AMP Limited

ABN 49 079 354 519

Concise Financial Report

2002

About the AMP Concise Financial Report

The financial statements and disclosures in the Concise Financial Report on pages 2 to 20 have been derived from the AMP Group's 2002 Full Financial Report. A more comprehensive understanding of the AMP Group's financial performance, financial position and financing and investing activities is provided in the Full Financial Report.

A copy of the Full Financial Report, including the Auditor's Report on the Full Financial Report, is available and will be sent to any shareholder without charge on request by phoning Australia: 1300 65 44 42, New Zealand: 0800 44 80 62, UK: 0800 783 3315. They can also be accessed via the internet at www.amplimited.com.

Contents

The discussion and analysis following each of the statement of financial performance, statement of financial position and statement of cash flows, is provided to assist readers in understanding the Concise Financial Report. The Concise Financial Report has been derived from the 2002 Full Financial Report of the AMP Group.

STATEMENT OF FINANCIAL PERFORMANCE
Discussion and analysis
For the year ended 31 December 2002

Basis of consolidated financial information
Revenues and expenses, net profit (loss) from ordinary activities before income tax, income tax, all include consolidated amounts of shareholder interests and also the non-shareholder interests of all life funds, comprising the:
- Australasian and UK policyholders funds
- "Unattributed life funds".

Revenue and expense transactions relating to the life funds are substantial. Policyholders' interests in the revenue and expense transactions for the year are attributed to them as "Movement in life insurance policy liabilities" which is deducted in arriving at the net profit or loss from ordinary activities before income tax.

Unattributed life funds relates to the with-profits business of UK life funds. These funds are not attributable to either shareholders or policyholders. The revenue and expenses generated by the with-profits business are included within net profit (loss) from ordinary activities. The unattributed interests are recognised as "Movement in unattributed life funds" which is then removed in arriving at the net profit or loss attributable to shareholders.

The net loss after tax attributable to the shareholders of AMP Limited is $896 million (2001: profit of $690 million).

Premium and related revenue
Premium revenue of $3,388 million has fallen from $4,454 million in 2001. As shown in Note 3, life insurance premiums have decreased in 2002, reflecting the reduction in volumes of mature business. General insurance premiums in 2002 relate to the remaining corporate insurance, mortgage insurance, and reinsurance operations. 2001 premium income includes six months of premium on the general insurance businesses sold on 30 June 2001.

Investment gains (losses)
Investment gains and losses comprise the net gains and losses on all investments held by the group, including all the net gains and losses of the life funds.

Losses in 2002 of $7,787 million are higher than 2001 (loss of $1,605 million) reflecting:
- Weaker global equity markets generating realised and unrealised losses on investments
- Asset writedowns in 2002 of $1,040 million in the value of AMP's businesses, reflecting the poor operating environment affecting UK life companies and the results of a strategic review across the group. *(A writedown of $121 million of goodwill to recoverable amount and $66m in operating expenses bring the total asset writedowns amount to $1,227 million.)*
- $366m proceeds (net of sale costs) from the sale of Cogent.

Claims expenses
Claims expense in 2002 fell to $6,409 million from $7,843 million in 2001. As shown in Note 4, the fall in life insurance claims reflects a decline in mature business and a reduction in bonuses. Withdrawals increased overall in 2002 reflecting market sentiment. General Insurance claims fell reflecting the divestment of that business at 30 June 2001.

Movement in life insurance policy liabilities
Movement in life insurance policy liabilities includes increases (or reductions) in benefits vested to policyholders on all types of life insurance business. For Australasia, in accordance with Accounting Standard AASB1038: 'Life Insurance Business', the movement also includes increases (or reductions) in unvested benefits in respect of participating business.

The movement for 2002 is $12,440 million (2001: $7,947 million) being a net reduction in the liability to policyholders. This is largely due to the reduced obligations to policyholders with investment linked and participating life insurance policies as a result of investment losses in the year.

Operating expenses
Operating expenses include a restructuring provision of $489 million ($344 million after tax) as part of the cost of implementing the strategic reform initiatives. This was partially offset by expense savings during the year.

Borrowing costs
Borrowing costs in 2002 of $821million (2001: $894 million) have reduced due to:
- Lower prevailing interest rates in both Australia and the UK
- A change in the borrowings mix.

Income tax (expense) credit
An income tax credit of $801 million in 2002 (2001: $397 million) arises on the loss for the year and includes the taxation impact on both shareholder interests and the non-shareholder interests of all life funds.

The income tax credit reflects the investment losses made during the year, resulting in a reduction in deferred income tax as unrealised investment gains recorded in previous years were reversed in 2002.

Other equity interests
Unattributed life funds
The movement for the year reflects:
- Investment losses on unattributed life funds
- Utilisation of the unattributed life funds to support bonus distributions to UK policyholders – refer Note 6.

AMP Reset Preferred Securities Trust
The AMP Reset Preferred Securities Trust is a controlled entity of the Group, and as such the profit of the Trust for the period is included in the consolidated net profit (loss) from ordinary activities after income tax. The profit of the Trust attributable to external unitholders ($19 million) is reflected as an outside equity interest.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2002

	Note	2002 A$m	2001 A$m
Revenues and expenses of policyholder, shareholder and unattributed life funds			
Premium and related revenue	3	3,388	4,454
Fee and other revenue	3	1,473	1,809
Investment gains (losses)	3	(7,787)	(1,605)
Claims and related expenses	4	(6,409)	(7,843)
Movement in life insurance policy liabilities		12,440	7,947
Operating expenses	4	(4,708)	(4,455)
Borrowing costs		(821)	(894)
Profit (loss) from ordinary activities before income tax		(2,424)	(587)
Income tax (expense) credit		801	397
Net profit (loss) from ordinary activities after income tax		(1,623)	(190)
Remove net profit or loss from ordinary activities after tax not attributable to shareholders			
Movement in unattributed life funds	6	749	940
Outside equity interests - AMP Reset Preferred Securities Trust		(19)	-
- other controlled entities		(3)	(60)
Net profit (loss) after tax attributable to shareholders of AMP Limited		**(896)**	**690**
Net exchange difference on translating self-sustaining foreign operations		48	211
Total changes in equity other than those resulting from transactions with owners as owners		**(848)**	**901**

	2002 A$ cents per share	2001 A$ cents per share
Basic earnings per ordinary share	(78.8)	62.1
Diluted earnings per ordinary share	(78.8)	61.6
Proposed and paid dividends per share	46.0	51.0

STATEMENT OF FINANCIAL POSITION
Discussion and analysis
As at 31 December 2002

Basis of consolidated financial information
Assets and liabilities include consolidated amounts of shareholder interests and also the non-shareholder interests of all life funds, comprising the:
- Australasian and UK policyholders funds
- "Unattributed life funds".

The majority of the consolidated investment assets relate to the life funds, mainly backing policy liabilities. Policyholders' interests are recognised as life insurance policy liabilities and are determined in accordance with accounting and actuarial standards.

Unattributed life funds relates to the with-profits business of UK life funds. These funds are not deemed to be attributable to either shareholders or policyholders. The assets and liabilities of the with-profits business are included within net assets. After removing the unattributed life funds and the outside equity interests, the total equity attributable to shareholders of AMP Limited is $8,533 million (2001: $9,520 million).

Cash at bank and on deposit
The increase in cash at bank relates to a number of investing and funding strategies including the divestment of equities and properties and the issue of AMP Reset Preferred Securities. Details of the components of cash and related items are shown in the Statement of Cash Flows.

Investments
Equity securities of $54,431 million (2001: $71,772 million) have reduced significantly due to:
- A move from equities into debt securities and cash
- A decline in the market value of equities remaining in the portfolio.

Intangible assets
Intangible assets amounting to $945 million (2001: $866 million) consist of historic cost goodwill. Following a review of the Group's operations, structure and ongoing strategy:
- NPI Limited moved into a historical cost environment, resulting in $223 million being transferred from the excess of market value over net assets of controlled entities to goodwill
- There was a writedown of $121 million of goodwill to recoverable amount.

Amortisation of goodwill for the year was $54 million (2001: $55 million).

Excess of Market Value over Net Assets
Excess of market value over the net assets of controlled entities (EMVONA) amounting to $1,825 million (2001: $2,926 million) relates to those investments which are held by life entities in the AMP Group. The EMVONA of controlled entities represents future benefits expected to be derived from the business which are not reflected in the book values of underlying assets and liabilities of the entities. Investments held by life entities are carried at market value and any changes in market value are included in consolidated investment gains (losses). Accounting standards do not require the excess to be amortised.

$908 million was written off EMVONA following a review of the market value of controlled entities as at 31 December 2002.

Deferred tax liabilities
The decrease in deferred tax liabilities is mainly due to the reversal of deferred tax on previous unrealised investment gains following a reduction in investment values in 2002.

Borrowings and subordinated debt
The overall level of borrowings in the Group reduced marginally to $10,329 million (2001: $10,668 million). There was a reduction in corporate borrowings during the year which was largely offset by increased operational borrowings. Subordinated debt remained substantially unchanged.

Life insurance policy liabilities
Life insurance policy liabilities are calculated in accordance with the principles of Margin on Services as prescribed by Australian Accounting Standard AASB 1038 and Actuarial Standard 1.03, a standard issued under the Australian Life Insurance Act 1995.

The movement in life insurance policy liabilities reflects the underlying performance of investment markets, particularly in the UK. The movement for 2002 being a net reduction in the liability to policyholders to $116,245 million (2001: $128,913 million). This is largely due to the reduced obligations to policyholders with investment linked and participating life insurance policies as a result of investment losses in the year.

Equity attributable to shareholders
Contributed equity of $5,001 million (2001: $4,613 million) increased by $388 million including $381million from shares issued under the Dividend Reinvestment Plan, and $51 million from shares issued under employee share and option plans, offset by $44 million share buy back.

Shareholders retained profits at the end of the year of $2,661 million ($4,084 million) fell by $1,423 million reflecting loss for the year and $527 million dividends paid and proposed.

Other equity interests
Unattributed life funds
For those UK life funds which include participating business, 90% of the assets in excess of policy and other liabilities are neither attributable to shareholders nor policyholders as discussed in Note 6 - Unattributed life funds. These assets amount to $5,494 million (2001: $6,232 million).

AMP Reset Preferred Securities Trust
The AMP Reset Preferred Securities Trust is a controlled entity of the Group, and as such the net assets of the Trust are included in the consolidated net assets. The equity and retained profits of the Trusts held by external unitholders ($1,141 million) is reflected as an outside equity interest.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2002

		2002 A$m	2001 A$m
Assets			
Cash at bank and on deposit		11,358	8,485
Receivables		5,823	6,484
Equity securities		54,431	71,772
Debt securities		64,549	61,064
Property		16,009	18,072
Other investments		1,887	1,186
Operating assets		221	277
Deferred tax assets		393	367
Other assets		530	591
Intangible assets		945	866
Excess of market value over net assets of controlled entities		1,825	2,926
Total assets		**157,971**	**172,090**
Liabilities			
Payables		4,421	4,364
Current tax liabilities		264	166
Unearned premiums		76	108
Outstanding claims		3,129	3,772
Provisions		2,321	2,572
Deferred tax liabilities		711	1,666
Borrowings		10,329	10,668
Life insurance policy liabilities		116,245	128,913
Subordinated debt		2,552	2,544
Total liabilities		**140,048**	**154,773**
Net assets		**17,923**	**17,317**
Equity attributable to shareholders			
Contributed equity		5,001	4,613
Capital reserve		510	510
Foreign currency translation reserve		361	313
Shareholders' retained profits		2,661	4,084
Total equity attributable to shareholders		**8,533**	**9,520**
Other equity			
Unattributed life funds	6	5,494	6,232
Outside equity interests - AMP Reset Preferred Securities Trust		1,141	-
- other controlled entities		2,755	1,565
Total other equity		**9,390**	**7,797**
Total equity		**17,923**	**17,317**

CONSOLIDATED STATEMENT OF CASH FLOWS
Discussion and analysis
For the year ended 31 December 2002

Basis of consolidated cash flow information
The operating and the majority of the investing cash flows presented in the AMP Group statement of cash flows include cash flows relating to shareholders and also the interests of all life funds, comprising the:
- Australasian and UK policyholders funds
- "Unattributed life funds".

Cash flows from operating activities
- Net cash outflows from operating activities of $1,650 million (2001: $944 million) reflect the decrease in interest and dividends received, especially in the life funds
- Cash receipts and cash payments were both considerably lower in 2002 reflecting the disposal of various controlled entities during 2001, including the general insurance business, and other life funds' controlled entity investments.

Cash flows from investing activities
There was a net cash inflow from investing activities reflecting investment and funding strategies adopted during the year in both shareholders' capital and life funds assets.

Cash flows from financing activities
Cash outflows from financing activities were $650 million (2001: $1,390 million outflow) principally reflecting:
- Net repayments of borrowings $274 million (2001: $1,252 million)
- Dividends paid $205 million (2001: $381 million)
- Proceeds from the issue of units in the AMP Reset Preferred Securities Trust, net of issue costs - $1,122 million
- Cash proceeds for the issue of shares were minimal due to the share buy back offsetting the majority of cash received from new issues, and the large uptake under the Dividend Reinvestment Plan (DRP) including the arrangement whereby the Plan is underwritten until the interim dividend 2003, expected to be paid October 2003.

	2002 A$m	2001 A$m
Cash comprises:		
Cash on hand	1,321	881
Cash on deposit	10,037	7,604
Deposits in	(2,500)	(2,107)
Bank overdrafts	(84)	(50)
Short-term bills and notes (included in investments)	4,295	2,987
Balance at the end of the year	**13,069**	**9,315**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2002

	2002 A$m	2001 A$m
Cash flows from operating activities		
Cash receipts in the course of operations	17,644	21,521
Interest and other items of a similar nature received	3,248	4,065
Dividends received	1,300	1,505
Cash payments in the course of operations	(23,038)	(26,587)
Borrowing costs	(766)	(807)
Income tax paid	(38)	(641)
	(1,650)	**(944)**
Cash flows from shareholder and policyholder investing activities		
Proceeds from sale of properties	2,781	3,824
Proceeds from sale of equities	28,213	18,453
Proceeds from sale of units in unit trusts	3,319	4,453
Proceeds from sale of interest-bearing securities	86,442	116,095
Proceeds from repayment of loans	3,984	4,725
Proceeds from sale of other investments	1,441	2,863
Payments to acquire properties	(784)	(2,504)
Payments to acquire equities	(22,048)	(16,915)
Payments to acquire units in unit trusts[1]	(6,601)	(6,655)
Payments to acquire interest-bearing securities	(86,128)	(110,980)
Loans granted	(4,575)	(4,886)
Payments to acquire other investments	(1,715)	(2,804)
	4,329	**5,669**
Cash flows from operating activities and shareholder and policyholder investing activities	**2,679**	**4,725**
Cash flows from corporate investing activities		
Proceeds from sale of controlled entities - Cogent (2001: sale of Australasian General Insurance business) (net of cash disposed)	261	1,021
Proceeds from sale of other controlled and associated entities (net of cash disposed)	316	250
Payments to acquire controlled entities - 2001: Towry Law (net of cash acquired)	-	(209)
Payments to acquire other controlled and associated entities (net of cash acquired)	(294)	(156)
Cash flows from (used in) corporate investing activities	**283**	**906**
Cash flows from financing activities		
Proceeds from borrowings	3,262	6,434
Proceeds from the issue of shares (net of buy back)	7	243
Proceeds from the issue of AMP Reset Preferred Securities	1,122	-
Repayment of borrowings	(3,536)	(7,686)
Dividends paid	(205)	(381)
Cash flows from (used in) financing activities	**650**	**(1,390)**
Net increase (decrease) in cash	3,612	4,241
Balance at the beginning of the year	9,315	4,732
Effect of exchange rate changes on cash balances	142	342
Balance at the end of the year	**13,069**	**9,315**

1. Includes payments to acquire units which result in AMP holding a controlling interest in unit trusts. The majority of the underlying assets of those trusts comprise investment assets. The amounts are net of cash acquired.

Notes to the financial statements

For the year ended 31 December 2002

1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039: 'Concise Financial Reports' and applicable Australian Securities and Investments Commission Orders.

The AMP Group consists of AMP Limited (AMP) and its controlled entities including life insurance funds of those controlled entities. As a result, both shareholder and policyholder interests in the life insurance funds of controlled entities are consolidated.

AMP prepares the consolidated financial statements on the basis of market value and historic cost generally accepted accounting principles. Insurance entities, which represent the material operations of the AMP Group, adopt the principles of market value accounting whereby changes in market value of assets and liabilities during the year are recognised in the statement of financial performance

Comparative information
Where necessary, comparative information has been reclassified to be consistent in disclosure with current period amounts and other disclosures.

Changes in accounting policies
Accounting policies in this Financial Report are consistent with those of the previous year except where noted.

Notes to the financial statements

For the year ended 31 December 2002

2. SEGMENT INFORMATION – 2002

BUSINESS SEGMENTS	Australian Financial Services 2002 A$m	UK Financial Services 2002 A$m	Henderson Global Investors 2002 A$m	AMP Banking 2002 A$m	General Insurance 2002 A$m	Other 2002 A$m	Eliminations 2002 A$m	Total 2002 A$m
External revenue	(236)	(4,802)	822	591	443	256	-	**(2,926)**
Inter-segment revenue	128	42	291	1	21	-	(483)	**-**
Total revenue from ordinary activities[1][2]	(108)	(4,760)	1,113	592	464	256	(483)	**(2,926)**
Profit (loss) from ordinary activities before income tax	25	(2,064)	308	(40)	(18)	(589)	(46)	**(2,424)**
Income tax (expense) credit	212	596	(97)	9	1	80	-	**801**
Net profit (loss) from ordinary activities after income tax	**237**	**(1,468)**	**211**	**(31)**	**(17)**	**(509)**	**(46)**	**(1,623)**
Other equity interests	(8)	754	-	-	-	(19)	-	**727**
Net segment profit (loss) after tax attributable to shareholders of AMP Limited	**229**	**(714)**	**211**	**(31)**	**(17)**	**(528)**	**(46)**	**(896)**
Total assets	54,589	88,612	2,377	7,836	3,945	1,946	(1,334)	**157,971**
Total liabilities	48,719	75,142	645	7,771	2,929	6,629	(1,787)	**140,048**
Depreciation	27	40	3	-	-	17	-	**87**
Amortisation	-	9	7	-	-	38	-	**54**
Other non cash expenses[3]	(3,037)	(9,398)	1	11	11	(1)	-	**(12,413)**
Assets acquired during the year	31	23	2	4	-	11	-	**71**

GEOGRAPHIC SEGMENTS	Australasia 2002 A$m	United Kingdom 2002 A$m	Other 2002 A$m	Eliminations 2002 A$m	Total 2002 A$m
Revenue from external sales	1,130	(4,024)	(32)	-	**(2,926)**
Total assets	69,686	91,414	4,238	(7,367)	**157,971**
Assets acquired during the year	37	23	11	-	**71**

Notes:

1. *Segment revenue is the aggregate of premium and related revenue, fee and other revenue and investment gains (losses) as detailed in Note 3.*
2. *Segment revenue includes operating revenue activity between segments. These transactions are priced on an arm's length basis and are eliminated on consolidation.*
3. *The main item included as other non-cash expenses is movement in policy liabilities which in 2002 is a reduction of liabilities of $12,440m.*

Notes to the financial statements

For the year ended 31 December 2002

2. SEGMENT INFORMATION – 2001

BUSINESS SEGMENTS	Australian Financial Services 2001 A$m	UK Financial Services 2001 A$m	Henderson Global Investors 2001 A$m	AMP Banking 2001 A$m	General Insurance 2001 A$m	Other 2001 A$m	Eliminations 2001 A$m	Total 2001 A$m
External revenue	3,554	(2,440)	842	532	1,731	439	-	**4,658**
Inter-segment revenue	191	45	266	5	12	-	(519)	**-**
Total revenue from ordinary activities[(1)(2)]	3,745	(2,395)	1,108	537	1,743	439	(519)	**4,658**
Profit (loss) from ordinary activities before income tax	561	(1,048)	314	(30)	173	(476)	(81)	**(587)**
Income tax (expense) credit	7	371	(91)	17	(9)	102	-	**397**
Net profit (loss) from ordinary activities after income tax	568	(677)	223	(13)	164	(374)	(81)	**(190)**
Other equity interests	(62)	942	-	-	-	-	-	**880**
Net segment profit (loss) after tax attributable to shareholders of AMP Limited	**506**	**265**	**223**	**(13)**	**164**	**(374)**	**(81)**	**690**
Total assets	57,477	99,133	2,625	7,392	4,798	2,171	(1,506)	**172,090**
Total liabilities	52,071	86,826	670	7,384	3,865	6,731	(2,774)	**154,773**
Depreciation	12	46	3	2	1	7	-	**71**
Amortisation	-	10	7	-	-	38	-	**55**
Other non cash expenses[(3)]	280	(8,228)	-	12	17	-	-	**(7,919)**
Assets acquired during the year	84	145	2	4	-	10	-	**245**

GEOGRAPHIC SEGMENTS	Australasia 2001 A$m	United Kingdom 2001 A$m	Other 2001 A$m	Eliminations 2001 A$m	Total 2001 A$m
Revenue from external sales	5,651	(1,433)	440	-	**4,658**
Total assets	73,045	102,015	3,662	(6,632)	**172,090**
Assets acquired during the year	97	146	2	-	**245**

Notes:

1. *Segment revenue is the aggregate of premium and related revenue, fee and other revenue and investment gains (losses) as detailed in Note 3.*
2. *Segment revenue includes operating revenue activity between segments. These transactions are priced on an arm's length basis and are eliminated on consolidation.*
3. *The main item included as other non-cash expenses is movement in policy liabilities which is an overall reduction of liabilities of $7,947m, mainly in UK Financial Services.*

Notes to the financial statements

For the year ended 31 December 2002

2. SEGMENT INFORMATION (continued)

Business and Geographic segment information

Australian Financial Services (AFS) - Australian Financial Services provides financial planning, investment services, superannuation and life insurance products in Australia and New Zealand.

UK Financial Services (UKFS) - UK Financial Services provides savings, investment, insurance, retirement products and financial planning services.

Henderson Global Investors (HGI) - Henderson Global Investors provide investment management services including private capital and property portfolios and socially responsible investments.

AMP Banking - AMP Banking provides mortgage and savings products and credit card services in Australia, New Zealand and the UK and property finance services in Australia and New Zealand. The credit card portfolio was sold on 23 December 2002 and a structured sale process is currently underway for AMP Banking's property finance business in Australia and New Zealand and the UK and New Zealand mortgage businesses.

General Insurance - comprises corporate insurance operations, mortgage insurance operations and reinsurance operations. In 2001 the amount includes the general insurance business which was sold in July 2001.

Other - includes the provision of support services to the business units, corporate funding, investment of shareholder capital not allocated to reportable segments, as well as non core businesses previously reported as part of AMP International, but which are no longer reportable segments. In 2002, other includes proceeds from the sale of Cogent of $366m (net of sale costs).

Notes to the financial statements

For the year ended 31 December 2002

3. REVENUES FROM ORDINARY ACTIVITIES

	2002 A$m	2001 A$m
(a) Premium and related revenue		
Life insurance premium and related revenue received and receivable	16,260	16,694
Less: deposits recognised as an increase in life insurance policy liabilities	(13,379)	(13,649)
Life insurance premium and related revenue - recognised as revenue	2,881	3,045
General insurance premium and related revenue received and receivable[1]	507	1,409
Total premium and related revenue[1]	**3,388**	**4,454**
(b) Fee and other revenue		
Banking business fees	40	20
Investment management fees	740	720
Service fees	151	420
Financial advisory fees	44	39
Other revenue[2]	498	610
Total fee and other revenue	**1,473**	**1,809**
(c) Investment gains (losses)		
Interest		
- Wholly owned group - controlled entities	-	-
- Other related parties - associated entities	17	29
- Other entities	3,785	4,026
Dividends and distributions		
- Wholly owned group - controlled entities	-	-
- Other related parties - associated entities	186	158
- Other entities	1,859	1,889
Net rents	903	895
Net realised and unrealised gains (losses)[3]	(14,952)	(8,773)
Other investment income	415	171
Total investment gains (losses)	**(7,787)**	**(1,605)**

Note:

1. *In 2001, an amount of $299m has been reclassified out of claims expense to correctly reflect reinsurance and other recoveries as revenue to ensure comparability with the current year. The changes do not affect the calculation of net profit (loss).*
2. *Other revenue includes the operating revenue of investment controlled entities providing various non financial services such as mining, farming and retailing.*
3. *Net realised and unrealised gains (losses) includes:*
   2002: (i) $1,040m writedown of the carrying value of investments to market value (total $1,227m including $121m writedown of goodwill to recoverable amount and $66m of operating expenses); and
   (ii) $366m proceeds (net of sale costs) from the sale of Cogent. After taking into account the carrying value of the assets sold, and expenses incurred in the disposal and separation of the business, the profit on sale after tax is $204m.
   2001: (i) $1,362m proceeds (net of sale costs) from the sale of the General Insurance business. After taking into account the carrying value of the assets sold, and expenses incurred in the disposal and separation of the business, the profit on sale after tax is Nil.

Notes to the financial statements

For the year ended 31 December 2002

4. EXPENSES FROM ORDINARY ACTIVITIES

	2002 A$m	2001 A$m
(a) Claims expense		
Life insurance claims paid and payable	(20,259)	(18,539)
Less: withdrawals recognised as a reduction in life insurance policy liabilities[1]	14,296	12,118
Life insurance claims recognised as expense[1]	(5,963)	(6,421)
General insurance claims and related expenses paid and payable[2]	(446)	(1,422)
Total claims and related expenses	**(6,409)**	**(7,843)**
(b) Operating expenses		
Advertising and marketing	(99)	(120)
Amortisation of goodwill	(54)	(55)
Writedown of goodwill	(121)	-
Bad and doubtful debts expense	(27)	(32)
Fee expense on banking business	(35)	(39)
Information technology and communication	(424)	(448)
External investment management fees	(139)	(137)
Occupancy and property maintenance[3]	(418)	(194)
Professional fees[3]	(242)	(176)
Staff and related expenses[3]	(2,238)	(2,192)
Travel and entertainment	(107)	(122)
Other operating expenses[3][4]	(804)	(940)
Total operating expenses	**(4,708)**	**(4,455)**
(c) Specific expenses included within the above categories:		
Rental - operating leases	(18)	(47)
Superannuation contributions to defined benefits funds	(4)	2
Net foreign currency (losses) gains	23	(1)
Depreciation expense	(87)	(71)

Notes:

1. *In 2001, an amount of $1,698m has been reclassified and is now treated as withdrawals recognised as a reduction in life insurance policy liabilities to ensure comparability with the current year. The changes do not affect the calculation of net profit (loss).*
2. *In 2001, an amount of $299m has been reclassified out of claims expense to correctly reflect reinsurance and other recoveries as revenue to ensure comparability with the current year. The changes do not affect the calculation of net profit (loss).*
3. *Operating expenses in 2002 includes $489m of restructuring costs before tax ($344m after tax). The major areas of restructuring include redundancies, the consolidation of operating sites, rationalisation of computer systems and elimination of duplication across the management and support functions.*
4. *Other operating expenses includes the operating expenses of investment controlled entities providing various non financial services such as mining, farming and retailing.*

Notes to the financial statements

For the year ended 31 December 2002

5. DIVIDENDS PAID AND PROPOSED

	2002 A$m	2001 A$m
Dividends paid	295	280
Dividends proposed	232	293
Total dividends paid and proposed	**527**	**573**

In 2002 a partly franked (to 15%) dividend of 26 cents per ordinary share was paid on 29 October 2002. A dividend of 20 cents per ordinary share, franked to 15%, is proposed to be paid on 28 April 2003.

In 2001 a partly franked (to 15%) dividend of 25 cents per ordinary share was paid on 25 October 2001. A dividend of 26 cents per ordinary share, franked to 15%, was paid on 23 April 2002.

6. UNATTRIBUTED LIFE FUNDS

For those UK life insurance funds which include participating business, only 10% of the assets in excess of the policy and other liabilities calculated under MoS, ie $610m (2001: $692m) can, in the context of the UK regulatory environment, be definitively attributed to shareholders. The remaining 90%, ie $5,494m (2001: $6,232m) is deemed to be equity which is not specifically attributable to shareholders' or policyholders' interests, and is referred to in these financial statements as unattributed life funds.

In recent years, bonus distributions to UK with-profit policyholders have exceeded the level supported by actual experience, because of the need to support bonuses in a way that is consistent with the reasonable expectations of policyholders. The balance of the cost of bonus distributions has been met from the unattributed life funds. The need to support bonus levels is expected to continue in the medium term, consistent with accepted UK industry practice. In the absence of a significant recovery in equity markets, it is now likely that a significant proportion of the unattributed life funds will be utilised in this way.

The following table shows the movements in unattributed life funds for the period.

The impact of exchange rate movements is accounted for through the foreign currency translation reserve, and not through the statement of financial performance.

	Consolidated 2002 A$m	Consolidated 2001 A$m
(a) Unattributed life funds		
Balance at the beginning of the year	6,232	6,802
Movement in accumulated unattributed life funds for the period	(749)	(940)
Effect of exchange rate changes on translation	11	370
Balance at the end of the year	**5,494**	**6,232**
(b) Movement in unattributed life funds for the period		
Profit of the participating business UK life funds	812	1,541
Less: amount attributed to shareholders	(76)	(166)
	736	1,375
Less: bonuses credited to participating policyholders	(944)	(1,842)
Bonus subsidy from accumulated unattributed life funds	(208)	(467)
Investment losses on accumulated unattributed life funds	(541)	(473)
Movement in unattributed life funds for the period	**(749)**	**(940)**

Notes to the financial statements

For the year ended 31 December 2002

7. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Directors

Fees paid to members of the Board are based on advice from the Group's remuneration specialists and external remuneration advisers appointed by the Board Nomination Committee. This advice takes into consideration the level of fees paid to Board members of other Australian corporations, the size, geographic locations and complexity of the Group's operations and the responsibilities and workload requirements of Board members.

Directors are paid a base fee in relation to service on the AMP Limited Board and for membership of one or more of its standing committees. Additional fees are paid to the Chair of each of the Board Audit & Compliance, Finance, Governance and Remuneration Committees. Mr Wallis' fees as Chairman of the Board are inclusive of his role as Chairman of the Board Nomination Committee. Individual Directors are paid fees for additional duties associated with membership of Due Diligence Committees of major projects (or other special purpose committees) on a *per diem* basis.

The Board Governance Committee has oversight of the fees paid to non-executive Directors of subsidiary companies of the AMP Group. For fees paid to Directors in the UK, the Committee receives advice on the appropriate level of Directors' fees for that market.

As the focus of the Board is on the long-term direction and well-being of the Group, there is no direct link between Directors' remuneration and the short-term results of the Group. However, its long-term performance relative to other large corporations is considered, among other factors, in setting the fee pool which is periodically proposed to shareholders at Annual General Meetings for approval. The current aggregate fee pool of A$2,500,000 was approved by shareholders in 1999.

Board fees are not paid to Mr Mohl or Mr Yates since the responsibilities of Board membership are considered in determining remuneration provided as part of their normal employment conditions. Details of remuneration for Mr Mohl and Mr Yates are given later in this note.

Apart from the executive Directors, Mr Mohl and Mr Yates, no current Directors of AMP Limited have been granted options or performance rights. Details of the remuneration of Mr Mohl and Mr Yates are discussed in subsequent pages regarding executive remuneration.

Each of the current non-executive Directors (except Mr Willcox) has a Retirement Allowance Agreement which provides cash benefits in the event of death or retirement from the Board. The retirement allowance is based on a sliding scale that provides a maximum benefit, after fifteen years service, of five times the average fees over the three years preceding retirement or death. The Directors have determined that the current Retirement Allowance Agreements may no longer be an appropriate form of remuneration. Consideration is being given to a new long-term equity program for Directors involving fee sacrifice to replace the current system of cash-based retirement allowances for non-executive Directors. Existing obligations to Directors will be met.

Notes to the financial statements

For the year ended 31 December 2002

7. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Non-executive Directors at 31 December 2002[10]	Fees for AMP Board and Committees A$	Fees for other Group Boards and Committees A$	Additional Board duties[2] A$	Super-annuation contribution A$	Other payments[3] A$	Total A$
S D M Wallis	350,000	-	-	30,566	53,275	433,841
P J Willcox[1]	34,203	-	-	3,503	4,725	42,431
Sir Malcolm Bates	107,500	249,515[4]	7,500	-	5,825	370,340
P A Cross	100,000	25,893[5]	4,500	11,714	5,825	147,932
R J Grellman	112,000	40,000[6]	55,000	18,196	5,825	231,021
Lord Killearn	107,500	138,619[7]	6,000	-	5,825	257,944
P K Mazoudier	107,500	40,000[8]	10,500	14,130	5,825	177,955
I A Renard	100,000	25,000[9]	4,500	11,688	5,825	147,013

Notes:

1. *Mr P J Willcox was appointed as a non-executive Director of AMP Limited on 9 September 2002.*
2. *Includes fees paid for additional duties as a member of Due Diligence Committees relating to capital raising, acquisitions or divestments.*
3. *Relates to allowances in respect of living away from home costs (S D M Wallis only) and incidental expenses related to the business of the company.*
4. *Fees of £90,000 were paid to Sir Malcolm Bates as Chairman of AMP's UK Financial Services subsidiaries (A$249,515 is the equivalent based on the average exchange rate for 2002: £1 = A$2.772).*
5. *Fees were paid to P A Cross as a Director of AMP Bank Limited.*
6. *Fees were paid to R J Grellman as a Director of AMP Life Limited and Chairman of its Audit and Compliance Committee.*
7. *Fees of £50,000 were paid to Lord Killearn as Chairman of Henderson Global Investors (Holdings) plc (A$138,619 is the equivalent based on the average exchange rate for 2002: £1 = A$2.772).*
8. *Fees were paid to P K Mazoudier as a Director of AMP Life Limited and a member of its Audit and Compliance Committee.*
9. *Fees were paid to I A Renard as a Director of AMP Bank Limited.*
10. *The accrued retirement benefit entitlements as at 31 December 2002 according to each Director's Retirement Allowance Agreement were: S D M Wallis – A$1,590,972; Sir Malcolm Bates – A$1,118,295; P A Cross – A$153,236; R J Grellman – A$245,204; Lord Killearn – A$363,017; P K Mazoudier – A$207,655 and I A Renard – A$268,921. The entitlements are payable at retirement or on death and are inclusive of any accumulated superannuation guarantee contribution balances. (Notional accruals have been included for Directors with less than 3 years service. Upon the resignation of P A Cross on 26 February 2003, her entitlement will lapse.) Mr Willcox has not entered into a Retirement Allowance Agreement.*

Notes to the financial statements

For the year ended 31 December 2002

7. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

(b) Executives
Remuneration for senior executives is determined in accordance with remuneration guidelines established by the Board. Through the Board Remuneration Committee, the Board oversees the remuneration process. The Board approves remuneration for the Chief Executive Officer. All members of the Board Remuneration Committee are non-executive Directors who are not eligible to participate in any of the compensation programs that the Committee oversees.

Total remuneration package
The overall remuneration mix for each executive is based on a range of factors including the role held within AMP, how critical that area of the business is and local market conditions. This translates into a different remuneration mix for different roles within different areas of AMP. Higher-level roles generally attract higher variable pay.

AMP's total remuneration package for executives (including the Chief Executive Officer) consists of the following components:
i) Base salary – fixed pay package
ii) Short-term incentive – variable pay
iii) Long-term incentive – variable pay
iv) Non-cash benefits.

Base salary
Base salary is targeted at the median of the market rate for a given position. AMP utilises a range of 80% to 120% of this amount to reflect its assessment of an individual's performance capabilities. It is reviewed each year, but there are no guaranteed increases.

Short-term incentive
Short-term incentive is provided to executives by the Executive Short Term Incentive Programme (ESP) and allows eligible participants the opportunity to earn an annual cash incentive payment, part of which may be taken or, in the case of a small number of executives, is required to be taken, as restricted shares. The ESP provides a competitive opportunity that aims to deliver total annual payment for top performers at the 75th percentile of the market rate for a given position. Eligibility, and the size of the incentive, is based on a combination of quantitative and qualitative performance measures in respect of:
i) AMP's overall business performance;
ii) Business Unit performance (where relevant); and
iii) The individual's performance.

For certain senior executives, a mandatory 30% of ESP incentive payments will be made in restricted shares. This supports AMP's commitment to having executive focus tied closely to shareholder interests. Other participating executives may elect to receive 25% of their ESP payment in the form of restricted shares.

Restricted shares are acquired using pre-tax dollars and are generally held in the Executive Share Ownership Plan for three years. If the executive is still employed at AMP three years after the shares are acquired, AMP will match the shares on a one-for-one basis.

Long-term incentive
The new long-term incentive program consists of performance rights granted under the International Employee Share Ownership Plan (IESOP), an outline of which is set out in Note 31 of the Full Financial Report.

Additionally, certain executives have received options granted to them prior to the Board Remuneration Committee's decision to award future long term incentives in the form of performance rights. They remain subject to the original terms of grant, including performance and tenure hurdles and exercise price.

Non-cash benefits
These include superannuation contributions and other non cash benefits, such as parental leave, in line with local country legislation and market practice.

In addition, executives may be entitled to participate in the Employee Share Acquisition Plan (ESAP) in Australia and New Zealand, or in the All Employee Share Ownership Plan (AESOP) in the UK, as detailed in Note 31 of the Full Financial Report.

Notes to the financial statements

For the year ended 31 December 2002

7. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Executive[6][8]	Base Salary A$'000	Short term incentive[1] A$'000	Super-annuation contrib-utions A$'000	Payments at cessation[2] A$'000	Other pay-ments[3] A$'000	Total A$'000	Performance Rights allocated[4] Number
A. Mohl, Chief Executive Officer (from 7 October 2002; previously Managing Director, AFS)	954	1,024[5]	117	-	-	2,095	292,278[5]
R. Yates, Managing Director, Henderson Global Investors[7]	1,525	1,109	610	-	-	3,244	105,060
T. Fraser, formerly Managing Director, UKFS[7]	889	-	526	4,684	-	6,099	-
T. Wade, formerly Managing Director, AMP International[7]	570	-	60	1,962	685	3,277	-
W. Foster, formerly Chief Information Officer[7]	455	-	48	1,735	592	2,830	-
A. Jones, formerly General Manager, Corporate Human Resources	441	-	228	1,583	-	2,252	-
G. Traill, formerly General Counsel	122	-	13	2,057	-	2,192	-

Notes:

1. *Short-term incentive payments are based on individual and business performance for 2002 and are paid in 2003. These executives will take 30% of their actual short term incentive payment in the form of AMP shares under the Restricted Plan. The price at which the shares are acquired by the executives is based on the average market price of the shares at the time they are acquired. The shares are generally subject to restrictions on transfer for three years from the date of allocation. Subject to the terms of the Restricted Plan, each participating executive will also receive for no additional payment one share for every share that is held in the plan if the executive remains employed within the AMP Group until the third anniversary of the date of acquisition of shares under the plan (matching shares).*

   The indicative fair value of the matching shares (based on the market price of the shares acquired through application of the actual short term incentive payment) is A$307,200 for Mr Mohl and A$332,686 for Mr Yates.

2. *Payments at cessation include statutory and other contractual entitlements and payments made in mitigation of other legal claims following external expert advice.*

3. *Other payments include expatriate allowances and non-cash benefits (travel, rent etc).*

4. *The indicative fair values at allocation date of performance rights allocated in 2002 are calculated allowing for loss of dividend rights during the three year performance period, and a probability discount to reflect the applicable performance criteria. On this basis, the value of each of the performance rights allocated at 31 August 2002 (92,278 to Mr Mohl in respect of his role as Managing Director, AFS, and 105,060 to Mr Yates as Managing Director, Henderson Global Investors) is $7.14, and the value of each of the other 200,000 performance rights allocated to Mr Mohl as at 7 October, 2002 is $5.86. This amounts to a total value of $1,830,865 for Mr Mohl and $750,128 for Mr Yates.*

5. *Of the performance rights granted to Mr Mohl, 200,000 are subject to shareholder approval (to be sought at the forthcoming Annual General Meeting). The shares taken in respect of A$160,200 of the actual short term incentive payment under the Restricted Plan by Mr Mohl, are subject to shareholder approval (to be sought at the forthcoming Annual General Meeting).*

Notes to the financial statements

For the year ended 31 December 2002

7. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

6. *Mr Batchelor was the Managing Director and Chief Executive Officer until 23 September 2002. He ceased to be a Director on that date. Mr Batchelor received the following remuneration during 2002:*
   (a) Salary of A$1,138,331;
   (b) Statutory entitlements of A$193,772;
   (c) Superannuation contributions of A$119,525; and
   (d) Non-cash benefits with a value of A$66,871.

   As at the date of this report, any further entitlements in connection with Mr Batchelor's cessation of employment are yet to be determined. The Company has committed to announcing details of any such entitlements to the ASX as soon as they are determined.

7. *Australian dollar equivalents for that part of remuneration paid to executives in pounds sterling in 2002 are based on the average exchange rate for 2002: £1 = A$2.772 and those paid in 2001 are based on the average exchange rate for 2001: £1= A$2.777.*

8. *The table details the emoluments of each executive Director and each of the 5 officers of the company (excluding executive Directors) receiving the highest emoluments during 2002. At the date of this report, the 5 highest paid officers of the company, determined by base salary, are M de Cure, General Manager, Strategy – A$700,000; C Dunn, Managing Director, AMP Financial Services - A$675,000; J Drabble, Managing Director, UK Contemporary Financial Services – A$550,000; I Laughlin, Managing Director, UK Life Services – A$550,000; P Leaming, Chief Financial Officer – A$650,000. Each of the executives is also entitled to short term incentives, superannuation contributions and long term incentives (in the form of performance rights) and other compensation related to, for example, expatriate and relocation allowances and non-cash benefits.*

8. EVENTS OCCURRING AFTER REPORTING DATE

At the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the consolidated entity, the results of its operations or its state of affairs, which is not already reflected in this report.

DIRECTORS' DECLARATION

For the year ended 31 December 2002

In accordance with a resolution of the Directors of AMP Limited, we state that in the opinion of the Directors:

(a) The Concise Financial Report of the consolidated entity set out on pages 2 to 19 for the year ended 31 December 2002 is in accordance with Accounting Standard AASB1039: 'Concise Financial Reports'; and

(b) The financial statements and specific disclosures included in this Concise Financial Report have been derived from the Full Financial Report for the year ended 31 December 2002.

On behalf of the Board

STAN WALLIS
CHAIRMAN

PETER WILLCOX
CHAIRMAN-ELECT

ANDREW MOHL
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Sydney, 26 February 2003

INDEPENDENT AUDIT REPORT

For the year ended 31 December 2002

To the members of AMP Limited

Scope
We have audited the Concise Financial Report of AMP Limited for the financial year ended 31 December 2002, as set out on pages 2 to 20, in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the Concise Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Full Financial Report of AMP Limited for the year ended 31 December 2002. Our audit report on the Full Financial Report was signed on 26 February 2003, and was not subject to any qualification.

Our procedures in respect of the audit of the Concise Financial Report included testing that the information in the Concise Financial Report is consistent with the Full Financial Report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the Full Financial Report. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Accounting Standard AASB 1039: 'Concise Financial Reports' applicable in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion
In our opinion, the Concise Financial Report of AMP Limited complies with Accounting Standard AASB 1039: 'Concise Financial Reports'.

Ernst & Young

Brian J Long
Partner

Sydney, 26 February 2003