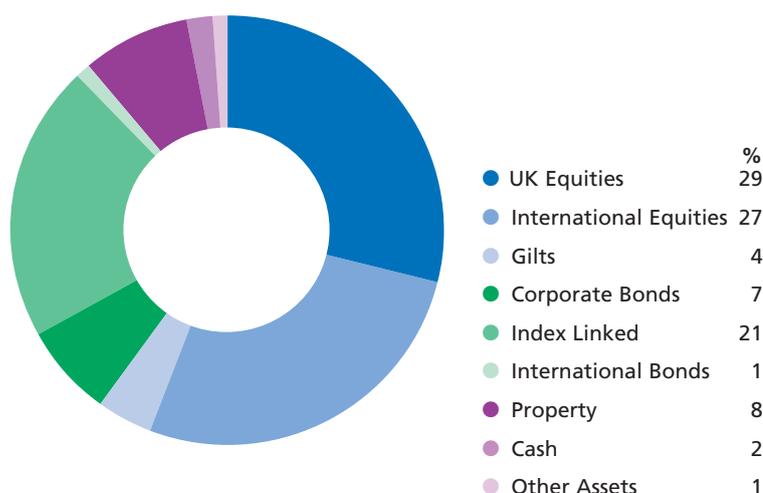


Asset distribution



The top ten holdings

Following are the ten largest holdings held by the fund at 31 December 2003:

Holding	Market Value £m	% of Portfolio
UK Treasury 4.125% index-linked 22/07/30	56.4	3.36
UK Treasury 2.5% index-linked 17/07/24	51.9	3.09
UK Treasury 2.5% index-linked 26/07/16	49.8	2.97
UK Treasury 2.5% index-linked 23/08/11	49.2	2.93
UK Treasury 2% index-linked 26/01/35	43.2	2.57
Vodafone Group	41.9	2.50
HSBC Holdings	37.2	2.21
BP	35.5	2.12
UK Treasury 2.5% index-linked 16/04/20	34.6	2.06
UK Treasury 2.5% index-linked 16/08/13	32.7	1.95

Review of Investment Strategy

During 2003, the Trustee undertook a major review of the investment strategy for the final salary sections. The review recognised that the membership profile of the Scheme has changed greatly over recent years and that the Scheme's benefits are better matched by having more index-linked assets and fewer equities. The Trustee's Statement of Investment Principles explains the new strategy. Here is a summary of the statement.

Final Salary Sections

The long term objectives for the final salary sections are to invest for income and capital growth to meet, together with contributions from the participating companies, the cost of current and future benefits.

Since the market value of the Scheme is large compared with contributions from active members, the Trustee is placing considerable emphasis on the reduction of investment risks and an increase in the predictability of the financial outcomes so as to increase the security of the benefits for members.

Consistent with these objectives, the Trustee has established quantifiable performance targets for the Investment Manager of the final salary sections' assets. The following table shows the asset allocation as at March 2004. The Investment Manager may allocate funds in permitted ranges either side of these benchmarks, which is why the current asset distribution shown varies from the target benchmark. This allocation will, over time, show a reduction in equities and an increase in the holding of index-linked gilts as the Trustee seeks to reduce the investment risks within the portfolio.

Asset Class	Benchmark Allocation	Benchmark
UK Equities	25%	FTSE All Share + 0.5%
Overseas Equities	25%	As below + 0.5%
North America	8%	FTSE AW USA Index
Europe (Ex UK)	8%	FTSE AW Developed Europe ex UK
Japan	5%	FTSE AW Japan
Pacific Basin ex Japan	3%	FTSE AW Developed Asia Pacific (ex Japan)
Emerging Markets	1%	MSCI Emerging Markets Free
Property	10%	IPD Universe of Pension Funds property less than £250m + 0.5%
UK Gilts, other bonds and cash	40%	As below + 0.8%
UK Gilts	6%	FTSE Actuaries All Stocks Gilts Index
Other Fixed Interest Sterling Bonds	6%	Merrill Lynch Sterling Non-Gilts All Stocks Index
UK Index linked bonds	27%	A special index comprising 50% of the 2030 Treasury Index-Linked and 50% of the 2035 Treasury Index-Linked
Overseas Bonds	0%	N/A
Cash	1%	N/A
Total	100%	Weighted average of the above plus 0.7%

Money Purchase Section

The Trustee has offered members of the money purchase section a range of funds in which to invest their assets. Each of these funds will be monitored with reference to the relevant internal performance objectives. The Trustee has considered the appropriateness of these internal objectives in selecting the relevant funds.

The long term objective of the money purchase section is to enable members to invest in suitable assets which, together with new contributions from members and the Company, will provide a fund at retirement with which to purchase a pension.

Pension increases

The AMP UK Staff Pension Scheme operates a system of guaranteed pension increases. In accordance with the Scheme rules, pensions in payment were increased as follows:

London Life Section	1 April 2003	3.2%
NPI and Henderson Sections	1 April 2003	3.2%/5.0%*
Pearl Section	1 April 2003	3.2%

(*Some Henderson members had increases of 5% where the Scheme Rules require this)



Actuary's report

The Fund's actuary carries out a valuation at regular intervals to check that there are sufficient resources to pay for benefits promised by the scheme, now and in the future, and to advise on the level of contributions that are needed to ensure the Fund remains in a healthy state.

The next valuation will take place during 2004, based on the position of the Scheme at 31 December 2003.

Auditors' report

The Trustee can report that Ernst & Young, the Fund's independent auditors, have confirmed that, in their view, the financial statements show a true and fair view of the financial transactions of the Scheme for the year ended 31 December 2003.

The Trustee and Advisers

The AMP UK Staff Pension Scheme is managed by a Trustee company P.A.T. (Pensions) Limited. There are eight directors of P.A.T. of whom the active members elect three. Member nominated directors are elected every six years and the next round of elections is due no later than December 2007.

Trustee

P.A.T. (Pensions) Limited

Trustee Directors

K Jones, FIA, MBA (Chairman)	Deferred Member
J Darkins, BA	Managing Director, Property, Henderson Global Investors
G S Felston, FCII, MBA	Director of Managing Director's Office, Life Services (Member Nominated Director)
R G Holland-Martin	Pensioner Member
M V Jones, B Eng, ACA	Director of Corporate Strategy, HHG plc
J Marshall-Robb, FCIPD	Director of Human Resources, Life Services
M J Mauchline, FCII	Pensioner Member (Member Nominated Director)
H Nawaz-Khan, FIA	Deferred member (Member Nominated Director)

Secretary

L A Williams, MBA, APMI Hazell Carr Pensions Consulting plc

Assistant Secretary

A J Yates, APMI Staff Pensions Technical Manager

Sponsoring Employer

HHG PLC (formerly AMP (UK) PLC)
4 Broadgate, London, EC2M 2DA

Actuary

A F M Watson Watson Wyatt LLP

Joint Legal advisers

HHG Services Limited (formerly AMP (UK) Services Limited)
Nabarro Nathanson (until 3 June 2003)
Richards Butler (from 4 June 2003)

Investment Advisers

Hewitt Bacon Woodrow

Investment Managers

Henderson Global Investors
Fidelity Investments Life Assurance Limited (for the Money Purchase section only)
Deutsche Asset Management Life & Pensions Limited (for the Money Purchase section only)

Auditors

Ernst & Young LLP

Custodians

HSBC Bank PLC (until 27 October 2003)
J P Morgan Investor Services (until 27 October 2003)
BNP Paribas Securities Services (from 27 October 2003)

Bankers

HSBC Bank PLC

If members have any queries concerning their benefits, they should contact the Scheme's administration office at:
AMP UK Staff Pensions, The Pearl Centre, Lynch Wood, Peterborough PE2 6FY. Tel 01733 474980
Email: AMP_UK_Staff_Pensions@ukls.net

AMP UK Staff Pension Scheme

The Trustee's report to members for the year ended 31 December 2003



Your Pension Scheme



This report contains a summary of the 2003 report and accounts and an update on the Trustee's recent review of investment strategy for the AMP UK Staff Pension Scheme. If, however, you would like to receive a copy of the full Report, or of the revised Statement of Investment Principles, please contact Staff Pensions at the address on the back cover.

Changes to the Scheme

The Scheme is managed by a trustee company, P.A.T. (Pensions) Limited.

The following changes to the Board of Directors have happened since the last report.

C D Lever	Director (Chairman) Resigned 31 July 2003
J Toms	Director Resigned 31 December 2003
T Hiscock	Director Resigned 31 December 2003
J Marshall-Robb	Director Appointed 18 February 2004
J Darkins	Director Appointed 18 February 2004
C McGlasham	Director Resigned 19 May 2004
M V Jones	Director Appointed 19 May 2004

There have been no changes to the structure of the Scheme in 2003. The Scheme has six sections:

- Pearl Final Salary Section
- London Life Final Salary Section
- Henderson Final Salary Section
- NPI Final Salary Section
- Towry Law Final Salary Section
- Money Purchase Section

We reported that in 2002 the Trustee had resolved to make some changes to allow AESOP deductions to be included in pensionable salary, to change the Scheme's incapacity and divorce rules and to bring pensioner increases into line, so that they all occur in April. Rule amendments to incorporate these changes, the change of name of the principal employer and the Henderson and Towry Law Sections have been agreed in 2003 and will be incorporated into the main rules in 2004.

The Myners Report made some recommendations for the way trustees of pension schemes should conduct investment activity. The Trustee Directors have reviewed these voluntary principles set out by the Myners Report. Many of the principles are already an integral part of the way that the Directors run the Scheme, but they have nevertheless introduced some new practices to comply with certain of the voluntary principles.

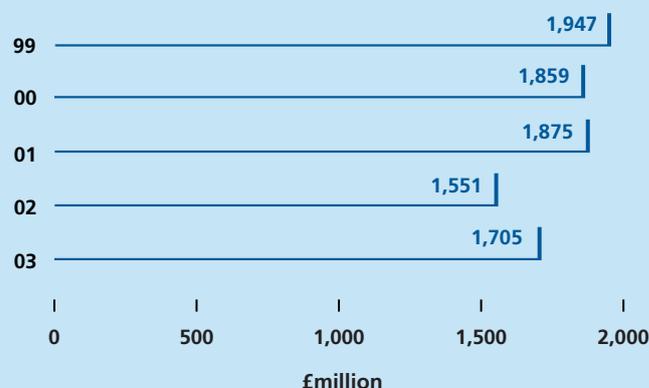


The financial development of the scheme

In 2003 the value of the Fund increased by £153 million. At the end of the financial year to 31 December 2003, the assets of the Fund were valued at £1,705 million.

The Company will make contributions at the rate of 19.9% of pensionable salaries effective from January 2004. The first contribution is due in arrears in December 2004. Because of changes to the Scheme's membership profile (we now have very few active members compared with pensioners and deferred members), the Company and the Trustee have decided to undertake an actuarial valuation during 2004, based on the position at 31 December 2003. The results of this will be published towards the end of the year.

The chart below shows how the value of the Fund has changed over the last five years.



Income and expenditure for 2003

Fund at 1 January 2003: £1,551,869,000

	Final Salary £'000	Money Purchase £'000	Total £'000
Income for the year			
Contributions	2,897	833	3,730
Transfers in (group)	2,843		2,843
Investment income	51,127		51,127
TOTAL	56,867	833	57,700
Expenditure for the year			
Benefits payable	75,258	266	75,524
Transfers out (individual)	5,259	82	5,341
Transfers out (group)	20,251	2,163	22,414
State Scheme Premium Payments	2	731	733
Administrative expenses	1,271		1,271
Investment management expenses	252		252
TOTAL	102,293	3,242	105,535
Income less expenditure	(45,426)	(2,409)	(47,835)
Change in market value of investments	196,689	4,328	201,017
Net increase in Fund	151,263	1,919	153,182

Fund at 31 January 2003: £1,705,051,000

Membership

	Final Salary	Money Purchase	Total
Members in service, 1 January 2003	3,690	3,570	7,260
Retirements, deaths, resignations and transfers out	(2,289)	(2,351)	(4,640)
New members		433	433
Members in service, 31 December 2003	1,401	1,652	3,053
Pensioners, 1 January 2003	8,407	13	8,420
Deaths and other ceased pensions	(399)	(44)	(443)
New pensioners	767	63	830
Pensioners, 31 December 2003	8,775	32	8,807
Preserved pensions, 1 January 2003	14,280	527	14,807
Deaths, transfers out, pensions started and others	(481)	(365)	(846)
New entitlements	1,808	1,335	3,143
Preserved pensions, 31 December 2003	15,607	1,497	17,104
TOTAL MEMBERSHIP, 31 December 2003	25,783	3,181	28,964

Managing our investments

Money Purchase Section

Members of the money purchase section can choose to invest in six Henderson Funds as well as the Fidelity Global Equity Fund and Deutsche Balanced Fund. If an investment choice is not made, the members' credits are invested in the default fund, which is the Henderson Mixed Managed fund. Members may also choose to invest AVCs in the Henderson Global Technology and the Henderson Ethical funds.

Fund	Value 31.12.2003 £000	Value 31.12.2002 £000	One year performance %
Henderson Global Equity (Active)	5,883	4,142	15.8
Henderson Global Equity (Passive)	3,479	2,357	20.8
Henderson Mixed Managed	14,852	10,700	17.2
Henderson Global Bond	546	405	14.6
Henderson Index Linked Bond	227	148	9.1
Henderson Cash Fund	439	339	2.6
Henderson Ethical Fund	63	36	17.1
Henderson Global Technology Fund	27	16	28.8
Deutsche Balanced Fund	815	530	17.6
Fidelity Global Equity Fund	1,519	842	21.0
TOTAL	27,850	19,515	

Final Salary Sections

Our investment manager for the final salary sections is Henderson Global Investors. Their report for the year is as follows:

Equity markets performed positively in 2003. This result seemed highly unlikely early in the year when markets fell in response to fears over the looming war with Iraq, weak economic growth and the threat of deflation. Equity markets slumped to a multi-year low in early March. Since then, a decisive recovery has taken place, triggered by the end of the war and better economic and earnings releases across the major markets.

Countries with the greatest economic sensitivity found most favour with investors in 2003. Emerging market equities in particular had an outstanding year, with the FTSE All-World Emerging Index increasing by 52.3%. Equity markets in the Far East and Japan were weak initially, due to worries over the spread of the SARS virus.

However, they rebounded as the year progressed. By year-end, the FTSE World Asia Pacific ex Japan Index had risen 24.8%, versus a 24.7% advance in Japan's Topix Index. European equity markets also improved with the FTSE World Europe ex UK Index up 29.7%. In the US, a 15.7% gain in the S&P 500 Index was overshadowed by a hefty 34.9% return from the technology focused Nasdaq Index.

The UK market also reached its low point for the year in early March. After 12 March, the equity market entered a recovery phase that continued more or less uninterrupted to the end of the year. In the end the FTSE All Share Index rose by 20.9% in 2003.

Global government bonds performed less well than equities over the year. In the run-up to the war in Iraq, global bond markets improved due to their 'safe haven' status. This out-performance continued after the war ended, as

fears of deflation grew. However, following the Fed's decision to cut rates in June, government bonds sold off sharply as investors correctly surmised that interest rates had troughed and that growth was set to accelerate. Ten-year US Treasury bond yields ended the year at 4.26%, almost 0.50% higher than a year earlier.

Corporate bonds performed better than expected. The Merrill Lynch Sterling non-Gilts Index rose by 5.9%.

The US dollar weakened sharply during 2003. The US dollar ended the period 9.7% weaker against the Japanese yen, 16.8% weaker against the euro, and 9.9% weaker against sterling. The dollar weakened even more dramatically against high-yielding currencies, tumbling 25.5% and 20.1% against the Australian and New Zealand dollars respectively. Sterling, meanwhile, weakened 7.5% against the euro and 1.2% versus the yen.