Investor Report

Half Year 2003

Online reports

This AMP investor report is available online at www.ampgroup.com along with the AMP annual report and other investor information.

The corporate website also has more information about the AMP Group, including our business operations, our management team, our strategy and the Full Financial Reports.

AMP Limited ABN 49 079 354 519

Information for shareholders

Important dates for shareholders

October 2003	2003 Interim dividend payment
February 2004	2003 Full year results announcement
April 2004	2003 Full year dividend payment
May 2004	Annual General Meeting

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Roger Yates	Managing Director, Henderson Global Investors and Managing Director, AMP (UK) Plc

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Important note

This Investor Report provides financial information reflecting 100% shareholder attributable after-tax results from an operational perspective. The principles of Margin on Services are used in reporting the results of AFS and UKFS. Information is provided on an operational basis (rather than statutory basis) to reflect a management view of the businesses and existing structures. Content is prepared using external market data, internal management information useful for investors, and some audited data. However, this Investor Report is not audited.

AMP also provides prescribed statutory reporting under the Corporations Act 2001. Those accounts are available from our website www.ampgroup.com and reflect policyholder, shareholder and unattributed interests. A summary of significant accounting policies are more fully set out in the AMP Limited Directors' Report and Financial Report for the half year ended 30 June 2003.

Forward looking statements in this Investor Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed. AMP makes no representation or warranty as to the accuracy or completeness of any statement in this Investor Report. In particular, information (including forecast financial information) in this Investor Report does not constitute investment advice or a recommendation on any matter.

1H 03 results

AMP's first half result reflects the impact of write-downs announced on 1 May. The operating result is indicative of a tough operating environment across all business units. AFS demonstrates resilience, while the reduction in UK earnings reflects weak markets.

BU operating margins	• A$216m	Down 54%, largely driven by UK margins
Underlying contribution	• A$305m	Indicative of lower operating margins
Profit after income tax before other items	• A$317m	Higher investment income partially offset margin reduction
Net loss after income tax	• -A$2,159m	Reflects market impacts, write-downs and transformation costs
Dividend	• A$0.07	Down from A$0.26
Underlying RoE	• RoE 6.9%	Down from 11.3%
Underlying EPS	• EPS A$0.25	Down from A$0.49

1H 03 in brief

AFS remains resilient, underlying strength of brand, distribution and scale	• A$268m (-11%) in underlying operating profit represents a solid result in a tough market • Costs continue to trend down with controllable costs declining by 17% and a record low 40% cost to income ratio • Persistency lower by 2.3% with a 10% rise in outflows
UKFS substantially impacted by business closure, poor market environment	• A$113m underlying operating profit down by 60% • Weak markets, reduction in equity exposure and loss of fees in line with the closure of new business impacted UKFS • Persistency at 85.0% compares to 88.3% at 1H 02
Henderson Global Investors	
North - impacted by weak markets and lag effect on revenue	• A$31m (-50%) in underlying operating profit from Henderson Global Investors - North reflects a 17% reduction in fee income driven by AUM/market effects
South - cost initiatives lessen impact of revenue reduction	• A$38m (-17%) in underlying operating profit from Henderson Global Investors - South reflects a 14% reduction in fee income
Investment income demonstrates a solid improvement	• A$220m investment income much improved on recent periods
Other items	
- Valuation adjustments	• -A$2,268m write-offs of intangibles and increases in provisions for the UK businesses offset in part by A$250m revaluation of AFS non-life subsidiaries
- Asset sales	• -A$54m includes transactions related to Cogent, HGI Listed Property Trust and HGI UK Private Client business
- Transformation costs	• -A$375m includes cost of business restructuring and demerger/UK listing

For a full list of major ASX announcements in 1H 03, turn to page 37

AMP's response to first half 2003

Demerger proposal

During 2002, AMP announced a number of strategic initiatives to reduce costs and restructure businesses. While AMP continued to implement these reforms into 2003, further deterioration in the operating environment made it clear that the UK life companies would be affected beyond initial expectations.

On 21 January AMP announced that FY 02 operating margins of its UK business were lower than previously indicated. Difficult market conditions and the war in Iraq continued to undermine investor confidence during 1Q 03.

Management and the Board responded by undertaking a review of the UK operations in which a number of key assumptions were challenged. At the end of April, it was apparent that there was no longer a compelling reason to keep AMP's current mix of business together, but powerful reasons to separate them.

AMP announced on 1 May its intention to demerge along geographic lines, splitting the Group into two new entities; "New Henderson" in the UK and "New AMP" in Australasia. AMP also announced the risk reduction in its UK business as further falls in the FTSE during 1Q 03 necessitated the reduction in equity exposure to secure the regulatory solvency of the UK life companies.

The decision to prioritise regulatory solvency required, in the absence of further capital, a reduction in equity risk within the UK life companies to protect policyholders and shareholders. The risk to shareholders of providing additional capital to the with-profits fund was unacceptably weighted to the downside. That is, if equity markets fell further, shareholders would continue to bear a high proportion of the fall, while only receiving a disproportionately small benefit should markets rise.

This change in investment strategy and long term assumptions resulted in large scale write-downs in earnings and embedded value through an increase in policyholder liabilities and reduced asset valuations. The initiative to reduce risk will create a more stable and logical asset base for New Henderson, which is expected to release significant amounts of capital over the medium term.

To facilitate the demerger and risk reduction of the UK business, AMP has successfully undertaken an A$1.7b capital raising via an A$1.2b institutional placement and an A$500m share purchase plan. The capital raised will contribute to repaying internal debt between the demerged entities and reducing external debt.

The creation of two separate regionally focused listed entities will clarify the strategic future of the Australian and UK based businesses. The demerger, subject to regulatory and shareholder approval, will be executed via the distribution of shares to AMP shareholders in both companies. It is anticipated that both companies will be listed on the Australian Stock Exchange, with New Henderson shares also listed on the London Stock Exchange.

Indicative timetable

August

- Business strategies for New AMP and New Henderson prepared
- Discussions with regulators ongoing
- Feasibility of an early UK listing for New Henderson investigated
- Rothschild appointed as independent expert
- Ernst & Young developing investigating accountant's report
- Tillinghast developing the consulting actuaries' report

September

- Board/Regulatory/Court approvals of Explanatory Memorandum (EM)

October

- EM released to ASX following court approval
- EM roadshow commences

November

- UK listing particulars released, if proceeding
- EM roadshow continues

December

- Extraordinary General Meeting (EGM) expected to be held
- Demerger implemented by 31 December

Results overview

AMP has undergone substantial change in the past year

Key initiatives have included:

- new board and management team in place
- closure of AMP International
- AMP Banking sale of non-core businesses and restructuring
- Corporate Office cost initiatives
- AFS cost initiatives, new business model and brand/planner management
- HGI cost initiatives
- the effective closure of all UK life companies to new customers, risk reduction of portfolios, securing regulatory capital position and asset revaluations.

The impact of this change is evident in a 19% reduction in controllable costs and a reduction of over 5,000 (37%) in headcount in 1H 03 compared to a year earlier.

Despite this strategic redirection and cost program, 1H 03 earnings have been hard hit, driven by two forces:

- the full impact of depressed equity markets in 1H 03 which fell further through to March before recovering by half year end, and
- the impact of large capital investments in UK Life which have been impacted by falling equity markets. Further large write-downs were made in the period and all life companies are now effectively closed to new customers.

On 1 May, AMP announced its intention to demerge into two regional entities and the planning for this is now well underway.

Financial results summary

AMP reported a net loss after income tax of A$2,159m for 1H 03 after write-downs, additional provisions, asset sales and transformation costs. This includes a net write-down and additional provisions of A$2,018m as a result of updated directors' valuations of AMP's businesses. Before these items and amortisation of goodwill, profit after income tax was A$317m, down 7% on 1H 02. Underlying contribution was A$305m, down 45% on 1H 02, as a result of margin reductions in all BUs and a tough market for wealth management companies in the UK.

Global investment markets continued to negatively impact business unit operating margins and investment income

At end June 2003, the UK FTSE 100 was up 2.3% from end FY 02 but down 13.4% compared to 1H 02. Bond yields in Australia and the UK were down 16bps and 14bps respectively during 2003 and were 106bps and 69bps below 1H 02 yields.

Weak markets not only impacted margins directly, but also indirectly through poor investor sentiment which led to lower new business volumes and higher outflows.

Business unit operating margins

- AFS operating margins were down 9%, due to lower investment markets and bond yields, lower new business and reduced capital levels. This was partly offset by expense savings (controllable costs down 17% on 1H 02). The cost to income ratio improved to 40%. RoIC was steady at 14.8%. Refer to page 24 for results.
- UKFS operating margins fell by A$192m to an A$18m loss (£7m) as a result of market impacts, reduction in equity exposure, and loss of fees relating to closed new business and products. Costs were down by 26%, while the cost to income ratio increased to 72% due to the lower revenue and profitability. RoIC fell to 3.1% due to a 60% reduction in profitability. Refer to page 26 for results.
- Henderson Global Investors - North operating margins were down 52%, due to the prolonged equity market decline and its impact on the investment management industry. AUM fell 8% from 1H 02 to 1H 03 in sterling terms. Investment performance was much improved with 71% of listed assets at or above benchmark during 1H 03. The cost to income ratio rose from 72% to 83% as the reduction in revenue was not matched by equivalent actions on the cost base. RoIC decreased to 5% in the period. Refer to page 28 for results.
- Henderson Global Investors - South operating margins were down 23%, a robust result given the uncertain investment markets and the impact on the investment management industry. Tight cost management meant that the cost to income ratio only increased 2% to 59%. Refer to page 30 for results.

Investment income

Total investment income of A$220m was substantially higher than any time in the last two years.

Corporate costs plus interest expense

Tight control of Corporate Office costs led to a 55% reduction in expenses while total borrowing cost reflects higher average debt levels during the period.

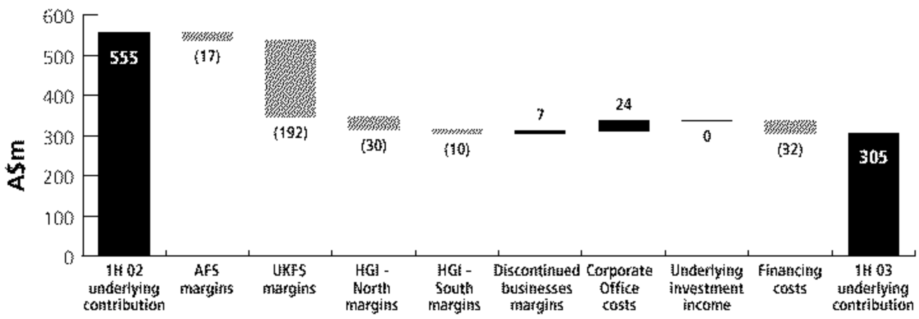
Valuation adjustments and restructuring costs total A$2,393m, while losses recognised on the sale of non-core businesses total A$54m

- An independent review of the valuation of our UK companies led to a write-off of intangibles and an increase in policyholder liabilities totalling A$2,268m. The valuations reflect the changes in strategic direction announced during May and the current level of investment markets. The valuation of AFS' Australian distribution companies (principally Hillross and AMPFP) has been increased by A$250m to reflect updated valuations, leading to a net write-off of A$2,018m.
- Provision totalling A$111m has been made for the cost of implementing the demerger which commenced during 1H 03 and the possible UK listing of New Henderson. Further costs to be incurred in 2H 03 are estimated to be A$66m.
- Provision has also been made for implementing the strategic changes across the Group. At 1H 03, these totalled A$233m. It is expected that a further A$47m will be expensed in 2H 03.
- The completion during 1H 03 of the sale of certain non-core businesses resulted in a loss of A$54m. This mainly related to the loss recognised for the AMP Diversified Property Trust, for the transfer of trust and property management rights (A$39m).
- More information on write-downs, increases in provisions and transformation costs can be found on page 35.

Results overview

A$m	1H 03	1H 02	2H 02	% 1H/1H
Australian Financial Services	**172**	189	135	-9.0
UK Financial Services	**(18)**	174	37	-110.3
Henderson Global Investors - North	**28**	58	38	-51.7
Henderson Global Investors - South	**34**	44	52	-22.7
Total BU operating margins	**216**	465	262	-53.5
Discontinued businesses	**30**	23	18	30.4
Corporate Office costs	**(20)**	(44)	(35)	-54.5
Total operating margins	**226**	444	245	-49.1
Underlying investment income	**208**	208	229	-
Interest expense on corporate debt	**(94)**	(97)	(133)	-3.1
Distribution on reset preferred securities	**(35)**	-	(13)	n/a
Underlying contribution	**305**	555	328	-45.0
Investment income market adjustment	**12**	(214)	(174)	105.6
Profit after income tax before other items	**317**	341	154	-7.0
Business restructuring costs	**(233)**	(11)	(333)	n/a
Demerger and UK listing costs	**(111)**	-	-	n/a
Superannuation fund top-up	**(31)**	-	-	n/a
Asset sales	**(54)**	-	234	n/a
Valuation adjustments	**(2,018)**	-	(1,227)	n/a
Goodwill amortisation	**(29)**	(27)	(27)	7.4
Net profit (loss) after income tax	**(2,159)**	303	(1,199)	n/a

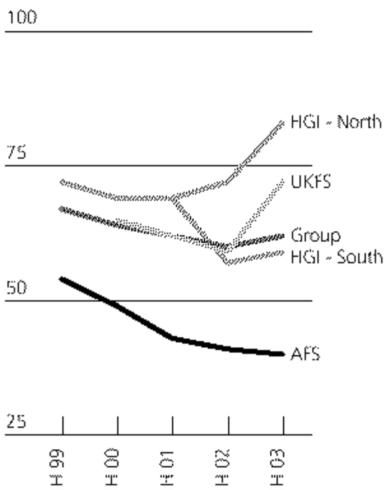
Movement in underlying contribution 1H 02 to 1H 03



Performance measures

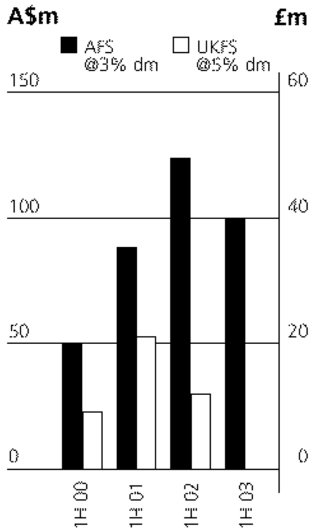
Drivers

Cost to income ratio



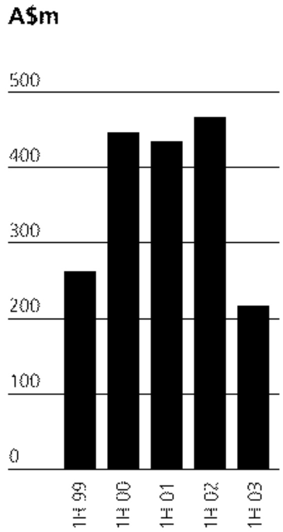
- Group cost to income ratio up 2% due to lower operating margins despite a 19% reduction in controllable costs.

Value of new business



- AFS VNB down due to lower sales volumes.
- UKFS down to nil due to lower volumes and NPI's effective closure to new customers.

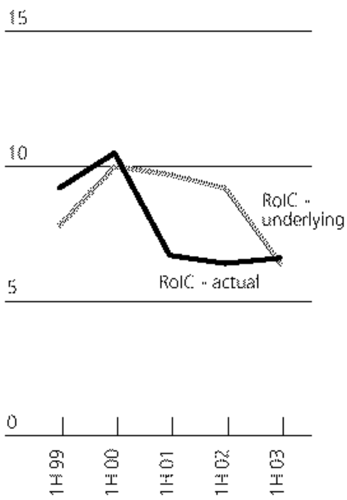
Total BU operating margins



- Operating margins driven down by weak markets, lower bond yields and changes to UK businesses.

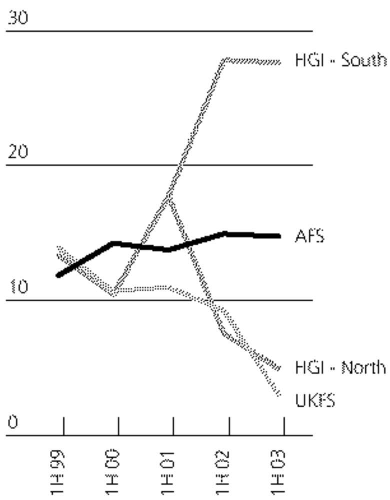
Outcomes

Return on invested capital



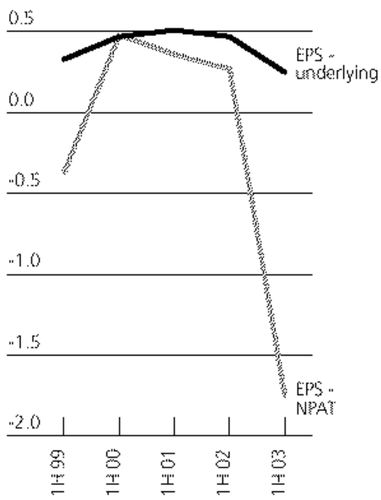
- RoIC - underlying impacted by lower BU operating margins.
- RoIC - actual stable, mainly due to improved investment income compared to 1H 02.

Return on invested capital (BU)



- AFS RoIC relatively stable due to capital reduction strategies.
- UKFS RoIC fell to 3.1% due to a 59% reduction in profitability.
- HGI - North fall in RoIC due to fall in AUM impacting fee revenue.
- HGI - South RoIC stable at 27.7% compared to 1H 02.

Earnings per share



- EPS - underlying down to A$0.25 due to lower BU operating margins.
- EPS - NPAT impacted by 1H 03 write-offs and transformation costs.

Five year summary

	1H 03	1H 02	1H 01	1H 00	1H 99
Shareholder summary					
EPS - Underlying (A$)	**0.25**	0.49	0.51	0.47	0.33
- Net profit after tax (A$)	**-1.75**	0.27	0.36	0.48	-0.38
RoIC[1] - Underlying	**6.4%**	9.2%	9.7%	10.0%	7.9%
- Actual	**6.6%**	6.4%	6.7%	10.5%	9.2%
RoE[1] - Underlying	**6.9%**	11.3%	12.5%	13.1%	8.6%
- Actual	**7.2%**	7.2%	7.7%	13.9%	10.4%
Dividends per share (A$)	**0.07**	0.26	0.25	0.23	0.20
Dividend payout ratio - Underlying	**35%**	55%	49%	49%	61%
Ordinary shares in issue (m)	**1,419.6**	1,134.3	1,115.8	1,093.7	1,084.9
Weighted average number of ordinary shares (m) - Basic	**1,233.3**	1,131.6	1,107.4	1,091.1	1,078.7
- Fully diluted	**1,235.7**	1,135.3	1,117.6	1,128.9	1,078.7
Share price for the period (A$) - Low	**4.77**	15.41	18.44	13.69	15.61
- High	**11.64**	19.63	21.99	17.00	20.91
Embedded value - as reported, after transfers - AFS (3% dm) A$m	**6,050**	5,933	6,893	6,363	-
- UKFS (5% dm) £m	**1,341**	1,494	1,909	1,845	-
Half year return on embedded value - AFS (3% dm)	**5.8%**	1.4%	6.6%	2.7%	-
- UKFS (5% dm)	**-39.9%**	-9.6%	-4.5%	-0.3%	-
Value of new business - AFS (3% dm) A$m - as reported	**100**	124	88	50	-
- UKFS (5% dm) £m - as reported	**0**	12	21	9	-
Financial position					
Ordinary shareholders' equity (A$m)	**7,025**	9,463	9,203	8,047	7,726
Corporate debt (excl operational debt) (A$m)	**3,347**	4,172	5,170	5,163	2,588
Debt to shareholders' equity plus debt	**12%**	16%	22%	24%	12%
Interest cover (times) - Underlying	**4.3**	6.8	6.1	4.5	4.8
- Actual	**3.6**	4.1	5.4	6.8	7.7
Assets under management (AUM) A$b					
Assets under management - HGI - North	**161**	193	213	201	116
- HGI - South	**70**	73	78	76	61
Assets under management - externally managed	**8**	9	7	5	-
Total assets under management	**239**	275	298	282	177
Persistency - AFS	**82.5%**	84.8%	84.6%	83.1%	83.7%
- UKFS	**85.0%**	88.3%	88.8%	89.4%	95.2%
Cost to income ratio[2]	**62%**	60%	62%	65%	68%
Staff numbers					
Australian Financial Services[3,4,6]	**3,339**	3,562	3,805	4,534	4,329
UK Financial Services	**3,441**	6,348	6,607	9,259	6,698
Henderson Global Investors - North	**758**	770	733	653	604
Henderson Global Investors - South[7]	**820**	820	888	1,124	1,112
Cobalt RunOff Services	**160**	204	150	Included in Corporate	
Corporate Office	**252**	309	331	518	440
AMP International[5]	**-**	1,228	954	590	572
IT@AMP[6]	**-**	464	1,076	1,323	504
Services@AMP[6]	**-**	136	173	Included in Corporate	
AMP General Insurance	**-**	-	3,208	5,135	1,228
Total staff numbers	**8,770**	13,841	17,925	23,136	15,487

1. Prior period percentages have been recalculated to reflect the reclassification of items between abnormal and profit after tax before other items and the normalisation of Corporate Office investment income.
2. Earlier years include businesses owned by AMP at the time.
3. Excludes non-salaried planners.
4. AMP Banking FTEs are now included in AFS. They were previously included in AMP International. All historical data has been amended to reflect this.
5. Part of the reduction relates to the sale of Cogent as well as the decision to divest or transfer these initiatives back to the business.
6. For 1H 03, IT@AMP and Services@AMP are included in AFS.
7. HGI - South numbers include shopping centre FTEs, all of which are recharged out to shopping centres.

Product cashflows

Australian Financial Services

- During 1H 03, AFS capitalised on the 2002 business restructuring to further transform the operational structure of the business. This has resulted in the creation of the following product based business lines:
  - Corporate superannuation (comprised of corporate based superannuation plans)
  - Savings and retirement (comprised of retail superannuation, retirement incomes and managed investment products)
  - Risk (comprised of term, trauma and income protection products)
  - Mature (majority of capital guarantee products (excluding those in corporate superannuation) and closed investment linked policies).
- These new business lines are in addition to AMP Banking and the existing channel based business lines (AMP Financial Planning (AMPFP), Hillross, Arrive Wealth Management and AMP General Insurance Distribution). 1H 02 cashflows have been restated to reflect the new product lines.
- AFS Australian contemporary net cashflow declined by 68% from 1H 02 to A$522m in 1H 03.
- As expected, market conditions have impacted investment based products in savings and retirement (net cashflow of A$101m is 89% down on 1H 02) and corporate superannuation (net cashflow of A$244m is 42% down on 1H 02).
- The result should be considered in the context of the tough market environment with most managers recording net outflows for 1H 03. For the year ended 31 March 2003, AFS ranked fourth in net cashflow (behind Macquarie, Platinum and ING/ANZ)[1].
- Risk went against the trend with net cashflows 25% above 1H 02.
- Net mortgage lending grew by 10% from 1H 02 to A$438m in 1H 03.

UK Financial Services

- The UKFS section of the cashflow statement has been restated to record all cashflows as arising from closed business reflecting the recent decision to close NPI Limited to new business.
- Premium inflows have reduced following the decision to close the direct sales force at the end of last year and the effective closure of NPI to new business.
- Increased level of surrenders of with-profit products reflect the decisions to stop writing this type of business and to reduce the equity exposure in the life companies.
- Total outflows rose by 7% to A$4,759m, as a result of increases in surrenders principally through the Pearl unitised with profit life product. Within NPLL increases are due to a combination of factors - poor equity markets, reduced equity exposure and AMP specific news coverage.

Henderson Global Investors - North

- UK retail experienced net outflows of A$212m (£81m). The largest component of this (A$149m/£57m) related to Investment Trusts including the closure of the Henderson Geared Income and Growth Trust, which reached the end of its fixed life. Net cash outflows in UK Retail Open Ended Investment Companies (OEIC) were A$73m (£28m) during 1H 03.
- Rest of World retail funds achieved net inflows of A$81m (£31m). This included net inflows of A$55m (£21m) from Absolute Return funds (assisted by launch of the Global Fixed Income ARF and the UK Equity Long/Short fund) and A$39m (£15m) from US mutual funds. Horizon funds suffered A$13m (£5m) net cash outflows in 1H 03 comprising 1Q net cash outflows of A$100m (£38m) and 2Q net cash inflows of A$87m (£33m).
- Institutional net inflows during 1H 03 were A$441m (£168m). Strong sales of new Collateralised Synthetic Obligation funds and property funds featured.
- Rest of World sub-advisory net outflows were A$983m (£375m) reflecting the challenging market conditions for BPL in Italy and Mackenzie in Canada.

Henderson Global Investors - South

- External cash outflows for 1H 03 were A$696m (mainly in one large short term mandate in New Zealand) in comparison to 1H 02 cash outflows of A$2,052m. 1H 03 benefited from strong sales in Future Directions products[2] and from new sales through the Japanese distribution channel.
- HGI - South continued to penetrate new market segments and further strengthened relationships with existing clients. Initiatives included:
  - a second Australian bond fund in Japan which raised A$350m. This was followed by the signing of an exclusive distribution agreement with a distributor in Japan, Gemini Advisers. Funds under management for A$ bond fund in Japan were A$575m at 30 June 2003
  - a second tranche of the Asian Bonus Payout fund range, which raised A$110m. Funds under management for structured products in Singapore now total A$200m
  - continued support for the Future Directions fund range from both institutional and retail clients, with gross inflows totalling A$600m during 1H 03.

1. Plan 4 Life Actuaries and Researchers - AMP Group Competitive Position Analysis - March 2003.
2. HGI - South's range of multi-manager funds, comprising of a combination of diversified and single sector funds.

Product cashflows

Business units	AUM by product (A$b)	1H 03 Inflow (A$m)	1H 03 Outflow (A$m)	1H 03 Net (A$m)	1H 02 Inflow (A$m)	1H 02 Outflow (A$m)	1H 02 Net (A$m)
Australian Financial Services							
Australian contemporary retail							
Corporate superannuation	6.2	855	611	244	1,027	605	422
Savings & retirement	18.6	1,714	1,613	101	2,267	1,352	915
Risk	n/a	127	58	69	108	53	55
Advice based distribution products[1]	2.2	300	192	108	389	147	242
	27.0	2,996	2,474	522	3,791	2,157	1,634
Matured/closed retail	19.6	463	1,454	(991)	647	1,391	(744)
Total Australian retail	46.6	3,459	3,928	(469)	4,438	3,548	890
NZ contemporary retail (incl. corporate)	3.8	199	269	(70)	239	253	(14)
Total AFS	50.4	3,658	4,197	(539)	4,677	3,801	876
UK Financial Services							
Pensions	31.3	1,489	1,259	230	1,357	1,042	315
Collective investment vehicles	n/a	134	197	(63)	215	234	(19)
Life	14.8	642	1,656	(1,014)	1,349	1,681	(332)
Total matured/closed	46.1	2,265	3,112	(847)	2,921	2,957	(36)
National Provident Life Limited (NPLL)	15.3	241	1,647	(1,406)	288	1,474	(1,186)
Total UKFS	61.4	2,506	4,759	(2,253)	3,209	4,431	(1,222)
Henderson Global Investors							
HGI - North							
Contemporary retail							
UK collective investment vehicles	20.9	653	865	(212)	1,012	1,099	(87)
Rest of world contemporary retail	3.5	973	892	81	925	585	340
Total retail	24.4	1,626	1,757	(131)	1,937	1,684	253
Rest of world sub-advisory	3.7	443	1,426	(983)	919	1,493	(574)
Institutional	57.0	4,169	3,728	441	6,799	6,234	565
Total HGI - North	85.1	6,238	6,911	(673)	9,655	9,411	244
HGI - South							
Institutional	25.0	2,357	3,053	(696)	1,816	3,868	(2,052)
Total Henderson Global Investors	110.1	8,595	9,964	(1,369)	11,471	13,279	(1,808)
Assets under management in excess of products	3.5						
Assets not specifically attributed to policyholders' interests	2.6						
Shareholder assets	10.9						
Total assets under management	238.9						

AMP consolidated	1H 03 Inflow (A$m)	1H 03 Outflow (A$m)	1H 03 Net (A$m)	1H 02 Inflow (A$m)	1H 02 Outflow (A$m)	1H 02 Net (A$m)
Contemporary retail - AFS and HGI - North	4,821	4,500	321	5,967	4,094	1,873
Institutional - HGI - North and HGI - South	6,526	6,781	(255)	8,615	10,102	(1,487)
RoW sub-advisory - HGI - North	443	1,426	(983)	919	1,493	(574)
	11,790	12,707	(917)	15,501	15,689	(188)
Mature/closed - AFS and UKFS	2,969	6,213	(3,244)	3,856	5,822	(1,966)
Total AMP[2]	14,759	18,920	(4,161)	19,357	21,511	(2,154)
Other cashflows						
AMP Bank - net increase in mortgages			438			400

1. Represents PortfolioCare - externally manufactured products earning platform fees.
2. Cashflows for businesses in India are not included.

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Cost management

Business unit A$m	Cost to income %		Operational costs		Project costs		Total controllable costs		% 1H/1H
	1H 03	1H 02	1H 03	1H 02	1H 03	1H 02	1H 03	1H 02	1H 02
AMP Group total	**62%**	60%[1]	921	1,126	80	117	1,001	1,243	-19.5
Australian Financial Services	**40%**	41%	237	281	18	23	255	304	-16.1
AMP Banking[2]	**98%**	120%	29	36	0	3	29	39	-25.6
UK Financial Services	**72%**	59%	354	465	45	71	399	536	-25.6
HGI - North	**83%**	72%	196	210	14	14	210	224	-6.3
HGI - South	**59%**	57%	79	86	0	0	79	86	-8.1
Corporate Office[3]	**n/a**	n/a	26	48	3	6	29	54	-46.3

Note: Refer to the glossary for definitions of cost to income ratio and controllable costs (page 38).
1. 1H 02 includes the results of Cogent in the cost to income ratio. Excluding Cogent from the calculation, the 1H 02 ratio is 59%.
2. All periods have been adjusted to exclude discontinued operations.
3. Corporate Office costs are pre-tax and represent costs not recovered from BUs (page 33).

The AMP Group achieved a 19% reduction in controllable costs. This was achieved by stringent cost controls across all business units. Despite this, the cost to income ratio increased by 2% due to decreasing revenues.

Australian Financial Services

AFS controllable expenses were reduced and cost to income ratio improved:

- controllable costs reduced by A$49m (16%) from A$304m in 1H 02 to A$255m in 1H 03, with AFS on track to exceed FY 03 forecast cost savings of A$60m (as per the 4 December 2002 market briefing). The cost to income ratio improved from 41% in 1H 02 to 40% in 1H 03
- operational expenses reduced by A$44m (16%) from A$281m in 1H 02 to A$237m in 1H 03, reflecting the outcome of the 2002 AFS transformation program, the implementation of cost saving initiatives and a reduction in discretionary costs
- business unit project related expenses fell by A$5m (22%) from A$23m in 1H 02 to A$18m in 1H 03, due to overall tightening of discretionary spend. Full year project spend is expected to be marginally below the previous year.

AMP Banking

- Controllable costs reduced by A$10m (26%) from A$39m in 1H 02 to A$29m in 1H 03. This reflected the effective focus on cost management.

UK Financial Services

- The 1H 03 cost to income ratio of 72% was substantially higher than 1H 02 of 59% because of a reduction in life company profit margins and the cost overhang in the service company in moving to a closed-book business.
- Controllable costs at 1H 03 were 26% (A$137m) below 1H 02 mostly reflecting reduced headcount. After allowing for the reduction in expenses directly attributable to lower sales, following the closure of the direct sales force, the underlying reduction was £32m or 16% (A$84m).
- Progress continues on reducing the future cost base principally through reduced activity and lower head-count. UKFS will continue to look at outsourced arrangements as appropriate.

Henderson Global Investors - North

- The impact of the equity market decline led to an 11% increase in the cost to income ratio, as it was not possible to match the reduction in revenue with equivalent actions on the cost base.
- Controllable costs were reduced by 6% (A$14m) to A$210m, as a result of cost reduction actions and efficiency measures A$11m (£4m) offset by increased expenditure on IT infrastructure A$5m (£2m) including software licence costs relating to new front office systems. Foreign currency fluctuations account for the remaining A$8m.
- Expenditure savings were achieved in staff costs, investment administration, travel and marketing. Henderson has maintained its commitment to key development initiatives including US mutual funds and core IT systems development.

Henderson Global Investors - South

- Due to lower revenues, the cost to income ratio increased from 57% in 1H 02 to 59% in 1H 03.
- In light of lower revenues, stringent cost management measures were implemented across the business, which resulted in expenses declining by 8%, or A$7m. Specific cost efficiency measures included portfolio/product rationalisation, IT contract renegotiation, organisation restructure and staff related savings.

Corporate Office

- Corporate Office costs not recovered from BUs reduced by 46% due to the closure of AMP International initiatives and release of corporate provisions no longer required.

Total controllable costs above (A$1,001m) differ from those disclosed in the AMP Limited Directors' Report and Financial Report for the half year ended 30 June 2003 (note 5). The difference relates to policyholder related costs, discontinued businesses, restructuring costs and amortisation of goodwill which are not included above.

Capital management - total shareholder capital resources

A$m	1H 03	FY 02	1H 02
Equity			
Share capital	**6,423**	5,001	4,720
Capital reserve	**510**	510	510
Foreign currency translation reserve	**(410)**	361	141
Retained profits	**502**	2,661	4,092
Total equity attributable to ordinary shareholders	**7,025**	8,533	9,463
Hybrid equity (Reset Preferred Securities)	**1,140**	1,141	-
Total equity attributable to ordinary shareholders plus hybrid equity	**8,165**	9,674	9,463
External corporate debt	**3,347**	3,788	3,577
Borrowings from Pearl 90:10 fund	**-**	-	595
Total shareholder capital resources	**11,512**	13,462	13,635
Other interests			
Life funds not specifically attributed to shareholders' or policyholders' interests	**2,596**	5,494	5,437
Other outside equity interests in controlled entities	**2,500**	2,755	1,871

Equity attributable to shareholders plus hybrid equity

Total equity attributable to shareholders plus hybrid equity decreased from FY 02 by A$1,509m. This decrease was driven by:

- A$2,159m half year loss
- A$771m decrease in foreign currency translation reserve due to the strengthening of the A$ against the £

but partially offset by:

- A$1,192m of new share capital raised through the institutional capital raising (total proceeds of A$1,222m less issue costs of A$30m)
- A$230m of new share capital raised through the dividend reinvestment plan and underwriting of the final 2002 dividend.

This decrease in total equity attributable to shareholders plus hybrid equity plus the reduction in external corporate debt resulted in total shareholder capital resources reducing by A$1,950m.

The above numbers do not include the A$500m of new share capital raised in July 2003 through the share purchase plan. It also excludes the 2003 interim dividend (more information on this change of accounting policy is contained in note 1 of the 30 June 2003 Financial Reports).

Unattributed life funds

Life funds not specifically attributable to shareholders' or policyholders' interests decreased from FY 02 due to:

- A$2,458m reduction from that part of the valuation adjustments occurring in 1H 03 not attributed to shareholders (ie in addition to the amounts itemised on page 34 which were attributed to shareholders)
- a further A$626m reduction due to the strengthening of the A$ against the £

but partially offset by:

- a slight rise in investment markets which resulted in a profit of A$49m from investment earnings on the unattributed life funds
- a surplus of A$137m from the remaining profits of the UK with-profit business due to substantial cuts in bonus rates.

In recent years, bonus distributions of 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 impact of valuation adjustments during 1H 03 has compounded this situation. The balance of the cost of bonus distributions has been met from the unattributed life funds.

As the need to support bonus levels is expected to continue in the medium term, and given the reduction in equity exposure of the with-profit funds, it is likely that a significant proportion of the unattributed life funds will continue to be utilised in this way.

Where the unattributed life funds in a particular entity are not sufficient to meet the excess bonus distribution, the cost falls to the shareholders' interests in the fund. During 1H 03, this has contributed to the reduction in value of the shareholders' interest in the contingent loan to London Life.

Capital management - shareholder capital invested

Notional allocation at	30 June 2003				31 December 2002			
A$m	Minimum regulatory requirements[1]	Tangible capital resources[2]	Intangibles[5]	Total capital	Minimum regulatory requirements[1]	Tangible capital resources[2]	Intangibles[5]	Total capital
Australian Financial Services	1,669	**3,591**	**735**	**4,326**	2,066	3,724	495	4,219
AMP Life statutory funds		2,971		2,971		3,010		3,010
AMP Life other		113	735	848		130	495	625
AMP Banking	175	507		507	431	584		584
UK Financial Services	4,158	**4,886**	**180**	**5,066**	5,367	6,878	1,060	7,938
Pearl		3,683		3,683		5,021	62	5,083
London Life		671		671		1,196		1,196
UKFS other[3]		532	180	712		661	998	1,659
Henderson Global Investors - North	264	**308**	**798**	**1,106**	268	311	1,028	1,339
Henderson Global Investors - South	75	**161**	**102**	**263**	58	121	171	292
Virgin		**232**		**232**		370		370
Discontinued business	407	**766**		**766**	505	896		896
Corporate Office	4	**1,160**		**1,160**	34	400		400
Inter business unit holdings[4]		**(1,407)**		**(1,407)**		(1,992)		(1,992)
Total shareholder capital resources	6,577	**9,697**	**1,815**	**11,512**	8,298	10,708	2,754	13,462
External corporate debt				**(3,347)**				(3,788)
Total equity attributable to ordinary shareholders plus hybrid equity				**8,165**				9,674

1. The minimum regulatory requirements for UKFS and Discontinued business have been restated for 31 December 2002 in line with final statutory reserves. The minimum regulatory capital requirements for June 2003 are based on best estimates of UK statutory reserves.
2. For a definition, please refer to the glossary on page 39.
3. Includes £157m of capital to recapitalise the service company.
4. For a detailed breakdown, please refer to the glossary on page 41. The reduction in the inter BU holdings can be primarily attributed to the repayment of the AMP (UK) plc preference shares held by AMP Life statutory funds.
5. These are intangibles as defined on page 39. There is a further A$17m of intangibles in the 30 June 2003 AMP Ltd Financial Report which are primarily attributable to policyholder interests.

Movements

AFS total capital rose due to 1H 03 profits, the one-off A$250m increase in the market value of Hillross and AMP Financial Planning, partially offset by a capital release of A$200m from AMP Life statutory funds, $A81m from AMP Life other and the reduction in AMP Banking's capital relating primarily to movements in AMP Finance.

HGI - South split between tangible capital resources and intangibles has moved in line with the announcement surrounding the takeover of AMP Shopping Centre Trust and AMP Diversified Property Trust.

Various UK write-offs detailed on page 34 have impacted on the capital of the UK business units:

- UKFS total capital has reduced due to tangible capital resources write-offs of £527m and intangible write-offs of £307m
- HGI - North total capital has reduced due to intangible write-offs of £35m
- Virgin total capital has reduced due to tangible capital resources write-offs of £38m.

The additional reduction in the total capital of these business units can be primarily attributed to movements in foreign currency translation due the strengthening of the A$ against the £.

The reduction in Discontinued business capital was driven by capital releases from Pearl General Business (UK General Insurance run-off).

Corporate Office capital increased due to the A$1,192m institutional capital raisings, offset by £157m of capital to recapitalise the UK service company.

Capital initiatives

Investment strategy in the UK has continued to evolve consistent with the need to manage risk, given limited capital resources. Each with-profit fund will continue to adjust investment policy to ensure appropriate asset and liability management. The equity backing ratios (EBR) for the with-profit funds as at 31 December 2002 and 30 June 2003 were as follows:

Equity backing ratio (Including property holdings)	Pearl	NP Life Ltd	London Life
As at 31 December 2002	48%	48%	45%
As at 30 June 2003	29%	12%*	16%*

*Property exposure.

The figures above allow for the impact of derivatives. About 80% of share exposure in Pearl (which was 19% at 30 June 2003) is still covered by "collar" derivatives which forego upside gains above certain levels in exchange for downside protection below certain levels. There is some other protection in place, which lifts downside protection to about 93%. Subject to market behaviour and the financial position of the fund, it is intended to phase this protection out over time, with a targeted EBR of about 25%.

Capital management - regulatory and risk

Capital employed by regulatory class[1]	30 June 2003			31 December 2002		
A$m	Tangible capital resources	Intangibles[2]	Total capital	Tangible capital resources	Intangibles[2]	Total capital
Equity attributable to ordinary shareholders	5,210	1,815	**7,025**	5,779	2,754	8,533
Hybrid equity (Reset Preferred Securities)	1,140		**1,140**	1,141		1,141
Tier 1	6,350	1,815	**8,165**	6,920	2,754	9,674
AMP Income securities	1,240		**1,240**	1,240		1,240
Subordinated debt	723		**723**	840		840
Tier 2	1,963	-	**1,963**	2,080	-	2,080
Total regulatory capital (Tier 1 + Tier 2)	8,313	1,815	**10,128**	9,000	2,754	11,754
Senior debt	1,384		**1,384**	1,708		1,708
Total shareholder capital resources	9,697	1,815	**11,512**	10,708	2,754	13,462

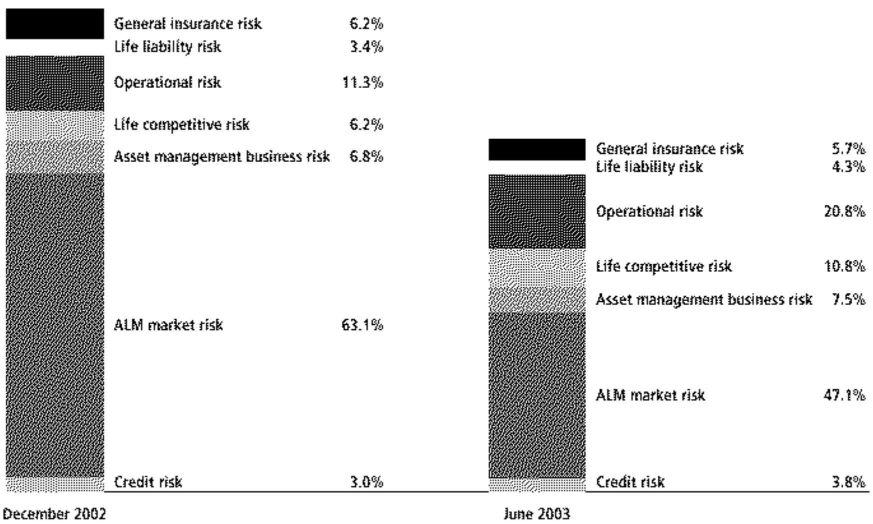
1. As described by APRA regulations.
2. These are intangibles as defined on page 39. There is a further A$17m of intangibles in the 30 June 2003 AMP Ltd Financial Report which are primarily attributable to policyholder interests.

The capital employed by regulatory class has decreased primarily due to the recognition of the transfer of shareholder assets to policy liabilities in order to meet policyholder obligations, effectively reducing the tangible capital resources of the Group (details on pages 34 and 35).

Risk capital

AMP calculates risk capital for all of its businesses every six months on a stand alone and consolidated basis. The chart below provides a guide as to the split of risks within the Group and the relative scale of risk between December 2002 and June 2003.

Stand-alone risk type - risk capital values



Stand-alone risk capital values have reduced by 27% from December 2002 to June 2003, primarily from the UKFS program to reduce risk. Brief definitions of the risk types are detailed in the glossary on page 38.

UK minimum regulatory requirements

We estimate that all AMP UK life companies met their required minimum margin (RMM) as at 30 June 2003. Our estimate of the Free Asset Ratio (FAR) as at 30 June 2003, excluding assets covering the RMM, is:

FAR excl asset covering the RMM	30 June 2003 estimate	31 December 2002 final
AMP Pearl	1.6%	2.7%
AMP London Life	1.2%	2.6%
AMP NPLL	0.3%	1.3%
AMP NPIL	0.7%	1.1%

The with profit funds of AMP London Life and NPLL no longer have any material equity exposures and their free asset ratios will not be impacted by large moves in equity markets (positively or negatively).

Capital management - assets backing shareholder capital resources

Allocation at	30 June 2003			31 December 2002			30 June 2002		
A$m	Australasia	UK	Total	Australasia	UK	Total	Australasia	UK	Total
Equities	1,202	275	**1,477**	1,164	956	2,120	1,546	883	2,429
Other growth assets	323	168	**491**	302	199	501	295	98	393
Fixed interest	646	2,225	**2,871**	825	2,749	3,574	983	2,392	3,375
Cash	3,296	2,704	**6,000**	1,664	3,257	4,921	1,285	2,272	3,557
Total managed assets	5,467	5,372	**10,839**	3,955	7,161	11,116	4,109	5,645	9,754
Other	76	(1,218)	**(1,142)**	(67)	(341)	(408)	273	163	436
Tangible capital resources	5,543	4,154	**9,697**	3,888	6,820	10,708	4,382	5,808	10,190
Intangibles	837	978	**1,815**	666	2,088	2,754	737	2,708	3,445
Total shareholder capital resources	6,380	5,132	**11,512**	4,554	8,908	13,462	5,119	8,516	13,635

	1H 03						1H 02		
A$m	Australasia	UK	Total				Australasia	UK	Total
Investment income									
BU underlying investment income	87	134	**221**				108	118	226
Corporate Office underlying investment income	7	(20)	**(13)**				(19)	1	(18)
Total underlying investment income	94	114	**208**				89	119	208
Market adjustment	(19)	31	**12**				(138)	(76)	(214)
Total investment income	75	145	**220**				(49)	43	(6)
Growth assets / managed assets	28%	8%	**18%**	37%	16%	24%	45%	17%	29%
Regional split of managed assets	50%	50%		36%	64%		42%	58%	
Regional split of total shareholder capital resources	55%	45%		34%	66%		38%	62%	

The reduced equity exposure in the UK life companies and the strengthening of the A$ against the £ has seen the UK equity exposure reduce from A$956m to A$275m.

UK fixed interest and cash exposures are reduced due to the net asset write-offs described on page 34 and the strengthening of the A$ against the £.

The increase in the Australasia cash exposure reflects the A$1,192m institutional capital raising and cash received through sales of various AMP Banking assets.

The decrease in other assets in the UK results from a number of write-downs currently being held as provisions.

The increase in intangibles in Australasia reflects mainly the write-up of A$250m described on page 34.

The decrease in intangibles in UK reflects the write-down of £342m (£307m UKFS and £35m HGI - North) described on page 34.

Debt overview

A$m	30 June 2003			31 December 2002		
	Corporate	Operational	Total	Corporate	Operational	Total
Subordinated bonds/notes	723	420	**1,143**	840	472	1,312
AMP Income Securities	1,240		**1,240**	1,240		1,240
Total subordinated debt (Tier 2)	1,963	420	**2,383**	2,080	472	2,552
Domestic commercial paper and NCDs		583	**583**		2,432	2,432
Euro commercial paper		77	**77**	90	472	562
Euro medium term notes	1,362		**1,362**	1,584	379	1,963
Domestic medium term notes		448	**448**		498	498
Other	22		**22**	34		34
Total senior debt	1,384	1,108	**2,492**	1,708	3,781	5,489
Loans					232	232
Deposits-in		1,717	**1,717**		2,413	2,413
Other		1	**1**		3	3
Total debt	3,347	3,246	**6,593**	3,788	6,901	10,689
Corporate gearing ratios						
Gearing - debt/(debt + equity)[1,2]	**12%**			13%		
Gearing - debt/equity[1,3]	**48%**			44%		
Interest cover (times)	**3.6**			3.5		
Underlying interest cover (times)	**4.3**			5.2		

1. Definition in the glossary includes allowance for hybrid equity (page 38).
2. (3,347 - 1,963)/(3,347 + 1,140 + 7,025) = 12%.
3. 3,347/7,025 = 48%.

Total corporate debt has decreased through the repayment of A$90m euro commercial paper and currency movements due to the strengthening of the A$ against the £.

Interest cover improved marginally, with further improvement expected in 2H 03, as the benefit from the repayment of borrowings from Pearl 90:10 fund has not been fully realised due to the one year rolling nature of the calculation.

Operational debt at 30 June 2003 comprised:

A$m	
AMP Bank	2,741
AMP Finance and AMPBS Limited	184
Other	321
Total operational debt as above	3,246

Operational debt has decreased by A$3,655m as a result of further securitisation and the sale of various AMP Banking portfolios.

Overview of embedded value and value of new business

Overview of embedded value (EV) and value of new business (VNB)

- This information shows the embedded and new business values for the businesses of AFS (AMP Life funds, other subsidiaries and business support operations (BSO), but excluding AMP Banking) and UKFS (life funds of AMP Pearl, AMP NPI and AMP London Life, business support operations, unit trust and Open Ended Investment Company (OEIC) business and other subsidiaries and shareholder capital allocated to UKFS).
- Embedded values in this report are calculated by the AMP Life Appointed Actuary and the UKFS Chief Actuary. The projections underlying these embedded values do not explicitly allow for future volatility. An investor should consider the perceived business or financial risk when choosing a risk discount rate. AMP publishes EVs on a range of discount rates to assist the investor in this regard.
- More details about embedded values can be found on AMP's website.
- Assumptions used for the embedded and new business values are consistent with the best estimate assumptions used in calculating Margin on Services (MoS) policy liabilities (except for equity risk premiums in UKFS). Refer to pages 42 and 44 for the key assumptions and the independent review statement thereon.
- Risk discount rates are the yield on long term government bonds plus the discount margin. Future investment earnings and inflation are also based on these long term government bond yields and do not vary with the discount margin.
- "Expected return" represents the unwinding of the discount (at the relevant discount margin over the end 2002 yield on long term bonds) on discounted values and the net expected investment return on undiscounted values.
- "Value added" represents growth in excess of the expected return, and before transfers of profit and capital.

Embedded values as at 30 June 2003

A$m	Capital included	Discount margin 3%	4%	5%	6%
Australian Financial Services	3,819	6,050	5,810	5,596	5,405
Value of 1H 03 new business		100	88	76	66
UK Financial Services	5,066	3,794	3,536	3,300	
Value of 1H 03 new business		5	2	0	

- The "Capital included" in the EV calculations is the same as the "Total capital" ("tangible capital resources" and "intangibles") allocated to AFS (excluding AMP Banking) and UKFS respectively (on page 13). In particular the "Capital included" in the EV for Pearl only includes assets in the shareholders funds to the extent that they are admissible for regulatory purposes.
- When comparing these results with those under "UK achieved profits", note that the UKFS embedded value and value of new business are net of UK income tax (including shareholder tax on transfers). However in UK-market achieved profit presentations, the change in embedded value and value of new business are often quoted:
  - gross of tax at the corporate rate
  - before investment variances and economic assumption changes.

AFS embedded value and value of new business

AFS EV and VNB does not include AMP Banking.

Embedded value increase driven by expense reductions

- Embedded value increased by 5.8% at the 3% discount margin (dm) after restatement of FY 02 and before 1H 03 transfers.
- The restatement results from a revised expense allocation reflecting the new AFS business model, adding A$281m (3% dm) or A$239m (6% dm). The main impact has been to recognise a greater proportion of expenses as being attributable to new business acquisition activities, rather than maintenance activities.
- The value added factors in 1H 03 were:
  - new business adding A$100m (3% dm) or A$66m (6% dm)
  - lower future unit costs resulting from cost saving initiatives adding A$190m (3% dm) or A$162m (6% dm)

  offset by:
  - investment returns and changes in bond yields reducing value by A$16m (3% dm) or A$17m (6% dm)
  - lower persistency assumptions reducing value by A$93m (3% dm) or A$67m (6% dm)
  - adverse exchange rate movements (A$22m at 3% dm and A$19m at 6% dm) and asset mix changes (A$42m at 3% dm and A$19m at 6% dm). The asset mix changes reduce embedded value but increase RoIC.
- Net transfers include capital of A$281m transferred out to Corporate Office, as well as A$13m of franking credits transferred out at 70% of face value.
- The increase of A$250m in the market valuation of the distribution companies (principally Hillross and AMPFP) had no effect on the EV and VNB (also see note 3 on page 19).

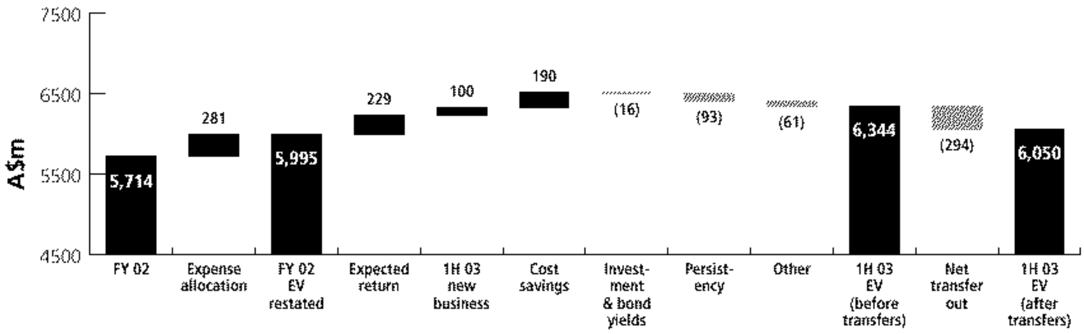
Value of new business declines due to lower sales volumes

- The revised expense allocation reduced the value of new business by A$10m in 1H 02.
- After restatement the value of new business reduced from A$114m in 1H 02 to A$100m in 1H 03 (both at 3% dm) due to:
  - movements in bond yields adding A$2m
  - lower unit costs adding A$27m
  - a more profitable mix of business (Risk sales up 19%) adding A$9m

  offset by:
  - lower overall volumes deducting A$32m
  - lower persistency assumptions deducting A$13m
  - other assumption changes (mainly lower long term risk premiums for equity investments) deducting A$7m. (Note the change to equity risk premiums was already included in FY 02 results.)

Change in embedded value

(at the low risk discount margin (3%) above bond rate)



AFS embedded value and value of new business

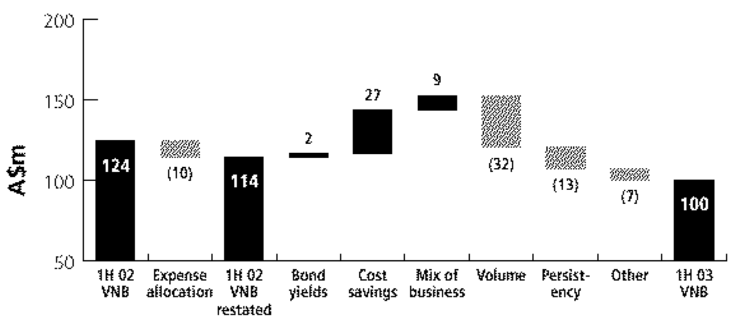
Australian Financial Services (A$m)	Embedded value and discount margin 3%	4%	5%	6%
Embedded value at 31 December 2002	5,714	5,479	5,270	5,085
Restatement	281	266	252	239
Expected return	229	241	252	262
Value added	120	118	116	113
Net transfers out	(294)	(294)	(294)	(294)
Embedded value at 30 June 2003	6,050	5,810	5,596	5,405
1H 03 return on embedded value	5.8%	6.2%	6.7%	7.0%
Embedded value comprises:				
Adjusted net assets[1]	1,514	1,514	1,514	1,514
Value of in-force business[2]	4,536	4,296	4,082	3,891
Embedded value by major entity				
AMP Life	5,010	4,819	4,649	4,497
Service company (business support operation)[4]	880	834	793	757
Other subsidiaries[3]	160	157	154	151
Value of new business				
2003 first half	100	88	76	66
2002 first half as reported	124	111	99	89
2002 first half restated	114	102	91	82
Value of new business by major entity - 1H 03				
AMP Life	62	52	42	34
Service company (business support operation)	33	31	29	28
Other subsidiaries	5	5	5	4
Value of new business by major entity - 1H 02				
AMP Life	80	70	60	52
Service company (business support operation)	28	26	25	24
Other subsidiaries	16	15	14	13
Value of franking credits @ 70% full value (included above)				
Value of in-force business	977	936	900	867
Value of new business - 1H 03	23	20	19	17

Source: AMP Life Appointed Actuary

1. Adjusted net assets broadly represent shareholder net assets in excess of capital adequacy requirements at face value.
2. Value of in-force business includes shareholder net assets of A$1,570m at face value which are valued at a discount to expected time of release.
3. Other subsidiaries include unit trust wrap and master trust businesses and distribution companies, but exclude AMP Banking (A$507m of tangible capital resources).
4. The value of the business support operation is based on those service company revenue and expenses which are allocated to AFS.

Change in value of new business

(at the low risk discount margin (3%) above bond rate)



UKFS embedded value and value of new business

Embedded value falls following write-downs and restructuring

Embedded value fell to £1,341m (5% dm) due to various factors including: (all numbers at 5% dm)

- investment markets and bond yield changes in 1H 03 had a small impact reducing EV by £38m
- restatements and modelling changes since FY 02 reduced EV by £95m; £50m of this relates to work done on NPI
- the revised investment strategy to reduce exposure to equity markets has reduced EV by:
  - £35m because of lower future investment earnings in Pearl
  - £176m due to impairment in the value of Pearl's investment in NPI Life Limited
  - £55m due to impairment in the value of the London Life contingent loan
- the value of the service company reduced by £183m made up of:
  - £92m of expenses in 1H 03, mainly the transformation costs of £78m resulting from the decision to close NPI to new business
  - £77m, following a renegotiation of the service agreement with Pearl
  - £14m for other changes to the service company valuation.
- changes to actuarial decrement assumptions have reduced EV by £154m
- the EV of Towry Law has been reduced by £60m following a review of economic value
- the UKFS Chief Actuary has assumed that no capital or dividends will be distributed from Pearl until about 30 June 2006. This assumption is sensitive to the outcome of the new regulatory regime in the UK. This means that the value of shareholder capital, not already required to support minimum regulatory requirements, is discounted to its expected date of release, reducing EV by £52m.

Net transfers mainly represent the £157m recapitalisation of the service company.

Value of new business

VNB declined from £12m (1H 02) to nil (1H 03) at 5% dm. This is in line with expectations announced within the FY 02 Investor Report.

Impact of lower volumes (-£9m) and the absence of the fixed charge levied against Pearl 90:10 fund following its closure to new business (-£31m) plus miscellaneous other movements (-£4m) were offset by a reduction in unit acquisition expenses from cost reduction activities of +£32m.

Following the effective closure of AMP's remaining UK operations to new business already announced, the VNB will remain at approximately nil.

UKFS embedded value and value of new business

UK Financial Services (£m)	3%	Embedded value and discount margin 4%	5%
Embedded value at 31 December 2002	2,193	2,079	1,979
Expected return	77	82	87
Value added	(880)	(876)	(877)
Net transfer in	152	152	152
Embedded value at 30 June 2003	**1,542**	**1,437**	**1,341**
1H 03 return on embedded value	-36.6%	-38.2%	-39.9%
Embedded value comprises:			
Adjusted net assets[1]	39	39	39
Loans and reserves[2]	102	89	76
Value of in-force business[3]	1,401	1,309	1,226
Embedded value by major entity			
Life business	1,537	1,437	1,344
Service company (Business Support Operation)	0	0	0
Other subsidiaries	5	0	(3)
Value of new business			
2003 first half	2	1	0
2002 first half	20	15	12

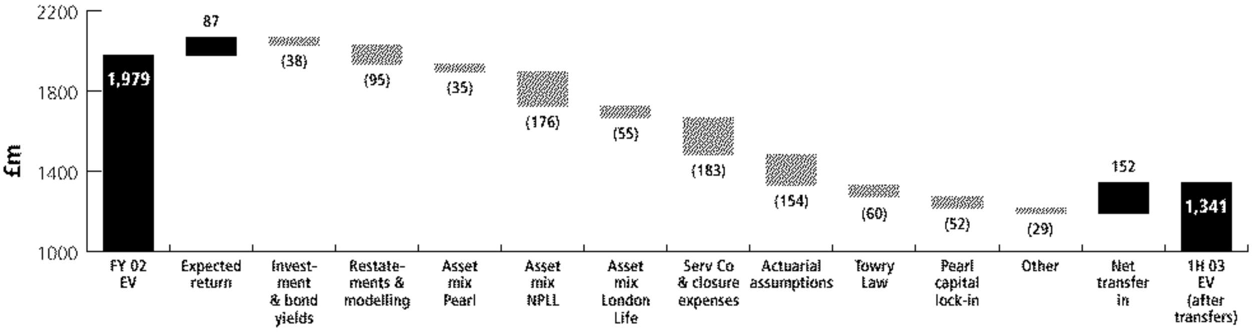
Source: UKFS Chief Actuary

1. Adjusted net assets are those UKFS shareholder net assets which are valued at face value. This broadly represents non-Pearl assets which are either (i) in excess of minimum regulatory requirements or (ii) inadmissible. It excludes all Pearl shareholder assets (including those in excess of minimum regulatory requirements) since the UKFS Chief Actuary has assumed, for the purposes of the embedded value, that no Pearl shareholder assets are immediately releasable.
2. Loans and reserves represents the discounted value of the London Life contingent loan and special reserve account, with a face value of £179m.
3. Value of in-force business includes:
   - the value to shareholders of future distributions of profits (net of tax) from business in-force
   - excess assets in the with-profits fund (one ninth of the bonuses required to exhaust them)
   - shareholder net assets at the relevant risk discount rate to time of release.

   The face value of shareholder net assets included in the value of in-force business is £1,768m.

Change in embedded value

(at the high risk discount margin (5%) above bond rate)



EV and VNB sensitivities

Change in embedded value (A$m) at 30 June 2003	AFS			UKFS			
	Life & other	BSO	Total	Life & other	BSO	Total	Total
1% (100bps) increase in long term bond yields:							
- best estimate	(45)	(30)	(75)				
- passive	(10)	(25)	(35)	(15)	(10)	(25)	**(60)**
5% reduction in controllable costs	-	70	70	-	65	65	**135**
1% increase in persistency	80	20	100	30	15	45	**145**
5% increase in equity index - local equities	80	-	80	25	-	25	**105**
5% increase in equity index - international equities	20	-	20	-	-	-	**20**

1H 03 change in value of new business (A$m)	AFS			UKFS
	Life & other	BSO	Total	
1% (100bps) increase in 10 year bond yields:				
- best estimate	(2)	(1)	(3)	No data has been provided for UKFS because 1H 03 VNB is not a guide to future new business (see page 20).
- passive	(1)	-	(1)	
5% reduction in controllable costs	-	7	7	
1% increase in persistency	5	1	6	
5% increase in sales	3	2	5	

Key assumptions

- The tables illustrate the sensitivity of the embedded and new business values to various economic and business variables.
- The sensitivities can at best be only indicative because:
  - **they are not always linear or symmetrical,** because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees. This asymmetry has been accentuated by recent market falls, although it is mitigated to some degree by asset/liability management actions taken
  - they assume that the movement in a particular variable is independent of all others
  - they show the average movement for the risk discount margin range
  - they are based on the 1H 03 position, ie not "forward looking", and make no allowance for events subsequent to 30 June 2003.
- The 1% increase in long term government bond yields is assumed to be accompanied by a 0.5% increase in inflation, and other associated changes in economic assumptions, bonus rates, risk discount rates and bond values. For AFS, two sensitivities are shown, representing two different approaches to future earning rate assumptions for equities. The two scenarios are:

Change in assumed risk premium with 1% increase in long term bond yields	Equities	Other assets
Best estimate	-0.5%	0.0%
Passive	0.0%	0.0%

For UKFS, only the passive sensitivity is shown, reflecting AMP's adoption of UK market practice, where a long term average equity risk premium is used, independent of bond yields.

- The 5% reduction in costs is based on AFS and UKFS controllable costs only, ie it excludes commission and investment management fees. The analysis assumes cost reductions arise in the business support operations.
- The 1% increase in persistency is based on a uniform reduction in lapses in all future years. Risk business is not included in this sensitivity.
- The 5% increase in equity index for local equities is based on the ASX All Ordinaries for AFS and UK FTSE All Share for UKFS. No adjustment is made for investments outside index weightings, non-listed equities are excluded and it makes no allowance for events subsequent to 30 June 2003.

Profit sensitivities

FY 03 profit sensitivities (A$m)	Operating margins	Investment income	Total
Economic variables			
5% increase in Australian equities	10	30	**40**
5% increase in UK equities	15	5	**20**
1% (100bps) decrease in 10 year UK gilt yields	(30)	135	**105**
1% (100bps) decrease in 10 year Australian bond yields	(5)	20	**15**
10% increase in GBP vs AUD	0	25	**25**
Business variables			
5% increase in sales volumes - AFS	5		
10% increase - average external AUM	20		
5% reduction in controllable costs	80		

The table illustrates the sensitivity of AMP's 2003 profit after income tax before other items to various economic and business variables.

These sensitivities are at best only indicative, because:

- **they are not always linear or symmetrical**, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees. This asymmetry has been accentuated by recent market falls, although it is mitigated to some degree by asset/liability management actions taken
- they assume that the particular variable moves independently of all others
- they are based on the 1H 03 position, ie not "forward looking", and make no allowances for events subsequent to 30 June 2003
- in general, they assume that movement occurs evenly over the year.

Other assumptions include:

- parent company shareholders' equity is fully invested and there are no adjustments for investments which are outside index weightings
- only movements in local equities are included
- currency movements in investments in self-sustaining operations do not impact profit
- controllable cost reductions are assumed to arise in the business support operations
- all figures are after tax
- sales sensitivity assumes the same product mix as that underlying sales during 1H 03, and mainly reflects profit arising in the service companies
- currency sensitivities do not allow for hedging structures on FY 03 operating margins. At 30 June 2003 there were no AUD/GBP currency hedges in place. Impact on interest expense on corporate debt is not included in the table, but interest expense would increase by A$10m.

Under MoS accounting, non-investment experience has an immediate impact on life margins for the current period. Investment experience has a different impact on life margins:

- for participating business, profit margins are dependent on the level of future bonuses supported by both the value of available assets and the assumed future investment earnings (largely driven by prevailing bond yields). As the effect of movements in investment markets is absorbed by bonuses over a number of years, only a fraction of the impact is recognised in the current reporting period and is shared between policyholders and shareholders
- for risk and annuity business, movements in asset values have little impact on profit unless assets and liabilities are mismatched, in which case the impact of mismatching is fully recognised in the current reporting period
- for linked business, fee income is mainly based on the levels of assets under management, which in turn is directly impacted by investment markets
- as UK margins are now quite small, there is an increased prospect of changes being immediately recognised.

Australian Financial Services

Market conditions impact underlying operating profit, offset by vigilant cost management

- Underlying operating profit declined by A$34m (11%) from A$302m in 1H 02 to A$268m in 1H 03, reflecting:
  - flat investment markets and lower bond yields reducing AUM based fee income and shareholder share of policyholder supportable bonuses (-A$27m)
  - lower new business volumes reducing service company profits (-A$13m)
  - lower capital levels and a lower normalised rate of return (due to capital initiatives) reducing underlying investment income (-A$17m) and resulting in lower profits on capital guaranteed business (-A$4m)
  - higher than anticipated withdrawals resulting in additional write-down of unrecovered acquisition costs (-A$11m)
  - other items (-A$4m), offset by:
  - reduction in controllable costs due to cost reduction initiatives (+A$42m).

Cost management and capital initiatives stabilise shareholder return

- Costs have continued to be managed down, with AFS (including AMP Banking) delivering cost savings in excess of those forecast at the end of 2002. Controllable costs have reduced by A$59m (17%) from A$343m in 1H 02 to A$284m in 1H 03. The cost to income ratio (excluding AMP Banking) improved in 1H 03 despite a reduction in income from 41% in 1H 02 down to 40% in 1H 03. AMP Banking cost to income ratio improved from 120% to 98% in 1H 03.
- AFS (excluding AMP Banking) will better its FY 03 cost base target of A$560m despite increased costs in the second half for brand, discretionary projects and one-off advisor incentive payments.
- Return on invested capital (excluding AMP Banking) fell slightly to 14.8% in 1H 03, reflecting some decline in operating profit offset by successful implementation of capital reduction strategies.

AMP Banking

- AMP Banking performed well over 1H 03, delivering operating margins of A$2m (compared to -A$5m in 1H 02). This was driven largely through effective cost management and increased focus on the Australian Mortgages and Deposits (AMD) operations.
- Capital management remains a core focus area supported by the asset securitisation programs. A$2.7b of assets are funded via securitisation vehicles of which A$2.4b is off-balance sheet.
- Discussions have now commenced with APRA regarding the release of capital now possible as a result of the divestments and securitisation strategy. Capital expected to be released is around A$300m and is subject to APRA approval.

New business model successfully implemented

- During 1H 03, AFS capitalised on the 2002 business restructuring to transform further the operational structure of the business.
- Business line heads are directly accountable for operating margins, return on capital and value of their business.
- AFS has also realigned shared service functions over 1H 03 to the new business model.

Persistency steady compared to 2H 02

- Persistency over 1H 03 remained reasonably steady compared to 2H 02 (although slightly deteriorated compared to 1H 02 due to declining investor sentiment offset by a continuation of effective retention strategies). Retention remains a key focus, with planners being rewarded for retaining business and the refocussed Customer Communications Centre proactively keeping AMP accounts on the books.
- Effective customer retention has also been sustained due to planner retention, with the number of self-employed Australian and New Zealand planners increasing from 1,927 in 1H 02 to 1,976 in 1H 03 (excluding provisional planners).

Investor sentiment impacts new business and cashflow

- 1H 03 new business of A$3,694m fell 20% (compared to A$4,633m in 1H 02). Lacklustre investment sentiment drove the decline, with investment based products Flexible Lifetime Superannuation down 11% (in Savings and Retirement), CustomSuper down 14% (in Corporate Superannuation) and PortfolioCare down 23% (in Advice Based Distribution products).
- As anticipated, new business and top-ups for closed Mature products fell by 30% compared to 1H 02.
- Offsetting the negative growth was a strong improvement in Risk sales, up 19%, flowing from an increased focus on this product line at all levels.
- Australian Retail Mortgage sales of A$910m were 23% higher than 1H 02, with strong new business flowing from the mortgage broker distribution channel.
- AMPFP new business of A$2,375m was 17% below 1H 02 and appears consistent with industry experience as well as declining investor confidence. Similarly, 3rd Party Distributors new business decreased 24%.
- Hillross new business of A$486m was 8% below 1H 02 which was solid given industry trends.
- Customer Communications Centre new business improved 24% on 1H 02 due mainly to improved risk sales, an outcome of the dual focus strategy of retention and on selling to existing customers.

AMP Sanmar (India)

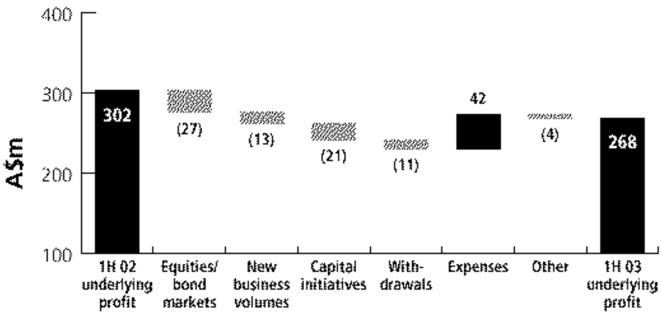
- AMP Sanmar continued to grow its distribution capabilities, increasing planners to 2,100 (up 61% since FY 02). Increased brand awareness and sales drives resulted in nearly 9,000 new policies during 1H 03.
- The results of AMP Sanmar are accounted for under market value accounting. The mark-to-market adjustment which for 1H 03 was immaterial, is reflected under the investment income market adjustment in Corporate Office.

Australian Financial Services financial summary

A$m	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Components of profit and loss					
Profit margins released	**114**	136	103	239	-16.2
Profit margins - other operations	**61**	52	43	95	17.3
Profit margins - AMP Banking Australian Mortgages and Deposits	**2**	(5)	(5)	(10)	140.0
Total profit margins	**177**	183	141	324	-3.3
Experience profits	**(5)**	6	(6)	-	-183.3
Total operating margins	**172**	189	135	324	-9.0
Underlying investment income	**96**	113	108	221	-15.0
Underlying operating profit after income tax	**268**	302	243	545	-11.3
Business restructuring costs - excluding AMP Banking	**-**	-	(69)	(69)	n/a
Assets sales net of provisions - AMP Banking only	**-**	-	2	2	n/a
Valuation adjustments[1]	**250**	-	-	-	n/a
Net profit after income tax	**518**	302	176	478	71.5
Ratios					
Cost to income - excluding AMP Banking	**40%**	41%	46%	44%	
Cost to income - AMP Banking only[2]	**98%**	120%	119%	119%	
Retention/persistency - excluding AMP Banking	**82.5%**	84.8%	82.7%	83.8%	
RoIC - excluding AMP Banking	**14.8%**	15.0%	13.3%	13.8%	
RoBUE - excluding AMP Banking	**17.1%**	17.1%	15.4%	15.8%	
RoIC - AMP Banking only[2]	**2.3%**	-7.2%	-7.1%	-7.1%	
New business by distribution channel - retail					
AMP Financial Planning (AMPFP)	**2,375**	2,876	3,055	5,931	-17.4
Hillross (AMP aligned 3rd Party Distributors)	**486**	528	589	1,117	-8.0
3rd Party Distributors	**350**	463	425	888	-24.4
Corporate Superannuation - direct sales force	**204**	460	320	780	-55.7
Customer Communications Centre	**84**	68	89	157	23.5
Total Australia	**3,499**	4,395	4,478	8,873	-20.4
New Zealand	**195**	238	257	495	-18.1
Total new business by distribution channel - retail	**3,694**	4,633	4,735	9,368	-20.3
New business by product type - retail					
Corporate Superannuation	**855**	1,057	956	2,013	-19.1
Savings and Retirement	**1,787**	2,297	2,376	4,673	-22.2
Risk[3]	**241**	202	321	523	19.3
Advice Based Distribution Products[4]	**299**	389	420	809	-23.1
Mature	**317**	450	405	855	-29.6
Total Australia	**3,499**	4,395	4,478	8,873	-20.4
New Zealand	**195**	238	257	495	-18.1
Total new business by product type - retail	**3,694**	4,633	4,735	9,368	-20.3
AMP Banking - New Business Mortgages	**910**	739	926	1,665	23.1
AMP Banking - New Business Deposits	**251**	542	642	1,184	-53.7

1. Refer to page 34 and 35 for more information.
2. Ratios are for all AMP Banking operations (excluding discontinued operations).
3. Risk new business equals 10 times the regular premium received (annualised premium income) for the period.
4. Represents PortfolioCare - externally manufactured products earning platform fees.

Movement in underlying operating profit 1H 02 to 1H 03



UK Financial Services

Profit and loss

- UKFS profit fell dramatically as a result of market impacts, reduction in equity exposure and loss of fees related to closure to new business.
- UKFS 1H 03 result was further impacted significantly by strategy changes announced on 1 May which resulted in transformation and valuation costs of £912m. Refer to pages 34 and 35 for a complete analysis.

Underlying profit - main movements

Total operating margins in 1H 03 were a loss of £7m of which Contemporary, comprising NPI Limited, Towry Law, Ample and that element of the service company result attributable to NPI Limited, contributed a loss of £16m. The split in the profit and loss table between UK Contemporary Financial Services and UK Life Services for 2002 is not meaningful.

- Profit margins released fell from £36m in 1H 02 to £17m. Lower asset values and lower expected future returns reduced future available margins.
- Margins from other operations 1H 03 of -£12m compared to £25m 1H 02 mainly relate to cost overhangs within the service company in moving from open business to run-off.
- Despite difficult trading conditions the other non-life companies such as Ample, Towry Law and unit trusts improved performance to £6m 1H 03 from £2m 1H 02.
- Experience losses in 1H 03 total £14m, up £9m on 1H 02. A significant component of these relate to losses recognised due to a revision of actuarial data. This review of data was due to the implementation of new actuarial systems and will continue in 2H 03.
- Underlying investment income increased by £9m in 1H 03 compared to 1H 02. Shareholder capital increased as a result of a cash injection of £500m during 2002. Shareholder capital remains invested in a range of assets including strategic investments (Towry Law, Virgin, HGI) and marketable securities (cash and bonds).

Return on invested capital dropped

- RoIC reduced to 3.1% (9.3% 1H 02) due to a 59% reduction in profitability. Shareholder Capital at 1H 03 of £2,059m (including a £418m double count of capital, for more information refer to page 41) reflected the write-downs in goodwill and recognition that shareholder assets within the life companies would be required to support policyholder liabilities.

New business declined

- New business in 1H 03 fell by 50% on 1H 02 reflecting market falls, with 59% of the total reduction attributable to the Direct Sales Force (DSF).
- The closure of the DSF was announced on 4 December 2002 with new business this year largely representing pipeline business from last year.
- At the end of June, NPI Limited stopped writing new business (exceptions to this being contractual increments, "equity release" products and new members to existing group pension schemes). New business is expected to remain minimal going forward.

Persistency fell

- UKFS product persistency was down at 85% for 1H 03 (88% for 1H 02) reflecting the difficult market and company conditions.
- The decision to prioritise solvency and therefore reduce equity risk within the UK life funds to protect policyholders was communicated individually to all with-profit customers (one group remaining). This resulted in increased customer activity and surrender rates - UKFS expect the increased surrenders to continue in the short to medium term, and cash outflow to increase in 2H 03.
- The impact of the fall in persistency is dependent on the type, duration and capital requirements of the business concerned. There can be different impacts on EV, profit and statutory and realistic solvency.
- Retention activity has commenced focussing on the areas of business with greatest financial impact.

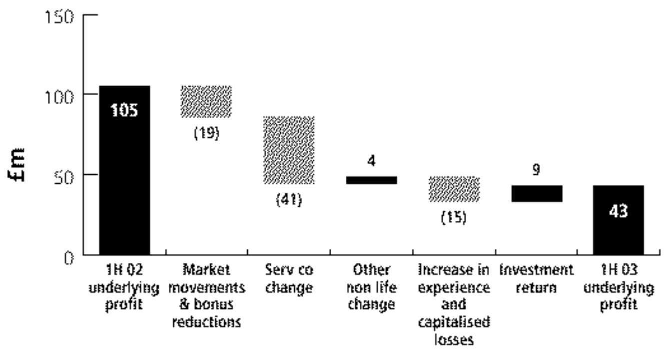
Restructuring of UKFS

- In line with the transformation program outlined in December 2002, DSF was fully disbanded and back office support personnel reduced within the expected restructure cost of £87m provided in the 2002 accounts.
- Implementation planning for further reductions in overhead and support costs as well as removing the direct costs associated with the decision to close NPI Limited are advanced. Costs of £78m to deliver the closure and consequent restructure have been recognised in 1H 03.
- We are currently rationalising the Pearl, NPI and Henderson unit trust and OEIC ranges with the objective of creating a single range of retail Henderson UK collective investment funds.

UK Financial Services financial summary

£m	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Components of profit and loss					
Profit margins released	**17**	36	19	55	-52.8
Profit margins - other operations	**(12)**	25	6	31	-148.0
Total profit margins	**5**	61	25	86	-91.8
Experience losses	**(14)**	(5)	(3)	(8)	-180.0
Capitalised (losses)/loss reversals	**2**	8	(10)	(2)	-75.0
Total operating margins	**(7)**	64	12	76	-110.9
of which: UK Life Services	**9**	-	-	-	n/a
UK Contemporary Financial Services	**(16)**	-	-	-	n/a
Underlying investment income	**50**	41	35	76	22.0
Underlying operating profit after income tax	**43**	105	47	152	-59.0
Business restructuring costs	**(78)**	(4)	(83)	(87)	n/a
Valuation adjustments	**(834)**	-	(189)	(189)	n/a
Net profit (loss) after income tax	**(869)**	101	(225)	(124)	n/a
Ratios					
Cost to income	**72%**	59%	71%	64%	
Retention/persistency	**85.0%**	88.3%	87.0%	88.0%	
RoIC	**3.1%**	9.3%	3.9%	6.5%	
RoBUE	**3.5%**	12.2%	5.1%	8.5%	
New business by distribution channel - retail					
Direct Sales Force	**155**	570	331	901	-72.8
Independent Financial Advisers	**474**	764	584	1,348	-38.0
Direct	**82**	75	149	224	9.3
Total new business by distribution channel - retail	**711**	1,409	1,064	2,473	-49.5
New business by product type - retail					
Superannuation/pensions	**424**	655	540	1,195	-35.3
Collective investment vehicles	**61**	392	257	649	-84.4
Life	**226**	362	267	629	-37.6
Total new business by product type - retail	**711**	1,409	1,064	2,473	-49.5

Movement in underlying operating profit 1H 02 to 1H 03



Henderson Global Investors - North

Performance measures

- Underlying operating profit of £12m, 48% down on 1H 02, was predominantly due to the adverse impact on management fees arising from the decline in equity markets. In particular, the MSCI World Index was on average 17% (in US$ terms) below 1H 02 and the FTSE 100 was on average 25% down.
- RoIC fell from 7.6% to 5.0% and RoBUE was down to 20.2% from 29.6% in 1H 02. The decline in profit was partly offset by improved working capital management. HGI - North invested capital of £449m comprises £125m of net assets and £324m of goodwill attributable to the original acquisition of Henderson plc.
- Cost to income ratio increased to 83%, a deterioration of 11% compared to 1H 02. This resulted from the impact of the equity market decline where it has not been possible to match the reduction in revenue with equivalent actions on the cost base. HGI - North continues to take measured cost management actions while maintaining some investment in development opportunities, including distribution capabilities in the US and Continental Europe, and in improving core IT infrastructure.

Underlying profit

- HGI - North's £11m (48%) decline in underlying profit versus 1H 02 comprises the following post-income tax movements:
  - £9m adverse management fee impact from falling equity markets
  - £1m adverse fee impact derived from internal fund cash outflows
  - £2m adverse impact from reduced margin due to the reduction in higher margin equity assets resulting from market decline
  - £2m decrease in other income (performance, transaction and investment income), offset by
  - £1m favourable fee impact derived from a change in business mix resulting from external business cashflows
  - £2m reduction in expenditure through retrenchment and efficiency measures.

Fee income

- Overall fee income was down £19m (17%) on 1H 02 to £94m, comprising:
  - management fees down £15m (15%) on 1H 02 to £83m. The movement was explained as:
    - £12m fall through markets (48% of total AUM invested in equity markets in 1H 03)
    - £1m reduction as a result of internal fund cash outflows
    - £3m fall through lower margins, offset by
    - £1m increase as a result of external cash inflows.
  - transaction and performance fee income down £3m (21%) on 1H 02 to £11m mainly due to performance fees arising on internal fund portfolios in the prior year.

Management expenses

- Management expenses compared to 1H 02 reduced by £2m (2%) to £80m. Cost reduction actions and efficiency measures of £4m were offset by increased expenditure on IT infrastructure (£2m) including software licence costs relating to new front office systems.
- Expenditure savings were achieved in staff costs, investment administration, travel and marketing. HGI - North has maintained its commitment to key development initiatives including US mutual funds and core IT systems development.

AUM

- AUM rose by £0.7b (1%) from 31 December 2002 to £69.4b at 30 June 2003, comprising the following movements:
  - £2.3b relating to the increase in markets in 1H 03 since FY 02. As at 30 June 2003 the FTSE 100 was up 2.3% to 4031 and the MSCI World Index was up 7.3% to 528, offset by
  - £1.3b internal fund net cash outflows
  - £0.3b external net cash outflows, with gross external fund sales of £2.3b being offset by £2.6b of redemptions.
- AUM of £69.4b at 30 June 2003 included £4.0b (A$9.8b) managed on behalf of HGI - South under a subadvisory agreement. These assets are included under both HGI - North and HGI - South but are eliminated on consolidation.

Investment processes

- HGI - North continued to strengthen the fixed interest investment capability through both selective recruitment of experienced professionals and enhancing risk management processes.
- New raisings included:
  - Collateralised Synthetic Obligation Fund £662m; specialist institutional property funds distributed in Germany £442m, the Middle East £68m and North America £50m; Fixed Interest Absolute Return Fund £20m
  - planned launch of UK Equity Enhanced Index Fund (raised £400m from launch, July 2003).

These funds will add in excess of £3m to annualised revenue once fully invested.

- HGI - North has maintained its investment into core IT systems and related processes to ensure the control environment continues to be developed and enhanced to keep pace with changes in the business. This investment supports HGI - North commitment to ensuring all material risks continue to be effectively and efficiently managed.

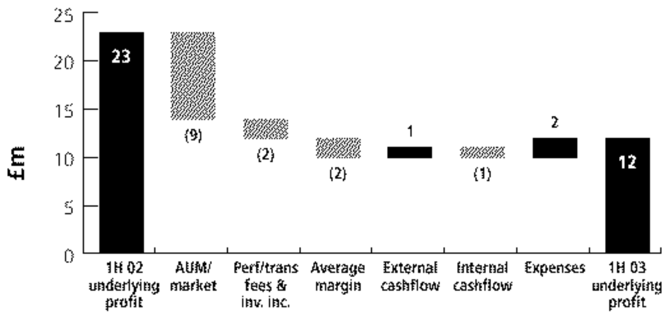
Investment performance

- 71% of listed assets outperformed their benchmarks during 1H 03, an improvement from 37% in FY 02.
- Won 19 investment performance awards in 1H 03, including six 1st place Standard & Poors Funds Awards in UK and Europe.

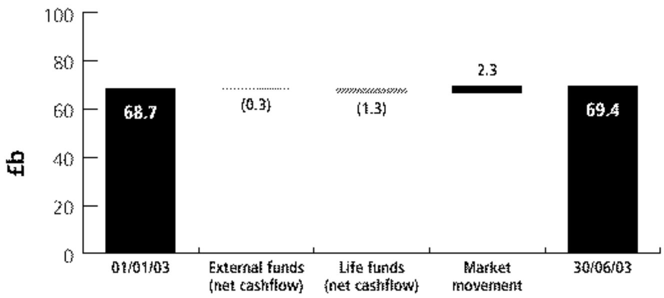
Henderson Global Investors - North financial summary

	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Components of profit and loss (£m)					
Fee income	**94**	113	104	217	-16.8
Management expenses	**(80)**	(82)	(80)	(162)	-2.4
Underlying investment income	**2**	2	2	4	0.0
Income tax	**(4)**	(10)	(11)	(21)	-60.0
Underlying operating profit after income tax	**12**	23	15	38	-47.8
Business restructuring costs	**-**	-	(5)	(5)	n/a
Asset sales	**-**	-	10	10	n/a
Valuation adjustments	**(35)**	-	(88)	(88)	n/a
Net profit (loss) after income tax	**(23)**	23	(68)	(45)	-200.0
Ratios					
Cost to income	**83%**	72%	75%	73%	
Retention/persistency	**85%**	83%	85%	84%	
RoIC	**5.0%**	7.6%	5.6%	6.7%	
RoBUE	**20.2%**	29.6%	22.1%	26.2%	
Assets under management by asset class (£b)					
UK equities	**18.4**	25.9		23.7	-29.0
International equities	**11.6**	14.9		12.0	-22.1
Fixed interest	**33.4**	28.6		27.0	16.8
Property	**5.5**	5.7		5.4	-3.5
Private capital	**0.5**	0.4		0.6	25.0
Total assets under management by asset class	**69.4**	75.5		68.7	-8.1
Assets under management by line of business (£b)					
Retail & subadvisory	**11.4**	14.1		11.3	-19.1
Institutional	**20.3**	21.2		19.4	-4.2
Internal funds	**31.5**	33.8		31.8	-6.8
Property	**5.5**	5.6		5.5	-1.8
Private capital	**0.7**	0.8		0.7	-12.5
Total assets under management by line of business	**69.4**	75.5		68.7	-8.1

Movement in underlying operating profit 1H 02 to 1H 03



1H 03 change in AUM



Henderson Global Investors - South

Performance measures

- Underlying operating profit declined from A$46m in 1H 02 to A$38m in 1H 03.
- Notwithstanding tight cost control, lower fee income levels resulted in the cost to income ratio increasing from 57% to 59%.
- RoIC remained stable at 27.7% , while RoBUE fell slightly to 54.5% as a result of lower profits.
- Capital invested reduced to A$263m for 1H 03 from A$292m at FY 02.

Fee income

Fee income was down A$21m compared to 1H 02 as a result of the following:

- average assets under management declined because of the expected run-off of the mature business, and a further deterioration in investment markets (ASX All Ords 5% lower and MSCI World Index - US$ was 4% lower than 1H 02)
- there was a slight deterioration in margins owing to change in the asset mix of the mature business asset classes. The change was reflective of AMP Life's desire to better match its assets and liabilities profile
- re-pricing of management fee structures for the four listed property trusts (LPT) resulted in lower base fees, offset by the potential to earn higher performance fees
- property transaction fees declined because of lower leasing and property development.

Cost management

In light of lower revenues, stringent cost management measures were implemented, which resulted in controllable costs declining by 8%, or A$7m.

Other items

- Loss on asset sales of A$39m represents the post-tax loss incurred on the transfer of trust and property management rights in AMP Diversified Trust (ADP) to Stockland Property Trust. HGI - South's balance sheet had a net carrying value for these "acquired management rights" in ADP (from Schroders) of A$67m. As part of the acquisition of ADP by Stocklands, the "acquired management rights" have been written down to nil value and offset against payment received (after tax) of A$28m.

  The annualised post-tax impact on operating profit for the loss of ADP is estimated at around A$4m.

Other LPT assets managed by HGI - South are currently subject to takeover offers as follows:

- AMP Retail Trust (ART) - Westfield Trust has completed the takeover of ART and became the new responsible entity in August 2003. HGI - South will retain the property management services for five of the ART's shopping centres. It is estimated that the annualised post-tax impact on operating profit for the loss of ART is estimated at around A$7m.
- AMP Industrial Trust (AIP) - Macquarie Goodman Industrial Trust is currently undertaking the acquisition of all units in AIP and is expected to become the new responsible entity in early September 2003. Henderson Global Investors - South is expected to receive payment of A$17.5m in 2H 03 (against a carrying value of A$10.7m), for the transfer of trust and property management rights. The annualised post tax impact on operating profit for the loss of AIP is estimated at around A$1m.
- AMP Office Trust (AOF) - HGI - South has proposed a restructure of AOF's management through the creation of a new management company, Ronin Property Group, which subject to unitholder approval (Sept 2003), will replace AMP Henderson as Responsible Entity for the trust. If the proposed restructuring is approved by AOF unitholders, AMP will receive a payment of A$31m as a procurement fee for the retirement of HGI - South as Responsible Entity. The annualised post tax impact on operating profit for the loss of AOF is estimated at around A$4m.

After these transactions, AMP will continue to manage one of the largest direct property portfolios in Australia of around A$10b, concentrating on the unlisted, wholesale sector.

AUM

- AUM has remained stable since FY 02 reflecting the recovery in domestic investment markets in 1H 03.

Investment initiatives

- During 1H 03, HGI - South expanded its investment capabilities, launching a number of new products to the market. These included:
  - Australian Market Neutral Equity Fund, Enhanced Yield Fund and for AMP NZ Financial Services, a Protected Income Fund
  - a broadened range of Future Directions multi-manager funds first released in 4Q 02, releasing six additional products, which have raised A$540m.

Investment performance

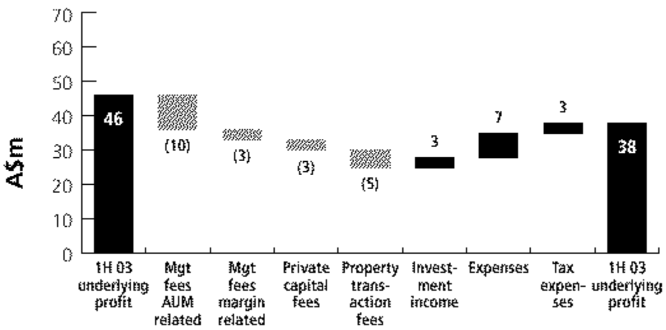
- 68% of property assets, 58% of listed assets and 99% of fixed interest assets outperformed their respective benchmarks for the 12 months ended 30 June 2003.
- This compared to 50% of property assets, 61% of listed assets and 91% of fixed interest assets for the 12 months ended 30 June 2002.

Henderson Global Investors - South financial summary

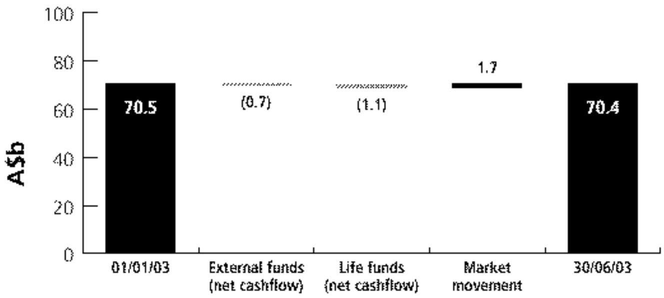
	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Components of profit and loss (A$m)					
Fee income	**128**	149	138	287	-14.1
Management expenses	**(79)**	(86)	(91)	(177)	-8.1
Underlying investment income	**6**	3	5	8	100.0
Income tax	**(17)**	(20)	3	(17)	-15.0
Underlying operating profit after income tax	**38**	46	55	101	-17.4
Business restructuring costs	**-**	-	(7)	(7)	n/a
Asset sales	**(39)**	-	-	-	n/a
Net profit (loss) after income tax	**(1)**	46	48	94	-102.2
Ratios					
Cost to income	**59%**	57%	64%	60%	
RoIC[1]	**27.7%**	27.9%	34.4%	33.5%	
RoBUE[1]	**54.5%**	58.6%	73.6%	78.6%	
Assets under management by asset class (A$b)					
Local equities	**19.2**	20.3		19.0	-5.4
International equities	**8.9**	9.8		9.0	-9.2
Fixed interest	**26.1**	27.0		26.5	-3.3
Listed assets	**54.2**	57.1		54.5	-5.0
Private capital	**2.5**	2.5		2.5	0.0
Property	**13.7**	13.5		13.5	1.5
Total assets under management by asset class	**70.4**	73.1		70.5	-3.7
Assets under management (A$b)					
Internal funds	**45.9**	48.4		46.4	-5.1
Institutional	**24.5**	24.7		24.1	-1.0
Total assets under management by line of business	**70.4**	73.1		70.5	-3.7

1. FY 02 includes A$24m from the sale of tax losses resulting in comparatively higher full year capital ratios.

Movement in underlying operating profit 1H 02 to 1H 03



1H 03 change in AUM



Portfolio businesses

Outside its core operations, AMP has a portfolio of businesses in diverse areas. A number of strategic changes were made to these businesses in 1H 03 as a result of the restructure announced in November 2002.

Portfolio businesses summary

A$m	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Reinsurance and direct insurance run-off portfolios	**19**	18	17	35	5.5
AMP Banking discontinued	**11**	3	-	3	266.7
Cogent	**-**	3	-	3	n/a
Total operating margins	**30**	24	17	41	25.0

Reinsurance and direct insurance run-off portfolios

A$m	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Gross written premium	**(20)**	4	47	51	-600.0
Reinsurance premium	**(1)**	(12)	(16)	(28)	91.7
Change in unearned premium reserve	**17**	15	3	18	13.3
Net earned premium	**(4)**	7	34	41	-157.1
Net claims	**167**	84	(104)	(20)	98.8
Net expenses	**(18)**	(14)	(31)	(45)	-28.6
Investment income on technical reserves	**(119)**	(60)	111	51	-98.3
Adjusted underwriting profit	**26**	17	10	27	52.9
Income tax	**(7)**	1	7	8	-800.0
Total operating margins	**19**	18	17	35	5.5
Investment income on shareholder capital	**(13)**	(7)	33	26	-85.7
Operating profit after income tax	**6**	11	50	61	-45.5
Valuation adjustments	**-**	-	(108)	(108)	n/a
Net profit after income tax	**6**	11	(58)	(47)	-45.5

The results above comprise the reinsurance and direct insurance run-off portfolios of AMP managed by Cobalt RunOff Services Ltd. Negative investment income on technical reserves arose from the strengthening of the Australian dollar against foreign currency holdings. These losses were matched by reductions in claims liabilities.

The portfolios continue to run-off favourably resulting in A$19m in operating margins, consistent with prior periods. Investment income on shareholder capital was negative due to foreign currency assets backing capital in the reinsurance business deteriorating against the AUD.

AMP Banking discontinued

Over 1H 03, AMP Banking divested the following assets as part of the strategic review announced in 2H 02.

- New Zealand and UK Retail Loans (A$2.5b)
- Australia and New Zealand Property Finance Loans (A$1.2b).

The divestment program including transaction costs (associated with sales) resulted in a 1H 03 loss of A$3m. This loss was offset by:

- the operating margins of these businesses until completion of sale, and
- a positive impact of a change in accounting policy to amortise previous years' loan external acquisition commission costs.

Virgin Money

Compared to the same period last year, the results of AMP's 50:50 joint venture with the Virgin Group, Virgin Money, improved by £4.6m at the pre-tax level. Sales of credit products particularly credit cards were strong in the UK. This was the first time that Virgin Money traded profitably at the operating level during the June half. The new Australian credit card was launched successfully on 2 May 2003 and over 200,000 applications have been received since the launch.

Corporate Office

A$m	1H 03	1H 02	2H 02	FY 02	% 1H/1H
Corporate Office costs					
Corporate Office costs not recovered from business units	**(20)**	(38)	(32)	(70)	-47.4
Integration costs	**-**	(6)	(3)	(9)	100.0
Total Corporate Office costs	**(20)**	(44)	(35)	(79)	-54.5
Underlying investment income on Corporate Office capital[1]	**(13)**	(18)	(18)	(36)	-27.8
Investment income market adjustment	**12**	(214)	(174)	(388)	105.6
Interest expense on corporate debt	**(94)**	(97)	(133)	(230)	-3.1
Reset Preferred Securities distribution	**(35)**	-	(13)	(13)	n/a
Goodwill amortisation	**(29)**	(27)	(27)	(54)	7.4
Business restructure costs	**(38)**	-	(12)	(12)	n/a
Demerger and UK listing costs	**(111)**	-	-	-	n/a
Superannuation fund top-up	**(31)**	-	-	-	n/a
Asset sales	**(15)**	-	204	204	n/a
Valuation adjustments	**(95)**	-	(352)	(352)	n/a
Total Corporate Office	**(469)**	(400)	(560)	(960)	n/a

1. Underlying investment income is net of AMP (UK) plc preference shares dividend elimination.

Corporate Office costs not recovered from business units decreased in 1H 03 compared to 1H 02 and 2H 02. This was mainly due to:

- the closure of AMP International
- the release of corporate provisions no longer required.

In 2002, integration costs mainly related to costs associated with integrating AMP Finance (formerly GIO Finance) into AMP Banking and the integration of Cogent's and Henderson's software systems.

Interest expense on corporate debt decreased from A$97m in 1H 02 and A$133m in 2H 02 to A$94m in 1H 03. This is mainly due to:

- euro commercial paper maturing by January 2003 not reissued during 1H 03
- repayment of borrowings from the Pearl 90:10 fund, as part of the UK capital restructuring in 2002.

AMP Reset Preferred Securities distribution commenced in October 2002. The annual distribution rate is currently set at 8.62% pa until the first reset date on 24 October 2007.

More information on investment income can be found on page 15, while pages 34 and 35 contain more information on transformation costs, valuation adjustments and asset sales.

AG Australia Holdings Limited (formerly GIO Australia Holdings Limited) which is part of the AMP Group, reached a settlement in the court action in the Federal Court relating to the take over of GIO in 1999. The action was brought on behalf of GIO shareholders who held shares continuously between 25 August 1998 and 4 January 1999, and who did not accept AMP's offer due to their reliance on announcements made by GIO in the take over period including GIO's Part B statement. The settlement is subject to court approval, and if approved will involve a total payment of A$112m. AG Australia Holdings Limited's contribution will be A$56.8m with the other parties paying the balance. AG Australia Holdings Limited's contribution is covered by reserves held within the AMP Group and will not impact profit and loss.

Summary of significant items

Valuation of subsidiaries and additional provisions

On 1 May, AMP announced its new strategic direction which has three elements:

- separate AMP's businesses to result in two regionally-focused listed companies
- significantly reduce the equity market risk in the UK life companies
- raise new equity capital to pay down debt to facilitate the demerger restructuring.

These strategic changes led to a comprehensive review of the valuation of key subsidiaries.

The review resulted in a A$2,268m write-down. This comprised of a write-down in UK assets where the valuations were not supportive of book value and additional policyholder liabilities. The value of Australian distribution subsidiaries (including Hillross and AMPFP) was also written up by A$250m, giving a net write-down of A$2,018m.

On 23 June, AMP announced it was closing NPI Limited to new business. For further information on the strategic initiatives, refer to the ASX release dated 1 May.

	1 May announcement	1H 03	
Total valuation adjustments	**£m**	**£m**	**A$m**
Additional provisions associated with risk reduction initiatives			
NPLL		-203	-507
NPI Ltd		-35	-88
London Life		-157	-393
Pearl		-124	-310
Service company		-8	-20
Sub total UKFS net tangible assets	-500	-527	-1,318
Write-downs associated with operational strategy changes			
UK Service Company EMVONA		-228	-570
Interactive Investor EMVONA and other write-downs		-16	-40
NPI Ltd goodwill		-43	-107
Pearl goodwill		-20	-50
Sub total UKFS intangibles		-307	-767
NPI Ltd goodwill allocated to HGI - North (page 29)		-35	-88
Investment in Virgin joint venture (page 33)		-38	-95
Total write-downs associated with strategy changes	-400	-380	-950
Sub-total UK write-downs and additional provisions	-900	-907	-2,268
Increase in valuations of Australian controlled entities			
Distribution subsidiaries including Hillross & AMPFP			250
Total valuation adjustments			**-2,018**

UK Financial Services

Total write-downs and additional provisions for UKFS of A$2,085m (£834m) comprise the following:

- those covered by changes in investment strategy (ie. risk reduction initiatives) totalled A$1,318m (£527m)
- those covered by changes in operational strategy totalled A$767m (£307m).

Summary of significant items

Additional provisions associated with risk reduction

- NPLL: £203m write-down is the expected impact to shareholders as a result of changes in the investment strategy.
- NPI Ltd: a review of actuarial assumptions due to changes during the period resulted in capitalised losses of £35m. This is primarily due to lapse rate increases as a result of the demerger.
- London Life: lower earnings assumptions arising from the switch out of equities crystallised a liability of £124m. In addition, a review of actuarial assumptions resulted in a loss of £33m. The most significant change relates to a strengthening of annuitant mortality to reflect emerging trends in experience.
- Pearl: changes in actuarial assumptions due to changes in investment strategy and other changes has resulted in an increase in policyholder liabilities. This includes changes in asset mix and an increase in lapse rate, expense and annuitant mortality assumptions.
- Service company: £8m other write-downs

Total of the above is £527m compared to £500m announced on 1 May.

Write-downs associated with operational strategy changes

Reductions reflect write-downs to the values of controlled entities. The market value takes into account management's future strategic plans for each of the operations. For those operations expected to be sold, the market value represents net realisable value assuming a sale at the current date or a specified future date. All valuations were supported by an independent external review.

£307m is included under UKFS, £35m under HGI - North and £38m under Corporate Office, compared to £400m announced on 1 May.

Australian Financial Services

The dealer groups (including AMP Financial Planning and Hillross Financial Planning Limited) have been revalued by Directors' valuation by A$250m in aggregate at 30 June 2003 in the books of AMP Life Ltd in accordance with AASB 1038.

Transformation and other one-off costs

Transformation and other one-off costs include:

After tax (A$m)	UKFS	Corporate	Total
Demerger and UK listing	-	111	111
Business restructuring	195	38	233
Superannuation fund top-up	-	31	31
Total	195	180	375

UK Financial Services

Business restructuring costs of A$195m (£78m) include staff redundancies, provision for void space and onerous contracts, (including lease breakage costs) and implementation costs, eg project office costs.

These costs include all of the costs related to closing UKFS life companies to new customers, which cost was provided for as part of the 1 May announcement.

Corporate Office

Costs relating to the demerger include communication with policyholders and shareholders on details of the demerger, professional and advisors fees and the cost of producing and distributing the Explanatory Memorandum.

It is anticipated that a further A$50m will be expensed in relation to the demerger in 2H 03.

UK listing costs relate mainly to professional and advisory fees. A further amount of around A$16m will be expensed in 2H 03 if the UK listing of New Henderson proceeds.

Business restructuring costs in Corporate Office for 1H 03 relate to void space in the UK. It is anticipated that a further A$47m will be expensed in 2H 03 relating to the implementation of the strategic initiatives in Corporate Office.

In 1H 03, additional employer contributions of A$31m were provided for the AMP Officers' Provident Fund, in accordance with its funding requirements.

Asset sales

HGI - South listed property trust

Net loss of A$39m incurred on the transfer of trust and property management rights in AMP Diversified Trust to Stockland Property Trust. Refer to further commentary under Henderson Global Investors - South (page 30) and the ASX announcement (page 37).

Completion adjustments

During 2H 02, AMP concluded the sale of Cogent to BNP Paribas and HGI UK Private Asset Management to Newton Investment Management Ltd. Under both of those agreements, provision was made for a final payment by the purchasers, which is dependent on a variety of factors. More information was provided in the FY 02 Investor Report page 33.

Amounts are after income tax	A$m
HGI - South listed property trust	(39)
Completion adjustments	(15)
Total net loss on sale of businesses	(54)

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AMP Limited - major ASX announcement index to 30 June

Announcement date		Subject	Announcement no.
January	**21**	AMP 2002 profit expectations - net operating profit of around A$500m and total net loss of around A$900m (after write-downs, asset sales and transformation costs)	03/03
February	**12**	AMP response to rating announcement	05/03
	12	AMP confirms open market briefings to discuss its full year results	06/03
	12	Information only - AMP warns shareholders to beware of offers to buy shares below their market price	
	24	Press speculation about AMP Chairman	07/03
	25	Mr Wallis retires as Chairman of AMP Limited	08/03
	25	AMP announces changes to the Board	09/03
	25	Confirmation of briefings	10/03
	26	AMP bottom line loss of A$896 million	12/03
March	**04**	Mr Wallis declines retirement allowance	14/03
	07	AMP comment on ratings	17/03
	11	Board candidates for 2003 AGM	18/03
	13	AMP makes Paul Batchelor payment	20/03
	19	AMP security holders warned not to accept unsolicited offers from National Exchange Pty Ltd	22/03
	25	AMP announces two new non executive directors (Pat Handley and Meredith Hellicar)	23/03
	28	AMP Banking transfers UK portfolio to Newcastle Building Society	27/03
April	**04**	2002 Shareholder report and notice of AGM	30/03
	14	AMP Banking announces latest steps in restructuring	33/03
May	**01**	Part 1 - AMP announces demerger and capital raising Part 1 - Presentation - Demerger proposal	36/03
	01	Confirmation of briefings	37/03
	01	Background information - AMP announces demerger and capital raising	38/03
	01	Press releases concerning the credit ratings of AMP group	39/03
	02	Successful completion of institutional component of capital raising	41/03
	08	AMP to withdraw resolutions from Annual General Meeting	45/03
	14	AMP response to ratings announcement	49/03
	15	AMP 2003 Annual General Meeting	50/03
	16	Results of the AMP AGM held on 15 May 2003	52/03
	21	Information only - AMP share purchase plan set to open	54/03
	22	Information only - AMP Banking sells rural lending portfolio to Rabobank	55/03
	23	Roger Yates assumes responsibility for the UK Business	56/03
	30	AMP Henderson Property Trusts	60/03
June	**11**	AMP discussions with ASIC regarding the progress of its proposed demerger and share purchase plan	64/03
	12	Information only - Update on demerger proposal	67/03
	16	Information only - Share purchase plan timetable	69/03
	18	Share purchase plan update	71/03
	23	NPI Ltd to be closed to new business and will be managed as part of AMP's UK Life Services business	72/03

This summary excludes administrative type announcements, eg changes in directors' interests, substantial holdings, etc.

All announcements are available at ampgroup.com

Accounting treatment and definitions

Capital treatment: regulatory, ratings and risk

Continuum of capital	Regulatory (as described by APRA regulations)	Ratings (Standard & Poors)	Risk
Equity	Counted as capital	Counted as capital[1]	Counted as capital
Hybrid	Up to 25% equity	Up to 15% of modified TAC plus allowable hybrid[2]	Counted as capital[3]
Upper Tier 2	Up to 100% Tier 1	Considered under hybrid	n/a
Lower Tier 2	(Lower Tier 2 cannot exceed 50% Tier 1)	Considered under hybrid	n/a
Senior debt	Not counted as capital	Not counted as capital	Not counted as capital

1. Includes minority interest.
2. TAC = total adjusted capital as defined by Standard & Poors rating agency.
3. To the extent it has deferrable coupons.

Risk types in AMP and business units

Market risk	Market risk	Market risk / Competitive risk	Competitive risk	Operational risk	Insurance risk	Insurance risk
Credit risk	Asset & liability mismatch market risk	Asset management business risk	Life competitive risk	Operational risk	Life liability risk	General insurance risk
Losses due to borrower defaults or downgrades.	Mismatch in timing of asset and liability cashflows due to market movements.	Economic losses due to fall in AUM, market movements or reduced persistency.	Reduction in fair value due to lapses, expenses and margins.	Losses due to people, process events, eg litigation, fraud, process and control failure etc.	Losses resulting from misestimation of actuarial life and morbidity expectations.	Actual claims are greater than reserves held.

Admissible/inadmissable assets - Regulators take a prudent approach to asset values in determining capital adequacy. As a result, part or all of the value of certain assets in regulated entities are deemed by the regulator to be inadmissable, and have little or no effect for regulatory capital purposes.

Controllable costs - Include management and project costs and exclude variable distribution expenses, investment management fees and interest on corporate debt. AMP Banking controllable costs exclude provision for bad and doubtful debts as well as variable acquisition costs.

Cost to income ratio - Calculated as controllable expenses divided by gross margin. Gross margin = NPBT + controllable expenses. For AFS and UKFS, profit before tax equals NPAT grossed up for an assumed 30% tax rate.

Debt:

- Corporate debt - Total group borrowings (including subordinated debt) less policyholder obligations and operational debt (mainly relating to AMP Banking).
- Operational debt - Debt raised to fund the operations of subsidiaries, either raised directly by the subsidiary or at a corporate level and passed directly to subsidiaries as debt.

Free Asset Ratio (FAR) - A common measure of financial strength for the long term funds of UK life companies in accordance with the UK statutory requirements (not MoS). There are a number of ways of calculating FAR. On the more conservative of the liability methods, it is calculated as the value of admissible assets and any implicit items less the value of liabilities and the required minimum margin, all divided by liabilities.

Gearing ratios:

- Debt/(debt + equity) = (total corporate debt minus hybrid Tier 2) divided by (total corporate debt plus hybrid equity, plus total equity attributable to ordinary shareholders).
- Debt/equity = Total corporate debt divided by total equity attributable to ordinary shareholders.

Group RoE - AMP Group return on equity is calculated as annualised profit after income tax and before other items, divided by the average shareholder equity over the period. For 1H 03, closing equity excludes the impact of the valuation adjustments (ie closing equity used for RoE calculation is A$2,018m higher than published on page 12).

Group RoE (underlying) - AMP Group return on equity (underlying) is calculated as annualised group underlying contribution divided by the average shareholder equity over the period. For 1H 03 closing equity excludes the impact of the valuation adjustments (ie closing equity used for RoE underlying calculation is A$2,018m higher than published on page 12).

Accounting treatment and definitions

Group RoIC - AMP Group return on invested capital is calculated as annualised profit after income tax and before other items, RPS distribution and interest expense on corporate debt divided by the average shareholder capital resources over the period. For 1H 03 closing capital excludes the impact of the valuation adjustments (ie closing capital used for RoIC calculation is A$2,018m higher than published on page 12).

Group RoIC (underlying) - AMP Group return on invested capital (underlying) is calculated as annualised Group underlying contribution before RPS distribution and interest expense on corporate debt, divided by the Group's average total shareholder capital resources over the period. For 1H 03, closing capital excludes the impact of the valuation adjustments (ie closing capital used for RoIC underlying calculation is A$2,018m higher than published on page 12).

Intangibles - Represent excess of market value over net assets of controlled activities (EMVONA) in AMP's books in respect of Henderson, AMP Life financial planning controlled entities, Towry Law and Interactive Investor and amortised goodwill from the acquisition of GIO and Schroders Property Funds Management. The movement between periods reflects exchange rate fluctuations and updated valuations of AMP's subsidiaries.

Interest cover - Calculated as profit before income tax, other items, interest expense on corporate debt, RPS distribution and depreciation for 1H 03 plus 1H 02 divided by interest expense on corporate debt before tax for the same periods.

Minimum regulatory requirements - Minimum regulatory requirements are defined as shareholder net assets being used to meet the minimum capital requirements of all regulatory bodies which impact the business unit (eg APRA, ASIC, FSA IMRO). This is after taking account of any other resources eg policyholder retained profits, unattributed equity and implicit items.

The minimum regulatory requirements are translated from the local regulatory reporting framework as shareholder net assets are on AGAAP basis. The table on page 13 shows how shareholder net assets are used in meeting minimum regulatory requirements.

NBI - New business index is calculated as 10 x regular life insurance premiums plus single premiums and unit contributions.

In respect of UKFS, new business includes products of AMP Pearl, AMP London Life and AMP NPI New (AMP NPI from 1 January 2000 and announced to be closed on 23 June 2003).

Operating margins - represent shareholder attributable profits or losses that relate to the underlying performance of the business unit. The principles of MoS are used in reporting the results of AFS and UKFS. It excludes investment earnings on shareholder capital and one-off items such as transformation costs, significant movements in capitalised losses and asset sales.

Persistency ratio - Calculated as opening AUM less outflows during the period divided by opening AUM.

RoBUE - Return on BU equity is calculated as annualised BU underlying operating profit after income tax (including underlying investment income) over the BU's average tangible capital resources over the period. No allowance is made for the benefit of gearing, which occurs at group level. For 1H 03, closing capital excludes the impact of the valuation adjustments.

RoIC - Return on invested capital is calculated as annualised BU underlying operating profit after income tax (including underlying investment income) over the BUs average invested capital over the period (ie net assets plus intangibles). For 1H 03, closing capital excludes the impact of the valuation adjustments.

Shareholder capital resources - Total capital invested in AMP's BUs and Corporate Office including both tangible and intangible capital.

Tangible capital resources - As normally understood in an accounting sense but excluding intangibles, ie total shareholders assets invested in AMP's BUs less intangibles. At a BU level these are shown gross of any holding in another BU. Inter BU holdings are fully described under "Eliminations" on page 41.

Unattributed life funds - For those UK life insurance funds which include with-profit business, only 10% of the assets in excess of the policy and other liabilities calculated under MoS can, in the context of the UK regulatory environment, be definitively attributable to shareholders. The remaining 90% of the excess assets is deemed to be equity which is not specifically attributable to shareholders' or policyholders' interests, and is referred to as "unattributed life funds".

Underlying contribution - Calculated as Total Operating Margins (which includes BU operating margins, discontinued business operating margins and Corporate Office costs not allocated to the BUs) less interest on corporate debt and RPS distribution plus underlying investment income.

Underlying interest cover - Calculated as profit before income tax, investment income market adjustment, other items, interest expense on corporate debt, hybrid distribution and depreciation, divided by interest expense on corporate debt before tax.

Underlying investment income - The investment income on shareholder capital attributed to the BUs (including Corporate Office) has been normalised in order to bring greater clarity to the results and to eliminate the distorting impact of short-term market volatility on the group's underlying performance. The excess (or shortfall) between the underlying return and the actual investment income is disclosed separately. Underlying returns are set at risk premiums/discounts over the long term average government bond rates for Australia and the UK. These premiums/discounts are consistent with MoS best estimate assumptions. The long term average bond rates are set for a three year period but are reviewed annually. The investment income of Discontinued Business are included in the BU normalised investment income, but is not normalised (doing so would not have a material impact) as the business is in run-off.

MoS accounting

What is MoS accounting?

Margin on Services (MoS) is the financial reporting methodology used to report on the life insurance business of Australian companies. The use of MoS is prescribed by Actuarial Standard 1.03, a standard issued under the Australian Life Insurance Act 1995, and adopted under Australian Accounting Standard AASB 1038. It applies to all Australian life companies and to Australian companies with life insurance subsidiaries.

MoS ensures that profit emerges on a realistic basis. It also provides for the expected future profit emergence to be identified. The governing standards allow sufficient flexibility to achieve true and fair reporting of the financial performance of the company with a reasonable degree of comparability.

Definition

Under MoS, the profits that are expected to be earned on life insurance business emerge over the life of the business as services are provided and income received, hence the name "Margin on Services".

Detailed description of MoS

The expected profits under MoS are related to a profit carrier which best reflects the provision of services under the policy type concerned and emerge as a proportion of that chosen profit carrier.

MoS policy liabilities are calculated using best estimate assumptions about future conditions. In general, "best estimate" means that the assumptions are made having regard to available statistics or experience data relevant to the business, and are neither deliberately overstated nor deliberately understated. In the case of the maintenance expenses, the assumption must be sufficient to cover the budgeted expenses in the following year.

If actual experience differs from that expected, the financial effects of these differences are recognised as experience profits or losses in addition to the expected profits.

Net investment earnings on retained profits and capital within a life fund are recognised immediately as profit in the reporting period.

All assets are valued at market value. Consistent with this, the best estimate liability assumptions include a future investment earning rate that reflects the yield implicit in the value of the assets backing those liabilities.

The policy liabilities recorded in the accounts have two components:

- the best estimate liabilities (to cover future benefits and expenses, and allowing for future premiums)
- the value of future profit margins (based on the appropriate profit carrier).

No profit is normally recognised at new business inception. Instead, profit margins on new business enhance the existing value of future profit margins, to be released over the future life of the business.

The best estimate assumptions are reviewed and revised as necessary at each reporting date. Changes in best estimate assumptions generally do not result in changes in the policy liabilities and so do not immediately affect reported profit. Rather, the effect of changes in assumptions is absorbed in the value of future profit margins, to emerge in the future.

The exception is market related changes in the investment earning assumption for non-participating business. In this case, the policy liabilities are altered and, to the extent that such change is not matched by a similar movement in the value of assets, a profit or loss emerges.

If future losses are expected (ie if profit margins fall negative), they must be recognised immediately. If a favourable change in assumptions subsequently occurs, or if profitable new business is written, previously recognised losses may be reversed before new profit margins are established.

For participating (with-profit) business, the profit carrier is the cost of bonus payments that are supported by the Value of Supporting Assets (VSA). The VSA is an accumulation of the policy liabilities from the end of the previous period, augmented by the cost of bonuses actually declared, and including actual investment experience. The policy liabilities at the end of a reporting period are the VSA reduced by the cost of supportable bonuses and the associated shareholder profit margins due in the reporting period. In this way, the cost of supportable bonuses and profit margins emerge in the reporting period.

As an alternative to a best estimate projection, an accumulation method may be used to calculate MoS Policy Liabilities if it produces results which are not materially different. For investment products, the Policy Liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings. This accumulation may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses. A similar approach is used for some risk business except that the basic accumulation is the amount of unearned premium plus outstanding and unreported claims at the valuation date.

Where an accumulation method is used, the Value of Future Profit Margins is not calculated explicitly but is implicit in the total Policy Liability.

Definitions of business units, eliminations and exchange rates

Financial services include:

- **AFS Australia, New Zealand**

  Life funds of AMP Life Limited, AFS business support operations, Hillross, Australian Securities Administration Ltd (previously AMPPIL), AMP Banking (which includes Australia and the integrated operations of AMP Finance Limited, AMP GBS Limited, AMP/Ergo Mortgage and Savings Limited and Ergo Personal Financial Services Limited) and other AFS subsidiaries and AMP Sanmar (India) joint venture.

- **UKFS United Kingdom**

  AMP Pearl, AMP NPI Limited (AMP NPI New or AMP NPIL), National Provident Life Ltd (AMP does not share in with-profit funds' profit) and AMP London Life, UKFS business support operations (supporting AMP Pearl, AMP London Life, AMP NPIL and National Provident Life Ltd (AMP NPLL)), Towry Law, Ample Interactive Investor and AMP Pearl unit trusts.

Treatment of AMP NPI

AMP NPI is split between AMP NPI Limited (NPIL) new business since 1 January 2000 and National Provident Life Limited (NPLL) pre-existing business prior to 1 January 2000. In respect of NPLL, the business is managed by AMP, however, shareholders have no entitlement to profits emerging within its life fund. It was announced on 23 June 2003 to close NPI Limited to new business and manage it as part of the UK Life Services business.

Henderson Global Investors - North

AMP's asset management operation in the UK, and as such captures a manufacturing margin on the UK and Asia Pacific wealth creation and protection businesses (in addition to the external manufacturing margin). HGI - North includes the packaging and distribution of investment products in the UK and Rest of World (RoW).

Henderson Global Investors - South

AMP's asset management operation in Australia & NZ, and as such captures a manufacturing margin on the Australasian wealth creation and protection businesses (in addition to the external manufacturing margin). In Australia, all packaging and distribution operations are included in AFS.

Portfolio businesses consist of:

- AMP's share of Virgin Money
- AMP Banking operations discontinued during 1H 03
- Discontinuing business which includes:

  Cobalt Insurance RunOff Services Ltd, reinsurance operations of Gordian RunOff Ltd (formerly GIO Insurance Ltd) and corporate general insurance.

Former AMP International assets have been integrated into other areas of the business (eg AMP Banking) or identified for value realisation (eg AMP Japan, Virgin Money).

Corporate Office includes:

- Corporate Office operations of the Group
- corporate debt excluding operational debt
- Reset Preferred Securities, a hybrid instrument issued in 2H 02.

Eliminations

A$m	Value also included in	Net assets	Total capital	
Henderson Global Investors	UKFS	(797)	(797)	admissible assets of Pearl Life funds
Virgin Money	UKFS	(232)	(232)	admissible assets of Pearl Life funds
Henderson Global Investors	AFS	(253)	(253)	admissible assets of AMP Life statutory funds
Loan to Corporate Office	Discontinuing business	(125)	(125)	admissible assets of Discontinuing business
Inter BU holdings		(1,407)	(1,407)	refer to page 13
Corporate debt		(3,347)	(3,347)	Capital allocated is before debt
Hybrid equity		(1,140)	(1,140)	Capital allocated is before hybrid equity

Exchange rates			AUD/GBP	AUD/NZD
2003	1H 03	- closing	0.4064	1.1455
		- average	0.3814	1.1038
2002	FY 02	- closing	0.3498	1.0766
		- average	0.3607	1.1744
	2H 02	- closing	0.3498	1.0766
		- average	0.3548	1.1424
	1H 02	- closing	0.3683	1.1558
		- average	0.3676	1.2037

Embedded value assumptions

Assumptions used for the embedded value (EV) and value of new business (VNB) are consistent with the best estimate assumptions used in calculating Margin on Services (MoS) policy liabilities (except for equity risk premiums in UKFS) . These assumptions reflect the expenses charged to the life funds including fees to business support operations.

Economic assumptions

Long term government bond yields used for the EV calculations are:

Annualised yields used	30 June 2003	31 December 2002
AFS (10 year bonds)	5.1%	5.2%
UKFS (15 year gilts)	4.4%	4.5%

Assumed investment returns gross of tax (% pa) are set at risk premiums over long-term government bond rates for Australia and the UK. At 30 June 2003, the risk premiums are (31 December 2002 in parentheses, where different)

	AFS	UKFS
Local equities[1,2]	3.7% (3.5%)	2.5%
International equities[1]	2.7% (2.9%)	2.5%
Property	2.0% (2.4%)	2.0%
Corporate bonds	0.5%	0.5%
Other fixed interest	0.0%	0.0%
Cash (where significant)	-1.0%	-1.0%

1. For UKFS, a long term average equity risk premium is used, consistent with UK market practice for embedded values. This is currently more conservative than the "best estimate" approach used in MoS, where risk premiums may be adjusted for the extent to which the relevant market is perceived to be under or over valued relative to bond markets.
2. For AFS an additional allowance of about 1% is made for franking credits on equity income.

For the purpose of setting investment assumptions, the broad asset mixes assumed for those funds containing participating business at 30 June 2003 are (31 December 2002 in parentheses)

%	AMP Life (Australia)	Pearl 90:10	London Life 90:10
Equities	30 (33)	23 (33)	1 (37)
Property	13 (18)	10 (14)	10 (10)
Fixed interest	43 (34)	62 (38)	86 (50)
Cash	14 (15)	5 (15)	3 (3)

Annual inflation rates assumed at 30 June 2003 are (31 December 2002 in parentheses where different)

	AFS	UKFS		
%		Pearl	London Life	NPI
Basic rate	2.1	2.5 (1.8)	2.5 (1.8)	2.5 (1.8)
Total inflation rate	2.1	5.0 (1.8)	3.5 (2.8)	3.5 (1.8)

The basic rate is used for indexation of premiums and benefits where appropriate. The total rate is used for expense inflation and includes an additional rate having regard to the terms of the relevant service agreement.

Significant changes

Significant changes since 31 December 2002 to other assumptions for the life funds include:

Future maintenance expenses:

- AFS: the allocation of expenses between products and expense categories has been based on an updated expense analysis.

Voluntary discontinuance:

- AFS: rates for allocated annuities and investment linked retail superannuation products have increased by 2% pa
- UKFS: At Pearl, long term rates have increased by between 2% pa and 15% pa, with further short term increases of up to 20% pa, depending on the recent and likely future experience of the particular product. Similar increases were assumed in respect of NPI.

Annuitant mortality

- UKFS: Pearl annuitant mortality rates reduced by about 2.5%. London Life female annuitant mortality rates reduced by about 22%.

Other assumptions

- (VNB only) acquisition expenses. Unit costs are based on actual acquisition expenses. Unit costs vary by product line and class of business based on an apportionment which is supported by expense analyses.
- (AFS only) franking credits are valued at 70% of face value.
- The value placed on business support operations:
  - for AFS, is equivalent to the incremental embedded value and value of new business that would result if those calculations included the value of expected profits arising from the business support operations, ignoring potential unit cost improvements arising after 2003
  - for UKFS, is determined by a discounted cash flow method based on the anticipated revenue and expenses of the run-off.

Further details

For the life funds, a fuller description of the assumptions and their 31 December 2002 values can be found in the notes to the 2002 AMP Ltd Financial Report.

As all business is projected for the EV, the description of the assumptions in the notes applies even where that business is not valued by projection methods under MoS.

As shareholder profits and transfers for participating business are related to policyholder profits and bonuses, EV methodology requires projections of future bonuses based on the experience assumptions. Note 22(e)(iii) in the 2002 AMP Ltd Financial Report, on future participating benefits, describes the method by which bonuses are projected for EV purposes in AFS. Other methods are used for each of the UKFS businesses consistent with UK regulatory requirements and market practice, as well as reflecting the particular circumstances of those businesses.

Note: For AFS, all assumptions shown are for Australia only. The EV of New Zealand business is less than 10% of the total AFS EV.

1H 03 Financial results

Analysis of operating results (A$m)	1H 03	+ Underlying investment income	= BU underlying result	+ Transformation and other costs	+ Asset sales	+ Valuation adjustments	= BU result
Australian Financial Services	172	96	268			250	518
UK Financial Services	(18)	131	113	(195)		(2,085)	(2,167)
Henderson Global Investors - North	28	3	31			(88)	(57)
Henderson Global Investors - South	34	4	38		(39)		(1)
Total BU operating margins	**216**						
Discontinued businesses	30	(13)					
Corporate Office costs	(20)	(13)		(180)	(15)	(95)	
Total operating margins	**226**						
Underlying investment income	208	208					
Interest expense on corporate debt	(94)						
Distribution on reset preferred securities	(35)						
Underlying contribution	**305**						
Investment income market adjustment	12						
Profit after income tax before other items	**317**						
Business restructuring costs	(233)			(233)			
Demerger costs	(111)			(111)			
Pension fund contribution	(31)			(31)			
Asset sales	(54)				(54)		
Valuation adjustments	(2,018)					(2,018)	
Goodwill amortisation	(29)						
Net loss after income tax attributable to shareholders of AMP Group	**(2,159)**						

Total shareholder capital resources (A$m)	1H 03	FY 02
Equity		
Share capital	**6,423**	5,001
Capital reserve	**510**	510
Foreign currency translation reserve	**(410)**	361
Retained profits	**502**	2,661
Total equity attributable to ordinary shareholders	**7,025**	8,533
Hybrid equity (Reset Preferred Securities)	**1,140**	1,141
Total equity attributable to ordinary shareholders plus hybrid equity	**8,165**	9,674
External corporate debt	**3,347**	3,788
Total shareholder capital resources	**11,512**	13,462

Independent review statement

Independent review report of selected information contained in the AMP Limited Investor Report for the half year ended 30 June 2003

To management of AMP Limited

Scope

The Investor Report and managements' responsibility
The management of AMP Limited is responsible for the Investor Report including pages 42 and 43.

Review approach
We have conducted an independent review of the financial information set out on pages 42 and 43 of the Investor Report of AMP Limited for the half-year ended 30 June 2003. We have performed the review of the financial information set out on pages 42 and 43 of the Investor Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial information on pages 42 and 43 of the Investor Report is not materially consistent with the definitions of operating margins, underlying investment income and shareholder capital resources set out on pages 38 and 39 or that the embedded value assumptions as stated on page 42 are not reasonable for their intended purpose. We disclaim any assumption of responsibility for any reliance on this review report or on pages 42 and 43 of the Investor Report to which it relates to any person other than management of AMP Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to review of the reconciliation of financial information to the Financial Report of AMP Limited, review of the determination of the operating margins, underlying investment income and shareholder capital resources in accordance with the definitions set out on pages 38 and 39, review of AMP Limited's documentation to support the embedded value assumptions, inquiries of AMP Limited's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information set out on pages 42 and 43 of the Investor Report of AMP Limited for the half-year ended 30 June 2003 is not materially consistent with the definitions of operating margins, underlying investment income and shareholder capital resources as set out on pages 38 and 39 and that the embedded value assumptions as stated on page 42 are not reasonable for their intended purpose.

Ernst & Young

Ernst & Young
Sydney
20 August 2003

Website

For additional information on the 2003 Half Year Results, visit the www.ampgroup.com website:

- Background information on AMP, Business Units, Management & Policies
- Explanation of difference between Margin on Services, Achieved Profits and US GAAP reporting
- Statutory Reporting at the AMP Limited level (incorporating shareholder, policyholder and unattributed interests)
- Archived webcast of the investor and analysts' presentations
- Archived ASX announcements and historical information since listing in 1998
- Definitions, details of assumptions and calculations of key ratios

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