

Registered Number 90372

AXA DIRECT INSURANCE LIMITED

**Directors' Report and Financial Statements
for the year ended 31 December 2003**



Registered Office: 107 Cheapside, London EC2V 6DU

AXA DIRECT INSURANCE LIMITED

DIRECTORS

D. Holt (Chairman)
P. J. Hubbard
P. L. H. Maso y Guell Rivet

SECRETARY

I. D. Richardson

AUDITORS

PricewaterhouseCoopers LLP

AXA DIRECT INSURANCE LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2003.

REVIEW OF ACTIVITIES

The Company's principal business was the writing of general insurance business which became discontinued on 23 December 2003, at which date the Company became dormant.

During the year, the existing 100% quota share reinsurance arrangement between the Company and its parent, AXA General Insurance Limited, was novated to AXA Insurance UK plc with effect from 1 January 2003.

Following Court approval under the requirements of Part VII of the Financial Services and Markets Act 2000, the Company's general insurance business was transferred to AXA Insurance UK plc on 30 November 2003.

Following an application from the Company to the Financial Services Authority, its authority to write general insurance business ceased on 19 December 2003.

On 23 December 2003, the Company entered into an agreement with AXA General Insurance Limited whereby AXA General Insurance Limited assumed all remaining assets and liabilities in existence at 1 December 2003 and gave an irrevocable undertaking to indemnify the Company against all future liabilities.

The profit after taxation for the year was £1,011,000 (2002: £1,849,000) which has been transferred to reserves.

DIRECTORS

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

Mr. F-X. Boisseau resigned as a director on 22 April 2003. Mr. P. L. H. Maso y Guell Rivet was appointed a director on 12 August 2003, on which date Mr. P. J. Evans resigned as a director. Mr. P. C. Regan resigned as a director on 9 February 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 holding company (AXA) or subsidiaries of the ultimate holding company as such interests are disclosed in the Directors' Reports of the following companies, which are parent companies of the Company.

- D. Holt)
- P. L. H. Maso y Guell Rivet) reported by AXA UK plc
- P. J. Hubbard)

AXA DIRECT INSURANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

- P. C. Regan reported by AXA Insurance plc

Save as stated above, none of the directors at 31 December 2003 had interests in the share capital of the Company, its ultimate holding company or subsidiaries of the ultimate holding company.

PAYMENT OF CREDITORS

All trade purchases are dealt with through AXA Services Limited.

AUDITORS

Under Section 379A of the Companies Act 1985, the Company has elected to dispense with the following obligations:

- to lay accounts and reports before general meetings;
- to hold annual general meetings; and
- to appoint auditors annually.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'I. D. Richardson', is written over a horizontal line.

I. D. Richardson

Secretary

23 August 2004

AXA DIRECT INSURANCE LIMITED

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' statements 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 DIRECT INSURANCE LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, 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 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.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
23 August 2004

AXA DIRECT INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

General business technical account

	Note	2003 £'000	2002 £'000
Gross written premiums	1c	13,003	141,704
Outward reinsurance premiums		(13,003)	(141,704)
Net written premiums		-	-
Change in provision for unearned premiums			
- gross amount		71,051	8,385
- reinsurers' share		(71,051)	(8,385)
		-	-
Earned premiums, net of reinsurance		-	-
Claims paid			
- gross amount		(265,390)	(125,600)
- reinsurers' share		265,390	125,600
		-	-
Change in outstanding claims provision			
- gross amount		191,619	(18,516)
- reinsurers' share		(191,619)	18,516
		-	-
Claims incurred, net of reinsurance		-	-
Balance on the technical account for general business		-	-

All amounts relate to discontinued operations.

The accounting policies and notes on pages 9 to 21 form an integral part of these financial statements.

AXA DIRECT INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

Non-technical account

	Note	2003 £'000	2002 £'000
Balance on the general business technical account		-	-
Investment income		2,414	2,845
Unrealised gains on investments		-	963
Investment expenses and charges	2	(970)	(1,188)
Profit on ordinary activities before tax		1,444	2,620
Tax on profit on ordinary activities	7a	(433)	(771)
Retained profit for the financial year transferred to reserves	11	1,011	1,849

All amounts relate to discontinued operations.

There were no recognised gains or losses other than the profit for the year.

The accounting policies and notes on pages 9 to 21 form an integral part of these financial statements.

AXA DIRECT INSURANCE LIMITED

BALANCE SHEET

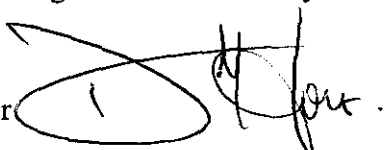
as at 31 December 2003

	Note	2003 £'000	2002 £'000
ASSETS			
Investments			
Financial investments	8	-	44,316
Reinsurers' share of technical provisions			
Provision for unearned premiums		-	71,051
Claims outstanding		-	191,619
		-	262,670
Debtors			
Other debtors	9	42,595	2,633
Prepayments and accrued income			
Accrued interest		-	202
Total assets		42,595	309,821
LIABILITIES			
Capital and reserves			
Called-up share capital	10	63,000	63,000
Profit and loss account	11	(20,405)	(21,416)
Equity shareholders' funds		42,595	41,584
Technical provisions			
Provision for unearned premiums		-	71,051
Claims outstanding		-	191,619
		-	262,670
Creditors			
Bank overdraft		-	2,384
Other creditors including taxation and social security	12	-	3,183
		-	5,567
Total liabilities		42,595	309,821

The accounting policies and notes on pages 9 to 21 form an integral part of these financial statements.

The financial statements on pages 6 to 21 were approved by the Board on 23 August 2004 and were signed on its behalf by

Director



AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 December 1998.

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable accounting standards.

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.

(b) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions 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.

(c) 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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

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

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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

(c) 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 recoverable.

Property business

Property 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.

Motor business

The estimated cost of motor claims excluding the cost of personal injury claims is calculated 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 cost per claim, based on historical levels adjusted to allow for movements in the variables described above. The personal injury element of motor claims costs is estimated using the same method as used for liability claims described below. In addition the estimate is assessed in the context of the historical development of paid and incurred claims and the implied loss ratios for each accident year.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

II General business (continued)

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

Liability 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 liability business are derived from 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. 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. Liability claims are also subject to the emergence of new types of latent claims but no allowance is included for this at the balance sheet date.

(d) Salvage and subrogation

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

(e) 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.

(f) 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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

III Investments

(a) Investment income

Investment income consists of interest and realised gains. 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.

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

(b) Realised and unrealised investment gains and losses

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.

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 are recorded in the non-technical account.

(c) Valuation

Investments are stated at market values.

IV 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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

V Staff pension costs

The group 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.

VI 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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 GENERAL INSURANCE BUSINESS

1a TRANSFER OF BUSINESS

On 30 September 2003 the 100% quota share reinsurance agreement between the Company and its parent, AXA General Insurance Limited, was novated to AXA Insurance UK plc with an effective date of 1 January 2003.

The Company's insurance business was transferred to AXA Insurance UK plc on 30 November 2003 pursuant to a Court order issued under Part VII of the Financial Services and Markets Act 2000 dated 21 November 2003.

Following an application from the Company to the Financial Services Authority, its authority to write general insurance business ceased on 19 December 2003.

On 23 December 2003, the Company entered into an agreement under which the Company's remaining assets and liabilities were transferred to AXA General Insurance Limited with effect from 1 December 2003. In consideration for the transfer of the Company's assets in existence at 1 December 2003, AXA General Insurance Limited assumed all liabilities in existence at that date and gave an irrevocable undertaking to indemnify the Company against any future liabilities. The practical effect of the agreement is that beneficial ownership of all the Company's assets and liabilities passed to AXA General Insurance Limited on 1 December 2003, with the exception of assets retained in order to maintain the Company's share capital and undistributed reserves.

1b GEOGRAPHICAL ANALYSIS

All business is written within the United Kingdom.

1c CLASS OF BUSINESS ANALYSIS

	Gross written premiums		Gross earned premiums	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Direct insurance				
Motor				
- third party liability	190	4,676	2,576	2,289
- other	10,258	121,516	70,944	133,301
Fire and other damage to property	2,555	15,512	10,534	14,499
	<u>13,003</u>	<u>141,704</u>	<u>84,054</u>	<u>150,089</u>
	Gross claims incurred		Gross operating expenses	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Direct insurance				
Motor				
- third party liability	2,650	10,406	201	1,629
- other	63,831	122,893	12,149	43,481
Fire and other damage to property	7,290	10,817	2,248	7,300
	<u>73,771</u>	<u>144,116</u>	<u>14,598</u>	<u>52,410</u>

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 GENERAL INSURANCE BUSINESS (CONTINUED)

1c CLASS OF BUSINESS ANALYSIS (CONTINUED)

	Reinsurance balance	
	2003	2002
	£'000	£'000
Direct insurance		
Motor		
- third party liability	275	9,746
- other	5,036	33,073
Fire and other damage to property	(996)	3,618
	<u>4,315</u>	<u>46,437</u>

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

1d ANALYSIS OF NET OPERATING EXPENSES

	2003	2002
	£'000	£'000
Acquisition costs	3,693	22,381
Movement in deferred acquisition costs	4,329	8,842
Administration expenses	6,576	21,187
Quota share reinsurance	(14,598)	(52,410)
	<u>-</u>	<u>-</u>

2 INVESTMENT EXPENSES AND CHARGES

	2003	2002
	£'000	£'000
Investment management expenses	57	46
Losses on the realisation of investments	913	1,142
	<u>970</u>	<u>1,188</u>

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 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. P. J. Evans, Mr. D. Holt, Mr. P. J. Hubbard and Mr. P. L. H. Maso Y Guell Rivet 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. F-X. Boisseau and Mr. P. C. Regan 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.

4 STAFF COSTS

Staff engaged in the Company's activities are employees of AXA Services Limited, a fellow subsidiary undertaking, and the full disclosure of staff costs, including pensions, is contained in the accounts of AXA Services Limited.

5 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 £396.4m as at 31 December 2003 (£429.1m as at 31 December 2002) 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 2003.

The total pension cost which has been charged to the profit and loss account of the Company is £0.5m (2002: £0.5 million). There are no outstanding contributions as at 31 December 2003 (2002: £nil).

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration		
- audit fees	27	28
Rentals under operating leases		
- land and buildings	526	721
- other	<u>12</u>	<u>20</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

7a ANALYSIS OF TAX CHARGE IN PERIOD

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<u>Current tax:</u>		
UK corporation tax on profits of the period	433	771
Total current tax (note 7b) and tax on profit on ordinary activities	<u>433</u>	<u>771</u>

7b FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is equal to (2002: below) the standard rate of corporation tax in the UK (30%). The differences in 2002 are explained below:

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Profit on ordinary activities before tax	<u>1,444</u>	<u>2,620</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	433	786
<u>Effects of:</u>		
Income not taxable	-	(15)
Current tax charge for the period	<u>433</u>	<u>771</u>

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 FINANCIAL INVESTMENTS

	Current value		Cost	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Debt securities and other fixed income securities	-	35,916	-	36,052
Deposits with credit institutions	-	8,400	-	8,400
	<u>-</u>	<u>44,316</u>	<u>-</u>	<u>44,452</u>

All investments held are stated at market value.

9 DEBTORS

	2003 £'000	2002 £'000
Amounts due from immediate parent undertaking	42,595	2,546
Amounts due from fellow subsidiary undertakings	-	8
Other debtors	-	79
	<u>42,595</u>	<u>2,633</u>

10 CALLED-UP SHARE CAPITAL

	2003		2002	
	Authorised £'000	Paid-up £'000	Authorised £'000	Paid-up £'000
Authorised:				
6,300,000 ordinary shares of £10 each	63,000	-	63,000	-
Issued:				
6,300,000 ordinary shares of £10 each	-	63,000	-	63,000
	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>

11 STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2003	63,000	(21,416)	41,584
Profit for the year	-	1,011	1,011
At 31 December 2003	<u>63,000</u>	<u>(20,405)</u>	<u>42,595</u>

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2003	2002
	£'000	£'000
Amounts due to fellow subsidiary undertakings	-	1,298
Corporation tax	-	1,881
Other creditors	-	4
	<u>-</u>	<u>3,183</u>

13 OBLIGATIONS UNDER NON-CANCELLABLE OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows:

	Land & buildings	Land & buildings
	2003	2002
	£'000	£'000
Expiry date:		
Within one year	-	-
Between two and five years	-	372
	<u>-</u>	<u>372</u>

14 CAPITAL EXPENDITURE COMMITMENTS

The Company had no capital expenditure commitments as at 31 December 2003 (2002: £nil).

15 CONTINGENT LIABILITIES

With the approval of the Financial Services Authority, 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.

16 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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 RELATED PARTIES

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

18 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.