AMP Limited

ABN 49 079 354 519

Directors' report for the half year ended 30 June 2014

DIRECTORS' REPORT

for the half year ended 30 June 2014

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 2014.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2014 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

- Simon McKeon AO (Chairman) – *BCom, LLB, FAICD* (appointed Chairman 8 May 2014)
- Peter Mason AM (Chairman) – *BCom (Hons), MBA, Hon. DBus (UNSW), FAICD* (retired 8 May 2014)
- Craig Meller (Chief Executive Officer and Managing Director) – *BSc (Hons), ARCS* (appointed 1 January 2014)
- Patricia Akopiantz – *BA, MBA*
- Richard Allert AO – *FCA* (retired 8 May 2014)
- Catherine Brenner – *BEc, LLB, MBA*
- Brian Clark – *BSc, MSc, DSc, AMP*
- Paul Fegan – *MBA*
- Trevor Matthews – *MA, FIA, FIAA, ASA* (appointed 3 March 2014)
- John Palmer ONZM – *BAgrSc, Hon DCom, FNZID*
- Professor 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, with an expanding international investment management business and a growing retail banking business in Australia.

The company serves customers in Australia and New Zealand. It also serves clients in Asia, Europe, the Middle East and North America. AMP has 5,697 employees, around 835,000 shareholders and $205 billion of assets under management (AUM).

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, administration, banking and investment services for self-managed super funds, income protection, disability and life insurance, and selected banking products. AMP has 4,441 aligned and employed financial advisers in Australia and New Zealand, as well as extensive relationships with independent financial advisers.

AMP's business consists of Australian wealth management, AMP Bank, Australian wealth protection, Australian mature, New Zealand financial services and AMP Capital.

The *Australian wealth management (WM)* business provides customers with superannuation, retirement income, investment, SMSF administration and financial planning services (through aligned and owned advice businesses).

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products with around 100,000 customers. It also has a small portfolio of practice finance loans. The Bank distributes through brokers, AMP advisers, and direct to retail customers via phone and internet banking.

Australian wealth protection (WP) comprises individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently.

The *Australian mature (Mature)* business is the largest closed life insurance business in Australia. Mature AUM supports capital guaranteed products (75%) and market linked products (25%). 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.

New Zealand financial services provides tailored financial products and solutions to New Zealanders through a network of financial advisers. New Zealand financial services has a leading market position in both wealth protection and wealth management, in addition to being the market leader in advice and in providing support to advisers.

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. Mitsubishi UFJ Trust and Banking Corporation (MUTB) holds a 15% ownership interest in AMP Capital. AMP

Capital holds a 15% stake in the China Life AMP Asset Management Company Limited, a funds management company in China established to offer retail and institutional investors in China access to leading investment solutions.

Review of operations and results

AMP's profit attributable to shareholders of AMP Limited for the half year ended 30 June 2014 was $382 million (1H 13: $393 million).

Basic earnings per share for the half year ended 30 June 2014 on a statutory basis were 13.1 cents per share (1H 13: 13.6 cents per share).

Underlying profit is the basis on which the board determines the dividend payment. It is AMP's key measure of profitability, as it smooths investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. AMP's underlying profit for the half year ended 30 June 2014 was $510 million (1H 13: $440 million). On an underlying basis, earnings were 17.2 cents per share (1H 13: 15.0 cents per share).

AMP's key performance measures were as follows:

- 1H 14 underlying profit of $510 million, up 16% on 1H 13, reflecting a 17% increase in business unit operating earnings from 1H 13, partially offset by increased interest expense on higher average corporate debt
- 1H 14 cost to income ratio of 45.0%, an improvement of 3.4 percentage points on 1H 13; controllable costs up $4 million (0.6%) to $650 million
- Australian wealth management 1H 14 net cashflows were $1,116 million, down $267 million from net cashflows of $1,383 million in 1H 13 (cashflows exclude SMSF). Higher total retail net cashflows on AMP platforms of $1,625 million were partially offset by higher net cash outflows on external platforms of $615 million.
- AMP Capital external net cashflows were $1,642 million, up $3,712 million from a net cash outflow of $2,070 million in 1H 13, driven by stronger inflows generated by the China Life AMP Asset Management joint venture and MUTB alliance
- Underlying return on equity increased 1.3 percentage points to 12.5% in 1H 14 from 1H 13, reflecting the increase in underlying profit, partially offset by higher average capital held.

AMP's total AUM was $205 billion at 30 June 2014 ($197 billion at 31 December 2013).

Differences between underlying profit and statutory profit

The 30 June 2014 underlying profit of $510 million excludes the impact (net of any tax effect) of:

- net loss from one-off and non-recurring items of $3 million
- AXA integration costs of $11 million
- business efficiency program costs of $49 million
- amortisation of AXA acquired intangible assets of $44 million
- market adjustment gains of $10 million, and
- accounting mismatches loss of $31 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 impact of accounting mismatches on profit after tax arising from policyholder assets is as follows:

Accounting mismatch profit/(loss)	1H 14 $m	1H 13 $m
Investments in controlled entities	3	19
Treasury shares	(37)	11
Superannuation products invested with AMP Bank	3	(10)
Owner occupied property	-	(2)
Total accounting mismatch profit/(loss)	**(31)**	**18**

Capital management

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $8.03 billion at 30 June 2014 from $8.09 billion at 31 December 2013. .

AMP remains well capitalised, with $1.94 billion in shareholder regulatory capital resources above minimum regulatory requirements (MRR) at 30 June 2014 ($2.08 billion at 31 December 2013).

AMP's interim 2014 dividend is 12.5 cents per share, franked to 70%. This represents a first half 2014 dividend payout ratio of 73% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2014 interim dividend no discount will apply to the DRP allocation price. AMP intends to neutralise the impact of the DRP by acquiring shares on-market to satisfy any entitlements under the DRP.

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 2014.

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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 2014 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

Ernst & Young

Tony Johnson
Partner
21 August 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Signed in accordance with a resolution of the directors.

Simon McKeon
Chairman

Craig Meller
Chief Executive Officer and Managing Director

Sydney, 21 August 2014

AMP Limited

ABN 49 079 354 519

Financial report for the half year ended 30 June 2014

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2014

TABLE OF CONTENTS

INCOME STATEMENT 1
STATEMENT OF COMPREHENSIVE INCOME 2
STATEMENT OF FINANCIAL POSITION 3
STATEMENT OF CHANGES IN EQUITY 4
STATEMENT OF CASH FLOWS 6
NOTES TO THE FINANCIAL STATEMENTS 7
1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 7
2. SEGMENT INFORMATION 11
3. INCOME 14
4. INVESTMENT GAINS AND (LOSSES) 15
5. EXPENSES 16
6. INCOME TAX 17
7. INVESTMENTS IN FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES 19
8. INVESTMENT PROPERTY 20
9. PROPERTY, PLANT AND EQUIPMENT 21
10. INTANGIBLES 22
11. BORROWINGS 23
12. SUBORDINATED DEBT 24
13. DIVIDENDS 25
14. CONTRIBUTED EQUITY 26
15. FAIR VALUE INFORMATION 27
16. CHANGES IN COMPOSITION OF THE AMP GROUP 31
17. CONTINGENT LIABILITIES 32
18. EVENTS OCCURRING AFTER REPORTING DATE 33
DIRECTORS' DECLARATION 34
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMP LIMITED 35

Registered Office:
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 2014

	Note	Consolidated 30 June 2014 $m	30 June 2013 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance premium and related revenue	3	**1,173**	1,103
Fee revenue	3	**1,335**	1,166
Other revenue	3	**60**	317
Investment gains and (losses)	4	**4,670**	6,488
Share of profit or (loss) of associates accounted for using the equity method		**7**	7
Life insurance claims and related expenses	5	**(1,053)**	(1,006)
Operating expenses	5	**(1,886)**	(1,957)
Finance costs	5	**(379)**	(392)
Movement in external unitholder liabilities		**(383)**	(733)
Change in policyholder liabilities			
- life insurance contracts		**(560)**	16
- investment contracts		**(2,244)**	(4,236)
Income tax (expense) credit	6	**(333)**	(328)
Profit for the period		**407**	445
Profit attributable to shareholders of AMP Limited		**382**	393
Profit attributable to non-controlling interests		**25**	52
Profit for the period		**407**	445

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 2014 cents	30 Jun 2013 cents
Basic	**13.1**	13.6
Diluted	**13.0**	13.5

Statement of comprehensive income

for the half year ended 30 June 2014

	Consolidated	
	30 Jun 2014 $m	30 Jun 2013 $m
Profit	**407**	445
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
	-	2
Cash flow hedges		
- gains and (losses) in fair value of cash flow hedges	**(12)**	(5)
- income tax (expense) credit	**4**	2
- transferred to profit for the period	**17**	13
- transferred to profit for the period - income tax (expense) credit	**(5)**	(5)
	4	5
Exchange difference on translation of foreign operations		
- exchange gains (losses)	**5**	45
	5	45
Revaluation of hedge of net investments		
- gains and (losses) in fair value of hedge of net investments	**3**	(2)
- income tax (expense) credit	**(1)**	-
	2	(2)
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans[1]		
- actuarial gains and (losses)	**(74)**	109
- income tax (expense) credit	**22**	(33)
	(52)	76
Owner-occupied property revaluation		
- gains (losses) in valuation of owner-occupied property	**5**	10
- income tax (expense) credit	**(1)**	(1)
	4	9
Other comprehensive income for the period	**(37)**	135
Total comprehensive income for the period	**370**	580
Total comprehensive income attributable to shareholders of AMP Limited	**345**	528
Total comprehensive income attributable to non-controlling interests	**25**	52
Total comprehensive income for the period	**370**	580

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.

AMP Limited financial report

Statement of financial position

as at 30 June 2014

	Note	Consolidated 30 Jun 2014 $m	31 Dec 2013 $m
Assets			
Cash and cash equivalents		**3,171**	2,938
Receivables		**2,553**	2,418
Current tax assets		**60**	175
Inventories and other assets		**195**	216
Investments in financial assets	7	**119,696**	114,779
Investment properties	8	**7,041**	6,889
Investments in associates accounted for using the equity method		**113**	113
Property, plant and equipment	9	**390**	456
Deferred tax assets	6	**1,029**	1,062
Intangibles	10	**4,087**	4,136
Assets of disposal groups		**136**	42
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**138,471**	133,224
Liabilities			
Payables		**1,859**	1,910
Current tax liabilities		**426**	53
Provisions		**398**	451
Other financial liabilities	7	**2,588**	2,469
Borrowings	11	**15,070**	14,822
Subordinated debt	12	**1,143**	1,421
Deferred tax liabilities	6	**2,046**	2,110
External unitholder liabilities		**14,259**	10,724
Life insurance contract liabilities		**25,102**	24,934
Investment contract liabilities		**67,188**	66,049
Defined benefit plan liabilities		**147**	73
Liabilities of disposal groups		**75**	8
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**130,301**	125,024
Net assets of shareholders of AMP Limited and non-controlling interests		**8,170**	8,200
Equity[1]			
Contributed equity	14	**9,525**	9,602
Reserves		**(1,953)**	(1,973)
Retained earnings		**456**	461
Total equity of shareholders of AMP Limited		**8,028**	8,090
Non-controlling interests		**142**	110
Total equity of shareholders of AMP Limited and non-controlling interests		**8,170**	8,200

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 2014

Consolidated	Equity attributable to shareholders of AMP Limited													
	Contributed equity $m	Equity contribution reserve[1] $m	Share based payment reserve[2] $m	Capital profits reserve[3] $m	Demerger loss reserve[4] $m	Available-for-sale financial assets reserve[5] $m	Cash flow hedge reserve[6] $m	Foreign currency translation reserve[7] $m	Hedge of net investment reserve[8] $m	Owner-occupied property revaluation reserve[9] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
30 June 2014														
Balance at the beginning of the period	**9,602**	**1,019**	**89**	**329**	**(3,585)**	**6**	**(17)**	**92**	**(1)**	**95**	**461**	**8,090**	**110**	**8,200**
Profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**382**	**382**	**25**	**407**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**5**	**2**	**4**	**(52)**	**(37)**	**-**	**(37)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**5**	**2**	**4**	**330**	**345**	**25**	**370**
Share-based payment expense	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19**	**1**	**20**
Share purchases	**-**	**-**	**(14)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**(14)**
Net sale/(purchase) of 'treasury shares'	**(77)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(77)**	**-**	**(77)**
Dividends paid[10]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(340)**	**(340)**	**(8)**	**(348)**
Dividends paid on 'treasury shares'[10]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**	**-**	**5**
New capital from shares issued under dividend reinvestment plan	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sales and acquisitions of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**
Balance at the end of the period	**9,525**	**1,019**	**94**	**329**	**(3,585)**	**6**	**(13)**	**97**	**1**	**99**	**456**	**8,028**	**142**	**8,170**
30 June 2013														
Balance at the beginning of the period	9,333	1,019	61	329	(3,585)	(1)	(34)	(32)	1	85	332	7,508	135	7,643
Profit	-	-	-	-	-	-	-	-	-	-	393	393	52	445
Other comprehensive income	-	-	-	-	-	2	5	45	(2)	9	76	135	-	135
Total comprehensive income	-	-	-	-	-	2	5	45	(2)	9	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	329	(3,585)	1	(29)	13	(1)	94	448	7,847	132	7,979

Statement of changes in equity (continued)

for the half year ended 30 June 2014

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 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.

4 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.

5 Unrealised gains or losses on available-for-sale assets are recognised in other comprehensive income 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.

6 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.

7 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.

8 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.

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

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 2014

	Consolidated	
	30 Jun 2014 $m	30 Jun 2013 $m
Cash flows from operating activities[1]		
Cash receipts in the course of operations	**8,906**	8,188
Interest and other items of a similar nature received	**1,220**	1,160
Dividends and distributions received[2]	**1,133**	206
Cash payments in the course of operations	**(10,575)**	(9,972)
Finance costs	**(385)**	(277)
Income tax refunded (paid)	**143**	(94)
Cash flows from (used in) operating activities	**442**	(789)
Cash flows from investing activities[1]		
Net proceeds from sale of (payments to acquire):		
- investment property	**(86)**	(102)
- investments in financial assets[3, 6]	**5,067**	680
- operating and intangible assets	**(75)**	18
Proceeds from disposal of subsidiaires[4]	**3**	113
Cash flows from (used in) investing activities	**4,909**	709
Cash flows from financing activities[1]		
Proceeds from borrow ings - non-banking operations	**150**	-
Net movement in deposits from customers	**319**	121
Repayment of borrow ings - non-banking operations	**(100)**	-
Net movement in borrow ings - banking operations	**(120)**	600
Repayment of subordinated debt	**(280)**	-
Dividends paid[5]	**(336)**	(286)
Cash flows from (used in) financing activities	**(367)**	435
Net increase (decrease) in cash and cash equivalents	**4,984**	355
Cash and cash equivalents at the beginning of the period	**7,157**	9,352
Effect of exchange rate changes on cash and cash equivalents	**2**	22
Cash and cash equivalents at the end of the period[1, 6]	**12,143**	9,729

1 Cash flow s 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 flow s from operating activities and investing activities and proceeds from and repayments of borrow ing - 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 includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period 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 dividends on 'treasury shares' (HY13 also net of dividend reinvestment plan). See Statement of changes in equity for further information.

6 The increase in Cash and cash equivalents at the end of the period and net cash proceeds from sale of investments in financial assets includes the effect of AMP gaining control of a managed cash fund during 2014.

Notes to the financial statements

for the half year ended 30 June 2014

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 2013 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 2014 half year financial statements are consistent with the accounting policies and methods of computation adopted in the preparation of the 2013 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

The following Australian Accounting Standards amendments have become mandatory for adoption from 1 January 2014, but have not had any material effect on the financial position or performance of the AMP group:

- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*.
- AASB 2011-4 *Amendments to Australian Accounting Standard to Remove Individual Key Management Personnel Disclosure Requirements*.
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*.
- AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*.
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*.

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. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than as set out below:

- AASB 9 *Financial Instruments.* This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2018. The financial impact to the AMP group of adopting AASB 9 *Financial Instruments* has not yet been quantified.

(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 the unitholder liability attributable to the AMP group is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position. The share of the net assets of controlled entities attributable to non-controlling interests is disclosed as a separate line item on the Statement of financial position. 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 the parent entity.

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

(b) Principles of consolidation (continued)

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 other 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
AMP life insurance entities 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.

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. Investment contract liabilities are valued as described in note 1(g). 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 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 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 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.

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.

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

(e) Investments in financial assets (continued)

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.
- the fair value of derivative financial assets is determined in accordance with the policy set out in note 1(f).

Investments in available-for-sale financial assets
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 as Other comprehensive income in the Available-for-sale financial assets reserve in the period in which they arise. 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 advisers, 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) Derivative financial assets, derivative financial liabilities and hedging

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

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

The method of recognising the movement in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The AMP group designates a hedge as either:

- a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- a hedge of highly probable forecast transactions (cash flow hedge), or
- a hedge of a net investment in a foreign operation (net investment hedge).

AMP group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as the AMP group's risk management and strategy for undertaking various hedge transactions. The AMP group also documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is carried out both at hedge inception and on an ongoing basis.

Accounting for hedges
(i) Fair value hedges:

- to the extent that a hedge is effective, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- if a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Income statement over the period until the forecast transaction occurs.

(ii) Cash flow hedges:

- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised through Other comprehensive income in the Cash flow hedge reserve in equity. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement

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

(f) Derivative financial assets, derivative financial liabilities and hedging (continued)

- hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement
- when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

(iii) Net investment hedges:

- hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve, while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income statement.

Derivatives that do not qualify for hedge accounting
Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income statement in the period in which they arise.

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

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

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

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

Notes to the financial statements

for the half year ended 30 June 2014

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 comprises the following business units:

– *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.

– *AMP Bank* – Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products. It also has a portfolio of practice finance loans. The Bank distributes through brokers, AMP advisers, and direct to retail customers via phone and internet banking.

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

– *Australian Mature (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.

– *New Zealand financial services* – A risk insurance business and mature book (traditional participating business), with a growing wealth management business driven by KiwiSaver.

– *AMP Capital* – A diversified investment manager with a growing international presence, providing investment services for domestic and international customers. 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.

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

  In November 2013, AMP Capital established a funds management company in China with China Life, China's largest insurance group, institutional investor and corporate pension manager. AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company.

Notes to the financial statements

for the half year ended 30 June 2014

2. Segment information (continued)

(c) Segment profit

30 June 2014	WM $m	Bank $m	WP $m	Mature $m	New Zealand financial services $m	AMP Capital $m	Total operating segments $m
Segment profit after income tax[1]	**183**	**42**	**91**	**87**	**55**	**57**	**515**
Other segment information[2]							
External customer revenue[3 4]	**750**	**115**	**91**	**87**	**55**	**125**	**1,223**
Intersegment revenue[3 5]	**58**	**-**	**-**	**-**	**-**	**124**	**182**
30 June 2013							
Segment profit after income tax [1]	158	38	64	85	46	51	442
Other segment information[2]							
External customer revenue[3 4]	690	105	64	85	46	115	1,105
Intersegment revenue[3 5]	58	-	-	-	-	114	172

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) AMP AAPH integration costs, business efficiency program costs and other items, as these items do not reflect the underlying operating performance of the operating segments, and
   v) accounting mismatches, market adjustments (investment income, annuity fair value and risk products) and amortisation of AMP AAPH acquired intangible assets.

2 Other segment information excludes revenue relating to assets backing policyholder liabilities.

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

4 Statutory reporting revenue for WP, Mature and New Zealand financial services 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.

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

Notes to the financial statements

for the half year ended 30 June 2014

2. Segment information (continued)

	Consolidated	
	30 Jun 2014	30 Jun 2013
	$m	$m
(d) Reconciliation of segment profit after tax		
Australian Wealth Management	**183**	158
AMP Bank	**42**	38
Australian Wealth Protection	**91**	64
Australian Mature	**87**	85
New Zealand financial services	**55**	46
AMP Capital	**57**	51
Business unit operating earnings	**515**	442
Group office costs	**(32)**	(32)
Total operating earnings	**483**	410
Underlying investment income[1]	**69**	66
Interest expense on corporate debt	**(42)**	(36)
Underlying Profit	**510**	440
Other items[2]	**(3)**	(5)
AMP AAPH integration costs	**(11)**	(31)
Business efficiency program costs	**(49)**	-
Amortisation of AMP AAPH acquired intangible assets	**(44)**	(47)
Profit before market adjustments and accounting mismatches	**403**	357
Market adjustment - investment income[1]	**8**	3
Market adjustment - annuity fair value[3]	**6**	10
Market adjustment - risk products[4]	**(4)**	5
Accounting mismatches[5]	**(31)**	18
Profit attributable to shareholders of AMP Limited	**382**	393
Profit attributable to non-controlling interests	**25**	52
Profit for the period	**407**	445

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 eliminating the impact of short-term market volatility on underlying performance. Underlying returns are set based on long-term expected returns for each asset class, except for a short term return, equivalent to a one year government bond, set annually for the implicit DAC component of shareholder assets. 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 include one-off and non-recurring revenues and costs.

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 2014

3. Income

	Consolidated	
	30 Jun 2014 $m	30 Jun 2013 $m
(a) Life insurance premium and related revenue		
Life insurance contract premium revenue	**1,107**	1,055
Reinsurance recoveries	**66**	48
Total life insurance premium and related revenue	**1,173**	1,103
(b) Fee revenue		
Investment management and origination fees	**984**	888
Financial advisory fees	**351**	278
Total fee revenue	**1,335**	1,166
(c) Other revenue		
Investment entities controlled by the AMP life insurance entities' statutory funds[1]	**31**	280
Other entities	**29**	37
Total other revenue	**60**	317

1 Other revenue of investment entities controlled by the AMP life insurance entities' statutory funds w hich carry out business operations unrelated to the core w ealth management operations of the AMP group. The reduction is mainly due to AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1 & 2, during 2013.

Notes to the financial statements

for the half year ended 30 June 2014

4. Investment gains and (losses)

	Consolidated 30 Jun 2014 $m	30 Jun 2013 $m
Investment gains and (losses)		
Interest[1]	**1,223**	1,147
Dividends and distributions		
- associated entities not equity accounted	**268**	112
- other entities	**2,084**	1,012
Rental income	**306**	292
Net realised and unrealised gains and (losses)[2]	**779**	3,913
Other investment income	**10**	12
Total investment gains and (losses)[3]	**4,670**	6,488

1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of $386m (2013: $390m) 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 predominantly consist of 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 2014

5. Expenses

	Consolidated	
	30 Jun 2014 $m	**30 Jun 2013 $m**
(a) Life insurance claims and related expenses		
Life insurance contract claims and related expenses	**(996)**	(955)
Outwards reinsurance expense	**(57)**	(51)
Total life insurance claims and related expenses	**(1,053)**	(1,006)
(b) Operating expenses[1]		
Commission and advisory fee-for-service expense	**(584)**	(512)
Investment management expenses	**(173)**	(142)
Fee and commission expenses	**(757)**	(654)
Wages and salaries	**(439)**	(538)
Contributions to defined contribution plans	**(42)**	(50)
Defined benefit fund expense	**(4)**	(12)
Share-based payments expense	**(20)**	(13)
Other staff costs	**(36)**	(52)
Staff and related expenses	**(541)**	(665)
Occupancy and other property related expenses	**(52)**	(52)
Direct property expenses	**(82)**	(82)
Information technology and communication	**(128)**	(139)
Professional and consulting fees	**(37)**	(58)
Advertising and marketing	**(14)**	(20)
Travel and entertainment	**(16)**	(21)
Impairment of intangibles	**-**	(16)
Amortisation of intangibles	**(130)**	(107)
Depreciation of property, plant and equipment	**(9)**	(28)
Other expenses		
- investment entities controlled by the AMP life insurance entities' statutory funds	**(11)**	(54)
- other entities	**(109)**	(61)
Other operating expenses	**(588)**	(638)
Total operating expenses	**(1,886)**	(1,957)
(c) Finance costs		
Interest expense on borrowings and subordinated debt	**(340)**	(353)
Other finance costs	**(39)**	(39)
Total finance costs	**(379)**	(392)

1 Operating expenses includes 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. The reduction includes the impact of AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1 & 2, during 2013.

Notes to the financial statements

for the half year ended 30 June 2014

6. Income tax

	Consolidated	
	30 Jun 2014 $m	30 Jun 2013 $m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	**(373)**	(248)
Increase (decrease) in deferred tax assets	**65**	33
(Increase) decrease in deferred tax liabilities	**(31)**	(126)
Over (under) provided in previous years including amounts attributable to policyholders	**6**	13
Income tax (expense) credit	**(333)**	(328)

(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 2014 $m	30 Jun 2013 $m
Profit before income tax	**740**	773
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(191)**	(192)
Profit before income tax excluding tax charged to policyholders	**549**	581
Prima facie tax on shareholder profit before tax at the rate of 30%	**(165)**	(174)
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	**(9)**	10
- Non-deductible expenses	**(1)**	(40)
- Non-taxable income	**3**	16
- Tax offsets and credits	**3**	35
- Other items	**(2)**	(3)
Over (under) provided in previous years after excluding amounts attributable to policyholders	**21**	13
Benefit arising from previously unrecognised tax losses	**2**	1
Differences in overseas tax rate	**6**	6
Income tax (expense) credit attributable to shareholders	**(142)**	(136)
Income tax (expense) credit attributable to policyholders	**(191)**	(192)
Income tax (expense) credit per Income statement	**(333)**	(328)

Notes to the financial statements

for the half year ended 30 June 2014

6. Income tax (continued)

	Consolidated	
	30 Jun 2014 $m	**31 Dec 2013 $m**
(c) Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**322**	247
Unrealised movements on borrowings and derivatives	**36**	60
Unrealised investment losses	**47**	61
Losses available for offset against future taxable income	**532**	642
Other	**92**	52
Total deferred tax assets	**1,029**	1,062
(d) Analysis of deferred tax liabilities		
Unrealised investment gains	**1,492**	1,525
Unrealised movements on borrowings and derivatives	**28**	16
Other	**526**	569
Total deferred tax liabilities	**2,046**	2,110

	Consolidated	
	30 Jun 2014 $m	**30 Jun 2013 $m**
(e) Amounts recognised directly in equity		
Deferred income tax (expense) credit related to items taken directly to equity during the current period	**19**	(37)

Notes to the financial statements

for the half year ended 30 June 2014

7. Investments in financial assets and other financial liabilities

	Consolidated	
	30 Jun 2014 $m	31 Dec 2013 $m
Investments in financial assets		
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**45,685**	47,670
Debt securities	**39,063**	32,680
Investments in unlisted managed investment schemes	**16,576**	16,356
Derivative financial assets	**1,666**	1,648
Other financial assets	**142**	146
Total financial assets measured at fair value through profit or loss	**103,132**	98,500
Available-for-sale financial assets		
Equity securities and managed investment schemes	**61**	61
Total available-for-sale financial assets	**61**	61
Financial assets measured at amortised cost		
Loans and advances	**14,059**	13,418
Debt securities - held to maturity	**2,444**	2,800
Total financial assets measured at amortised cost	**16,503**	16,218
Total investments in financial assets	**119,696**	114,779
Other financial liabilities		
Derivative financial liabilities	**654**	1,041
Collateral deposits held	**1,934**	1,428
Total other financial liabilities	**2,588**	2,469

8. Investment property

	Consolidated	
	30 Jun 2014 $m	31 Dec 2013 $m
Investment property		
Directly held	**7,041**	6,889
Total investment property	**7,041**	6,889
Movements in investment property		
Balance at the beginning of the period	**6,889**	6,508
Additions - through direct acquisitions	**122**	54
Additions - subsequent expenditure recognised in carrying amount	**87**	151
Acquisitions (disposal) through business combinations	**-**	71
Disposals	**(123)**	(16)
Net gains (losses) from fair value adjustments	**66**	111
Foreign currency exchange differences	**-**	10
Balance at the end of the period[1]	**7,041**	6,889

1 Investment property of $3,755m (2013: $3,901m) 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 2014	31 Dec 2013
Primary assumptions used in valuing investment property		
Capitalisation rates	**5.75% - 9.50%**	5.75% - 10.00%
Market determined, risk adjusted discount rate	**8.25% - 10.50%**	8.50% - 11.00%

Notes to the financial statements

for the half year ended 30 June 2014

9. Property, plant and equipment

30 June 2014	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	**338**	**-**	**106**	**152**	**596**
Less: accumulated depreciation and impairment losses	**-**	**-**	**(92)**	**(114)**	**(206)**
Property, plant and equipment at written down value	**338**	**-**	**14**	**38**	**390**
Movements in property, plant and equipment half year ended 30 June 2014					
Balance at the beginning of the period	**331**	**-**	**15**	**110**	**456**
Additions					
- through direct acquisitions	**-**	**-**	**1**	**1**	**2**
- subsequent expenditure recognised in carrying amount	**4**	**-**	**-**	**-**	**4**
Increases(decreases) from revaluations recognised directly in equity	**5**	**-**	**-**	**-**	**5**
Depreciation expense	**(2)**	**-**	**(2)**	**(5)**	**(9)**
Transfer to disposal group	**-**	**-**	**-**	**(68)**	**(68)**
Balance at the end of the period	**338**	**-**	**14**	**38**	**390**

31 December 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	331	-	103	294	728
Less: accumulated depreciation and impairment losses	-	-	(88)	(184)	(272)
Property, plant and equipment at written down value	331	-	15	110	456
Movements in property, plant and equipment full year ended 31 December 2013					
Balance at the beginning of the period	321	529	15	175	1,040
Additions (reductions) through acquisitions (disposal) of controlled entities	-	(521)	-	(39)	(560)
Additions					
- through direct acquisitions	-	-	7	13	20
- subsequent expenditure recognised in carrying amount	3	15	-	-	18
Increases(decreases) from revaluations recognised directly in equity	10	-	-	-	10
Disposals	-	(18)	-	(3)	(21)
Depreciation expense	(3)	(5)	(7)	(29)	(44)
Transfer to disposal group	-	-	-	(8)	(8)
Other movements	-	-	-	1	1
Balance at the end of the period	331	-	15	110	456

1 For Owner-occupied property measured at fair value, had the asset been measured at historic cost the amortised carrying value would have been $200m (2013: $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.

10. Intangibles

30 June 2014	Goodwill[1] $m	Capital-ised costs $m	Value of in-force business $m	Distrib-ution networks $m	Other intangibles $m	Total $m
Intangibles						
Gross carrying amount	**2,840**	**942**	**1,191**	**207**	**95**	**5,275**
Less: accumulated amortisation and/or impairment losses	**(130)**	**(575)**	**(334)**	**(67)**	**(82)**	**(1,188)**
Intangibles at written down value	**2,710**	**367**	**857**	**140**	**13**	**4,087**
Movements in intangibles half year ended 30 June 2014						
Balance at the beginning of the period	**2,711**	**355**	**909**	**140**	**21**	**4,136**
Additions (reductions) through acquisitions (disposal) of controlled entities	**12**	**-**	**-**	**4**	**-**	**16**
Additions through separate acquisition	**-**	**-**	**-**	**17**	**-**	**17**
Additions through internal development	**-**	**61**	**-**	**-**	**-**	**61**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Transferred to disposal groups	**(13)**	**-**	**-**	**-**	**-**	**(13)**
Amortisation expense[2]	**-**	**(49)**	**(52)**	**(21)**	**(8)**	**(130)**
Impairment losses[3]	**-**	**-**	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**-**	**-**	**-**
Balance at the end of the period	**2,710**	**367**	**857**	**140**	**13**	**4,087**

31 December 2013	Goodwill[1] $m	Capital-ised costs $m	Value of in-force business $m	Distrib-ution networks $m	Other intangibles $m	Total $m
Intangibles						
Gross carrying amount	2,841	881	1,191	186	95	5,194
Less: accumulated amortisation and/or impairment losses	(130)	(526)	(282)	(46)	(74)	(1,058)
Intangibles at written down value	2,711	355	909	140	21	4,136
Movements in intangibles full year ended 31 December 2013						
Balance at the beginning of the period	2,876	229	1,011	143	243	4,502
Additions (reductions) through acquisitions (disposal) of controlled entities	(116)	-	-	3	(190)	(303)
Additions through internal development	-	190	-	-	-	190
Disposals	(16)	-	-	-	(6)	(22)
Transferred to disposal groups	(15)	-	-	-	(5)	(20)
Amortisation expense[2]	-	(64)	(102)	(16)	(21)	(203)
Impairment losses[3]	(18)	-	-	-	-	(18)
Other movements	-	-	-	10	-	10
Balance at the end of the period	2,711	355	909	140	21	4,136

1 Total goodwill comprises amounts attributable to shareholders of $2,695m (2013: $2,683m) and amounts attributable to policyholders of $15m (2013: $28m).

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

3 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 2014

11. Borrowings

	Consolidated	
	30 Jun 2014 $m	**31 Dec 2013 $m**
Deposits[1]	**5,761**	5,442
Borrowings and interest bearing liabilities		
- AMP Bank and securitisation vehicles	**6,908**	7,028
- Corporate borrowings	**707**	711
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,694**	1,641
Total borrowings	**15,070**	14,822

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

Notes to the financial statements

for the half year ended 30 June 2014

12. Subordinated debt

	Consolidated	
	30 Jun 2014 $m	**31 Dec 2013 $m**
AMP Bank		
- Floating Rate Subordinated Unsecured Notes (first call date 2017, maturity 2022)	**150**	150
Corporate subordinated debt		
-6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**75**	72
- Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)	**601**	602
- AMP Notes 2 (first call date 2018, maturity 2023)	**317**	317
- A$ AMP Notes[1]	**-**	173
- NZ$ AMP Notes[1]	**-**	107
Total subordinated debt	**1,143**	1,421

1 During the period, AMP repaid (at the first call date) $173m A$ AMP Notes and $107m NZ$ AMP Notes.

13. Dividends

	Consolidated	
	30 Jun 2014 $m	**30 June 2013 $m**
Final dividends paid		
2013 final dividend paid in 2014: 11.5 cents per ordinary share franked to 70% (2012 final dividend paid in 2013: 12.5 cents per ordinary share franked to 65%)	**340**	366
Total dividends paid[1 2]	**340**	366
Interim dividends proposed but not recognised		
2014: 12.5 cents per ordinary share franked to 70%	**370**	339

1 Total dividends paid includes dividends paid on 'treasury shares' $5m (2013: $5m). 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 2014

14. Contributed equity

	Consolidated	
	30 Jun	31 Dec
	2014	2013
	$m	$m
Movements in issued capital		
Balance at the beginning of the year	**9,747**	9,610
Nil (2013: 27,314,418) shares issued under dividend reinvestment plan	**-**	137
Balance at the end of the period	**9,747**	9,747
Total issued capital		
2,957,737,964 (2013: 2,957,737,964) ordinary shares fully paid	**9,747**	9,747
Movements in 'treasury shares'		
Balance at the beginning of the year	**(145)**	(277)
(Increase) decrease due to purchases less sales during the year	**(77)**	132
Balance at the end of the period	**(222)**	(145)
Total treasury shares		
44,997,263 (2013: 29,177,280) treasury shares	**(222)**	(145)
Total contributed equity		
2,912,740,701 (2013: 2,928,560,684) ordinary shares fully paid	**9,525**	9,602

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the w inding 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.

Notes to the financial statements

for the half year ended 30 June 2014

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 2014 $m	Aggregate fair value 30 Jun 2014 $m	Carrying amount 31 Dec 2013 $m	Aggregate fair value 31 Dec 2013 $m
Financial assets				
Loans and advances	**14,059**	**14,100**	13,418	13,436
Debt securities - held to maturity	**2,444**	**2,497**	2,800	2,805
Total financial assets	**16,503**	**16,597**	16,218	16,241
Financial liabilities				
Deposits	**5,761**	**5,761**	5,442	5,442
Borrow ings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	**6,908**	**7,334**	7,028	7,450
- Corporate borrow ings	**707**	**715**	711	714
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,694**	**1,694**	1,641	1,641
Subordinated debt	**1,143**	**1,162**	1,421	1,473
Total financial liabilities	**16,213**	**16,666**	16,243	16,720

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.

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

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

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

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the 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.

15. Fair value information (continued)

The following table shows an analysis of AMP group's financial assets and liabilities measured at fair value by each level of the fair value hierarchy

30 June 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes[1]	**43,229**	**-**	**2,517**	**45,746**
Debt securities	**-**	**38,433**	**630**	**39,063**
Investments in unlisted managed investment schemes	**-**	**15,834**	**742**	**16,576**
Derivative financial assets	**181**	**1,485**	**-**	**1,666**
Other financial assets	**-**	**133**	**9**	**142**
Total financial assets measured at fair value on a recurring basis	**43,410**	**55,885**	**3,898**	**103,193**
Financial liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	**8**	**646**	**-**	**654**
Collateral deposits held	**1,934**	**-**	**-**	**1,934**
Investment contract liabilities	**-**	**2,725**	**64,463**	**67,188**
Total financial liabilities measured at fair value on a recurring basis	**1,942**	**3,371**	**64,463**	**69,776**

31 December 2013	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes[1]	45,251	-	2,480	47,731
Debt securities	-	32,124	556	32,680
Investments in unlisted managed investment schemes	-	15,744	612	16,356
Derivative financial assets	386	1,262	-	1,648
Other financial assets	-	146	-	146
Total financial assets measured at fair value on a recurring basis	45,637	49,276	3,648	98,561
Financial liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	156	885	-	1,041
Collateral deposits held	1,428	-	-	1,428
Investment contract liabilities	-	2,901	63,148	66,049
Total financial liabilities measured at fair value on a recurring basis	1,584	3,786	63,148	68,518

1 Equity securities and listed managed investment schemes includes available-for-sale financial assets.

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 2014	Balance at the beginning of the period $m	FX gains or losses[2] $m	Total gains/ losses[2] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[1,3] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
Assets classified as level 3[4]								
Equity securities and listed managed investment schemes	**2,480**	**(20)**	**91**	**14**	**(48)**	**-**	**2,517**	**78**
Debt securities	**556**	**(10)**	**113**	**17**	**(37)**	**(9)**	**630**	**114**
Investments in unlisted managed investment schemes	**612**	**-**	**(40)**	**256**	**(225)**	**139**	**742**	**(68)**
Other financial assets	**-**	**-**	**-**	**-**	**-**	**9**	**9**	**-**
Liabilities classified as level 3								
Investment contract liabilities	**63,148**	**3**	**1,705**	**5,017**	**(5,411)**	**1**	**64,463**	**1,677**
31 December 2013								
Assets classified as level 3[4]								
Equity securities and listed managed investment schemes	2,138	133	104	66	(117)	156	2,480	104
Debt securities	478	67	13	59	(31)	(30)	556	13
Investments in unlisted managed investment schemes	592	-	34	55	(73)	4	612	34
Liabilities classified as level 3								
Investment contract liabilities	54,819	41	8,935	9,388	(10,040)	5	63,148	8,394

1 AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group cease to consolidate a controlled entity.

2 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Income statement.

3 In 2013, Transfers in are mainly due to AMP ceasing to control the underlying operating entities of the Aged Care Investment Trust 1 & 2 which have been subsequently classified as equity securities. There have been no significant transfers from Level 1 to Level 2 or vice versa.

4 Movements relating to Investment properties are disclosed in note 8.

15. Fair value information (continued)

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

30 June 2014	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	**2,517**	**251**	**(200)**	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	**630**	-	-	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	**742**	-	-	Published redemption prices.	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes.
Liabilities					
Investment contract liabilities[4]	**64,463**	**13**	**(12)**	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement-income policies - discounted cash flow.	Fair value of financial instruments. Cash flow forecasts. Credit risk.
31 December 2013					
Assets					
Equity securities and listed managed investment schemes	2,480	200	(200)		
Debt securities	556	-	-		
Investments in unlisted managed investment schemes	612	-	-		
Liabilities					
Investment contract liabilities[4]	63,148	12	(11)		

1 The fair value of the asset or liability would increase/decrease if the discount rate decreases/increases. The fair value of the asset or liability would increase/decrease if the 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%- 14%) and earnings multiple ranges fall within (9.7x to 10.3x).

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.

4 Backing financial instruments include level 3 assets.

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.

16. Changes in composition of the AMP group

(a) Operating entities
There were no material acquisition or disposals of operating entities during the half-year ended 30 June 2014.

(b) Investment controlled entities of the AMP life insurance entities' statutory funds
At 31 December 2013, AMP group classified certain operations of investment entities controlled by AMP life entities' statutory funds as disposal groups. One of those operations was sold during the period and the others remain as disposal groups at 30 June 2014. A sale process had commenced for certain other operations of investment entities controlled by AMP life entities' statutory funds and those operations have also been classified as disposal groups at 30 June 2014.

17. Contingent liabilities

As at the date of this report there have been no material changes in contingent liabilities since those reported in the 2013 annual financial report.

Notes to the financial statements

for the half year ended 30 June 2014

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 21 August 2014, AMP announced an interim dividend on ordinary shares of 12.5 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.

Directors' declaration

for the half year ended 30 June 2014

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).

Simon McKeon
Chairman

Craig Meller
Chief Executive Officer and Managing Director

Sydney, 21 August 2014

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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 2014, 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 2014 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 2014 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
21 August 2014

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