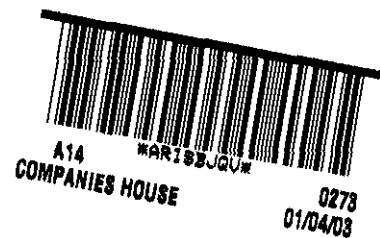


Registered Number 90372

AXA DIRECT INSURANCE LIMITED

**Directors' Report and Financial Statements
for the year ended 31 December 2002**



Registered Office: 107 Cheapside, London EC2V 6DU

AXA DIRECT INSURANCE LIMITED

DIRECTORS

D. Holt (Chairman)
F-X. Boisseau
P. J. Evans
P. J. Hubbard
P. C. Regan

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 2002.

REVIEW OF ACTIVITIES

The Company's principal activity is underwriting motor and household personal insurances, and handling enquiries direct by telephone without any intermediary being involved.

The technical account for the year shows a nil result due to a 100% Quota Share Proportional Reinsurance agreement, in operation since 1 January 1997, with AXA General Insurance Limited.

The return on investments for the year was a profit before tax of £2,620,000 (2001: £1,908,000). Both the return on the investments and the year end financial position were satisfactory and the directors expect that this position will be sustained for the foreseeable future.

DIRECTORS

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

Mr. D. W. W. Torrance resigned as a director on 8 January 2002. Mr. F-X. Boisseau, Mr. P. J. Hubbard and Mr. P. C. Regan were appointed directors on 26 March 2002.

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. J. Evans)
- P. J. Hubbard) reported by AXA UK plc

- F-X. Boisseau)
- P. C. Regan) reported by AXA Insurance plc

AXA DIRECT INSURANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

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.

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 10 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By Order of the Board

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

I. D. Richardson
Secretary

19 March 2003

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 set out on page 5 and 6 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 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 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 in to 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 misstatement 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AXA DIRECT INSURANCE LIMITED (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 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
19 March 2003

AXA DIRECT INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

General business technical account	Note	2002 £'000	2001 £'000
Gross written premiums	1b	141,704	154,848
Outward reinsurance premiums		(141,704)	(154,848)
Net written premiums		<u>-</u>	<u>-</u>
Change in provision for unearned premiums			
- gross amount		8,385	(4,432)
- reinsurers' share		(8,385)	4,432
		<u>-</u>	<u>-</u>
Earned premiums, net of reinsurance		-	-
Claims paid			
- gross amount		(125,600)	(128,609)
- reinsurers' share		125,600	128,609
		<u>-</u>	<u>-</u>
Change in outstanding claims provision			
- gross amount		(18,516)	(1,435)
- reinsurers' share		18,516	1,435
		<u>-</u>	<u>-</u>
Claims incurred, net of reinsurance		-	-
Balance on the technical account for general business		<u>-</u>	<u>-</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 10 to 22 form an integral part of these financial statements.

AXA DIRECT INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

Non-technical account	Note	2002 £'000	2001 £'000
Balance on the general business technical account		-	-
Investment income		2,845	2,574
Unrealised gains/(losses) on investments		963	(468)
Investment expenses and charges	2	(1,188)	(198)
Profit on ordinary activities before tax		2,620	1,908
Tax on profit on ordinary activities	7	(771)	(571)
Retained profit for the financial year transferred to reserves	11	1,849	1,337

All amounts relate to continuing activities.

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

The accounting policies and notes on pages 10 to 22 form an integral part of these financial statements.

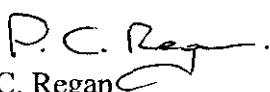
AXA DIRECT INSURANCE LIMITED

BALANCE SHEET

as at 31 December 2002

ASSETS	Note	2002 £'000	2001 £'000
Investments			
Financial investments	8	44,316	41,942
Reinsurers' share of technical provisions			
Provision for unearned premiums		71,051	79,436
Claims outstanding		191,619	173,103
Other technical provisions – provision for unexpired risks		-	2,000
		<u>262,670</u>	<u>254,539</u>
Debtors	9	2,633	7,456
Prepayments and accrued income			
Accrued interest		202	192
Total assets		<u>309,821</u>	<u>304,129</u>
LIABILITIES			
Capital and reserves			
Called-up share capital	10	63,000	63,000
Profit and loss account	11	(21,416)	(23,265)
Equity shareholders' funds		<u>41,584</u>	<u>39,735</u>
Technical provisions			
Provision for unearned premiums		71,051	79,436
Claims outstanding		191,619	173,103
Other technical provisions – provision for unexpired risks		-	2,000
		<u>262,670</u>	<u>254,539</u>
Creditors			
Bank overdraft		2,384	2,415
Other creditors including taxation and social security	12	3,183	7,440
		<u>5,567</u>	<u>9,855</u>
Total liabilities		<u>309,821</u>	<u>304,129</u>

The accounting policies and notes on pages 10 to 22 form an integral part of these financial statements. The financial statements on pages 7 to 22 were approved by the Board on 19 March 2003 and were signed on its behalf by


P. C. Regan
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 in accordance with applicable accounting standards.

II Adoption of new accounting standards

The provisions of Financial Reporting Standard 19 "Deferred Tax" ("FRS 19") have been adopted for the first time in these financial statements. As a consequence, full provision has been made for deferred tax on tax assets and liabilities arising on timing differences. This did not require any restatement of prior year figures.

The transitional disclosures required by Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17") are applicable for this year end. The Company has taken advantage of the concession in FRS 17 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. The full provisions of the new standard are not required to be implemented until after 1 January 2005.

III General business

The results for motor and fire and other damage to property 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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

III General business (continued)

(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 a deduction 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
- movements in industry benchmarks

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

III General business (continued)

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

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.

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)

III 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

Estimated recoveries are included within debtors.

(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) 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.

(g) 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)

IV 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.

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 are recorded in the non-technical account.

(c) Valuation

Investments are stated at market values.

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.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

VII 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.

VIII Leasing commitments

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

All business is written within the United Kingdom.

1b CLASS OF BUSINESS ANALYSIS

	Gross written premiums		Gross earned premiums	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Direct insurance				
Motor				
- third party liability	4,676	6,265	2,289	4,426
- other	121,516	134,281	133,301	131,349
Fire and other damage to property	15,512	14,302	14,499	14,641
	<u>141,704</u>	<u>154,848</u>	<u>150,089</u>	<u>150,416</u>

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 GENERAL INSURANCE BUSINESS (CONTINUED)

1b CLASS OF BUSINESS ANALYSIS (CONTINUED)

	Gross claims incurred		Gross operating expenses		Reinsurance balance	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Direct insurance						
Motor						
- third party liability	(10,406)	(3,382)	(1,629)	(2,193)	9,746	1,149
- other	(122,893)	(114,504)	(43,481)	(46,998)	33,073	30,153
Fire and other damage to property	(10,817)	(12,158)	(7,300)	(10,922)	3,618	8,439
	<u>(144,116)</u>	<u>(130,044)</u>	<u>(52,410)</u>	<u>(60,113)</u>	<u>46,437</u>	<u>39,741</u>

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

1c ANALYSIS OF NET OPERATING EXPENSES

	2002 £'000	2001 £'000
Acquisition costs	31,223	26,315
Administration expenses	21,187	33,798
Quota Share reinsurance	<u>(52,410)</u>	<u>(60,113)</u>
	<u>-</u>	<u>-</u>

1d QUOTA SHARE AGREEMENT

The technical account for the year shows a nil result due to the continuation of the 100% Quota Share Proportional Reinsurance agreement with AXA General Insurance Limited, the parent company.

2 INVESTMENT EXPENSES AND CHARGES

	2002 £'000	2001 £'000
Investment management expenses	46	39
Losses on the realisation of investments	<u>1,142</u>	<u>159</u>
	<u>1,188</u>	<u>198</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 and Mr. P. J. Hubbard 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. In accordance with the 100% Quota Share Proportional Reinsurance agreement, all staff costs are recoverable from AXA General Insurance Limited, the parent company.

Staff costs are set out below:

	2002	2001
	£'000	£'000
Wages and salaries	6,074	10,487
Social security costs	461	889
Other pension costs	479	952
	7,014	12,328

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 of the defined benefit section estimated a deficit of £429 million as at 31 December 2002 (surplus of £60 million as at 31 December 2001) before taking account of any tax relief. This represents a snapshot of the present cost of meeting pension obligations that will crystallize over a period of many years.

The next full valuation of the fund will take place on 31 March 2003 and any deficit will be amortised through increased contributions over the average remaining working lives of the fund members, which is estimated to be 15 years.

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2002 £'000	2001 £'000
Profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration		
- audit fees	28	73
- non-audit fees – UK	-	89
Rentals under operating leases		
- land and buildings	721	1,005
- other	20	42

Non-audit fees in 2001 represented services in respect of a review of financial controls.

In accordance with the 100% Quota Share Proportional Reinsurance agreement, audit fees have been included in the financial statements of the parent company, AXA General Insurance Limited.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

7a ANALYSIS OF CHARGE IN PERIOD	2002 £'000	2001 £'000
<u>Current tax:</u>		
UK corporation tax on profits of the period	771	572
Adjustments in respect of previous periods	-	(1)
	<hr/>	<hr/>
Total current tax (note 7b) and tax on profit on ordinary activities	<u>771</u>	<u>571</u>

7b 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:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>2,620</u>	<u>1,908</u>
 Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	 786	 572
<u>Effects of:</u>		
Adjustments to tax charge in respect of previous periods	-	(1)
Income not taxable	<u>(15)</u>	
Current tax charge for the period	<u>771</u>	<u>571</u>

The Company has adopted the provisions contained within Financial Reporting Standard 19 "Deferred Tax", but this did not require any restatement of prior year figures.

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 FINANCIAL INVESTMENTS

	Current Value		Cost	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Debt securities and other fixed income securities	35,916	36,142	36,052	37,241
Deposits with credit institutions	8,400	5,800	8,400	5,800
	<u>44,316</u>	<u>41,942</u>	<u>44,452</u>	<u>43,041</u>

All investments held are stated at market value.

9 DEBTORS

	2002 £'000	2001 £'000
Amounts due from immediate parent undertaking	2,546	-
Amounts due from fellow subsidiary undertakings	8	7,159
Other debtors	79	297
	<u>2,633</u>	<u>7,456</u>

10 CALLED-UP SHARE CAPITAL

	2002		2001	
	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
1 January 2002	63,000	(23,265)	39,735
Profit for the year	-	1,849	1,849
31 December 2002	<u>63,000</u>	<u>(21,416)</u>	<u>41,584</u>

AXA DIRECT INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2002 £'000	2001 £'000
Amounts due to fellow subsidiary undertakings	1,298	5,557
Corporation tax	1,881	1,682
Other creditors	4	201
	<u>3,183</u>	<u>7,440</u>

All the above amounts are payable within one year.

13 OBLIGATIONS UNDER NON-CANCELLABLE OPERATING LEASES

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

	Land & buildings 2002 £'000	Other 2002 £'000	Land & buildings 2001 £'000	Other 2001 £'000
Expiry date:				
Within one year	-	-	-	11
Between two and five years	372	-	372	-
	<u>372</u>	<u>-</u>	<u>372</u>	<u>11</u>

14 CAPITAL EXPENDITURE COMMITMENTS

The Company had no capital expenditure commitments as at 31 December 2002 (2001: £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", 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 smallest group in which the results of the Company are consolidated is that of which Guardian Royal Exchange plc is the parent company, whose consolidated accounts can be obtained from 107 Cheapside, London, EC2V 6DU.