

Registered Number 2638607

SUN LIFE SMC LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2003

Registered Office: 107 Cheapside, London EC2V 6DU



SUN LIFE SMC LIMITED

DIRECTORS

K. R. Dean
D. J. Whitaker

SECRETARY

J. P. Small

AUDITORS

PricewaterhouseCoopers LLP

SUN LIFE SMC LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2003.

REVIEW OF ACTIVITIES

The Company acts as a UK holding company for a number of offshore companies. No changes in the activities of the Company are anticipated in the foreseeable future.

POST BALANCE SHEET EVENT

With effect from 1 January 2004 the Company purchased AXA Isle of Man Ltd ("AXA IoM") for a total consideration of £60 million from Sun Life OLAC Ltd a fellow subsidiary of AXA Sun Life Holdings plc, at which time AXA IoM had net assets of £13.8 million. AXA IoM's sole activity is the writing of long term assurance business and it principally operates in the Isle of Man.

In order to finance the acquisition the Company entered into an interest-bearing loan agreement for £60 million from the shareholders' funds of Sun Life Assurance Society plc on 1 January 2004, a fellow subsidiary of AXA Sun Life Holdings plc.

DIRECTORS

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

Mr. D. J. Whitaker was appointed a director on 27 July 2004. Mr. N. G. Tarleton resigned as a director on 30 June 2004.

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 2003		At 31 December 2003	
N. G. Tarleton	4,000		4,000	

AXA				
	Units in AXA Global Fund		Units in AXA Actionnariat II Fund	
	At 1 January 2003	At 31 December 2003	At 1 January 2003	At 31 December 2003
N. G. Tarleton	1,598,2004	1,598,2004	-	-

SUN LIFE SMC LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (continued)

Interests in Options

	At 1 January 2003 Options to subscribe for Shares	Options granted	AXA		At 31 December 2003 Options to sub- scribe for Shares
			During Year Options exercised	Options lapsed	
K. R. Dean	6,000	2,542	-	-	8,542
N. G. Tarleton	26,500	10,182	-	-	36,682

The options outstanding at 31 December 2003 are exercisable at various times between 1 January 2004 and 13 March 2013 at prices between €10.96 and €32.16 per share.

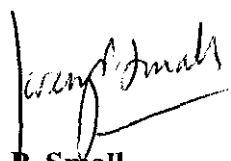
Save as stated above, none of the directors at 31 December 2003 had interests in the share capital of the Company, its ultimate holding company (AXA) or subsidiaries of the ultimate holding company.

AUDITORS

Under Section 379A of the Companies Act 1985, the Company has elected to dispense with the following obligations:

- to lay accounts and reports before general meetings;
- to hold annual general meetings; and
- to appoint auditors annually.

By Order of the Board



J. P. Small

Secretary

14 October 2004

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 pages 5 and 6.

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 7 to 14, 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

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 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 misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

SUN LIFE SMC LIMITED

AUDITORS' REPORT

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

14th October 2004

SUN LIFE SMC LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £	2002 £
Income from shares in group undertakings		88,236	88,335
Other interest receivable and similar income		10,695	10,461
Profit on ordinary activities before tax		98,931	98,796
Tax on profit on ordinary activities	5	(95,182)	(275,530)
Profit/(loss) on ordinary activities after tax		3,749	(176,734)
Retained profit brought forward		42,829	219,563
Retained profit carried forward		46,578	42,829

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £	2002 £
Retained profit/(loss) for the financial year	3,749	(176,734)
Movement on revaluation reserve	300,667	520,469
Total recognised gains and losses for the year	304,416	343,735

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

The accounting policies and notes on pages 9 to 14 form an integral part of these financial statements.

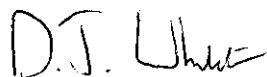
SUN LIFE SMC LIMITED

**BALANCE SHEET
AT 31 DECEMBER 2003**

	Notes	2003 £	2002 £
Fixed asset investments			
Shares in group undertakings	7	3,570,285	3,194,383
Other investments	8	4,812	4,947
		<u>3,575,097</u>	<u>3,199,330</u>
Current assets			
Debtors	9	508,987	265,376
Creditors: amounts falling due within one year	10	(612,531)	(297,569)
Net current liabilities		<u>(103,544)</u>	<u>(286,948)</u>
Net assets		<u>3,471,553</u>	<u>3,167,137</u>
Equity capital and reserves			
Called up share capital	6	6,002	6,002
Revaluation reserve	11	3,418,973	3,118,306
Profit and loss account	11	46,578	42,829
Equity shareholders' funds		<u>3,471,553</u>	<u>3,167,137</u>

The accounting policies and notes on pages 9 to 14 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 October 2004 and signed on its behalf by:



Director

SUN LIFE SMC LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. GOING CONCERN

As at 31 December 2003, the net current liabilities of the Company are £103,544. The Directors have obtained assurances of ongoing support from the Company's parent company and the accounts have therefore been prepared on a going concern basis.

2. 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 (d) below, 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 a member state of the European Community.

(b) Income

Income from fixed asset investments is recognised when due including any relevant withholding taxes.

(c) 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 at the rates at which it is expected that the tax will arise.

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

(d) Investments

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

(e) 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.

3. DIRECTORS' EMOLUMENTS

All the directors are employed and paid by companies in the AXA group and their directorships are held as part of that employment. 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.

Mr. N. G. Tarleton was also a director of PPP lifetime care plc during the year and his emoluments, which relate to his services to the AXA group as a whole, are disclosed in the financial statements of that company.

4. ADMINISTRATIVE EXPENSES

The remuneration of the auditors and staff costs have been borne by AXA Sun Life Services plc, a fellow subsidiary undertaking.

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION

	2003	2002
	£	£
Corporation tax at 30% (2002: 30%)	81,947	275,530
Foreign Tax	13,235	-
	<u>95,182</u>	<u>275,530</u>

Factors affecting the tax charge

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

	2003	2002
	£	£
Profit on ordinary activities before tax	<u>98,931</u>	<u>98,796</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002:30%)	29,679	29,639
Controlled Foreign Company charge – current year	78,800	116,838
Controlled Foreign Company charge – adjustment in respect of prior year	-	142,252
Intra-group dividends	(26,470)	(26,501)
Isle of Man withholding tax	13,235	13,253
Unprovided deferred tax	(62)	23
Other timing differences	-	26
Current tax charge for the period	<u>95,182</u>	<u>275,530</u>

6. SHARE CAPITAL

	2003		2002	
	Authorised £	Paid-up £	Authorised £	Paid-up £
Authorised:				
6,002 Ordinary Shares of £1 each	<u>6,002</u>		<u>6,002</u>	
Allotted and Issued:				
6,002 Ordinary Shares of £1 each, fully paid		6,002		6,002

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARY UNDERTAKINGS

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

Principal subsidiaries	Nature of business	Country of incorporation
AXA Isle of Man Services Limited	Investment sales, business development and provision of administration services	Isle of Man
AXA Isle of Man Administration Limited	Offshore trust company	Isle of Man
AXA Isle of Man Management Limited	Dormant	Isle of Man
AXA Isle of Man Insurance Management Limited	Administration company	Isle of Man
AXA Isle of Man Limited (purchased 1 January 2004 – see note 13)	Offshore life assurance	Isle of Man

	£
At 1 January 2003	3,194,383
Additions	75,100
Revaluation	300,802
At 31 December 2003	<u>3,570,285</u>

The cost of investments in subsidiary undertakings at 31 December 2003 was £151,300 (2002: £76,200).

On 15 February 2003 the Company increased its shareholding in AXA Isle of Man Management Limited by £75,000, settled for cash consideration of £75,000.

On 11 September 2003 the Company subscribed for the entire share capital of AXA Isle of Man Insurance Management Limited. This was originally funded by a cash consideration of £100, on behalf of the Company by AXA Isle of Man Services Limited, a wholly-owned subsidiary. This amount is to be subsequently refunded by the Company in 2004 through the receipt of an interim dividend from AXA Isle of Man Services Limited.

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INVESTMENTS

	Cost		Market Value	
	2003	2002	2003	2002
	£	£	£	£
Fixed interest security	4,871	4,871	4,812	4,947

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

9. DEBTORS

	2003	2002
	£	£
Amounts owed by group undertakings	275,557	265,352
Corporation tax receivable	232,915	-
Prepayments and accrued income	515	24
At 31 December 2003	508,987	265,376

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Amounts due to group undertakings	612,431	36,785
Corporation tax payable	-	260,684
Other creditors	100	100
At 31 December 2003	612,531	297,569

11. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£	£
At 1 January 2003	6,002	3,118,306	42,829	3,167,137
Profit for the year	-	-	3,749	3,749
Movement on revaluation reserve	-	300,667	-	300,667
At 31 December 2003	6,002	3,418,973	46,578	3,471,553

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

13. POST BALANCE SHEET EVENTS

With effect from 1 January 2004 the Company purchased AXA Isle of Man Ltd ("AXA IoM") for a total consideration of £60 million from Sun Life OLAC Ltd a fellow subsidiary of AXA Sun Life Holdings plc, at which time AXA IoM had net assets of £13.8 million. AXA IoM's sole activity is the writing of long term assurance business and it principally operates in the Isle of Man.

In order to finance the acquisition the Company entered into an interest-bearing loan agreement for £60 million from the shareholders' funds of Sun Life Assurance Society plc on 1 January 2004, a fellow subsidiary of AXA Sun Life Holdings plc.

14. 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, 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.