

Registered Number 3479251

AXA SUN LIFE HOLDINGS PLC

Directors' Report and Financial Statements

for the year ended 31 December 2007



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 Robinson	

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 2007

PRINCIPAL 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 ("ASLS"), a subsidiary undertaking of the Company, provides sales, marketing and administration services to the Group.

BUSINESS PERFORMANCE

	2007 £'000	2006 £'000
Income	102,246	40,915
Profit after tax	86,748	37,911

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

REVIEW OF ACTIVITIES

During 2007, the Company increased its investment in ASLS by £65m, representing the purchase of 65 million ordinary shares at £1 each issued at par for cash consideration. The Company has provided assurances to the directors of ASLS that the Company will continue to provide financial support in order for ASLS to maintain satisfactory regulatory capital and cashflow.

With effect from 13 June 2007, the Company purchased Winterthur (UK) Holdings Ltd from AXA SA for a consideration of £478m. In order to finance the acquisition the Company entered into a short term commercial loan with AXA SA for £478m. The Company repaid £178m of this loan in December 2007.

On 13 June 2007, the Company also purchased Winterthur UK Financial Services Group Ltd from Winterthur (UK) Holdings Ltd for £450m. To finance this transaction the Company entered into a £450m interest free loan with Winterthur (UK) Holdings Ltd.

On 20 December 2007, AXA Annuity Company Ltd ("AAC") issued 150 million ordinary shares at £1 which the Company purchased at par for cash consideration of £150m. The Company provided an additional capital contribution of £56m at the same date to ensure that AAC could meet its regulatory capital requirements. AAC was set up as a company during 2007 to receive annuity business from other group companies via reinsurance. AAC received authorisation from the FSA to transact insurance business on 27 December 2007. On 31 December 2007 AAC received £1,222m of actuarial liabilities via a reinsurance agreement with AXA Sun Life plc ("ASL") in return for a premium of £1,242m.

AXA SUN LIFE HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)

In order to finance this investment, on 20 December 2007 the Company entered into a £206m ten year loan with ASL at a fixed rate of interest of 5.72% and on 27 December 2007 the Company entered into a ten year loan with ASL for £400m at a fixed rate of interest of 5.72%

On 27 December 2007 the Company purchased £300m of contingent loan notes from ASL at a rate of 5.7%. The repayment of these notes are contingent on surplus arising on business transferred into ASL from Sun Life Unit Assurance Ltd, Sun Life Pensions Management Limited and PPP Lifetime Care plc under the Part VII scheme implemented on 1 January 2007

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

ATTRIBUTED INHERITED ESTATE IN AXA SUN LIFE PLC

The un-distributable reserves of AXA Sun Life plc, a subsidiary of the Company, are £1,818.1m (2006: £1,655.2m). These arise from the attributed inherited estate and investment income associated with 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 March 2007, Sun Life Assurance Society plc paid the Company a dividend of £77m.

During November 2007, AXA Sun Life Direct Limited paid the Company a dividend of £6.8m.

During August 2007, Winterthur (UK) Holdings Limited paid the Company a dividend of £18m.

The directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: nil).

AXA SUN LIFE HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Mr M J Kellard was appointed as a director on 17 April 2007

Mr I D L Richardson resigned as a director of the Company on 31 December 2007

Mr I Robinson was appointed as a director of the Company on 1 January 2008

APPOINTMENT OF DIRECTORS

In accordance with Article 85 of the Articles of Association of the Company, Mr D E Hynam 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 I Robinson will retire at the forthcoming Annual General Meeting having been appointed by the directors since the last Annual General Meeting. Being eligible, he offers himself for re-appointment.

DIRECTORS' INTERESTS

Following the change in legislation from 6 April 2007 (SI 2006/3428, 'The Companies Act 2006 (Commencement No 1, Transitional Provisions and Savings) Order 2006'), no information on directors' interests in shares and share options is required to be disclosed.

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 ASLS.

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.

AXA SUN LIFE HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

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 auditors' report

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

AXA SUN LIFE HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)


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

By Order of the Board


J. P. Small
Secretary

28 March 2008

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 2007 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.

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.

AXA SUN LIFE HOLDINGS PLC

AUDITORS' REPORT

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 2007 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 March 2008

AXA SUN LIFE HOLDINGS PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Administrative expenses		(76)	(49)
Operating loss		(76)	(49)
Income from shares in group undertakings		101,800	40,600
Other interest receivable and similar income	2	446	315
Interest payable and similar charges	3	(21,873)	(4,107)
Profit on ordinary activities before taxation	5	80,297	36,759
Tax on profit on ordinary activities	7	6,451	1,152
Profit on ordinary activities after taxation being retained profit for the financial year		86,748	37,911
Retained profit brought forward		175,822	137,911
Retained profit carried forward		262,570	175,822

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 2007 other than those recognised in the profit and loss account

The information on pages 11 to 17 forms an integral part of these financial statements

AXA SUN LIFE HOLDINGS PLC
BALANCE SHEET AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Fixed assets investments			
Shares in group undertakings	8	4,010,796	2,812,246
Current assets			
Debtors	9	443,101	2,818
Cash at bank and in hand		808	3,664
		<u>443,909</u>	<u>6,482</u>
Creditors: amounts falling due within one year			
Amount owed to group undertakings	10	(166,847)	-
Net current assets		<u>277,062</u>	<u>6,482</u>
Total assets less current liabilities		<u>4,287,858</u>	<u>2,818,728</u>
Creditors: amounts falling due after more than one year			
Amounts owed to group undertakings	10	(1,734,885)	(352,503)
Net assets		<u>2,552,973</u>	<u>2,466,225</u>
Capital and reserves			
Called up share capital	11	2,290,403	2,290,403
Profit and loss account	12	262,570	175,822
Shareholders' funds		<u>2,552,973</u>	<u>2,466,225</u>

The financial statements were approved by the Board of Directors on 27 March 2008 and signed on its behalf by

Philippe Maso y Guell Rivet

P L H Maso y Guell Rivet

Director

The information on pages 11 to 17 forms an integral part of these financial statements

AXA SUN LIFE HOLDINGS PLC
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 E E A 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.

2. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006
	£'000	£'000
Interest on loans receivable from group companies	446	315

AXA SUN LIFE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£'000	£'000
Interest on loans payable to group companies	21,873	4,107

4. AUDITORS' REMUNERATION

	2007	2006
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of Company's accounts	65	42
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	812	774
- Previous year audit	-	159
Other services pursuant to legislation		
- Regulatory return	211	250
- Attestation under the Sarbanes-Oxley Act	536	1,337
Other - Sarbanes-Oxley Act readiness review	-	161
Total	1,624	2,723

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging	2007	2006
	£'000	£'000
Auditors' remuneration – Audit services	65	42

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

AXA SUN LIFE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS

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.

	2007 £'000	2006 £'000
Aggregate emoluments	1,158	743

Retirement benefits are accruing to 2 directors (2006: 3) under a defined benefit pension scheme and to 1 director (2006: none) under a defined contribution scheme.

	2007 £'000	2006 £'000
Amounts attributable to highest paid director		
Aggregated emoluments	524	429
Defined benefit pension scheme		
Accrued pension at end of year	7	15

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 share save options in AXA UK plc during the year.

Mr P J Evans, Mr F de Méneval, Mr P L H Maso y Guell Rivet, Mr N J-M D Moreau 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.

AXA SUN LIFE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION

	2007 £'000	2006 £'000
Corporation tax at 30% (2006 30%)	(6,451)	(1,152)

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	80,297	36,759
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	24,089	11,028
Inter-group dividends £101.8m (2006 £40.6m)	(30,540)	(12,180)
Current tax charge for the period	(6,451)	(1,152)

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
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
Winterthur (UK) Holdings Ltd	Holding Company
Winterthur UK Financial Services Group Ltd	Life assurance and pensions
AXA Annuity Company Limited	Annuity Business

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.

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

As disclosed in the Directors' report, on 13th June 2007 the Company purchased Winterthur (UK) Holdings Ltd from AXA SA for a total consideration of £478m. Following this acquisition the Company purchased Winterthur UK Financial Services Group Ltd from Winterthur (UK) Holdings Ltd for £450m.

In December 2007 the Company provided capital of £206m to AAC, a company set up to house annuity business written within the ASLH group. This company received authorisation by the FSA to transact insurance business from 31 December 2007, and reinsured £1,222m of actuarial liabilities from ASL on that date.

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

	2007 £'000	2006 £'000
At 1 January	2,812,246	2,724,246
Additions in year	1,198,550	88,000
At 31 December	<u>4,010,796</u>	<u>2,812,246</u>

9. DEBTORS

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	135,963	1,666
Corporation tax receivable	6,451	1,152
	<u>142,414</u>	<u>2,818</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	300,687	-
	<u>300,687</u>	<u>-</u>

On 27 December 2007 the Company purchased £300m of contingent loan notes from ASL at a rate of 5.7%. The repayment of these notes are contingent on surplus arising on business transferred into ASL from Sun Life Unit Assurance Ltd, Sun Life Pensions Management Limited and PPP Lifetime Care plc under the Part VII scheme implemented on 1 January 2007.

AXA SUN LIFE HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS

10. CREDITORS

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	<u>166,847</u>	<u>-</u>
	<u>166,847</u>	<u>-</u>
Amounts falling due after more than one year:		
Amounts owed to group undertakings	<u>1,734,885</u>	<u>352,503</u>
	<u>1,734,885</u>	<u>352,503</u>
Maturity of Debt		
In one year or less, or on demand	166,847	-
In more than two years, but not more than five years	29,766	352,503
In more than five years	<u>1,705,119</u>	<u>-</u>
	<u>1,901,732</u>	<u>352,503</u>

11. SHARE CAPITAL

	2007		2006	
	Authorised £'000	Paid-up £'000	Authorised £'000	Paid-up £'000
Authorised:				
2,500,000,000 ordinary shares of £1 each	<u>2,500,000</u>		<u>2,500,000</u>	
Allotted and Issued:				
49,998 part paid shares of £1 each		13		13
2,290,390,902 fully paid shares of £1 each		<u>2,290,390</u>		<u>2,290,390</u>
		<u>2,290,403</u>		<u>2,290,403</u>

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.

AXA SUN LIFE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

12. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2007	2,290,403	175,822	2,466,225
Profit for the year	-	86,748	86,748
At 31 December 2007	2,290,403	262,570	2,552,973

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

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 SA, 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

15. EXERCISE OF DIRECTORS' AXA SA OPTIONS

2 directors of the Company exercised share options during the year (2006 2).