

Registered Number 3479251

AXA SUN LIFE HOLDINGS PLC

Directors' Report and Financial Statements

for the year ended 31 December 2006



Registered Office 5 Old Broad Street, London EC2N 1AD

AXA SUN LIFE HOLDINGS PLC

DIRECTORS

N J-M D.Moreau	(Chairman)
P. J Evans	(Chief Executive)
D. E Hynam	
M J Kellard	
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

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2006.

BUSINESS REVIEW

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.

BUSINESS PERFORMANCE

	2006	2005
	£'000	£'000
Income	40,915	24,485
Profit after tax	37,911	19,192

Income varies with the dividends received from subsidiary undertakings which then impacts on profit

On 20 July 2006, AXA Sun Life Holdings plc group arranged a £3,000,000 interest free loan facility to Suntrust Limited. An advance of £500,000 was borrowed on 24 July 2006

During 2006, the Company increased its investment in AXA Sun Life Services plc by £88 million, representing the purchase of 88 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 Sun Life plc and repayment of a loan from Sun Life Assurance Society plc. 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

PRINCIPAL RISK AND UNCERTAINTIES

Given the nature of the Company's operation, the principal risk is the financial risk of its intergroup transactions which is discussed further in the 'Financial instruments' section

FUTURE OUTLOOK

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

AXA SUN LIFE HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED)

ATTRIBUTED INHERITED ESTATE IN AXA SUN LIFE PLC

Included within the un-distributable reserves of AXA Sun Life plc, a subsidiary of the Company, is £1,675.7m (2005: £1,464.2m) in respect of the attributed inherited estate and associated investment income arising as a result of the financial re-organisation and transfer of business of AXA Equity & Law Life Assurance Society Plc to AXA Sun Life plc on 1 April 2001. Distribution of these reserves to the shareholders must be in accordance with the rules governing the financial re-organisation and transfer of business. These rules prevent distribution to the shareholder before the fifth anniversary of the commencement of the re-organisation.

The first five year test under the rules governing the financial re-organisation was carried out based on the financial position of AXA Sun Life plc as at 31 December 2005. The results of the test were considered by the AXA Sun Life plc board in February 2007 where it was agreed that any distribution to the shareholder would be inappropriate at this time. The next five year test will be carried out as at 31 December 2010.

DIVIDENDS

During May 2006, AXA Sun Life plc paid AXA Sun Life Holdings plc a dividend of £14,600,000.

During Oct 2006, Sun Life Unit Assurance Ltd paid AXA Sun Life Holdings plc a dividend of £26,000,000.

The directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: nil).

DIRECTORS

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

Mr. R. E. Lee resigned as a director on 7 June 2006. Mr. N. J.-M. D. Moreau was appointed as a director on 30 June 2006, on which date Mr. D. Holt resigned. Mr. K. C. Bounds resigned as a director on 30 December 2006. Mr. M. J. Kellard was appointed as a director on 14 March 2007.

APPOINTMENT OF DIRECTORS

In accordance with Article 85 of the Articles of Association of the Company, Mr. P. J. Evans and Mr. F. de Méneval, 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. N. J.-M. D. Moreau and Mr. M. J. Kellard 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.

AXA SUN LIFE HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)

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

	Units in AXA Global Fund		AXA Units in AXA Actionnariat II Fund	
	At	At	At	At
	1 January 2006	31 December 2006	1 January 2006	31 December 2006
A J Purvis	-	-	147,1257	154 2865
D E. Hynam	-	549 018	-	-

Interests in Options

	At 1 January 2006	AXA During Year			At 31 December 2006
	Options to subscribe for Shares	Options granted	Options exercised	Options lapsed	Options to subscribe for Shares
A J. Purvis	23,437	2,043	-	-	25,480
D E Hynam	36,705	16,596	9,386	-	43,915

The opening balance at 1 January 2006 has been restated following the Winterthur rights issue on 26 June 2006. All options were adjusted by a factor of 1.021273979.

The options outstanding at 31 December 2006 are exercisable at various times between 1 January 2007 and 31 March 2016 at prices between €10.73 and €40.01 per share.

	AXA UK plc			
	At 1 January 2006	During Year		At 31 December 2006
	Options to subscribe for Shares	Options exercised	Options lapsed	Options to subscribe for Shares
A. J Purvis	9,320	-	-	9,320

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

Mr M J Kellard has been appointed after year end and therefore does not have any Directors Interests as at 31st December 2006.

AXA SUN LIFE HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (continued)

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

- N J-M D Moreau)
- 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 2006 had interests in the share capital of the Company, its ultimate holding company (AXA) or subsidiaries of the ultimate holding company

INDEMNIFICATION OF DIRECTORS

The Company is party to a group-wide indemnity policy which benefits all of its current Directors and is a Qualifying Third Party Indemnity Provision for the purpose of the Companies Act 1985

PAYMENT OF CREDITORS

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

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

AXA SUN LIFE HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)

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

AUDIT DISCLOSURE


Each director in office at the date of approval of this report confirms that.

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

30 March 2007

AXA SUN LIFE HOLDINGS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, 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 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

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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 March 2007

AXA SUN LIFE HOLDINGS PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £'000	2005 £'000
Administrative expenses		(49)	(59)
Operating loss		(49)	(59)
Income from shares in group undertakings		40,600	22,000
Other interest receivable and similar income	2	315	2,485
Interest payable and similar charges	3	(4,107)	(6,438)
Profit on ordinary activities before taxation	5	36,759	17,988
Tax on profit on ordinary activities	7	1,152	1,204
Profit on ordinary activities after taxation being retained profit for the financial year		37,911	19,192
Retained profit brought forward		137,911	118,719
Retained profit carried forward		175,822	137,911

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 2006 other than those recognised in the profit and loss account

The accounting policies and notes on pages 12 to 19 form part of these financial statements

AXA SUN LIFE HOLDINGS PLC

**BALANCE SHEET
AT 31 DECEMBER 2006**

	Note	2006 £'000	2005 £'000
Fixed assets investments			
Shares in group undertakings	8	2,812,246	2,724,246
Current assets			
Debtors	9	2,818	39,318
Cash at bank and in hand		3,664	90
		6,482	39,408
Creditors: amounts falling due within one year			
Amount owed to group undertakings	10	-	(1,944)
Net current assets		6,482	37,464
Total assets less current liabilities		2,818,728	2,761,710
Creditors: amounts falling due after more than one year			
Amounts owed to group undertakings	10	(352,503)	(333,396)
Net assets		2,466,225	2,428,314
Capital and reserves			
Called up share capital	11	2,290,403	2,290,403
Profit and loss account	12	175,822	137,911
Shareholders' funds		2,466,225	2,428,314

The financial statements were approved by the Board of Directors on 30 March 2007 and signed on its behalf by

Philippe Meyer-Gibaut

Director

The accounting policies and notes on pages 12 to 19 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

	2006	2005
	£'000	£'000
Interest on loans receivable from group companies	315	2,485

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£'000	£'000
Interest on loans payable to group companies	4,107	6,438

4. AUDITORS' REMUNERATION

	2006	2005
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of Company's accounts	42	50
Non-audit services		
Fees payable to the Company's auditor and its associates for other services		
- Audit of the Company's subsidiaries pursuant to legislation	774	992
- Previous year audit	159	237
Other services pursuant to legislation:		
- Regulatory return	250	250
- Attestation under the Sarbanes-Oxley Act	1,337	-
- Group IFRS implementation	-	167
Other - Sarbanes-Oxley Act readiness review	161	304
Total	2,723	2,000

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging

	2006 £'000	2005 £'000
Auditors' remuneration – Audit services	42	50

The auditors remuneration shown in note 4 under non-audit services relates entirely to the subsidiaries of the Company and is therefore not disclosed in this note.

6. 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.

	2006 £'000	2005 £'000
Aggregate emoluments	743	573

Retirement benefits are accruing to 3 directors (2005: 3) under a defined benefit pension scheme.

	2006 £'000	2005 £'000
Amounts attributable to highest paid director		
Aggregate emoluments	429	228
Defined benefit pension scheme		
Accrued pension at end of year	2	3

Directors' Interests in Transactions

At the beginning of the year and at the end of the year, one director had an interest in a contract. Total expenditure for the year, under the contract, was £443,000 of which nil was outstanding at the end of the year. (2005: 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.)

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

REMUNERATION OF DIRECTORS AND EMPLOYEES (continued)

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. N J-M D Moreau, 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

7. TAXATION

	2006 £'000	2005 £'000
Corporation tax at 30% (2005: 30%)	(1,152)	(1,204)

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

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	36,759	17,988
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	11,028	5,396
Inter-group dividends £40 6m	(12,180)	(6,600)
Current tax charge for the period	(1,152)	(1,204)

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

8. SUBSIDIARY COMPANIES

Principal subsidiaries of the Company are as follows.

Shareholder Investments	Nature of Business
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 2006 the company increased its investment in AXA Sun Life Services plc by £88 million, representing the purchase of 88 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

	2006 £'000	2005 £'000
At 1 January	2,724,246	2,634,246
Additions in year	88,000	90,000
At 31 December	<u>2,812,246</u>	<u>2,724,246</u>

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

9. DEBTORS

	2006 £'000	2005 £'000
Amount owed by group undertakings	1,666	38,114
Corporation tax receivable	<u>1,152</u>	<u>1,204</u>
	<u>2,818</u>	<u>39,318</u>

10. CREDITORS

	2006 £'000	2005 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	<u>-</u>	<u>1,944</u>
	<u>-</u>	<u>1,944</u>

Amounts falling due after more than one year:

Amounts owed to group undertakings	<u>352,503</u>	<u>333,396</u>
	<u>352,503</u>	<u>333,396</u>

Maturity of Debt

In one year or less, or on demand	-	1,944
In more than two years, but not more than five years	352,503	291,696
In more than five years	<u>-</u>	<u>41,700</u>
	<u>352,503</u>	<u>335,340</u>

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

11. SHARE CAPITAL

	2006		2005	
	Authorised £'000	Paid-up £'000	Authorised £'000	Paid-up £'000
Authorised:				
2,500,000,000 ordinary shares of £1 each	2,500,000		2,500,000	
Allotted and Issued:				
49,998 part paid shares of £1 each		13		13
2,290,390,902 fully paid shares of £1 each		2,290,390		2,290,390
		2,290,403		2,290,403

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.

12. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2006	2,290,403	137,911	2,428,314
Profit for the year	-	37,911	37,911
At 31 December 2006	2,290,403	175,822	2,466,225

13. 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

14. 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