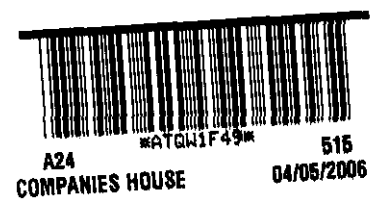


Registered Number 3479251

**AXA SUN LIFE HOLDINGS PLC**

**Directors' Report and Financial Statements**

**for the year ended 31 December 2005**



Registered Office: 5 Old Broad Street, London EC2N 1AD

## AXA SUN LIFE HOLDINGS PLC

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### **DIRECTORS**

D. Holt (Chairman)  
P. J. Evans (Chief Executive)  
K. C. Bounds  
D. E. Hynam  
R. E. Lee  
P. L. H. Maso y Guell Rivet  
F. de Méneval  
A. J. Purvis  
I. D. Richardson

### **SECRETARY**

J. P. Small

### **AUDITORS**

PricewaterhouseCoopers LLP

# **AXA SUN LIFE HOLDINGS PLC**

## **DIRECTORS' REPORT**

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The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2005.

### **REVIEW OF ACTIVITIES**

The Company is the parent company of the AXA Sun Life Group of companies. The principal activity of the Group is the transaction of long-term insurance business, namely life assurance, investment products and pensions. AXA Sun Life Services plc, a subsidiary undertaking of the Company, provides sales, marketing and administration services to the Group.

No change in the activities of the Company is planned for the foreseeable future.

On 14 December 2005, loans between the AXA Sun Life Holdings plc group and AXA UK plc were rationalised into a single interest free facility. This resulted in the repayment of loans from the shareholders' funds of AXA Sun Life plc and Sun Life Assurance Society plc to AXA UK plc for £198.3 million. New interest free loans totalling £198.3 million were then granted by the shareholders' funds of AXA Sun Life plc and Sun Life Assurance Society plc to AXA Sun Life Holdings plc, to facilitate the repayment of loans totalling £198.3 million to AXA UK plc.

During 2005, the Company increased its investment in AXA Sun Life Services plc by £90 million, representing the purchase of 90 million ordinary shares of £1 each issued at par for cash consideration. The purchase of this share capital was funded by additional borrowing from AXA UK plc.

Since the year end, as at 31 March 2006, the Company increased its investment in AXA Sun Life Services plc by £35 million, representing the purchase of 35 million ordinary shares of £1 each issued at par for cash consideration. The Company has provided assurances to the directors of AXA Sun Life Services plc that the Company will continue to provide financial support in order for AXA Sun Life Services plc to maintain a satisfactory regulatory capital and cashflow.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: nil).

### **DIRECTORS**

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

Mr. S. W. Lowther resigned as a director on 2 September 2005. Mr. K. C. Bounds and Mr. D. E. Hynam were appointed as directors on 1 January 2006.

# AXA SUN LIFE HOLDINGS PLC

## DIRECTORS' REPORT (CONTINUED)

### APPOINTMENT OF DIRECTORS

In accordance with Article 85 of the Articles of Association of the Company, Mr. D. Holt, Mr. R. E. Lee and Mr. A. J. Purvis, will retire by rotation at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-appointment.

In accordance with Article 71 of the Articles of Association of the Company, Mr. K. C. Bounds and Mr. D. E. Hynam will retire at the forthcoming Annual General Meeting having been appointed by the directors since the last Annual General Meeting. Being eligible, they offer themselves for re-appointment.

### DIRECTORS' INTERESTS

According to the register of directors' interests, the interests of directors in the share capital and debentures of the Company, its ultimate holding company (AXA) or subsidiaries of the ultimate holding company are as follows:

#### Interests in Shares and Units

#### AXA Shares of €2.29 each

	At 1 January 2005	At 31 December 2005
R. E. Lee	2,276	-
A. J. Purvis	708	-

	AXA Units in AXA Global Fund		AXA Units in AXA Actionnariat II Fund	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
R. E. Lee	526.7414	698.9320	16,313.0085	16,804.3085
A. J. Purvis	25.3977	-	-	147.1257

	AXA Units in AXA Shareplan Direct Global Fund Shares	
	At 1 January 2005	At 31 December 2005
R. E. Lee	-	2,845.8888

**AXA SUN LIFE HOLDINGS PLC**  
**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS (continued)**

**Interests in Options**

	At 1 January 2005 Options to subscribe for Shares	AXA During Year			At 31 December 2005 Options to subscribe for Shares
		Options granted	Options exercised	Options lapsed	
R. E. Lee	69,590	3,750	-	-	73,340
A. J. Purvis	19,199	3,750	-	-	22,949

The options outstanding at 31 December 2005 are exercisable at various times between 1 January 2006 and 28 March 2015 at prices between €10.96 and €40.86 per share.

	At 1 January 2005 Options to subscribe for Shares	AXA UK plc During Year		At 31 December 2005 Options to subscribe for Shares
		Options exercised	Options lapsed	
R. E. Lee	4,146	-	-	4,146
A. J. Purvis	9,320	-	-	9,320

The options outstanding at 31 December 2005 are exercisable at various times between 1 January 2006 and 28 October 2007 at £3.755 or £4.07 per share.

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' Report of the following company, which is the parent company of the Company.

- |                               |   |                        |
|-------------------------------|---|------------------------|
| • D. Holt                     | ) |                        |
| • P. J. Evans                 | ) |                        |
| • P. L. H. Maso y Guell Rivet | ) | reported by AXA UK plc |
| • F. de Méneval               | ) |                        |
| • I. D. Richardson            | ) |                        |

Save as stated above, none of the directors at 31 December 2005 had interests in the share capital of the Company, its ultimate holding company (AXA) or subsidiaries of the ultimate holding company.

**PAYMENT OF CREDITORS**

All trade purchases are dealt with through AXA Sun Life Services plc.

**AXA SUN LIFE HOLDINGS PLC**  
**DIRECTORS' REPORT (CONTINUED)**

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**FINANCIAL INSTRUMENTS**

**Financial risk management objectives and policies**

The Company is exposed to financial risk through its business operations affecting the financial assets and liabilities. The most important components of this risk given the nature of the Company's operations as a holding company are credit and liquidity risks.

The Company is part of the AXA UK Group which has established a group wide financial risk management framework and associated set of policies. These are designed primarily to ensure that financial risks are adequately controlled and monitored for the insurance group through Risk Committees advising the Group Chief Executive and individual business unit Chief Executives.

*Hedge Accounting*

There are no current or forecasted transactions for which hedge accounting is used.

**Credit risk**

Non-investment credit risk arises from the exposure of the company to intra-group debts with other companies in the AXA UK Group which is controlled through on-going monitoring of amounts due.

**Liquidity and cashflow risk**

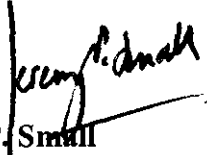
Liquidity or cashflow risk is defined as the risk that the Company may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations when due at reasonable cost.

A robust working capital management environment is encouraged by ensuring there are appropriate funding arrangements from other group companies and overdraft facilities, backed up by shorter-term, regular cashflow forecasting.

**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

27 April 2006

## **AXA SUN LIFE HOLDINGS PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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#### **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 auditors' report.

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

# AXA SUN LIFE HOLDINGS PLC

## AUDITORS' REPORT

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA SUN LIFE HOLDINGS PLC

We have audited the financial statements of AXA Sun Life Holdings plc for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.



## AXA SUN LIFE HOLDINGS PLC

### AUDITORS' REPORT

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#### **Basis of audit opinion (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.

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

27 April 2006

**AXA SUN LIFE HOLDINGS PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £'000	2004 £'000
Administrative expenses		(59)	(1,138)
<b>Operating loss</b>		<b>(59)</b>	<b>(1,138)</b>
Income from shares in group undertakings		22,000	80,000
Other interest receivable and similar income	2	2,485	2,499
Interest payable and similar charges	3	(6,438)	(3,491)
<b>Profit on ordinary activities before taxation</b>	4	<b>17,988</b>	<b>77,870</b>
Tax on profit on ordinary activities	6	1,204	639
<b>Profit on ordinary activities after taxation being retained profit for the financial year</b>		<b>19,192</b>	<b>78,509</b>
Retained profit brought forward		118,719	40,210
<b>Retained profit carried forward</b>		<b>137,911</b>	<b>118,719</b>

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

The Company had no recognised gains or losses during the year to 31 December 2005 other than those recognised in the profit and loss account.

The accounting policies and notes on pages 11 to 17 form part of these financial statements.

**AXA SUN LIFE HOLDINGS PLC**

**BALANCE SHEET  
AT 31 DECEMBER 2005**

	Note	2005 £'000	2004 £'000
<b>Fixed assets investments</b>			
Shares in group undertakings	7	2,724,246	2,634,246
<b>Current assets</b>			
Debtors	8	39,318	39,144
Cash at bank and in hand		90	3
		39,408	39,147
<b>Creditors: amounts falling due within one year</b>			
Amount owed to group undertakings	9	(1,944)	(2,731)
<b>Net current assets</b>		37,464	36,416
<b>Total assets less current liabilities</b>		2,761,710	2,670,662
<b>Creditors: amounts falling due after more than one year</b>			
Amounts owed to group undertakings	9	(333,396)	(261,540)
<b>Net assets</b>		2,428,314	2,409,122
<b>Capital and reserves</b>			
Called up share capital	10	2,290,403	2,290,403
Profit and loss account	11	137,911	118,719
Shareholders' funds		2,428,314	2,409,122

The financial statements were approved by the Board of Directors on 27 April 2006 and signed on its behalf by:

*Philippe Nave, Chairman*

Director

The accounting policies and notes on pages 11 to 17 form part of these financial statements.

# AXA SUN LIFE HOLDINGS PLC

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. ACCOUNTING POLICIES

The principal accounting policies are set out below.

#### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The Company has taken advantage of Section 228 of the Companies Act 1985 and has not produced consolidated financial statements on the basis that it is a subsidiary undertaking of AXA which prepares consolidated financial statements and is established under the laws of an EEA state.

#### (b) Income and expense recognition

Investment income is recognised on an accruals basis. Expenses incurred and interest payable in the management of investments are recognised on an accruals basis.

#### (c) Investments

Investments in subsidiary undertakings are included at cost, but are subject to reviews for impairment in value when considered necessary.

#### (d) 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 subsidiary undertaking of a parent undertaking which produces a consolidated cash flow statement. The cashflow of the Company is consolidated in the AXA group financial statements, which can be obtained from 23, avenue Matignon, 75008 Paris, France.

#### (e) Taxation

The charge for taxation is based on the profit for the year and takes into account *taxation deferred because of timing differences between the treatment of certain items* for taxation and accounting purposes. 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 using rates substantively enacted at the balance sheet date. Deferred tax balances have not been discounted.

**AXA SUN LIFE HOLDINGS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**2. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2005 £'000	2004 £'000
Interest on deposits	-	11
Interest on loans receivable from group companies	2,485	2,488
	<u>2,485</u>	<u>2,499</u>

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	2005 £'000	2004 £'000
Interest on loans payable to group companies	<u>6,438</u>	<u>3,491</u>

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**

Profit on ordinary activities before tax is stated after charging:

	2005 £'000	2004 £'000
Auditors' remuneration – Audit services	59	53

**5. REMUNERATION OF DIRECTORS AND EMPLOYEES**

The directors are employed and paid by companies in the AXA group and their directorships are held as part of that employment. Other than as disclosed below, 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.

	2005 £'000	2004 £'000
Aggregate emoluments	573	900

Retirement benefits are accruing to 3 directors (2004: 4) under a defined benefit pension scheme.

	2005 £'000	2004 £'000
Amounts attributable to highest paid director		
Aggregated emoluments	228	319
Defined benefit pension scheme:		
Accrued pension at end of year	3	2

**AXA SUN LIFE HOLDINGS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**5. REMUNERATION OF DIRECTORS AND EMPLOYEES (continued)**

Directors' Interests in Transactions

No contract in which a director was interested and which was material to the Group or its subsidiaries or to the other transacting party existed during the year.

Loans to Directors and Connected Persons

No loans or quasi-loans exceeding £5,000 to directors and connected persons were made or subsisted during the year.

None of the directors exercised any share options or employee sharesave options in AXA UK plc during the year.

Mr. P. J. Evans, Mr. D. Holt, Mr. F. de Ménéval, Mr. P. L. H. Maso y Guell Rivet and Mr. I. D. Richardson 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.

**6. TAXATION**

	2005 £'000	2004 £'000
Corporation tax at 30% (2004: 30%)	(1,204)	(639)

**Factors affecting the tax charge**

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

	2005 £'000	2004 £'000
<b>Profit on ordinary activities before tax</b>	<b>17,988</b>	<b>77,870</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	5,396	23,361
Inter-group dividends	(6,600)	(24,000)
<b>Current tax charge for the period</b>	<b>(1,204)</b>	<b>(639)</b>

**AXA SUN LIFE HOLDINGS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**7. SUBSIDIARY COMPANIES**

Principal subsidiaries of the Company are as follows:

<b>Shareholder Investments</b>	<b>Nature of Business</b>
AXA Sun Life plc	Life assurance and pensions
AXA Sun Life Services plc	Provision of administration services and Principal for mortgage and general insurance business
Sun Life Assurance Society plc	Life assurance and pensions
Sun Life Pensions Management Limited	Unit Linked pensions
Sun Life Unit Assurance Limited	Unit Linked life assurance
AXA Sun Life Direct Limited	Marketing company
AXA Portfolio Services Limited	PEP, ISA and discretionary management services
AXA Isle of Man Limited	Offshore life assurance

All principal subsidiaries are wholly owned and incorporated in Great Britain and registered in England and Wales with the exception of AXA Isle of Man Limited which is incorporated in the Isle of Man. Each company has ordinary shares of one class with the exception of AXA Portfolio Services Limited which has ordinary and redeemable preference shares. All companies operate principally in the country of incorporation.

During 2005 the company increased its investment in AXA Sun Life Services plc by £90 million, representing the purchase of 90 million ordinary shares of £1 each issued at par for cash consideration.

A number of subsidiaries which do not materially affect the results or assets of the Company are omitted from the above table.

The amount in the Company's balance sheet for shares in group undertakings is:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 January</b>	<b>2,634,246</b>	<b>2,311,246</b>
Additions in year	<b>90,000</b>	<b>323,000</b>
<b>At 31 December</b>	<b>2,724,246</b>	<b>2,634,246</b>

**AXA SUN LIFE HOLDINGS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8. DEBTORS**

	2005 £'000	2004 £'000
Amount owed by group undertakings	38,114	38,548
Corporation tax receivable	1,204	596
	<u>39,318</u>	<u>39,144</u>

Included within amounts owed by group undertakings is £9 million due from Sun Life Assurance Society plc ('SLAS'), a subsidiary of the Company, repayment of which is contingent on SLAS receiving repayments from a fellow subsidiary in respect of reinsurance arrangements. A commercial rate of interest is being charged on the outstanding balance.

**9. CREDITORS**

	2005 £'000	2004 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed to group undertakings	1,944	2,731
	<u>1,944</u>	<u>2,731</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed to group undertakings	333,396	261,540
	<u>333,396</u>	<u>261,540</u>
<b>Maturity of Debt</b>		
In one year or less, or on demand	1,944	2,731
In more than two years, but not more than five years	291,696	129,540
In more than five years	41,700	132,000
	<u>335,340</u>	<u>264,271</u>



**AXA SUN LIFE HOLDINGS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10. SHARE CAPITAL**

	2005		2004	
	Authorised £'000	Paid-up £'000	Authorised £'000	Paid-up £'000
<b>Authorised:</b> 2,500,000,000 ordinary shares of £1 each	<b>2,500,000</b>		2,500,000	
<b>Allotted and Issued:</b> 49,998 part paid shares of 25p each		13		13
2,290,390,902 fully paid shares of £1 each		<b>2,290,390</b>		2,290,390
		<b>2,290,403</b>		<b>2,290,403</b>

25p per share has been called up on part paid shares for a total cash consideration of £12,499.50. The non-cash consideration received for the issue of the fully paid shares consisted of subsidiaries acquired at fair value.

**11. MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share Capital £'000	Profit and Loss Account £'000	Total £'000
<b>At 1 January 2005</b>	2,290,403	118,719	<b>2,409,122</b>
Profit for the year	-	19,192	<b>19,192</b>
<b>At 31 December 2005</b>	<b>2,290,403</b>	<b>137,911</b>	<b>2,428,314</b>

**12. 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.

**AXA SUN LIFE HOLDINGS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**13. IMMEDIATE AND ULTIMATE PARENT COMPANY**

The Company is a subsidiary of AXA UK 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, a company incorporated in France. The parent undertaking of the largest and smallest 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.