Registered Number : 2638607

SUN LIFE SMC LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 1998



Registered Office : 107 Cheapside, London, EC2V 6DU

SUN LIFE SMC LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements for the year to 31 December, 1998.

PRINCIPAL ACTIVITIES

The Company acts as a UK holding company for an offshore sales and marketing company, SLI Services Limited.

RESULTS

During the year, the Company made a profit before tax of £291 (1997: £488) on a fixed interest security.

DIRECTORS

The directors of the Company who held office during the year are listed below:

A D Alway
E H Ratcliff

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 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 exercisable	Expiry date
	At 1.1.98	Granted during year	At 31.12.98			
ESOS 1996						
A D Alway	4,547	-	4,547	235.5p	24.09.99	23.09.06
E H Ratcliff	14,543	-	14,543	235.5p	24.09.99	23.09.06
ESOS 1997						
A D Alway	3,272	-	3,272	375.5p	29.10.00	28.10.07
E H Ratcliff	12,849	-	12,849	375.5p	29.10.00	28.10.07
ESOS 1998						
A D Alway	-	3,653	3,653	520.0p	08.10.01	07.10.08
E H Ratcliff	-	8,365	8,365	520.0p	08.10.01	07.10.08
SAYE 1996						
A D Alway	9,175	-	9,175	188.0p	31.08.01	28.02.02
E H Ratcliff	9,175	-	9,175	188.0p	31.08.01	28.02.02

YEAR 2000

A Group-wide programme has largely been completed to ensure that the critical computer systems of each main operating subsidiary and those of its principal suppliers are Year 2000 compliant. This programme includes ensuring that "embedded chips" will operate satisfactorily through the Year 2000 date change.

The programme has been subject to rigorous independent review by external consultants. However, given the global scale of the problem, it is not possible for any organisation to be certain that it will not be affected by the Year 2000 problem, even when its own systems are fully compliant, given the Group's interaction with external parties. Nevertheless, contingency plans are being prepared which will address the action to be taken in the event of failure of systems outside our direct control.

The total cost of compliance incurred by the companies within the Sun Life and Provincial Holdings group is disclosed in the accounts of Sun Life and Provincial Holdings plc, the Company's ultimate UK parent company.

THE EURO

All Group computer systems immediately affected by the introduction of the Euro on 1 January, 1999 were Euro compliant before its introduction.

A Group-wide programme has been set up to ensure that all systems will be compliant in the event of the UK joining the European Monetary Union in the future.

The incurred costs and projected future costs involved are not projected to be material to the Sun Life and Provincial Holdings Group.

AUDITORS

Price Waterhouse merged with Coopers & Lybrand on 1 July, 1998 following which the directors appointed the new firm, PricewaterhouseCoopers, as auditors. PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board.

Mary Hitchon

M E Hitchon
Secretary

23 April, 1999

SUN LIFE SMC LIMITED

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 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 period and of the profit or loss for the period.

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 SMC LIMITED

AUDITORS' REPORT

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

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Bristol

23 April, 1999

SUN LIFE SMC LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 1998

	Notes	1998 £	1997 £
Investment income	2	**291**	488
Profit on ordinary activities before tax		**291**	488
Tax on profit on ordinary activities	5	**(109)**	(107)
Profit on ordinary activities after tax being retained profit for the year		**182**	381
Retained profit brought forward		**1,923**	1,542
Retained profit carried forward		**2,105**	1,923

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £	1997 £
Profit for the financial period	**182**	381
Movement on revaluation reserve	**123,879**	(175,724)
Total recognised gains and losses relating to the year ended 31 December	**124,061**	(175,343)

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 SMC LIMITED

BALANCE SHEET
AT 31 DECEMBER, 1997

	Notes	1998 £	1997 £
Fixed assets			
Fixed interest securities	9	**5,019**	5,005
Investment in subsidiary undertakings	8	**1,101,067**	977,336
		1,106,086	982,341
Current assets			
Amount owed by a fellow subsidiary undertaking		**1,975**	1,618
Income tax recoverable		**29**	-
Interest receivable		**103**	221
		2,107	1,839
Current liabilities			
Amounts due to a fellow subsidiary undertaking		**32**	32
Corporation tax payable		**-**	48
Other creditors		**100**	100
		132	180
Net current assets		**1,975**	1,659
Net assets		**1,108,061**	984,000
Equity shareholder funds			
Called up share capital	7	**6,002**	6,002
Revaluation reserve		**1,099,954**	976,075
Profit and Loss Account		**2,105**	1,923
		1,108,061	984,000

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

Approved by the Board on 23 April, 1998 and signed on its behalf by:

E H Ratcliff
Director

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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 from the requirement to prepare group accounts by virtue of Section 228 of the Companies Act 1985.

(b) Investments

Investments in fixed interest securities are shown at market value. Investment in subsidiary undertakings are shown at the underlying net asset value. Unrealised gains & losses on fixed interest securities and investments in subsidiary undertakings are taken to the revaluation reserve.

(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.

2. INVESTMENT INCOME

	1998	1997
	£	£
Interest on Fixed interest securities	**291**	488

3. DIRECTORS' EMOLUMENTS

The directors received no remuneration for their services to the company during the year (1997: nil). However, the directors do receive remuneration as employees of AXA Sun Life Services plc (1997: directors received remuneration as employees of Sun Life Assurance Society plc).

4. ADMINISTRATIVE EXPENSES

The remuneration of the auditors and staff costs have been borne by AXA Sun Life Services plc (1997: Sun Life Assurance Society plc), fellow subsidiary undertaking.

5. TAXATION

	1998 £	1997 £
Corporation tax at 31% (1997 -31%)	**109**	107

6. IMMEDIATE AND ULTIMATE PARENT COMPANIES

The Company is a subsidiary of Sun Life Corporation 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 (formerly named 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. Copies of the group financial statements of AXA 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

	1998 £	1997 £
Authorised Share Capital: 6,002 Ordinary shares of £1 each	**6,002**	6,002
Allotted, issued and fully paid: 6,002 Ordinary shares of £1 each	**6,002**	6,002

8. SUBSIDIARY UNDERTAKINGS

The Company owns the whole of the ordinary share capital of the following companies:

Principal subsidiaries	**Nature of business**	**Country of incorporation**
SLI Services Limited	Investment sales and business development	Isle of Man
Sun Life Trust Company Limited	Offshore trust company	Guernsey

9. INVESTMENTS

	Cost		Market Value	
	1998	1997	**1998**	1997
	£	**£**	**£**	**£**
Fixed interest security	**4,953**	4,953	**5,019**	5,005

The carrying value above is in respect of a listed investment.

10. MOVEMENTS IN TOTAL SHAREHOLDER FUNDS

	Share Capital	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£	£
At 1 January, 1998	6,002	976,075	1,923	984,000
Profit for the year	-	-	182	182
Movement on revaluation reserve	-	123,879	-	123,879
At 31 December, 1998	**6,002**	**1,099,954**	**2,105**	**1,108,061**

11. 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 group.