AMP Limited

ABN 49 079 354 519

Directors' report for the half year ended 30 June 2013

DIRECTORS' REPORT

for the half year ended 30 June 2013

Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the half year ended 30 June 2013.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2013 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

- Peter Mason AM (Chairman) – *BCom (Hons), MBA, Hon.DBus (UNSW), FAICD*
- Craig Dunn (Chief Executive Officer and Managing Director) – *BCom, FCA*
- Patricia Akopiantz – *BA, MBA*
- Richard Allert AO – *FCA*
- Catherine Brenner – *BEc, LLB, MBA*
- Brian Clark – *DSc*
- Paul Fegan – *MBA*
- Simon McKeon AO – *BCom, LLB, FAICD* (appointed 27 March 2013)
- John Palmer ONZM – *BAgrSc, Hon DCom, FNZID*
- Nora Scheinkestel – *LLB (Hons), PhD, FAICD* (retired 9 May 2013)
- Peter Shergold AC – *BA (Hons), MA, PhD, FAICD*

Operating and financial review

Principal activities

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

The company serves five million customers in Australia and New Zealand. It also serves clients in Asia, Europe, the Middle East and North America. AMP has around 5,700 employees, around 865,000 shareholders and $179 billion of assets under management.

AMP Financial Services

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

AMP Financial Services is reported as four separate divisions:

- *Australian Wealth Management* provides customers with superannuation, retirement income, investment and banking products, SMSF administration and financial planning services (through aligned and owned advice businesses).

- *Australian Wealth Protection* comprises individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently.

- *Australian Mature* largely comprises products which are managed but no longer sold. Mature products include whole of life, endowment, investment linked, investment account, retirement savings account, eligible rollover fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts. 73 per cent of the mature products are capital guaranteed and 27 per cent are market-linked products.

- *AMP Financial Services New Zealand* provides tailored financial products and solutions to New Zealanders through a network of financial advisers. AFS NZ's risk business is the second largest by market share and is complemented by a growing wealth management business.

AMP Capital

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

Review of operations and results

AMP's profit attributable to shareholders of AMP Limited for the half year ended 30 June 2013 was $393 million (1H12: $373 million).

Basic earnings per share for the half year ended 30 June 2013 on a statutory basis was 13.6 cents per share (1H12: 13.2 cents per share).

Underlying profit is the basis on which the board determines the dividend payment. It is AMP's preferred measure of profitability as it smooths investment market volatility from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of AMP group. AMP's underlying profit for the half year ended 30 June 2013 was $440 million (1H12: $488 million). On an underlying basis, earnings were 15.0 cents per share (1H12: 17.0 cents per share).

AMP's key performance measures were as follows:

	1H13	2H12	1H12
Underlying profit	$440m	$462m	$488m
Cost to income ratio	48.6%	48.6%	46.5%
Growth measures			
AFS net cashflows	$862m	$421m	($113m)
AMP Capital external net cashflows	($2,070m)	($439m)	($1,345m)
AFS value of risk new business	$69m	$91m	$112m
Underlying return on equity	11.2%	12.1%	13.4%

Underlying return on equity reduced 2.2 percentage points to 11.2 per cent in 1H13 from 13.4 in 1H12, reflecting higher capital held, Australian wealth protection experience losses and lower underlying investment income.

Differences between underlying profit and statutory profit

The 30 June 2013 underlying profit of $440 million excludes the impact (net of any tax effect) of:

- net loss from one-off and non-recurring items of $5 million
- AXA integration costs of $31 million
- amortisation of AXA acquired intangible assets of $47 million
- market adjustment gains of $18 million, and
- accounting mismatch profit of $18 million.

A reconciliation between underlying profit and statutory profit is provided in note 2 of the financial report.

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are recognised in the financial report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the group.

The accounting mismatches arise from policyholder interests in the following:

- treasury shares (mostly AMP Limited shares held by the statutory funds on behalf of policyholders) – profit of $11 million created by falls in the AMP share price (1H12: $4 million profit)
- owner-occupied properties – loss of $2 million (1H12: $1 million loss)
- investments in controlled entities – profit of $19 million (1H12: $8 million loss)
- superannuation products invested with AMP Bank – loss of $10 million (1H12: $5 million loss).

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

- *Australian Wealth Management* – Operating earnings increased by $32 million (20 per cent) to $196 million in 1H13 from $164 million in 1H12. The increase in operating earnings was due to: stronger net cashflows and improved investment markets leading to a 12 per cent growth in average assets under management; higher net interest margin in AMP Bank, and continued cost focus including the realisation of cost synergies.
- *Australian Wealth Protection* – Operating earnings decreased $70 million (52 per cent) to $64 million in 1H13 from $134 million in 1H12 on worsening claims and lapse experience. Operating earnings increased $8 million from 2H12.
- *Australian Mature* – Operating earnings increased by $9 million (12 per cent) to $85 million in 1H13 from $76 million in 1H12. Operating earnings benefited from higher investment markets, lower controllable costs and new business offset by expected portfolio run off and experience.
- *AMP Financial Services New Zealand* – Operating earnings increased by $8 million (21 per cent) to $46 million in 1H13 from $38 million in 1H12 primarily as a result of strong growth in profit margins, whilst experience profits remained steady compared to 1H12.
- *AMP Capital* – Operating earnings before minority interests increased by $9 million (18 per cent) to $60 million in 1H13 from $51 million in 1H12. Operating earnings increased as a result of both growth in revenues driven by strong market performance and a continued focus on cost efficiency. This was partly offset by lower performance fees and a higher effective tax rate.

Capital management
Equity and reserves of the AMP group attributable to shareholders of AMP Limited increased to $7.85 billion at 30 June 2013 from $7.51 billion at 31 December 2012. This increase was due to profits, other comprehensive income and additional share capital issued under the dividend reinvestment plan less dividends paid.

AMP remains well capitalised, with $1.70 billion in shareholder regulatory capital resources above minimum regulatory requirements at 30 June 2013 ($1.37 billion at 31 December 2012 after allowing for the reduction in surplus due to LAGIC of $272m).

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

AMP has declared an interim dividend of 11.5 cents per share, franked to 70 per cent. The dividend payout ratio is 77 per cent of underlying profit for the half year ended 30 June 2013. AMP's dividend policy is to pay out 70–80 per cent of underlying profit, franked to the maximum extent possible.

AMP continues to offer a dividend reinvestment plan (DRP) to eligible shareholders. For the purpose of the interim 2013 dividend, no discount will apply to determine the DRP allocation price. The DRP will not be underwritten and new shares will be issued.

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

- On 15 August 2013, AMP announced an interim dividend on ordinary shares of 11.5 cents per share. Details of the announced dividend and dividends paid and declared during the half year are disclosed in note 13 of the financial report.

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

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the half year ended 30 June 2013.

Ernst & Young
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Building a better working world

Auditor's Independence Declaration to the Directors of AMP Limited

In relation to our review of the financial report of AMP Limited for the half-year ended 30 June 2013 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Tony Johnson
Partner
15 August 2013

Signed in accordance with a resolution of the directors.

Peter Mason
Chairman

Craig Dunn
Chief Executive Officer and Managing Director

Sydney, 15 August 2013

AMP Limited

ABN 49 079 354 519

Financial report for the half year ended 30 June 2013

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2013

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Registered Office:
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia

AMP Limited, a company limited by shares, is incorporated and domiciled in Australia.

Income statement

for the half year ended 30 June 2013

	Note	Consolidated 30 June 2013 $m	Restated 30 June 2012 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance premium and related revenue	3	**1,103**	1,068
Fee revenue	3	**1,166**	1,108
Other revenue	3	**317**	348
Investment gains and (losses)	4	**6,488**	4,775
Share of profit or (loss) of associates accounted for using the equity method		**7**	2
Life insurance claims and related expenses	5	**(1,006)**	(982)
Operating expenses	5	**(1,957)**	(2,098)
Finance costs	5	**(392)**	(470)
Movement in external unitholder liabilities		**(733)**	(338)
Change in policyholder liabilities			
- life insurance contracts		**16**	(360)
- investment contracts		**(4,236)**	(2,364)
Income tax (expense) credit	6	**(328)**	(322)
Profit for the period		**445**	367
Profit attributable to shareholders of AMP Limited		**393**	373
Profit (loss) attributable to non-controlling interests		**52**	(6)
Profit for the period		**445**	367

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

Earnings per share for profit attributable to ordinary shareholders of AMP Limited	Consolidated 30 Jun 2013 cents	Restated 30 Jun 2012 cents
Basic	**13.6**	13.2
Diluted	**13.5**	13.1

Statement of comprehensive income

for the half year ended 30 June 2013

	Consolidated 30 Jun 2013 $m	Restated 30 Jun 2012 $m
Profit	**445**	367
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets		
- gains and (losses) in fair value of available-for-sale financial assets	**2**	1
	2	1
Cash flow hedges		
- gains and (losses) in fair value of cash flow hedges	**(5)**	(31)
- income tax (expense) credit	**2**	9
- transferred to profit for the period	**13**	8
- transferred to profit for the period - income tax (expense) credit	**(5)**	(2)
	5	(16)
Exchange difference on translation of foreign operations		
- exchange gains (losses)	**45**	25
- income tax (expense) credit	**-**	-
	45	25
Revaluation of hedge of net investments		
- gains and (losses) in fair value of hedge of net investments	**(2)**	(1)
- income tax (expense) credit	**-**	-
	(2)	(1)
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans[1]		
- actuarial gains and (losses)	**109**	18
- income tax (expense) credit	**(33)**	(5)
	76	13
Owner-occupied property revaluation		
- gains (losses) in valuation of owner-occupied property	**10**	8
- income tax (expense) credit	**(1)**	-
	9	8
Other comprehensive income for the period	**135**	30
Total comprehensive income for the period	**580**	397
Total comprehensive income attributable to shareholders of AMP Limited	**528**	403
Total comprehensive income (loss) attributable to non-controlling interests	**52**	(6)
Total comprehensive income for the period	**580**	397

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

Statement of financial position

as at 30 June 2013

	Note	Consolidated 30 Jun 2013 $m	Restated 31 Dec 2012 $m
Assets			
Cash and cash equivalents		**5,111**	4,388
Receivables		**2,485**	2,077
Current tax assets		**68**	22
Inventories and other assets		**215**	210
Investments in financial assets	7	**103,241**	101,132
Investment properties	8	**6,678**	6,508
Investments in associates accounted for using the equity method		**89**	81
Property, plant and equipment	9	**1,026**	1,040
Deferred tax assets	6	**1,161**	1,217
Intangibles	10	**4,427**	4,502
Assets of disposal groups		**37**	187
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**124,538**	121,364
Liabilities			
Payables		**2,109**	2,288
Current tax liabilities		**229**	82
Provisions		**537**	614
Other financial liabilities	7	**2,637**	2,337
Borrowings	11	**13,182**	12,362
Subordinated debt	12	**1,120**	1,111
Deferred tax liabilities	6	**1,538**	1,425
External unitholder liabilities		**8,763**	9,702
Life insurance contract liabilities		**24,796**	25,055
Investment contract liabilities		**61,472**	58,385
Defined benefit plan liabilities		**171**	286
Liabilities of disposal groups		**5**	74
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**116,559**	113,721
Net assets of shareholders of AMP Limited and non-controlling interests		**7,979**	7,643
Equity[1]			
Contributed equity	14	**9,486**	9,333
Reserves		**(2,087)**	(2,157)
Retained earnings		**448**	332
Total equity of shareholders of AMP Limited		**7,847**	7,508
Non-controlling interests		**132**	135
Total equity of shareholders of AMP Limited and non-controlling interests		**7,979**	7,643

1 Further information on Equity is provided in the Statement of changes in equity on the following page and in note 14.

Statement of changes in equity

for the half year ended 30 June 2013

Consolidated — Equity attributable to shareholders of AMP Limited

	Contributed equity $m	Equity contribution reserve [1] $m	Share based payment reserve [2] $m	Cash flow hedge reserve [3] $m	Owner-occupied property revaluation reserve [4] $m	Foreign currency translation reserve [5] $m	Hedge of net investment reserve [6] $m	Capital profits reserve [7] $m	Available-for-sale financial assets reserve [8] $m	Demerger loss reserve [9] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
30 June 2013														
Balance at the beginning of the period before restatement	**9,339**	**1,019**	**61**	**(34)**	**85**	**(32)**	**1**	**329**	**-**	**(3,585)**	**251**	**7,434**	**97**	**7,531**
Balance at the beginning of the period - restated	**9,333**	**1,019**	**61**	**(34)**	**85**	**(32)**	**1**	**329**	**(1)**	**(3,585)**	**332**	**7,508**	**135**	**7,643**
Profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**393**	**393**	**52**	**445**
Other comprehensive income	**-**	**-**	**-**	**5**	**9**	**45**	**(2)**	**-**	**2**	**-**	**76**	**135**	**-**	**135**
Total comprehensive income	**-**	**-**	**-**	**5**	**9**	**45**	**(2)**	**-**	**2**	**-**	**469**	**528**	**52**	**580**
Share-based payment expense	**-**	**-**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Net sale/(purchase) of 'treasury shares'	**78**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**86**	**-**	**86**
Dividends paid[10]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(366)**	**(366)**	**(57)**	**(423)**
Dividends paid on 'treasury shares'[10]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**	**-**	**5**
New capital from shares issued under dividend reinvestment plan	**75**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75**	**-**	**75**
Sales and acquisitions of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Balance at the end of the period	**9,486**	**1,019**	**72**	**(29)**	**94**	**13**	**(1)**	**329**	**1**	**(3,585)**	**448**	**7,847**	**132**	**7,979**
30 June 2012 - restated														
Balance at the beginning of the period before restatement	9,080	1,019	35	(17)	74	(64)	4	-	-	(3,585)	283	6,829	68	6,897
Balance at the beginning of the period - restated	9,074	1,019	35	(17)	74	(64)	4	-	(6)	(3,585)	364	6,898	88	6,986
Profit (loss)	-	-	-	-	-	-	-	-	-	-	373	373	(6)	367
Other comprehensive income	-	-	-	(16)	8	25	(1)	-	1	-	13	30	-	30
Total comprehensive income	-	-	-	(16)	8	25	(1)	-	1	-	386	403	(6)	397
Share-based payment expense	-	-	14	-	-	-	-	-	-	-	-	14	-	14
Net sale/(purchase) of 'treasury shares'	(6)	-	-	-	-	-	-	-	-	-	(7)	(13)	-	(13)
Dividends paid[10]	-	-	-	-	-	-	-	-	-	-	(400)	(400)	-	(400)
Dividends paid on 'treasury shares'[10]	-	-	-	-	-	-	-	-	-	-	6	6	-	6
New capital from shares issued under dividend reinvestment plan	159	-	-	-	-	-	-	-	-	-	-	159	-	159
Sales and acquisitions of non-controlling interest	-	-	-	-	-	-	-	340	-	-	-	340	54	394
Balance at the end of the period	9,227	1,019	49	(33)	82	(39)	3	340	(5)	(3,585)	349	7,407	136	7,543

Statement of changes in equity (continued)

for the half year ended 30 June 2013

1 There has been no movement in the Equity contribution reserve established in 2003 to recognise the additional loss on the demerger of AMP's UK operations in December 2003. This loss was the difference between the pro-forma loss on demerger (based upon directors' valuation of the UK operations and the estimated net assets to be demerged) and the market-based fair value of the UK operations (based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger).

2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.

3 The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.

4 The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.

5 Exchange differences arising on translation of foreign controlled entities within the AMP group are recognised in Foreign currency translation reserve. Exchange gains and losses are transferred to the Income statement upon realisation of the investment in the foreign controlled entity.

6 The Hedge of net investment reserve reflects gains and losses on effective hedges of net investments in foreign operations. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the investment in the foreign controlled entity.

7 The Capital profits reserve represents gains attributable to shareholders of AMP on the sale of minority interests in controlled entities to entities outside the AMP group.

8 Unrealised gains or losses on available-for-sale assets are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. Upon impairment or disposal, the accumulated change in fair value within the Available-for-sale financial assets reserve is recognised within profit or loss in the Income statement.

9 There has been no movement in the Demerger loss reserve established in 2003 to recognise the transfer from shareholders' retained earnings of the total loss on the demerger of AMP's UK operations in December 2003.

10 Dividends paid includes the dividends paid on 'treasury shares'. Dividends paid on 'treasury shares' are required to be excluded from the consolidated financial statements by adjusting retained earnings.

Statement of cash flows

for the half year ended 30 June 2013

	Consolidated 30 Jun 2013 $m	Restated 30 Jun 2012 $m
Cash flows from operating activities[1]		
Cash receipts in the course of operations	**8,188**	7,439
Interest and other items of a similar nature received	**1,160**	1,196
Dividends and distributions received[2]	**206**	332
Cash payments in the course of operations	**(9,972)**	(8,399)
Finance costs	**(277)**	(451)
Income tax paid	**(94)**	(38)
Cash flows from/(used in) operating activities	**(789)**	79
Cash flows from investing activities[1]		
Net proceeds from sale of/(payments to acquire):		
- investment property	**(102)**	56
- investments in financial assets[3]	**680**	(1,634)
- operating and intangible assets	**18**	(23)
Proceeds from disposal of subsidiaires[4]	**113**	3
Payments to acquire subsidiaries[4]	**-**	(7)
Cash flows from (used in) investing activities	**709**	(1,605)
Cash flows from financing activities[1]		
Proceeds from borrowings - non-banking operations	**-**	611
Net movement in deposits from customers	**121**	912
Repayment of borrowings - non-banking operations	**-**	(590)
Net movement in borrowings - banking operations	**600**	(463)
Proceeds from the sale of 15% of AMP Capital Holdings Limited	**-**	425
Dividends paid[5]	**(286)**	(237)
Cash flows from (used in) financing activities	**435**	658
Net increase (decrease) in cash and cash equivalents	**355**	(868)
Cash and cash equivalents at the beginning of the period	**9,352**	9,600
Effect of exchange rate changes on cash and cash equivalents	**22**	11
Cash and cash equivalents at the end of the period[1]	**9,729**	8,743

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

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

3 Net proceeds from sale of (payment to acquire) investments in financial assets arise in respect of investments of AMP life insurance entities' statutory funds and controlled entities of those statutory funds and loans and advances made (net of payments) and purchases of financial assets (net of maturities) by AMP Bank.

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

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

Notes to the financial statements

for the half year ended 30 June 2013

1. Basis of preparation and summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and AASB134 *Interim Financial Reporting.* AMP group is a for-profit entity for the purposes of preparing financial statements.

These half year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the AMP group as that given by the annual financial statements. As a result, these statements should be read in conjunction with the 2012 annual financial statements of the AMP group and any public announcements made in the period by the AMP group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The principal accounting policies and methods of computation adopted in the preparation of the 2013 half year financial statements are consistent with the accounting policies and methods of computation adopted in the preparation of the 2012 annual financial statements with the exception of the application of new standards as set out below.

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

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the AMP group are investment assets held to back investment contract and life insurance contract liabilities.

Changes in accounting policy

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

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

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

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

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

Comparatives in the Financial statements have been restated retrospectively for the adoption of AASB 10 *Consolidated Financial Statements* and Revised AASB 119 *Employee Benefits.* A reconciliation of the restated comparatives to the previously reported amounts in the Income statement, Statement of other comprehensive income and Statement of financial position is set out in note 19.

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

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

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

- AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 128 *Investments in Associates and Joint* Ventures and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*. These standards have changed the criteria for determining which entities are to be accounted for using the equity method in preparing consolidated financial statements and the required disclosures in relation to consolidated entities, joint arrangements, joint operations, associates and structured entities.
- AASB 13 *Fair Value Measurement*. This standard has centralised the definition and guidance for measuring fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these standards. The new standard requires quantitative and qualitative disclosures for all fair value measurements to be included in annual financial reports (refer to note 15).
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*. This standard has amended the disclosures in AASB 7 Financial Instruments: Disclosures to require information on the effect or potential effect of netting arrangements, including rights of set-off associated with the group's recognised financial assets and recognised financial liabilities.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*. These amendments have clarified the meaning of 'currently has a legally enforceable right to set off' and the application of AASB 132 *Financial Instruments: Presentation* offsetting criteria to settlement systems which apply to gross settlement mechanisms that are not simultaneous.
- AASB 2012-5 *Amendments Arising From the 2009-2011 Annual Improvements Project*. These amendments have clarified the disclosure requirements for segment assets and liabilities in interim financial statements to align reporting within interim financial statements to the requirements of AASB 8 *Operating Segments*.
- AASB 2012-10 *Amendments to Australian Accounting Standards – transition guidance and other amendments* makes various editorial amendments to a range of Australian Accounting Standards and amendments to AASB 10 and related Standards to revise the transition guidance for initial application of those Standards.
- AASB 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039* removes the requirement to apply Interpretation 1039 relating to consideration of substantive enactment of major tax Bills in Australia.
- AASB 2013-2 *Amendments to AASB 1038 – Regulatory Capital*. This standard amends the life insurance capital disclosure requirements so as to align the terminology with that used in the Australian Prudential Regulatory Authority's revised capital requirements which applied from 1 January 2013.

Australian Accounting Standards issued but not yet effective
A number of new accounting standards and amendments have been issued but are not yet effective. The AMP group has not elected to early adopt any of these new standards or amendments in this financial report.

Significant judgements, estimates and assumptions
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Assumptions made at each reporting date (for example, the calculation of life insurance contracts liabilities, fair value measurements, provisions and impairment testing of intangibles) are based on best estimates at that date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Actuals may differ from these estimates.

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

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

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

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

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

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

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

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

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

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

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

(c) Accounting for wealth-management and life insurance business
The accounting treatment of certain transactions in this financial report varies depending on the nature of the contract underlying the transactions. The two major contract classifications relevant to the wealth-management and insurance business of the AMP group are investment contracts and life insurance contracts.

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

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

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

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

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

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

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

Subsequent to initial recognition, the fair value of investments measured at fair value through profit or loss is determined as follows:
- the fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
- the fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
- the fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
- there is no reduction for realisation costs in determining fair value.

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

Investments in available-for-sale financial assets
Investments held by AMP Foundation are classified as available-for-sale. Available-for-sale investments are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Statement of other comprehensive income in the period in which they arise. For available for sale assets, impairment is recognised in the Income statement measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses are not reversed. Upon impairment or disposal, the accumulated change in fair value within the available-for-sale financial assets reserve is recognised within profit or loss in the Income statement.

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

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

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

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

Owner-occupied property held by the AMP group for administrative purposes is initially recognised at cost, including transaction costs, and is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in note 8.

Owner-occupied property assets used in the business operations of entities controlled by the AMP life insurance entities' statutory funds are used to earn income from the supply of services. This class of owner-occupied property is initially recognised at cost, including transaction costs and subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

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

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

Notes to the financial statements

2. Segment information

(a) Segments – background

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

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

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

(b) Description of segments

AMP Financial Services

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

AMP Financial Services is reported as four separate divisions:

– *Australian Wealth Management (WM*) – Financial planning services (through aligned and owned advice businesses), platform administration (including SMSF), unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.

  WM includes AMP Bank, which is a direct Australian bank offering residential mortgages, deposits, transactional banking as well as practice loans to AMP aligned planners.

– *Australian Wealth Protection (WP*) – Includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.

– *Australian Mature* – A business comprising products which are mainly in run-off. Products within mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

– *AMP Financial Services New Zealand (AFS NZ)* – A risk insurance business and mature book (traditional participating business), with a growing wealth management business driven by KiwiSaver.

AMP Capital

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

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

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

2. Segment information (continued)

(c) Segment profit

30 June 2013	WM $m	WP[2] $m	Mature[2] $m	AFS NZ[2] $m	AMP Capital[3] $m	Total operating segments $m
Segment profit after income tax[1]	**196**	**64**	**85**	**46**	**51**	**442**
Other segment information[4]						
External customer revenue	**795**	**64**	**85**	**46**	**115**	**1,105**
Intersegment revenue[5]	**58**	**-**	**-**	**-**	**114**	**172**
Income tax expense	**83**	**27**	**37**	**18**	**24**	**189**
Depreciation and amortisation	**27**	**2**	**-**	**3**	**6**	**38**
30 June 2012						
Segment profit after income tax [1]	164	134	76	38	45	457
Other segment information[4]						
External customer revenue	744	134	76	38	116	1,108
Intersegment revenue[5]	49	-	-	-	107	156
Income tax expense	71	57	33	15	19	195
Depreciation and amortisation	20	2	2	1	5	30

1 Segment profit after income tax differs from Profit attributable to shareholders of AMP Limited due to the exclusion of the following items:
   i) group office costs
   ii) investment return on shareholder assets invested in income producing investment assets
   iii) interest expense on corporate debt
   iv) other items (refer to note 2(d) for further details). These items do not reflect the underlying operating performance of the operating segments, and
   v) accounting mismatches, market adjustments (annuity fair value and risk products), AXA integration costs and amortisation of AMP AAPH acquired intangible assets.

2 Statutory reporting revenue for Australian Wealth Protection, Australian Mature and AMP Financial Services New Zealand includes premium and investment gains and losses. However, for segment reporting, external customer revenue is operating earnings which represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax relating to those segments.

3 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. AMP Capital segment profit is reported net of 15 per cent attributable to MUTB from March 2012. Other AMP Capital segment information is reported before deductions of minority interests.

4 Other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities.

5 Intersegment revenue represents operating revenue between segments priced on an arm's length basis.

2. Segment information (continued)

	30 Jun 2013 $m	Restated 30 Jun 2012 $m
(d) Reconciliation of segment profit after tax		
Australian Wealth Management	**196**	164
Australian Wealth Protection	**64**	134
Australian Mature	**85**	76
AMP Financial Services New Zealand	**46**	38
AMP Financial Services	**391**	412
AMP Capital	**51**	45
Business unit operating earnings	**442**	457
Group office costs	**(32)**	(34)
Total operating earnings	**410**	423
Underlying investment income[1]	**66**	113
Interest expense on corporate debt	**(36)**	(48)
Underlying Profit	**440**	488
Other items[2]	**(5)**	4
AMP AAPH integration costs	**(31)**	(71)
Amortisation of AMP AAPH acquired intangible assets	**(47)**	(50)
Profit before market adjustments and accounting mismatches	**357**	371
Market adjustment - investment income[1]	**3**	(1)
Market adjustment - annuity fair value[3]	**10**	(10)
Market adjustment - risk products[4]	**5**	23
Accounting mismatches[5]	**18**	(10)
Profit attributable to shareholders of AMP Limited	**393**	373

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results by smoothing the impact of short-term market volatility on underlying performance. Market adjustment - investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.

2 Other items principally comprise one-off and non-recurring items.

3 Market adjustment - annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.

4 Market adjustment - risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.

5 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2013

2. Segment information (continued)

	30 Jun 2013 $m	Restated 30 Jun 2012 $m
(e) Reconciliation of segment revenue		
Total segment revenue	**1,277**	1,264
Add revenue excluded from segment revenue		
Investment gains and (losses) - shareholders and policyholders (excluding AMP Bank interest revenue)	**6,082**	4,338
Revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	**280**	300
Other revenue	**44**	46
Add back expenses netted against segment revenue		
Claims, expenses, movement in insurance contract liabilities and tax relating to Australian Wealth Protection, Australian Mature and AMP Financial Services NZ businesses	**908**	820
Interest expense related to AMP Bank	**304**	354
External investment manager and advisor fees paid in respect of certain assets under management	**358**	335
Remove intersegment revenue	**(172)**	(156)
Total revenue[1]	**9,081**	7,301

1 Revenue as per the Income statement comprises Premiums and related revenue $1,103m (2012: $1,068m), Fee revenue $1,166m (2012: $1,108m), Other revenue $317m (2012: $348m), Investment gains and (losses) gains of $6,488m (2012: 4,775m) and Share of profit or (loss) of associates accounted for using the equity method $7m (2012: $2m) .

Notes to the financial statements

for the half year ended 30 June 2013

3. Income

	Consolidated 30 Jun 2013 $m	Restated 30 Jun 2012 $m
(a) Life insurance premium and related revenue		
Life insurance contract premium revenue	**1,055**	1,016
Reinsurance recoveries	**48**	52
Total life insurance premium and related revenue	**1,103**	1,068
(b) Fee revenue		
Investment management and origination fees	**888**	857
Financial advisory fees	**273**	245
Banking business fees	**5**	6
Total fee revenue	**1,166**	1,108
(c) Other revenue		
Investment entities controlled by the AMP life insurance entities' statutory funds[1]	**280**	298
Other entities	**37**	50
Total other revenue	**317**	348

1 Other revenue of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2013

4. Investment gains and (losses)

	Consolidated	
		Restated
	30 Jun 2013 $m	30 Jun 2012 $m
Investment gains and (losses)		
Interest[1]	**1,147**	1,204
Dividends and distributions		
- associated entities not equity accounted	**112**	74
- other entities	**1,012**	1,181
Rental income	**292**	332
Net realised and unrealised gains and (losses)[2]	**3,913**	1,961
Other investment income	**12**	23
Total investment gains and (losses)[3]	**6,488**	4,775

1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of $390m (2012: $421m) interest income from held to maturity investments and loans and advances in banking operations, which are measured at amortised cost.

2 Net realised and unrealised gains and losses include net gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

3 Investment gains and losses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests.

Notes to the financial statements

for the half year ended 30 June 2013

5. Expenses

	Consolidated 30 Jun 2013 $m	Restated 30 Jun 2012 $m
(a) Life insurance claims and related expenses		
Life insurance contract claims and related expenses	**(955)**	(940)
Outwards reinsurance expense	**(51)**	(42)
Total life insurance claims and related expenses	**(1,006)**	(982)
(b) Operating expenses		
Commission and advisory fee-for-service expense	**(512)**	(479)
Investment management expenses	**(142)**	(172)
Fee and commission expenses	**(654)**	(651)
Wages and salaries	**(538)**	(557)
Contributions to defined contribution plans	**(50)**	(53)
Defined benefit fund expense	**(12)**	(8)
Share-based payments expense	**(13)**	(14)
Other staff costs	**(52)**	(43)
Staff and related expenses	**(665)**	(675)
Occupancy and other property related expenses	**(52)**	(53)
Direct property expenses[1]	**(82)**	(88)
Information technology and communication	**(139)**	(131)
Professional fees	**(58)**	(44)
Advertising and marketing	**(20)**	(20)
Travel and entertainment	**(21)**	(18)
Impairment of intangibles[3]	**(16)**	(14)
Amortisation of intangibles	**(107)**	(104)
Depreciation of property, plant and equipment	**(28)**	(26)
Other expenses		
- investment entities controlled by the AMP life insurance entities' statutory funds[2]	**(54)**	(61)
- other entities	**(61)**	(213)
Other operating expenses	**(638)**	(772)
Total operating expenses	**(1,957)**	(2,098)
(c) Finance costs		
Interest expense on borrowings and subordinated debt	**(353)**	(419)
Other finance costs	**(39)**	(51)
Total finance costs	**(392)**	(470)

1 Direct property expenses relate to investment properties which generate rental income.

2 Total operating expenses include certain trading expenses of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

3 Impairment of intangibles arises in investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2013

6. Income tax

	Consolidated 30 Jun 2013 $m	Consolidated Restated 30 Jun 2012 $m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	**(248)**	(391)
Increase (decrease) in deferred tax assets	**33**	109
(Increase) decrease in deferred tax liabilities	**(126)**	(84)
Over (under) provided in previous years including amounts attributable to policyholders	**13**	44
Income tax (expense) credit	**(328)**	(322)

(b) Relationship between income tax expense and accounting profit

The following table provides a reconciliation of differences between prima facie tax calculated as 30 per cent of the profit before income tax for the year and the actual income tax expense recognised in the Income statement for the year. The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders. In respect of income tax expense attributable to shareholders, the tax rate which applies is 30 per cent in Australia and 28 per cent in New Zealand.

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

	Consolidated 30 Jun 2013 $m	Consolidated Restated 30 Jun 2012 $m
Profit before income tax	**773**	689
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(192)**	(260)
Profit before income tax excluding tax charged to policyholders	**581**	429
Prima facie tax on shareholder profit before tax at the rate of 30%	**(174)**	(129)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:		
- Shareholder impact of par-business tax treatment	**10**	(2)
- Non-deductible expenses	**(40)**	(29)
- Non-taxable income	**16**	8
- Tax offsets and credits	**35**	38
- Other items	**(3)**	1
Over (under) provided in previous years after excluding amounts attributable to policyholders	**13**	51
Benefit arising from previously unrecognised tax losses	**1**	-
Differences in overseas tax rate	**6**	-
Income tax (expense) credit attributable to shareholders	**(136)**	(62)
Income tax (expense) credit attributable to policyholders	**(192)**	(260)
Income tax (expense) credit per Income statement	**(328)**	(322)

6. Income tax (continued)

	Consolidated	
		Restated
	30 Jun	31 Dec
	2013	2012
	$m	$m
(c) Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**380**	344
Unrealised movements on borrowings and derivatives	**45**	59
Unrealised investment losses	**81**	100
Losses available for offset against future taxable income	**598**	600
Other	**57**	114
Total deferred tax assets	**1,161**	1,217
(d) Analysis of deferred tax liabilities		
Unrealised investment gains	**971**	770
Unrealised movements on borrowings and derivatives	**34**	86
Other	**533**	569
Total deferred tax liabilities	**1,538**	1,425
(e) Amounts recognised directly in equity		
Deferred income tax (expense) credit related to items taken directly to equity during the current period	**(37)**	(51)

7. Investments in financial assets and other financial liabilities

	Consolidated	
		Restated
	30 Jun	31 Dec
	2013	2012
	$m	$m
Investments in financial assets		
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**39,498**	38,111
Debt securities	**30,368**	31,012
Investments in unlisted managed investment schemes	**16,827**	15,366
Derivative financial assets	**1,659**	2,144
Other financial assets	**125**	145
Total financial assets measured at fair value through profit or loss	**88,477**	86,778
Available-for-sale financial assets		
Equity securities and managed investment schemes	**55**	53
Total available-for-sale financial assets	**55**	53
Financial assets measured at amortised cost		
Loans and advances	**12,819**	12,462
Debt securities - held to maturity	**1,890**	1,839
Total financial assets measured at amortised cost	**14,709**	14,301
Total investments in financial assets	**103,241**	101,132
Other financial liabilities		
Derivative financial liabilities	**1,189**	1,283
Collateral deposits held[1]	**1,448**	1,054
Total other financial liabilities	**2,637**	2,337

1 Collateral deposits held represents the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the AMP life insurance entities' statutory funds and the controlled entities of the AMP life insurance entities' statutory funds.

8. Investment property

	Consolidated 30 Jun 2013 $m	Consolidated 31 Dec 2012 $m
Investment property		
Directly held	**6,678**	6,508
Total investment property	**6,678**	6,508
Movements in investment property		
Balance at the beginning of the period	**6,508**	7,424
Additions - through direct acquisitions	**53**	465
Additions - subsequent expenditure recognised in carrying amount	**49**	104
Acquisitions (disposal) through business combinations	**-**	(793)
Disposals	**-**	(766)
Net gains (losses) from fair value adjustments	**62**	70
Foreign currency exchange differences	**6**	4
Balance at the end of the period[1]	**6,678**	6,508

1 Investment property of $4,084m (2012: $2,559m) held by controlled entities of the AMP life insurance entities' statutory funds has been provided as security against borrowings of these controlled entities of the AMP life insurance entities' statutory funds.

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

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

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

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

	Consolidated 30 Jun 2013	Consolidated 31 Dec 2012
Primary assumptions used in valuing investment property		
Capitalisation rates	**5.75-10.00%**	6.00-10.00%
Market determined, risk adjusted discount rate	**8.75-11.00%**	8.75-11.00%

Notes to the financial statements

for the half year ended 30 June 2013

9. Property, plant and equipment

30 June 2013	Owner-occupied property measured at fair value[1] $m	Owner-occupied property measured at cost[2] $m	Leasehold improvements $m	Plant & equipment[2] $m	Total $m
Property, plant and equipment					
Gross carrying amount	**330**	**530**	**83**	**376**	**1,319**
Less: accumulated depreciation and impairment losses	**-**	**(9)**	**(65)**	**(219)**	**(293)**
Property, plant and equipment at written down value	**330**	**521**	**18**	**157**	**1,026**
Movements in property, plant and equipment half year ended 30 June 2013					
Balance at the beginning of the period	**321**	**529**	**15**	**175**	**1,040**
Additions					
- through direct acquisitions	**-**	**-**	**4**	**10**	**14**
- subsequent expenditure recognised in carrying amount	**-**	**15**	**-**	**-**	**15**
Increases(decreases) from revaluations recognised directly in equity	**10**	**-**	**-**	**-**	**10**
Disposals	**-**	**(18)**		**(7)**	**(25)**
Depreciation expense	**(1)**	**(5)**	**(1)**	**(21)**	**(28)**
Balance at the end of the period	**330**	**521**	**18**	**157**	**1,026**
Restated 31 December 2012					
Property, plant and equipment					
Gross carrying amount	321	538	98	356	1,313
Less: accumulated depreciation and impairment losses	-	(9)	(83)	(181)	(273)
Property, plant and equipment at written down value	321	529	15	175	1,040
Movements in property, plant and equipment full year ended 31 December 2012					
Balance at the beginning of the period	311	503	14	188	1,016
Additions					
- through direct acquisitions	-	35	10	43	88
- subsequent expenditure recognised in carrying amount	2	-	-	-	2
Increases(decreases) from revaluations recognised directly in equity	12	-	-	-	12
Depreciation expense	(4)	(9)	(9)	(39)	(61)
Transfer to disposal group	-	-	-	(15)	(15)
Other movements	-	-	-	(2)	(2)
Balance at the end of the period	321	529	15	175	1,040

1 Had owner-occupied property measured at fair value been measured at historic cost the amortised carrying value would have been $197m (2012: $198m).

2 Owner-occupied proprerty measured at cost and Plant and equipment include operating assets of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2013

10. Intangibles

30 June 2013	Goodwill [1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Software $m	Other intangibles [2] $m	Total $m
Intangibles							
Gross carrying amount	**2,989**	**777**	**1,191**	**177**	**94**	**244**	**5,472**
Less: accumulated amortisation and/or impairment losses	**(159)**	**(492)**	**(231)**	**(44)**	**(66)**	**(53)**	**(1,045)**
Intangibles at written down value	**2,830**	**285**	**960**	**133**	**28**	**191**	**4,427**
Movements in intangibles half year ended 30 June 2013							
Balance at the beginning of the period	**2,876**	**229**	**1,011**	**143**	**40**	**203**	**4,502**
Additions through separate acquisition	**-**	**-**	**-**	**4**	**-**	**-**	**4**
Additions through internal development	**-**	**86**	**-**	**-**	**-**	**-**	**86**
Disposals	**(16)**	**-**	**-**	**-**	**-**	**(6)**	**(22)**
Transferred to disposal groups	**(15)**	**-**	**-**	**-**	**-**	**(5)**	**(20)**
Amortisation expense[3]	**-**	**(31)**	**(51)**	**(12)**	**(12)**	**(1)**	**(107)**
Impairment losses[4]	**(16)**	**-**	**-**	**-**	**-**	**-**	**(16)**
Other movements	**1**	**1**	**-**	**(2)**	**-**	**-**	**-**
Balance at the end of the period	**2,830**	**285**	**960**	**133**	**28**	**191**	**4,427**

Restated 31 December 2012	Goodwill [1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Software $m	Other intangibles [2] $m	Total $m
Intangibles							
Gross carrying amount	3,020	691	1,191	173	94	255	5,424
Less: accumulated amortisation and/or impairment losses	(144)	(462)	(180)	(30)	(54)	(52)	(922)
Intangibles at written down value	2,876	229	1,011	143	40	203	4,502
Movements in intangibles full year ended 31 December 2012							
Balance at the beginning of the period	2,947	171	1,114	128	71	246	4,677
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses	23	-	-	13	-	-	36
Additions through separate acquisition	-	-	-	27	-	-	27
Additions through internal development	-	120	-	-	-	-	120
Disposals	-	-	-	-	-	(6)	(6)
Transferred to disposal groups	(54)	-	-	-	-	(19)	(73)
Amortisation expense[3]	-	(60)	(103)	(20)	(31)	(4)	(218)
Impairment losses[4]	(40)	(2)	-	-	-	(14)	(56)
Other movements	-	-	-	(5)	-	-	(5)
Balance at the end of the period	2,876	229	1,011	143	40	203	4,502

1 Total goodwill comprises amounts attributable to shareholders of $2,682m (2012: $2,682m) and amounts attributable to policyholders of $148m (2012: $194m).

2 Other intangibles includes operating assets of entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

3 Amortisation expense for the year is included in Operating expenses in the Income statement.

4 Impairment of goodwill relates to goodwill of controlled entities of the AMP life insurance entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2013

11. Borrowings

	Consolidated	
		Restated
	30 Jun 2013 $m	31 Dec 2012 $m
Deposits[1]	**4,871**	4,687
Borrowings and interest bearing liabilities		
- AMP Bank and securitisation vehicles	**5,747**	5,099
- Corporate and other shareholder activities	**709**	706
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,855**	1,870
Total borrowings	**13,182**	12,362

1 Deposits mainly comprise at call retail cash and term deposits within the AMP Bank.

12. Subordinated debt

	Consolidated 30 Jun 2013 $m	Consolidated 31 Dec 2012 $m
AMP Bank Floating Rate Subordinated Unsecured Notes (first call date 2017, maturity 2022)	**150**	150
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**69**	67
Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)	**600**	600
A$ AMP Notes (first call date 2014, maturity 2019)	**203**	202
NZ$ AMP Notes (first call date 2014, maturity 2019)	**98**	92
Total subordinated debt	**1,120**	1,111

13. Dividends

	Consolidated	
	30 Jun 2013 $m	30 June 2012 $m
Final dividends paid		
2012 final dividend paid in 2013: 12.5 cents per ordinary share franked to 65% (2011 final dividend paid in 2012: 14 cents per ordinary share franked to 50%)	**366**	400
Interim dividends paid		
(2012: 12.5 cents per ordinary share franked to 55%)	**n/a**	362
Total dividends paid[1 2]	**366**	762
Interim dividends proposed but not recognised		
2013: 11.5 cents per ordinary share franked to 70%	**-**	n/a

1 Total dividends paid includes dividends paid on 'treasury shares' $5m (2012: $6m). See Statement of changes in equity for further information regarding the impact of 'treasury shares' on dividends paid and retained earnings.

2 All dividends are franked at a tax rate of 30 per cent.

Notes to the financial statements

for the half year ended 30 June 2013

14. Contributed equity

	Consolidated 30 Jun 2013 $m	Restated 31 Dec 2012 $m
Movements in issued capital		
Balance at the beginning of the year	**9,610**	9,297
14,141,103 (2012: 75,750,762) shares issued under dividend reinvestment plan[1]	**75**	313
Balance at the end of the period	**9,685**	9,610
Total issued capital		
2,944,564,649 (2012: 2,930,423,546) ordinary shares fully paid	**9,685**	9,610
Movements in 'treasury shares'		
Balance at the beginning of the year	**(277)**	(223)
(Increase) decrease due to purchases less sales during the year	**78**	(54)
Balance at the end of the period	**(199)**	(277)
Total treasury shares[2]		
40,061,183 (2012: 57,599,493) treasury shares	**(199)**	(277)
Total contributed equity		
2,904,503,466 (2012: 2,872,824,053) ordinary shares fully paid	**9,486**	9,333

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

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid cash. Shares were issued under the DRP for the 2012 final dividend (paid in April 2013) at $5.35 per share.

2 Of the AMP Limited ordinary shares on issue 37,934,796 (2012: 53,720,838) are held by AMP's life insurance entities on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these 'treasury shares' is reflected as a deduction from total contributed equity.

15. Fair value information

a) Fair values

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Statement of financial position at fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Carrying amount 30 Jun 2013 $m	Aggregate fair value 30 Jun 2013 $m	Restated Carrying amount 31 Dec 2012 $m	Restated Aggregate fair value 31 Dec 2012 $m
Financial assets				
Loans and advances	**12,819**	**12,839**	**12,462**	**12,236**
Debt securities - held to maturity	**1,890**	**1,926**	**1,839**	**1,866**
Total financial assets	**14,709**	**14,765**	**14,301**	**14,102**
Financial liabilities				
Deposits	**4,871**	**4,871**	**4,687**	**4,687**
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	**5,747**	**5,957**	**5,099**	**5,648**
- Corporate and other shareholder activities	**709**	**721**	**706**	**722**
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,855**	**1,855**	**1,870**	**1,870**
Subordinated debt	**1,120**	**1,139**	**1,111**	**1,124**
Total financial liabilities	**14,302**	**14,543**	**13,473**	**14,051**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Debt securities
The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans and interest bearing securities. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans.

The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amount.

(ii) Borrowings
Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity.

(iii) Subordinated debt
Subordinated debt comprises listed securities and their fair value is determined with reference to the actual quoted market prices at reporting date. The fair value of subordinated debt is predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps.

15. Fair value information (continued)

b) Fair value measures

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

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

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

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

The following table shows an analysis of financial instruments measured at fair value on a recurring basis by each level of the fair value hierarchy. The AMP Group did not measure any financial instruments as at fair value on a non-recurring basis as at 30 June 2013.

	Level 1	Level 2	Level 3	Total fair value
30 June 2013	**$m**	**$m**	**$m**	**$m**
Assets				
Equity securities and listed managed investment schemes	**37,019**	**-**	**2,479**	**39,498**
Debt securities	**-**	**29,899**	**469**	**30,368**
Investments in unlisted managed investment schemes	**-**	**16,251**	**576**	**16,827**
Derivative financial assets	**238**	**1,421**	**-**	**1,659**
Other financial assets	**-**	**125**	**-**	**125**
Total financial assets	**37,257**	**47,696**	**3,524**	**88,477**
Liabilities				
Derivative financial liabilities	**157**	**1,032**	**-**	**1,189**
Collateral deposits held	**1,448**	**-**	**-**	**1,448**
Investment contract liabilities	**-**	**3,238**	**58,234**	**61,472**
Total financial liabilities	**1,605**	**4,270**	**58,234**	**64,109**

15. Fair value information (continued)

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

30 June 2013	Restated Balance at the beginning of the period $m	FX gains or losses $m	Total gains/ losses $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[1] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
Assets								
Equity securities and listed managed investment schemes	**2,252**	**6**	**219**	**44**	**(42)**	**-**	**2,479**	**219**
Debt securities	**480**	**-**	**(1)**	**8**	**(18)**	**-**	**469**	**(9)**
Investments in unlisted managed investment schemes	**508**	**-**	**42**	**9**	**(19)**	**36**	**576**	**42**
Total financial assets	**3,240**	**6**	**260**	**61**	**(79)**	**36**	**3,524**	**252**
Liabilities								
Investment contract liabilities	**54,819**	**5**	**3,758**	**4,449**	**(4,799)**	**2**	**58,234**	**3,610**
Total financial liabilities	**54,819**	**5**	**3,758**	**4,449**	**(4,799)**	**2**	**58,234**	**3,610**

1 AMP Group recognises transfers between levels of the fair value heirachy as of the end of the reporting period during which the transfer has occurred.

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for the half year ended 30 June 2013

15. Fair value information (continued)

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions:

30 June 2013	Carrying amount[1,2] $m	Effect of reasonably possible alternative assumptions[3] (+) $m	(-) $m	Valuation Technique	Key Unobservable inputs
Assets					
Equity securities and listed managed investment schemes	**2,479**	**132**	**(132)**	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Earnings multiple Cash flow forecasts
Debt securities	**469**	**-**	**-**	Discounted cash flow approach.	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	**576**	**-**	**-**	Published redemption prices.	Valuation of the unlisted managed investment schemes or underlying investments of the managed investment schemes which are suspended from redenption
	3,524	**132**	**(132)**		
Liabilities					
Investment contract liabilities	**58,234**	**7**	**(6)**	Valuation model based on published unit prices and the fair value of backing assets	Credit risk
	58,234	**7**	**(6)**		

1 The fair value of the asset or liability would increase/decrease if the discount rate decrease/increase or other inputs increase/decrease.

2 Each individual asset and industry profile will determine the appropriate valuation inputs to be utilised in each specific valuation and can vary from asset to asset. The discount rate ranges for equity securities fall within (8.5%-15%) and earnings multiple ranges fall within (11x to 12x).

3 Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting earnings multiples by 0.5x and discount Rate 25bps-100bps. On investment contract liabilities this included adjustments to credit risk by 50bps.

Financial asset valuation process

For financial assets categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital Asset Valuation Policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including Infrastructure, Private Equity, Alternative Assets, Property and Illiquid Debt Securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every 6 months, or more frequently if required.

Notes to the financial statements

16. Changes in composition of the AMP group

a) Operating entities

There were no material acquisitions or disposals of operating entities during the half-year ended 30 June 2013.

On 1 March 2012, AMP group completed its sale of 15% of the issued capital of AMP Capital Holdings Limited, a controlled entity, to Mitsubishi UFJ Trust and Banking Corporation (MUTB). For the half year ended 30 June 2012 a gain to shareholders of AMP Limited of $340m after tax effect was initially recognised directly in the Capital profits reserve within equity with respect to this transaction. The gain was revised to $329m in the year ended 31 December 2012 following finalisation of certain tax consequences arising from the transaction. For the period 1 March 2012 to 30 June 2012 and the half year ended 30 June 2013, 15 percent of the consolidated profits of AMP Capital Holdings Limited and its controlled entities was attributed to the MUTB non-controlling interest.

There were no other material acquisitions or disposals of operating entities during the half-year ended 30 June 2012.

b) Investment controlled entities of the AMP life insurance entities' statutory funds

At 31 December 2012, AMP group classified certain operating companies controlled by AMP life insurance entities' statutory funds as disposal groups. Each of these disposal groups were sold during the half year ended 30 June 2013.

At 30 June 2013, a sale process had commenced for another operating company controlled by AMP life insurance entities' statutory funds and that company has been classified as a disposal group at 30 June 2013.

17. Contingent liabilities

As at the date of this report there have been no material changes in contingent liabilities since those reported in the 2012 annual financial report.

18. Events occurring after reporting date

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

- On 15 August 2013, AMP announced an interim dividend on ordinary shares of 11.5 cents per share. Details of the announced dividend and dividends paid and declared during the half year are disclosed in note 13 of the financial report.

Notes to the financial statements

for the half year ended 30 June 2013

19. Impact from adoption of new accounting standards

(a) Restatement of comparatives

As set out in note 1(a), AMP adopted AASB 10 *Consolidated Financial Statements* and the revised AASB 19 *Employee Benefits* from 1 January 2013. Comparatives have been restated as if these standards had always been applied.

The impact of this change on individual line items for the comparative period on the Income statement, Statement of other comprehensive income and Statement of financial position is as follows:

Income statement	**As published 30 June 2012 $m**	**AASB 10 Impact $m**	**AASB 119 Impact $m**	**Restated 30 June 2012 $m**
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests				
Life insurance premium and related revenue	1,068	-	-	**1,068**
Fee revenue	1,112	(4)	-	**1,108**
Other revenue	155	196	(3)	**348**
Investment gains and (losses)	4,700	75	-	**4,775**
Life insurance claims and related expenses	(982)	-	-	**(982)**
Operating expenses	(1,909)	(182)	(7)	**(2,098)**
Finance costs	(436)	(34)	-	**(470)**
Share of profit or (loss) of associates accounted for using the equity method	2	-	-	**2**
Movement in external unitholder liabilities	(296)	(42)	-	**(338)**
Change in policyholder liabilities				
- life insurance contracts	(360)	-	-	**(360)**
- investment contracts	(2,364)	-	-	**(2,364)**
Income tax (expense) credit	(326)	1	3	**(322)**
Profit for the period	364	10	(7)	**367**
Profit attributable to shareholders of AMP Limited	383	(3)	(7)	**373**
Profit (loss) attributable to non-controlling interests	(19)	13	-	**(6)**
Profit for the period	364	10	(7)	**367**
Earnings per share for profit attributable to ordinary shareholders of AMP Limited				
Basic	13.5	(0.1)	(0.2)	13.2
Diluted	13.4	(0.1)	(0.2)	13.1

Notes to the financial statements

for the half year ended 30 June 2013

19. Impact from adoption of new accounting standards (continued)

Statement of comprehensive income	As published 30 June 2012 $m	AASB 10 Impact $m	AASB 119 Impact $m	Restated 30 June 2012 $m
Profit	364	10	(7)	**367**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets				
- gains and (losses) in fair value of available for sale financial assets	-	1	-	**1**
- income tax (expense) credit	-	-	-	**-**
	-	1	-	**1**
Cash flow hedges				
- gains and (losses) in fair value of cash flow hedges	(31)	-	-	**(31)**
- income tax (expense) credit	9	-	-	**9**
- transferred to profit for the period	8	-	-	**8**
- transferred to profit for the period - income tax (expense) credit	(2)	-	-	**(2)**
	(16)	-	-	**(16)**
Exchange difference on translation of foreign operations				
- exchange gains (losses)	25	-	-	**25**
- income tax (expense) credit	-	-	-	**-**
	25	-	-	**25**
Revaluation of hedge of net investments				
- gains and (losses) in fair value of hedge of net investments	(1)	-	-	**(1)**
- income tax (expense) credit	-	-	-	**-**
	(1)	-	-	**(1)**
Items that will not be reclassified subsequently to profit or loss				
Defined benefit plans				
- actuarial gains and (losses)	8	-	10	**18**
- income tax (expense) credit	(2)	-	(3)	**(5)**
	6	-	7	**13**
Owner-occupied property revaluation				
- gains (losses) in valuation of owner-occupied property	8	-	-	**8**
- income tax (expense) credit	-	-	-	**-**
	8	-	-	**8**
Other comprehensive income for the period	22	1	7	**30**
Total comprehensive income for the period	386	11	-	**397**
Total comprehensive income attributable to shareholders of AMP Limited	405	(2)	-	**403**
Total comprehensive income (loss) attributable to non-controlling interests	(19)	13	-	**(6)**
Total comprehensive income for the period	386	11	-	**397**

Notes to the financial statements

for the half year ended 30 June 2013

19. Impact from adoption of new accounting standards (continued)

Statement of financial position	31 December 2012			31 December 2011		
	As published $m	AASB 10 Impact $m	Restated $m	As published $m	AASB 10 Impact $m	Restated $m
Assets						
Cash and cash equivalents	4,207	181	**4,388**	4,652	164	**4,816**
Receivables	2,043	34	**2,077**	2,221	95	**2,316**
Current tax assets	22	-	**22**	248	-	**248**
Inventories and other assets	201	9	**210**	276	18	**294**
Investments in financial assets	99,674	1,458	**101,132**	89,433	1,249	**90,682**
Investment properties	6,508	-	**6,508**	7,424	-	**7,424**
Investments in associates accounted for using the equity method	81	-	**81**	115	-	**115**
Property, plant and equipment	468	572	**1,040**	479	537	**1,016**
Deferred tax assets	1,185	32	**1,217**	1,095	30	**1,125**
Intangibles	4,175	327	**4,502**	4,347	330	**4,677**
Assets of disposal groups	187	-	**187**	-	-	**-**
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests	118,751	2,613	**121,364**	110,290	2,423	**112,713**
Liabilities						
Payables	1,868	420	**2,288**	1,932	400	**2,332**
Current tax liabilities	82	-	**82**	86	-	**86**
Provisions	578	36	**614**	556	28	**584**
Other financial liabilities	2,317	20	**2,337**	2,604	3	**2,607**
Borrowings	11,382	980	**12,362**	11,410	963	**12,373**
Subordinated debt	1,111	-	**1,111**	949	-	**949**
Deferred tax liabilities	1,392	33	**1,425**	923	38	**961**
External unitholder liabilities	8,690	1,012	**9,702**	7,224	902	**8,126**
Life insurance contract liabilities	25,055	-	**25,055**	24,399	-	**24,399**
Investment contract liabilities	58,385	-	**58,385**	52,940	-	**52,940**
Defined benefit plan liabilities	286	-	**286**	370	-	**370**
Liabilities of disposal groups	74	-	**74**	-	-	**-**
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests	111,220	2,501	**113,721**	103,393	2,334	**105,727**
Net assets of shareholders of AMP Limited and non-controlling interests	7,531	112	**7,643**	6,897	89	**6,986**
Equity						
Contributed equity	9,339	(6)	**9,333**	9,080	(6)	**9,074**
Reserves	(2,156)	(1)	**(2,157)**	(2,534)	(6)	**(2,540)**
Retained earnings	251	81	**332**	283	81	**364**
Total equity of shareholders of AMP Limited	7,434	74	**7,508**	6,829	69	**6,898**
Non-controlling interests	97	38	**135**	68	20	**88**
Total equity of shareholders of AMP Limited and non-controlling interests	7,531	112	**7,643**	6,897	89	**6,986**

The adoption of the revised AASB 119 *Employee Benefits* did not impact the statement of financial position.

19. Impact from adoption of new accounting standards (continued)

(b) Impact on the current period

The adoption of the revised AASB 119 *Employee Benefits* decreased profit in 2013 by $8m and increased Other comprehensive income in 2013 by $8m.

The adoption of AASB 10 *Consolidated Financial Statements* increased profit for the period by $60m consisting of $16m attributable to shareholders of AMP Limited and $44m attributable to non-controlling interests. The adoption of AASB 10 will have impacted individual line items of the financial statements in a similar manner to that disclosed on the preceding pages for the restatement of comparatives.

Directors' declaration
for the half year ended 30 June 2013

In accordance with a resolution of the directors of AMP Limited, we state for the purposes of Section 303(4) of the *Corporations Act 2001* that, in the opinion of the directors:

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

(b) the financial statements and notes are in accordance with the *Corporations Act 2001*, including Section 304 (compliance with accounting standards) and Section 305 (true and fair view).

Peter Mason
Chairman

Craig Dunn
Chief Executive Officer and Managing Director

Sydney, 15 August 2013

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To the members of AMP Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AMP Limited, which comprises the statement of financial position as at 30 June 2013, income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AMP Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AMP Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Tony Johnson
Partner
Sydney
15 August 2013