

SUN LIFE OLAC LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER, 1997



SUN LIFE OLAC LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements for the year to 31 December, 1997.

PRINCIPAL ACTIVITIES

The Company acts as a UK holding company for an offshore life assurance company, Sun Life International (IOM) Limited.

MERGER WITH AXA EQUITY & LAW GROUP

At an extraordinary general meeting held on 23 July 1997, the shareholders of Sun Life and Provincial Holdings plc agreed to the acquisition of AXA Equity & Law Life Assurance Society plc, AXA Equity & Law Investment Managers Limited and AXA Insurance Company Limited. The operations of Sun Life and AXA Equity & Law are currently in the process of being merged.

RESULTS

During the year, the Company made a profit before tax of £2,478 (1996 - £2,321).

DIRECTORS

The directors of the Company are listed below:

P N S Clark (appointed 19 June 1997)

A L Owen

J L Riley (resigned 1 August 1997)

In accordance with Article 76 of the Company's Articles of Association, Mr P N S Clark will retire at the forthcoming annual general meeting and, being eligible, will offer himself for reappointment.

DIRECTORS' INTERESTS IN SHARES

Details of directors' interests, according to the register for the purpose, in the share capital of Sun Life and Provincial Holdings plc and of AXA-UAP are shown below. The interests include shares held and options granted. All holdings are beneficial unless stated otherwise. No director held any beneficial interest in the shares of any subsidiary undertaking or of any other holding company, except as stated.

Sun Life and Provincial Holdings plc

Options held and granted during the year under the company's executive share option scheme (ESOS) and savings-related share option scheme (SAYE) were as follows:

Directors	Number of Options			Exercise price	Date from which	Expiry date exercisable
	At 1.1.97 or date of appointment	Granted during year	At 31.12.97			
ESOS 1996						
P N S Clark	62,420	-	62,420	235.5p	24.9.99	23.9.06
A L Owen	106,157	-	106,157	235.5p	24.9.99	23.9.06
ESOS 1997						
P N S Clark	-	31,924	31,924	375.5p	29.10.00	28.10.07
A L Owen	-	93,209	93,209	375.5p	29.10.00	28.10.07

SUN LIFE OLAC LIMITED

DIRECTORS' REPORT cont.

DIRECTORS' INTERESTS IN SHARES cont.

Directors	Number of Options			Exercise price	Date from which exercisable	Expiry date
	At 1.1.97 or date of appointment	Granted during year	At 31.12.97			
SAYE 1996						
P N S Clark	9,175	-	9,175	188.0p	31.8.01	28.2.02
A L Owen	9,175	-	9,175	188.0p	31.8.01	28.2.02

Share options held in the Group ultimate parent company are shown below.

AXA-UAP						
A L Owen	-	15,000	15,000	FRF322.0	22.1.99	22.1.02

These options can be exercised in four separate tranches between 22.1.99 to 22.1.02.

	Compagnie UAP Shares of FRF10 each	AXA-UAP Shares of FRF60 each	Sun Life and Provincial Holdings plc Ordinary shares of £1 each	
	At 1.1.97	At 31.12.97	At 1.1.97	At 31.12.97
P N S Clark	559	244	2,127	2,127
A L Owen	654	282	4,255	4,255

In 1996, AXA S.A. made a general offer to acquire the shares of Compagnie UAP, the former ultimate parent company of the Sun Life Group. AXA offered four AXA shares plus four certificates of guaranteed value for every ten UAP shares. The certificates of guaranteed value will pay a cash sum in June 1999 should the AXA-UAP share price be below a certain level at that time. Both directors accepted the AXA offer and, in January 1997 the offer became unconditional. In May 1997, the two companies merged to form AXA-UAP.

AUDITORS

At an extraordinary general meeting held on 22 July 1997, Price Waterhouse were appointed as auditors of the Company in place of Deloitte & Touche. In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of Price Waterhouse as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board.

Mary Hitchon

M E Hitchon
Secretary

20 February, 1998

SUN LIFE OLAC LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The responsibilities of the auditors are set out in the audit report on page 4.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 9, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors are required to be satisfied that it is appropriate to prepare financial statements on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

SUN LIFE OLAC LIMITED

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF SUN LIFE OLAC LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out in Note 1 on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants and Registered Auditors

Bristol

20 February, 1998

SUN LIFE OLAC LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 1997

	Notes	1997 £	1996 £
Interest receivable	2	2,478	2,321
Administrative expenses	4	-	-
Profit on ordinary activities before tax		2,478	2,321
Tax on profit on ordinary activities	5	(629)	(710)
Profit on ordinary activities after tax being retained profit for the year		1,849	1,611
Retained profit brought forward		7,592	5,981
Retained profit carried forward		9,441	7,592

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £	1996 £
Profit for the year ending 31 December	1,849	1,611
Movement on revaluation reserve	(1,262,686)	207,561
Total recognised gains and losses relating to the year ending 31 December	(1,260,837)	209,172

All of the above amounts are in respect of continuing operations.

The accounting policies and notes on pages 7 to 9 form an integral part of these financial statements.

SUN LIFE OLAC LIMITED

BALANCE SHEET AT 31 DECEMBER, 1997

	Notes	1997 £	1996 £
Fixed Assets			
Fixed interest securities		20,719	21,199
Investment in subsidiary undertaking	8	2,695,520	3,957,726
		<u>2,716,239</u>	<u>3,978,925</u>
Current assets			
Amount owed by a fellow subsidiary undertaking		8,979	7,283
Income tax recoverable		-	432
Interest receivable		903	901
		<u>9,882</u>	<u>8,616</u>
Current liabilities			
Corporation tax payable		562	1,145
Net current assets		<u>9,320</u>	<u>7,471</u>
Net assets		<u>2,725,559</u>	<u>3,986,396</u>
Equity shareholder funds			
Called up Share Capital	7	9,444,002	9,444,002
Revaluation reserve		(6,727,884)	(5,465,198)
Profit and loss account		9,441	7,592
		<u>2,725,559</u>	<u>3,986,396</u>

The accounting policies and notes on pages 7 to 9 form an integral part of these financial statements.

Approved by the Board on 20 February, 1998.



A L Owen
Director

SUN LIFE OLAC LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies are set out below. The policies remain unchanged from the previous year.

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention, other than for the items noted in (b) below, and in accordance with applicable accounting standards. The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

(b) Investments

Investments in fixed interest securities are shown at market value. Investments in subsidiary undertakings are shown at net asset value.

(c) Cash Flow Statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of a parent undertaking which produces a consolidated cash flow statement.

(d) Deferred Taxation

Deferred taxation is calculated on the liability method and is provided only where a liability is expected to arise in the foreseeable future.

2. INTEREST RECEIVABLE

	1997 £	1996 £
Interest on fixed interest security	1,924	1,928
Interest from a fellow subsidiary undertaking	554	393
	<u>2,478</u>	<u>2,321</u>

3. DIRECTORS' EMOLUMENTS

The directors received no remuneration for their services to the Company during the year (1996 - nil).

4. ADMINISTRATIVE EXPENSES

The remuneration of the auditors and staff costs have been borne by the immediate parent undertaking.

SUN LIFE OLAC LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION

	1997	1996
	£	£
Corporation tax at 31% (1996 - 25%)	629	1,145
Deferred taxation	-	(435)
	629	710

6. IMMEDIATE AND ULTIMATE PARENT COMPANIES

The Company is a subsidiary of Sun Life Assurance Society plc, a company incorporated in Great Britain and registered in England and Wales.

In the opinion of the directors, the Company's ultimate parent and controlling company is AXA-UAP, 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-UAP. Copies of the group financial statements of AXA-UAP are available from that company at 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 Sun Life and Provincial Holdings plc, a company registered in England and Wales. Copies of the group financial statements of Sun Life and Provincial Holdings plc are available from that company's registered office at 107, Cheapside, London EC2V 6DU.

7. SHARE CAPITAL

	Ordinary shares of £1 each
Authorised Share Capital: At 31 December, 1996 and 1997	10,000,000

	1997	1996
	£	£
Allotted, issued and fully paid: At 31 December	9,444,002	9,444,002

8. SUBSIDIARY UNDERTAKING

The Company owns 80% of the Ordinary shares and 84.5% of the Deferred Ordinary shares of Sun Life International (IOM) Limited, which is registered in the Isle of Man.

Group financial statements have not been prepared as the Company is a wholly owned subsidiary of Sun Life Assurance Society plc, a company incorporated in Great Britain and registered in England and Wales.

SUN LIFE OLAC LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9. MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	Share Capital	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£	£
At 1 January, 1997	9,444,002	(5,465,198)	7,592	3,986,396
Profit for the year	-	-	1,849	1,849
Movement on revaluation reserve	-	(1,262,686)	-	(1,262,686)
At 31 December, 1997	9,444,002	(6,727,884)	9,441	2,725,559

10. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption under FRS8 not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Sun Life and Provincial Holdings plc group.