Registered Number 78950

AXA INSURANCE UK PLC

Directors' Report and Financial Statements

for the year ended 31 December 2004

Registered Office: 107 Cheapside, London EC2V 6DU

DIRECTORS

D. Holt (Chairman)
P. J. Hubbard
K. G. Gibbs
P. L. H. Maso y Guell Rivet
L. Matras
F. de Méneval
J. O'Neill
I. D. Richardson

SECRETARY

J. P. Small

AUDITORS

PricewaterhouseCoopers LLP

AXA INSURANCE UK PLC

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2004.

REVIEW OF ACTIVITIES

The Company's principal and ongoing activity is the writing of general insurance business.

Profit before tax increased by £87.3m to £95.4m in 2004 driven by improvements in both underwriting and investment results. This includes an exceptional item of £5.8m (2003: £nil) from the sale of the AXA Direct operations.

During the year, gross written premiums increased by £114.3m or 7.2% to £1,698.0m (2003: £1,583.7m). £40m of this relates to the 2003 corporate rationalisation initiative to make the Company the single UK underwriter for AXA Insurance plc, whereby business was written by the Company on the renewal of existing policies previously underwritten by AXA General Insurance Limited. The remaining increase in premium income reflects continuing growth in the commercial account, particularly in Property business, and new business in the non-motor personal account, primarily from Creditor, Travel and Pet business.

The underwriting loss before tax for the year was £30.0m (2003: £100.5m loss). The improvement is due mainly to prior year reserve releases of £20m (2003: £77m strengthening). The net operating expenses include the effect of two years' Financial Services Compensation Scheme levy (£6m re 2003 paid in 2004 and a £5m provision for 2004).

The investment return for the year was a profit before tax of £119.6m (2003: £108.6m). The improvement was due primarily to larger holdings in debt securities and cash, plus an increased rate of return on equities.

On 11 October 2004, RAC plc ("RAC") acquired the renewal rights of AXA Direct, the Company's personal lines direct insurance business. Following this transaction, RAC underwrites all this business via a panel operation of which the Company is a member (see note 8).

SALE OF SUBSIDIARY COMPANY

On 9 December 2004 the Company sold its entire shareholding in AXA (Cardiff) Limited to the parent company, AXA UK plc for a consideration of £30m, being the net asset value at the date of disposal (see note 12c).

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: £nil).

DIRECTORS

The directors of the Company at the date of this report are shown on page 1.

Mr. P. C. Regan resigned as a director on 9 February 2004. Mr. K. M. Sinclair was appointed a director on 26 March 2004 and resigned as a director on 28 January 2005. Mr. L. Matras was appointed a director on 11 June 2004. Mr. I. D. Richardson was appointed a director on 13 September 2004. Mr. A. G. P. de Warenghien resigned as a director on 12 November 2004. Mr. F. de Méneval was appointed a director on 14 December 2004.

DIRECTORS' INTERESTS

As permitted by Statutory Instrument, the register of directors' interests does not include the interests of the following directors in the share capital and debentures of the Company, its ultimate parent company (AXA) or subsidiaries of the ultimate parent company as such interests are disclosed in the directors' reports of the following companies, which are parent companies of the Company.

• D. Holt	)	
• P. J. Hubbard	)	reported by AXA UK plc
• P. L. H. Maso y Guell Rivet	)	
• I. D. Richardson	)	
• K. G. Gibbs	)	
• F. de Méneval	)	
• L. Matras	)	reported by AXA Insurance plc
• J. O'Neill	)	
• K. M. Sinclair	)	

Save as stated above, none of the directors at 31 December 2004 had interests in the share capital or debentures of the Company, its ultimate parent company or subsidiaries of the ultimate parent company.

PAYMENT OF CREDITORS

All trade purchases are dealt with through AXA Services Limited.

AUDITORS

A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

J. P. Small
Secretary
23 March 2005

AXA INSURANCE UK PLC

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities is made for the purpose of clarifying the respective responsibilities of the directors and the auditors in the preparation of the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AXA INSURANCE UK PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AXA INSURANCE UK PLC (CONTINUED)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Equalisation provisions

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amount set aside at 31 December 2004, and the effect of the movement in those provisions during the year on the general business technical result and profit before tax, are disclosed in notes II (h) and 22 respectively.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
23 March 2005

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

General business technical account

	Note	2004 £m	2003 £m
Gross written premiums	1b	**1,698.0**	1,583.7
Outward reinsurance premiums		**(97.0)**	(89.6)
Net written premiums		**1,601.0**	1,494.1
Change in provision for unearned premiums			
- gross amount		**(39.6)**	(130.8)
- reinsurers' share		**1.4**	3.9
		(38.2)	(126.9)
Earned premiums, net of reinsurance		**1,562.8**	1,367.2
Other technical income		**18.1**	29.0
Total technical income		**1,580.9**	1,396.2
Claims paid			
- gross amount		**(845.9)**	(877.7)
- reinsurers' share		**39.8**	27.4
		(806.1)	(850.3)
Change in outstanding claims provision			
- gross amount		**(214.7)**	(150.3)
- reinsurers' share		**(20.6)**	(14.4)
		(235.3)	(164.7)
Claims incurred, net of reinsurance		**(1,041.4)**	(1,015.0)
Change in unexpired risk provision		**7.2**	(1.0)
Net operating expenses	1c	**(555.3)**	(463.4)
Change in equalisation provision	22	**(21.4)**	(17.3)
Total technical charges		**(1,610.9)**	(1,496.7)
Balance on the technical account for general business		**(30.0)**	(100.5)

Discontinued activities are not material to the company, all other activities are continuing.

The accounting policies and notes on pages 12 to 34 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

Non-technical account

	Note	**2004 £m**	2003 £m
Balance on the general business technical account		**(30.0)**	(100.5)
Investment income	3a	**117.1**	101.3
Unrealised gains on investments		**10.4**	41.8
Investment expenses and charges	3b	**(7.9)**	(33.1)
Other charges		**-**	(1.4)
		119.6	108.6
Operating profit		**89.6**	8.1
Exceptional item: profit on sale of operations	8	**5.8**	-
Profit on ordinary activities before tax		**95.4**	8.1
Tax on profit on ordinary activities	9a	**(15.7)**	5.4
Profit for the financial year transferred to reserves	20	**79.7**	13.5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2004

	Note	**2004 £m**	2003 £m
Profit for the financial year		**79.7**	13.5
Change in net asset value of subsidiary undertakings	12a	**(8.8)**	23.4
Total gains and losses recognised since last annual report		**70.9**	36.9

Discontinued activities are not material to the company, all other activities are continuing.

The accounting policies and notes on pages 12 to 34 form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2004

	Note	**2004 £m**	2003 £m
ASSETS			
Intangible assets			
Other intangibles	10	**40.6**	20.2
Investments			
Land and buildings	11	**3.2**	7.7
Investment in group undertakings and participating interests:			
Shares in subsidiary undertakings	12a	**768.8**	776.9
Other financial investments	13	**2,349.3**	2,208.7
		3,121.3	2,993.3
Reinsurers' share of technical provisions			
Provision for unearned premiums		**16.9**	15.5
Claims outstanding		**125.3**	146.9
		142.2	162.4
Debtors			
Direct insurance operations	14	**438.1**	422.1
Reinsurance operations		**43.7**	38.4
Deferred tax	15	**86.4**	96.9
Other debtors	16	**384.1**	178.7
		952.3	736.1
Other assets			
Tangible fixed assets	17	**1.0**	0.2
Cash at bank and in hand	18	**26.5**	6.6
		27.5	6.8
Prepayments and accrued income			
Accrued interest and rent		**24.9**	19.4
Deferred acquisition costs		**157.8**	145.0
Other prepayments and accrued income		**0.9**	0.8
		183.6	165.2
Total assets		**4,467.5**	4,084.0

The accounting policies and notes on pages 12 to 34 form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2004

	Note	2004 £m	2003 £m
LIABILITIES			
Capital and reserves			
Called-up share capital	19,20	**122.3**	122.3
Share premium account	20	**798.7**	798.7
Revaluation reserve	20	**(42.8)**	(48.2)
Merger reserve	20	**-**	26.7
Capital contributions	20	**228.7**	228.7
Profit and loss account	20	**(99.5)**	(191.7)
Equity shareholders' funds	20,21	**1,007.4**	936.5
Technical provisions			
Provision for unearned premiums		**745.4**	705.8
Claims outstanding		**2,202.7**	1,994.7
Equalisation provision	22	**66.0**	44.6
Other technical provisions – provision for unexpired risks		**-**	7.2
		3,014.1	2,752.3
Provisions for other risks and charges	23	**24.5**	16.3
Creditors			
Direct insurance operations		**94.5**	68.7
Reinsurance operations		**13.2**	9.6
Subordinated loans	24	**80.0**	80.0
Amounts owed to credit institutions	25	**-**	7.6
Other creditors including taxation and social security	26	**232.8**	211.6
		420.5	377.5
Accruals and deferred income		**1.0**	1.4
Total liabilities		**4,467.5**	4,084.0

The accounting policies and notes on pages 12 to 34 form an integral part of these financial statements.

The financial statements on pages 8 to 34 were approved by the Board on 23 March 2005 and were signed on its behalf by:

P. L. H. Maso y Guell Rivet
Director

Philippe Maso y Guell Rivet

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are set out below.

I Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on accounting for insurance business issued by the Association of British Insurers ("the ABI SORP") dated November 2003.

The financial statements have been prepared in accordance with applicable accounting standards.

The Company is a wholly-owned subsidiary undertaking and its immediate parent undertaking is established under UK law and, therefore, in accordance with section 228 of the Companies Act 1985, it has not prepared consolidated accounts for the year ended 31 December 2004.

II General business

The results are determined on an annual basis whereby the incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(a) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis or having regard to the incidence of risk.

(b) Other technical income

Other technical income relates to instalment premiums on insurance contracts, insurance business administration fees and commissions in respect of insurances offered by the Company in support of its own business but written elsewhere.

(c) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

(d) Claims provisions and related reinsurance recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims IBNR to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and for IBNR claims a deduction is made for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

(d) Claims provisions and related reinsurance recoveries (continued)

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Property, aviation and accident business

Property, aviation and accident business is "short tail", that is there is not generally a significant delay between the occurrence of the claim and the claim being reported to the Company. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications. Adjustments are made to allow for movements in the variables described above.

Healthcare business

Healthcare business is short tail. The total costs of claims paid by the Company at the balance sheet date is used to project the expected total cost for claims incurred by reference to statistics which show how the total cost of claims paid in previous periods have developed over time.

Motor business

Motor claims are made up of short-tail property damage claims and longer tail personal injury claims. For the former type of claim, the total costs of claims incurred and/or paid by the Company at the balance sheet date is used to project the ultimate expected total cost of claims incurred. This is done by reference to statistics that show how the total cost of claims incurred or paid in previous periods has developed over time. In a minority of cases reference will be made to the historic development of claims incurred. In all cases adjustments are made to allow for movements in the variables described above.

The personal injury element of motor claims costs is estimated using the same methods as used for liability claims described below.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

(d) Claims provisions and related reinsurance recoveries (continued)

Liability and marine claims

These claims are longer tail than for those of the other classes of business described above and so a larger element of the claims provision relates to IBNR claims. Claims estimates for the Company's marine and liability business are derived using one or more of the following methods:

1. A combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio, based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.
2. Using the costs of claims notified to the Company at the balance sheet date which are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications. Adjustments are made to allow for movements in the variables described above.
3. By splitting the total case by case cost of notified claims into three band sizes (attritional, large and very large). The ultimate expected cost of claims in each band is then estimated by reference to the projected number of claims (based on statistics showing how the number of notified claims has been developed over time) and the anticipated average final cost of notified and IBNR claims (based on historical levels adjusted to allow for movements in the variables described above).

The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

(d) Claims provisions and related reinsurance recoveries (continued)

Disease-related and pollution claims

The claims provisions include amounts in respect of potential claims relating to diseases including those associated with exposure to asbestos and environmental pollution. Legislative and judicial actions to date have failed to determine the basis of liability to indemnify losses. These claims are not expected to be settled for many years and there is considerable uncertainty as to the amounts at which they will ultimately be settled. The level of the provision has been set on the basis of the information that is currently available including potential outstanding loss advices, experience of development of similar claims and case law. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. In particular, the extent of the cost of claims for asbestos related diseases increases as more information becomes publicly available and claims reserves are updated accordingly. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Reinsurance recoveries

Reinsurance recoveries in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

(e) Salvage and subrogation

Salvage and subrogation is held as an asset in the balance sheet.

(f) Deferred acquisition expenses

Commission and other acquisition expenses relating to unearned premiums are deferred and charged in the accounting periods in which those premiums are earned.

(g) Unexpired risks

Provision is made for unexpired risks when, after taking account of investment income on insurance funds, it is anticipated that unearned premiums will be insufficient to meet the future claims and expenses of business in force at the end of the year. Classes of business which the directors consider are managed together are aggregated for this purpose. The future claims are calculated having regard to events that have occurred prior to the balance sheet date.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

(h) Claims equalisation provision

Amounts are set aside as equalisation provisions in accordance with the Integrated Prudential Sourcebook for Insurers for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are an addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions.

(i) Investment return

As permitted by the ABI SORP, no allocation of investment return is made to the technical account. All the investment returns earned during the year have been included in the non-technical account.

III Other intangible assets

Advance commission payments in respect of future business are deferred and capitalised at cost in other intangible assets. Costs are amortised on a straight line basis over 50 months, the estimated period during which the Company is expected to benefit. Carrying values of intangible assets are regularly reviewed for indications of impairment.

IV Investments

(a) Investment income

Investment income consists of interest, dividends, rents and realised gains. Income from listed equities is recognised when the investments are quoted ex-dividend. Income from government and other fixed interest securities, loans and deposits is dealt with on an accruals basis. Other investment income is recognised when due to be received.

Realised investment gains and losses are calculated by reference to the net sales proceeds and the original purchase cost. For presentational purposes, as required by the ABI SORP, net realised gains are included in investment income and net realised losses in investment expenses and charges.

Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

(b) Unrealised investment gains and losses

Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Unrealised gains and losses on land and buildings and other financial investments are recorded in the non-technical account. The movements in net asset value of shares in subsidiary undertakings and participating interests are recognised in the statement of total recognised gains and losses.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

IV Investments (continued)

(c) Valuation

Investments are stated at market value for listed securities; open market valuations for properties; bid price for unit trusts; redemption values less provisions for mortgages and loans; and directors' valuations for other investments. Full property valuations are made by independent, professionally qualified valuers annually. Investment properties are not depreciated, as the directors consider that they are held for investment purposes and to depreciate them would not give a true and fair view.

Shares in subsidiary undertakings and participating interests have been stated at net asset value as an approximation to market value.

(d) Group occupied properties

As required by the Companies Act, properties occupied by the group are included as investments.

V Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Exchange gains and losses are treated as part of the investment return in the profit and loss account.

VI Deferred tax

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at current tax rates. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

VII Tangible fixed assets and depreciation

Major items of equipment, software developments and motor vehicles are capitalised and depreciated over their expected useful lives after taking into account their anticipated residual value. All other items of equipment are written off in the year of purchase. Leasehold improvements relating to refurbishment and fit out of operational properties are capitalised. Amortisation commences once the building is brought into use and is over the period of the lease. The principal depreciation rates used are as follows:

- Computers and major software developments 20% - 33.3%.
- Fixtures, fittings, equipment and motor vehicles 25% - 33.3%.
- Leasehold improvements period of lease to a maximum of 50 years

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

VIII Staff pension costs

AXA operates a number of pension schemes around the world to which contributions, determined in accordance with actuarial advice, are made by group undertakings in respect of their employees. The charge for pension costs principally represents the costs of providing pension benefits to staff in respect of their service during the year. The Company is recharged the costs of providing pensions as the contributions become payable in accordance with the rules of the scheme.

The Company has taken advantage of the concession in Financial Reporting Standard 17 (Retirement Benefits) paragraph 9 which allows limited reporting by individual companies who participate in a groupwide pension arrangement that does not enable individual companies within the group to identify their share of the underlying assets and liabilities. In such cases, FRS 17 allows for a defined benefit scheme to be treated by the participating company as if it were a defined contribution arrangement.

IX Operating leases

All leases are operating leases. Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

1 GENERAL INSURANCE BUSINESS

1a GEOGRAPHICAL ANALYSIS

Substantially all gross written premiums in respect of direct and reinsurance business are written in the United Kingdom.

1b CLASS OF BUSINESS ANALYSIS

	Gross written premiums		**Gross earned premiums**	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Direct and reinsurance accepted				
Motor - third party	**15.9**	18.4	**17.6**	14.6
- other	**307.1**	416.1	**332.0**	399.4
Accident and health	**185.1**	107.0	**165.1**	87.3
Third party liability	**345.7**	326.9	**348.7**	305.7
Fire and other damage to property	**751.4**	671.7	**709.5**	603.9
Marine, aviation and transport	**24.2**	24.1	**24.6**	23.2
Miscellaneous	**68.6**	19.5	**60.9**	18.8
	1,698.0	1,583.7	**1,658.4**	1,452.9

	Gross claims incurred		**Gross operating expenses**	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Direct and reinsurance accepted				
Motor - third party	**24.1**	10.2	**4.2**	6.2
- other	**260.8**	365.1	**91.0**	123.4
Accident and health	**96.2**	54.9	**79.2**	38.1
Third party liability	**321.4**	302.2	**90.8**	70.8
Fire and other damage to property	**332.9**	260.3	**270.7**	211.2
Marine, aviation and transport	**1.0**	14.9	**9.7**	8.6
Miscellaneous	**24.2**	20.4	**15.4**	8.8
	1,060.6	1,028.0	**561.0**	467.1

1b CLASS OF BUSINESS ANALYSIS (CONTINUED)

	Reinsurance balance	
	2004	2003
	£m	£m
Direct and reinsurance accepted		
Motor - third party	**(0.3)**	(4.7)
- other	**0.8**	3.9
Accident and health	**(2.7)**	(0.8)
Third party liability	**1.3**	(8.4)
Fire and other damage to property	**(67.2)**	(55.6)
Marine, aviation and transport	**(3.7)**	(2.4)
Miscellaneous	**1.1**	(1.0)
	(70.7)	(69.0)

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to reinsurance outwards.

1c ANALYSIS OF NET OPERATING EXPENSES

	2004	2003
	£m	£m
Acquisition costs	**426.5**	359.0
Movement in deferred acquisition costs	**(12.5)**	(25.1)
Administrative expenses	**147.0**	133.2
Reinsurance commission and profit participation	**(5.7)**	(3.7)
	555.3	463.4

Commissions expense on direct insurance business amounted to £350.9m (2003: £278.5m).

2 PRIOR YEARS' GROSS CLAIMS INCURRED

	2004	2003
	£m	£m
Motor	**(21.5)**	33.6
Accident and health	**2.8**	2.5
Third party liability	**37.2**	53.5
Fire and damage to other property	**(23.4)**	(25.4)
Marine, aviation and transport	**(6.7)**	6.1
Miscellaneous	**(8.7)**	6.8
Total (decrease)/increase in prior years' claims reserves	**(20.3)**	77.1

The release of prior year reserves on Motor business has been driven by large injury claims, mainly relating to the accident years 2001 and prior as claims are settled. There were also releases on Fire and Other Damage to Property business from better than expected claims experience on Commercial Property damage claims. The Third Party Liability increase includes strengthening of the Asbestos-related diseases reserve following a detailed review of the potential exposure to ongoing claims. In addition, there has also been additional strengthening in the Motor and Liability accounts to allow for the recent change to the Ogden Tables which calculate the present value of injury indemnities.

3 INVESTMENT RETURN

3a INVESTMENT INCOME

	2004 £m	2003 £m
Net income from land and buildings	-	0.1
Income from other investments	114.0	101.2
Gains on the realisation of investments	3.1	-
	117.1	101.3

3b INVESTMENT EXPENSES AND CHARGES

	2004 £m	2003 £m
Investment management expenses	2.4	2.0
Interest payable	5.3	4.6
Net expenses from land and buildings	0.2	-
Losses on the realisation of investments	-	26.5
	7.9	33.1

4 DIRECTORS' EMOLUMENTS

The directors are employed and paid by companies in the AXA group and their directorships are held as part of that employment. No director has received any emoluments or other benefits from the Company or from any other company in the AXA group in respect of services to the Company.

Mr. K. G. Gibbs, Mr. D. Holt, Mr. P. J. Hubbard, Mr. P. L. H. Maso y Guell Rivet, Mr. F. de Méneval, Mr. J. O'Neill, Mr. I. D. Richardson and Mr. A. G. P. de Warenghien were also directors of the intermediate parent company, AXA UK plc, during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company.

Mr. L. Matras, Mr. P. C. Regan and Mr. K. M. Sinclair were also directors of AXA Insurance plc during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company.

5 STAFF COSTS

Staff engaged in the Company's activities are employees of AXA Services Limited, a fellow subsidiary undertaking, and the related costs incurred are recharged to the Company. Pension costs included in the recharge are detailed in note 6.

6 STAFF PENSION COSTS

Staff engaged in the Company's activities are members of the AXA UK Pension Scheme which embraces a number of companies in the AXA UK Group. The Scheme has both defined benefit and defined contribution sections but the Company is unable accurately to identify its share of the underlying assets and liabilities of the defined benefit section. Accordingly, the Company has accounted for its contribution to the defined benefit section as if it were a defined contribution arrangement.

An independent actuarial review by Watson Wyatt of the defined benefit scheme revealed a deficit of £492m as at 31 December 2004 (£396.4m as at 31 December 2003) before taking account of any tax relief. This represents a snapshot of the present cost of meeting pension obligations that will crystallise over a period of many years. The scheme invests in a wide range of assets, including equities, which over the long term, are expected by the directors to produce higher returns than those underlying the assessment of the deficit as at 31 December 2004.

The total pension cost which has been charged to the profit and loss account of the Company is £15.6m (2003: £9.1m). There were no outstanding contributions as at 31 December 2004 (2003: £nil).

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging:

	2004	2003
	£m	£m
Depreciation	**0.2**	0.8
Amortisation of intangible asset	**6.4**	3.2
Auditors' remuneration - audit fees	**0.8**	0.5
Rentals under operating leases	**14.4**	10.4

Non-audit fees in 2004 amounted to £nil (2003: £nil).

8 EXCEPTIONAL ITEM: SALE OF OPERATIONS

On 11 October 2004, RAC plc acquired the renewal rights to the Company's personal lines direct insurance business for a consideration of £9.0m. Set against this is a provision of £3.2m for the estimated handling costs of mid term adjustments and cancellations. These relate to the current annual policies, pre renewal to RAC, and will be processed by RAC for an agreed fee per adjustment. The net profit of £5.8m has been credited to the non-technical account. The agreement covering the sale of the renewal rights included a deferred consideration clause. No provision has been made in these accounts for the deferred consideration as outlined in note 29c.

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

9a ANALYSIS OF TAX CHARGE/(CREDIT) IN PERIOD

	2004 £m	2003 £m
Current tax:		
UK corporation tax on profit of the period	**-**	(0.2)
Adjustments in respect of previous periods	**5.1**	23.6
	5.1	23.4
Foreign tax	**0.1**	0.3
Total current tax (note 9b)	**5.2**	23.7
Deferred tax:		
Origination and reversal of timing differences	**26.0**	(5.5)
Adjustment to deferred tax assets arising in previous periods	**(15.5)**	(23.6)
Total deferred tax (note 15)	**10.5**	(29.1)
Tax charge/(credit) on profit on ordinary activities	**15.7**	(5.4)

The previous period adjustment to deferred tax assets arises from a reduction in the quantum of tax losses surrendered to other group companies.

The taxation on the exceptional item amounts to £1.7m (2003: £nil).

9 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

9b FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£m	£m
Profit on ordinary activities before tax	**95.4**	8.1
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	**28.6**	2.4
Effects of:		
Expenses not deductible for tax purposes (primarily equity unrealised gains taxed on a six year spread)	**4.1**	4.5
Income not taxable (primarily UK equity income (2003: primarily equity unrealised gains))	**(2.8)**	(2.3)
Capital allowances for the period in excess of depreciation	**(0.4)**	(2.4)
Other timing differences	**-**	(0.2)
Surplus tax losses carried forward	**-**	4.4
Utilisation of tax losses	**(29.5)**	-
Loss arising on transfer of investments from investment subsidiary	**-**	(6.5)
Higher tax rates on overseas earnings	**0.1**	0.2
Adjustments to tax charge in respect of previous periods	**5.1**	23.6
Current tax charge for the period (note 9a)	**5.2**	23.7

9c FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has a substantial trading loss carried forward as at 31 December 2004. This will significantly reduce tax payable in future accounting periods.

10 OTHER INTANGIBLE ASSETS

	Total £m
Cost	
At 1 January 2004	23.4
Additions	26.8
At 31 December 2004	50.2
Accumulated amortisation	
At 1 January 2004	3.2
Charge for the year	6.4
At 31 December 2004	9.6
Net book value – 31 December 2004	**40.6**
Net book value – 31 December 2003	20.2

Other intangible assets comprise advance commission payments in respect of future business.

11 LAND AND BUILDINGS

	2004 £m	2003 £m
Market value: Freehold	**0.9**	5.4
Market value: Long leasehold	**2.3**	2.3
	3.2	7.7
Cost	**3.2**	10.6

Included in land and buildings at market value is £3.0m (2003: £7.0m) in respect of land and buildings occupied by the Company for its own use.

Land and buildings were valued at 31 December 2004 on an open market existing use basis by Nelson Bakewell, a firm of independent chartered surveyors.

12 INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

12a SHARES IN SUBSIDIARY UNDERTAKINGS

	2004	2003
	£m	£m
Net asset value at 1 January	**776.9**	137.2
Acquisitions	**-**	616.3
Liquidation of dormant subsidiary undertakings	**0.7**	-
Movement in net asset value	**(8.8)**	23.4
Net asset value at 31 December	**768.8**	776.9
Cost	**789.9**	789.1

In the opinion of the directors, the value of the investments of the Company in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

12b PARTICULARS OF PRINCIPAL SUBSIDIARY UNDERTAKINGS

	Country of *incorporation* or registration	**Holding *of ordinary* shares**
Insurance companies		
AXA General Insurance Limited	England	100%
Investment companies		
Stramongate Investments Limited	England	100%
Venture Preference Limited	England	100%
Magnet House Properties Limited	England	100%

Information regarding other minor subsidiary undertakings, which do not materially affect the result, is submitted with the annual insurance return to the Financial Services Authority ("FSA").

12c DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On 9 December 2004, the Company sold its entire holding in AXA (Cardiff) Limited to the parent company, AXA UK plc for a consideration of £30m. AXA (Cardiff) Limited was previously merger accounted, and therefore the disposal has been reflected in reserves by the release of the merger reserve through the profit and loss account.

13 OTHER FINANCIAL INVESTMENTS

	Current value		Cost	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Shares and other variable yield securities and units in unit trusts:				
- listed	**335.3**	352.4	**318.9**	356.7
- non-listed	**4.9**	5.9	**7.0**	7.0
Debt securities and other fixed income securities:				
- listed	**1,191.1**	1,064.1	**1,209.4**	1,066.4
Deposits with credit institutions	**818.0**	786.3	**818.0**	786.3
	2,349.3	2,208.7	**2,353.3**	2,216.4

14 DEBTS IN RESPECT OF DIRECT INSURANCE OPERATIONS

	2004	2003
	£m	£m
Due from policyholders	**178.7**	198.7
Due from intermediaries	**259.4**	223.4
	438.1	422.1

15 DEFERRED TAX

The deferred tax asset comprises:

	2004	2003
	£m	£m
Accelerated capital allowances	**0.9**	(1.4)
Tax losses carried forward	**96.2**	113.1
Unrealised losses	**(11.8)**	(16.2)
Other timing differences	**1.1**	1.4
Undiscounted deferred tax asset	**86.4**	96.9
Asset at start of period	**96.9**	65.7
Deferred tax (charge)/credit in profit and loss account for period (note 9a)	**(10.5)**	29.1
Transfer asset from subsidiary companies	**-**	2.1
Undiscounted deferred tax asset	**86.4**	96.9

Recognition of the net deferred tax asset arising from the carried forward tax losses is based upon the profit forecasts of the group for future accounting periods and the ability to obtain relief for the losses against these future profits.

16 OTHER DEBTORS

	2004 £m	2003 £m
Amounts due from intermediate parent undertaking	**56.9**	52.7
Amounts due from subsidiary undertakings	**244.9**	30.0
Amounts due from fellow subsidiary undertakings	**9.9**	8.6
Amounts due from associated group undertaking	**1.3**	7.8
Salvage and subrogation recoverable	**38.3**	38.7
Other debtors	**32.8**	40.9
	384.1	178.7

17 TANGIBLE FIXED ASSETS

	Leasehold improvements £m	Computer equipment & software development £m	Vehicles £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2004	-	1.7	1.4	5.8	8.9
Additions	1.0	-	-	-	1.0
Disposals	-	(1.7)	(1.3)	(4.9)	(7.9)
At 31 December 2004	1.0	-	0.1	0.9	2.0
Accumulated depreciation					
At 1 January 2004	-	1.7	1.4	5.6	8.7
Charge for the year	-	-	-	0.2	0.2
Disposals	-	(1.7)	(1.3)	(4.9)	(7.9)
At 31 December 2004	-	-	0.1	0.9	1.0
Net book value – 31 December 2004	**1.0**	**-**	**-**	**-**	**1.0**
Net book value – 31 December 2003	-	-	-	0.2	0.2

Leasehold improvements relate to a major refurbishment of an operational property in Ipswich, which is expected to be brought into use in 2005.

Disposals during the year relate to fully depreciated assets no longer used in the business and therefore written off.

18 CASH AT BANK AND IN HAND

Cash at bank and in hand includes £2.1m (2003: £0.2m) pledged to support letters of credit issued by banks on the Company's behalf, in connection with reinsurance acceptances.

19 CALLED-UP SHARE CAPITAL

	2004		2003	
	Authorised	**Paid-up**	Authorised	Paid-up
	£m	**£m**	£m	£m
Authorised:				
489,056,602 (2003: 489,056,602) Ordinary shares of 25p each	**122.3**	-	122.3	-
Issued:				
489,056,602 (2003: 489,056,602) Ordinary shares of 25p each	-	**122.3**	-	122.3
	122.3	**122.3**	122.3	122.3

20 STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital contributions £m	Profit and loss account £m	Total £m
At 1 January 2004	122.3	798.7	(48.2)	26.7	228.7	(191.7)	936.5
Profit for the year	-	-	-	-	-	79.7	79.7
Movement in STRGL – change in net asset value of subsidiary undertakings	-	-	(8.8)	-	-	-	(8.8)
Movement in reserves:							
Revaluation of assets	-	-	6.6	-	-	(6.6)	-
Deferred tax thereon	-	-	3.8	-	-	(3.8)	-
Foreign exchange	-	-	3.8	-	-	(3.8)	-
Disposal of subsidiary undertaking	-	-	-	(26.7)	-	26.7	-
At 31 December 2004	**122.3**	**798.7**	**(42.8)**	**-**	**228.7**	**(99.5)**	**1,007.4**

The revaluation reserve represents unrealised gains and losses on investments and unrealised exchange gains and losses from technical provisions, investments and other currency denominated balances.

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004	2003
	£m	£m
Profit on ordinary activities after tax transferred to reserves	**79.7**	13.5
Recognised (losses)/gains on change in net assets of subsidiaries	**(8.8)**	23.4
Issue of share capital	-	84.7
Share premium on issue of shares	-	531.6
Capital contributions	-	36.0
Net addition to shareholders' funds	**70.9**	689.2
Shareholders' funds at 1 January	**936.5**	247.3
Shareholders' funds at 31 December	**1,007.4**	936.5

22 EQUALISATION PROVISION

Equalisation provisions are established in accordance with accounting policy note II (h). The effect of this provision is to reduce shareholders' funds by £66.0m (2003: £44.6m). The increase in the provision during the year had the effect of reducing the balance on the technical account for general business and the profit before tax by £21.4m (2003: £17.3m).

23 ANALYSIS OF PROVISIONS FOR OTHER RISKS AND CHARGES

	MIB provision £m	FSCS provision £m	Vacant space provision £m	Other provisions £m	Total £m
At 1 January 2004	9.5	-	5.3	1.5	16.3
Charge for the year	6.3	10.7	-	4.2	21.2
Utilised during the year	(5.4)	(5.9)	(0.9)	(0.8)	(13.0)
At 31 December 2004	**10.4**	**4.8**	**4.4**	**4.9**	**24.5**

Motor Insurance Bureau (MIB) provision

The Motor Insurance Bureau provision relates to the levy payable in respect of 2004 premiums. The levy is assessed retrospectively based on prior year motor premiums.

Financial Services Compensation Scheme (FSCS) provision

In a press release on 26 January 2005, the FSCS announced its intention to call a levy in March 2005 based on 2004 premiums. The amount in respect of the General Insurance Contribution Group is a prospective levy of £95m compared with their actual levy in 2003 of £135m. Based on similar assumptions to the actual 2004 levy, the Company's share is estimated to be £4.8m, which has been included as a provision.

Vacant space provision

The vacant space provision relates to future rent expenses for leasehold property where the property is vacant or where the property is sublet and the rents receivable are lower than rents payable under the terms of the headlease. The provision was discounted at 6.75% and will be utilised over the remaining period of the lease.

Other provisions

Included in other provisions is an estimated amount payable in respect of costs associated with adjustments of current direct business policies following the sale of the direct book (see note 8).

24 SUBORDINATED LOANS

	2004 £m	2003 £m
Subordinated loans are payable as follows:		
Between two and five years	**30.0**	-
After five years	**50.0**	80.0
	80.0	80.0

On 21 December 2001, the Company was granted a subordinated loan facility of £50m by its immediate parent company, AXA Insurance plc. On the same date, the Company drew down £30m. Under the terms of the loan agreement, interest on each drawdown is payable annually at LIBOR plus 1.7%. Each loan granted under the facility has a maturity of fifteen years from the date of drawdown and is repayable on demand, the notice period of which cannot expire prior to the fifth anniversary of each drawdown. On 28 March 2002, the Company drew down a further £10m.

On 28 March 2002, the Company was granted a perpetual subordinated loan facility of £50m by its immediate parent company, AXA Insurance plc. On 11 June 2002, the Company drew down £40m. Under the terms of the agreement, interest on each drawdown is payable half-yearly at LIBOR plus 2.2%.

25 BORROWINGS

	2004 £m	2003 £m
Bank borrowings are as follows:		
Amounts owed to credit institutions, repayable other than by instalments:		
Within one year or on demand	-	7.6
	-	7.6

26 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2004 £m	2003 £m
Amounts due to subsidiary undertakings	**137.1**	136.3
Amounts due to fellow subsidiary undertakings	**13.3**	11.6
Corporation tax	**30.5**	16.3
Other creditors	**51.9**	47.4
	232.8	211.6

All the above amounts are payable within one year.

27 OBLIGATIONS UNDER NON-CANCELLABLE OPERATING LEASES

	2004 £m	2003 £m
Annual commitments under non-cancellable operating leases are as follows:		
Expiry date:		
Within one year	**0.2**	0.5
Between two and five years	**1.5**	1.7
After five years	**2.9**	3.1
	4.6	5.3

All operating lease commitments relate to land and buildings.

28 CAPITAL EXPENDITURE COMMITMENTS

The Company had no capital expenditure commitments as at 31 December 2004 (2003: £nil).

29 CONTINGENT ASSETS AND LIABILITIES

(a) With the approval of the FSA, the Company, and certain of its fellow subsidiary undertakings have entered into a mutual guarantee whereby each company guarantees payment of all liabilities incurred by the others in respect of general insurance business.

(b) The Company has given an irrevocable undertaking to indemnify AXA Properties Limited, AXA Direct Limited, Insurance Management International Limited and Magnet House Properties Limited against any future liabilities following the transfer of these companies' assets and liabilities to the Company during 2003.

(c) The agreement covering the sale of the renewal rights to the Company's personal lines direct insurance business to RAC on 11 October 2004 (note 8) included a deferred consideration clause. This consideration is dependant on renewal retention rates being achieved over a target figure. A potential £4m - £6m is estimated to be due to the Company in 2005 based on an agreed rate per renewed policy. No provision has been made in these accounts for the deferred consideration.

30 CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (Cash Flow Statements (revised 1996)) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of a parent undertaking which produces a consolidated cash flow statement. The cash flow of the Company is consolidated in the AXA group financial statements, which can be obtained from 23, avenue Matignon, 75008 Paris, France.

31 RELATED PARTIES

As the Company is a wholly-owned subsidiary it has taken advantage of the exemption granted under Financial Reporting Standard 8 (Related Party Disclosures) where subsidiary undertakings do not have to disclose transactions with group companies qualifying as related parties provided that consolidated financial statements are publicly available.

Other than for transactions arising in respect of the arrangements mentioned below, there were no material transactions by the Company with related parties in 2004:

(a) the pension scheme referred to in note 6, the costs of administering which, with the exception of investment management expenses, are borne by the Company;

(b) arrangements for the management and, subsequently, the acquisition of the discontinued foreign and miscellaneous and London Branch insurance business portfolios of Irish National Insurance Company Limited, under arrangements which originally included an indemnity in the Company's favour from New Ireland Holdings plc against losses arising from the run-off and a guarantee from AXA UK plc, also in the Company's favour, as to the due performance by New Ireland Holdings plc of its responsibilities under the above indemnity.

32 ULTIMATE PARENT

In the opinion of the directors, the Company's ultimate parent and controlling undertaking is AXA, a company incorporated in France. The parent undertaking of the largest group which includes the Company and for which group financial statements are prepared is AXA. Copies of the AXA group financial statements can be obtained from 23, avenue Matignon, 75008 Paris, France.

The parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared is Guardian Royal Exchange plc, a company registered in England and Wales. Copies of the Guardian Royal Exchange group financial statements can be obtained from 107 Cheapside, London EC2V 6DU.