMLA also include an APRA regulated approved superannuation trustee (RSE) and companies that hold Australian Financial Services Licences (AFSL).

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 aims to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

The Minimum Regulatory Capital Requirement (MRR) is the amount of shareholder capital required by each of NMLA's regulated businesses to meet their capital requirements as set by the appropriate regulator. These requirements are as follows:

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

NMLA and its subsidiaries have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

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

18. Note to the statement of cash flows

	2015	2014
	$m	$m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities		
Net profit for the year	233	201
Depreciation of operating assets	1	-
Amortisation of intangibles	1	1
Investment gains and losses	(65)	(345)
Dividend and distribution income reinvested	(433)	(715)
(Increase) decrease in receivables and other assets	10	(26)
(Decrease) increase in net policy liabilities	(497)	(1,084)
Increase in income tax balances	(13)	162
(Decrease) in other payables and provisions	(6)	(71)
Cash flows (used in) from operating activities	**(769)**	**(1,877)**

	2015	2014
	$m	$m
(b) Reconciliation of cash		
Cash and cash equivalents for the purpose of the Statement of financial position	183	174
Short term bills and notes (included in Debt securities)	9	82
Cash and cash equivalents for the purpose of the Statement of cash flows	**192**	**256**

Notes to the financial statements

for the year ended 31 December 2015

19. Investment in controlled entities

Details of significant investments of controlled entities in Shareholder's fund are as follows:

Name of entity	Country of incorporation	Share type	Footnote	Ownership interest 2015 (%)	Ownership interest 2014 (%)
AAPH Hong Kong Finance Limited	Hong Kong	Ord		100	100
National Mutual Life Nominees Limited	Australia	Ord		100	100
NM New Zealand Nominees Limited	New Zealand	Ord		100	100

19. Investment in controlled entities (continued)

Details of significant investments of controlled trusts in Statutory funds are as follows:

Name of entity	Country of incorporation	Share type	Footnote	Ownership interest 2015 (%)	Ownership interest 2014 (%)
AAPH Australia Staff Superannuation Pty Ltd	Australia	Ord	2	-	100
Didus Pty Limited	Australia	Ord		100	100
N.M. Superannuation Pty Limited	Australia	Ord		100	100
NM Computer Services Pty Ltd	Australia	Ord		100	100
N M Rural Enterprises Pty Ltd	Australia	Ord	2	-	100
Silverton Securities Proprietary Ltd	Australia	Ord		100	100
AFS Australian Equity Enhanced Index Fund 1	Australia			100	100
AFS Australian Equity Growth Fund 1	Australia		2	-	100
AFS Australian Equity Value Plus Fund 1	Australia			100	100
AFS Australian Property Securities Fund 1	Australia			100	100
AFS Global Property Securities Fund 1	Australia			100	100
AMP International Equity Index Fund	Australia		1	55	-
AMP Capital Equity Fund	Australia		1	54	-
Australian Credit Fund	Australia			99	98
Australian Government Fixed Interest Fund	Australia			100	100
Commercial Loan Pool No. 1	Australia			100	100
Core Plus Fund	Australia			100	100
Global Credit Fund	Australia			100	100
Global Government Fixed Interest Fund	Australia			100	100
Ipac Specialist Investment Strategies-Global Emerging Markets Strategy No.1	Australia			100	100
Ipac Specialist Investment Strategies-Passive Global Property	Australia		2	-	100
Multi-Manager Portfolio - AUST Shares	Australia		1	100	-
Multi-Manager Portfolio - Australian Equities Sector	Australia		2	-	100
Multi-Manager Portfolio - Balanced	Australia			100	100
Multi-Manager Portfolio - Growth	Australia			100	100
Multi-Manager Portfolio - High Growth	Australia			100	100
Multi-Manager Portfolio - International Equities Sector	Australia		2	-	100
Multi-Manager Portfolio - International Shares-Hedged	Australia			100	100
Multi-Manager Portfolio - International Shares-Unhedged	Australia		1	100	-
Multi-Manager Portfolio - Property Sector	Australia			100	100
Multi-Manager Portfolio - Secure	Australia			100	100
Multi-Manager Portfolio - Secure Growth	Australia			100	100
NMLA AUS Cash Pool	Australia			100	100
NMLA NZD Cash Pool	Australia			100	100
Short Term Credit Fund	Australia			100	100
Wholesale Global Diversified Yield Fund	Australia			100	100
Wholesale Global Equity - Index Fund (Hedged)	Australia			100	100
Wholesale Global Equity - Index Fund (Unhedged)	Australia			100	100
Wholesale Unit Trusts NZ Shares Fund	New Zealand			100	100

1 Controlling interest acquired in 2015.
2 Controlling interest lost in 2015.

20. Associates

Name of trust[1]	Country of incorporation		Ownership interest 2015 (%)	Ownership interest 2014 (%)	Carrying amount 2015 ($m)	Carrying amount 2014 ($m)
AMP Capital Shopping Center Fund	AUS	1	30	-	61	-
AMP Wholesale Office Fund	AUS	1	23	-	36	-
Wholesale Unit Trust Australasian Property Shares	AUS	1	26	-	38	-
Total investments held by the life statutory funds in associated trusts					**135**	**-**

1. Trust became an associated entity during 2015.

Notes to the financial statements

for the year ended 31 December 2015

21. Commitments

	2015 $m	2014 $m
Operating lease commitments (non-cancellable)		
No later than one year	22	21
Later than one year and not later than five years	67	89
Later than five years	-	-
Total operating lease commitments	**89**	**110**

Operating leases are in relation to offices in various locations. Under these arrangements NMLA generally pays rent on a periodic basis at rates agreed at the inception of the lease.

At 31 December 2015, the total of future minimum sublease payments expected to be received by NMLA under non-cancellable subleases was $36m (2014: $35m).

22. Contingent liabilities

NMLA from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued for performance obligations to controlled entities of NMLA.

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

At reporting date there were no other material contingent liabilities where the probability of any outflow in settlement was greater than remote.

23. Related party disclosures

a) Key management personnel details

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

Catherine Brenner	Chairman, Non-Executive Director
Pauline Blight-Johnston	Executive Director
Craig Meller	Executive Director
Anthony Coleman	Non-Executive Director
Diana Eilert	Non-Executive Director
Andrew Harmos	Non-Executive Director
Trevor Matthews	Non-Executive Director
Peter Shergold	Non-Executive Director

b) Remuneration of key management personnel

The following table provides aggregate details of the compensation of key management personnel of NMLA.

	Short term benefits $	Post-employment $	Share based payments $	Other long-term benefits[2] $	Total[1] $
2015	5,718,022	192,929	2,837,693	141,334	8,889,978
2014	5,879,994	192,683	2,043,552	154,538	8,270,767

Footnote:

1. The fees paid to non-executive directors of NMLA are the fees for AMP Limited.

2 Presentation has been enhanced to include long service leave accruals.

23. Related party disclosures (continued)

c) 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 NMLA would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- Purchase of insurance products available to other employees and policy owners;
- Purchase of superannuation products available to other employees and policy owners;
- Placement of funds on deposit; and
- Acquisition and disposal of units in controlled managed investment scheme and receipts of trust distributions.

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.

No Director or Director-related entities had loans with NMLA in 2015 (2014: nil).

A number of Directors of the company are also Directors of public companies and/or are a Partner of a professional service partnership which have transactions with NMLA. The Directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either company in their dealings with each other. Those companies are therefore not considered to be Director-related entities.

d) Transactions with key related parties

Transactions with related parties are made at arm's length and on normal commercial terms. Outstanding balances at 31 December 2015 and 31 December 2014 are unsecured, non-interest bearing and settlement occurs in cash or through intercompany accounts as necessary.

NMLA purchases administrative services from AMP Services Limited and AMP Services (NZ) Limited on a fee service basis. (2015: $198m, 2014: $204m). Services purchased include product distribution, marketing, payroll, personnel, computing and accounting services.

NMLA receives rebates from National Mutual Funds Management Ltd (NMFM) (2015: $1m, 2014: $2m). As per the agreement between NMLA and NMFM, NMFM is required to rebate 100% of the management fees charged to NMLA for the Statutory Funds invested into the retail and mezzanine managed investment scheme.

NMLA pays NMFM management fees as NMFM provides investment management services (2015: $14m, 2014: $17m).

23. Related party disclosures (continued)

Fellow subsidiaries of AMP Limited		Service, management and other fees received from related parties $m	Service, management and other fees paid to related parties $m	Amounts owed by related parties $m	Amounts owed to related parties $m
AdviceFirst Limited (formerly Charter Financial Solutions Ltd)	2015	-	-	4	-
	2014	-	-	4	-
AMP Capital Investors Limited	2015	-	1	1	-
	2014	-	1	-	1
AMP Financial Planning Pty Limited	2015	-	-	-	-
	2014	-	-	-	2
AMP Limited	2015	-	4	-	85
	2014	-	5	-	85
AMP Life Limited	2015	-	-	6	-
	2014	-	-	-	-
AMP Services Limited	2015	-	164	-	26
	2014	-	174	-	19
AMP Services (NZ) Limited	2015	-	34	-	2
	2014	-	30	-	-
AMP Wealth Management New Zealand Limited (formerly AXA Wealth Management Limited)	2015	-	1	-	-
	2014	-	1	-	1
Charter Financial Planning Limited	2015	-	56	12	-
	2014	-	55	7	-
Didus Pty Limited	2015	-	-	5	-
	2014	-	-	4	-
Hillross Financial Services Limited	2015	-	-	-	2
	2014	-	-	-	-
ipac Asset Management Limited	2015	8	-	11	-
	2014	9	-	4	-
ipac Securities Limited	2015	-	-	-	15
	2014	-	-	-	15
Jigsaw Support Services Limited (formerly AXA Financial Planning Limited)	2015	-	1	1	-
	2014	-	-	1	-
National Mutual Funds Management Limited	2015	1	14	-	2
	2014	2	17	-	7
National Mutual Life Nominees Limited	2015	-	1	-	-
	2014	-	-	2	-
NM Superannuation Pty Ltd	2015	-	1	-	-
	2014	-	-	-	-
NMMT Limited	2015	-	-	15	-
	2014	-	-	11	-
NM Computer Services Pty Ltd	2015	-	-	2	-
	2014	-	-	2	-
Silverton Securities Pty Ltd	2015	-	-	1	-
	2014	-	-	-	-

24. Auditor's remuneration

All auditors' remuneration payable to the auditors of NMLA for the audit of NMLA and the controlled companies within the NMLA group is settled by a related entity.

	2015 $'000	2014 $'000
Amounts received or due and receivable by auditors of NMLA		
Audit of subsidiary financial statements	9	246
Other audit services[1]	49	49
Total amounts received or due and receivable by auditors of NMLA[2]	58	295

1 Other audit services includes fees for compliance audits for NMLA and entities controlled by NMLA.
2 Other fees for services provided by the auditor including the full year audit and half year review are paid on the company's behalf by a related entity within the AMP Limited Group.

25. Parent entities

The parent entity is AMP AAPH Limited and the company's ultimate parent entity is AMP Limited.

26. Events after the reporting date

On 17 February 2016, NMLA declared a $119m final dividend of $5.72 per share. Details of the dividends paid and declared during the year are disclosed in Note 11 of the financial report.

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the company's operations in future years, the results of those operations in future years or the company's state of affairs in future years, which is not already reflected in this report.

The National Mutual Life Association of Australasia Limited

Directors' declaration

for the year ended 31 December 2015

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

a) in the opinion of directors there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b) in the opinion of directors the financial statements and notes for the financial year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and

c) the notes to the financial statements for the financial year ended 31 December 2015 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards as discussed in Note 1(a).

Catherine Brenner
Director

Pauline Blight-Johnston
Director

Sydney, 17 February 2016

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Independent auditor's report to the members of The National Mutual Life Association of Australasia Limited

Report on the financial report

We have audited the accompanying financial report of The National Mutual Life Association of Australasia Limited, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of The National Mutual Life Association of Australasia Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

Kieren Cummings
Partner
Sydney
17 February 2016