Registered Number 2638607

SUN LIFE SMC LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2005

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



DIRECTORS

K. R. Dean
G. Harvey
P. L. H. Maso y Guell Rivet
K. C. Bounds (Alternate to P. L. H. Maso y Guell Rivet)

SECRETARY

J. P. Small

AUDITORS

PricewaterhouseCoopers LLP

DIRECTORS' REPORT

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 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.

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. D. J. Whitaker resigned as a director on 28 April 2005. Mr. P. H. L. Maso y Guell Rivet and Mr. K. C. Bounds were appointed as directors on 24 April 2006. Mr. G. Harvey was appointed a director on 12 May 2006.

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 Options

	AXA				
	At 1 January 2005 Options to subscribe for Shares	During Year Options granted	Options exercised	Options lapsed	At 31 December 2005 Options to subscribe for Shares
K. R. Dean	10,242	1,500	-	-	11,742

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 32.16 per share.

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.

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 that the Company operates as a holding company is non-investment credit risk in respect of balances due.

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

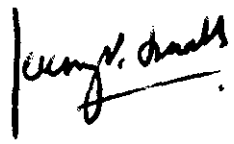
Non-investment credit risk arises from the exposure of the Company to intra-group debts with other companies in the AXA UK Group. The risk in respect of intra-group debts is controlled though on-going monitoring of amounts due.

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

30 June 2006

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.

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

We have audited the financial statements of Sun Life SMC Limited 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.

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 loss 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

30 June 2006

SUN LIFE SMC LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Other operating Income		100	-
Operating profit		100	-
Income from shares in group undertakings		-	88,236
Interest receivable and similar income		50,490	23,288
Interest payable and similar charges		(2,983,901)	(2,860,025)
(Loss) on ordinary activities before tax		(2,933,311)	(2,748,501)
Tax on (loss) on ordinary activities	5	580,319	298,260
(Loss) on ordinary activities after tax		(2,352,992)	(2,450,241)
Retained loss brought forward		(2,403,663)	46,578
Retained loss carried forward		(4,756,655)	(2,403,663)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005 £	2004 £
Retained (loss) for the financial year	(2,352,992)	(2,450,241)
Movement on revaluation reserve	880,073	614,528
Total recognised losses for the year	(1,472,919)	(1,835,713)

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

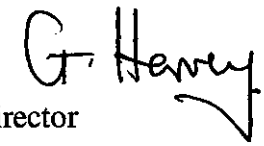
The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements.

SUN LIFE SMC LIMITED

BALANCE SHEET
AT 31 DECEMBER 2005

	Notes	2005 £	2004 £ Restated
Fixed asset investments			
Shares in group undertakings	7	**65,139,725**	64,259,960
Other investments	8	**6,444**	4,565
		65,146,169	64,264,525
Current assets			
Debtors	9	**885,860**	1,136,792
Creditors: amounts falling due within one year	10	**(65,869,108)**	(63,765,477)
Net current assets/(liabilities)		**(64,983,248)**	(62,628,685)
Net assets		**162,921**	1,635,840
Equity capital and reserves			
Called up share capital	6	**6,002**	6,002
Revaluation reserve	11	**4,913,574**	4,033,501
Profit and loss account	11	**(4,756,655)**	(2,403,663)
Equity shareholders' funds		**162,921**	1,635,840

The financial statements were approved by the Board of Directors on 30 June 2006 and signed on its behalf by:



Director

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements.

1. GOING CONCERN

The Company acts as a UK holding company for a number of offshore companies.

Subsequent to the year end, the directors have obtained assurances from Sun Life Assurance Society plc, the provider of the £60million loan, that they will not recall this loan or the interest accrued on it within a year of the signing of these accounts.

Accordingly, the directors are satisfied that it is appropriate to prepare financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The principal accounting policies are set out below.

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments, 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

The investments in subsidiaries are valued at the underlying net asset value. Movements in carrying value are taken to the revaluation reserve.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

(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.

3. DIRECTORS' EMOLUMENTS

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.

4. ADMINISTRATIVE EXPENSES

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

5. TAXATION

	2005	2004
	£	£
Corporation tax at 30% (2004: 30%)	**(579,901)**	(591,021)
Adjustments in respect of prior periods	**(418)**	279,525
Foreign Tax	**-**	13,236
	(580,319)	(298,260)

Factors affecting the tax charge

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

5. TAXATION (CONTINUED)

	2005 £	2004 £
Loss on ordinary activities before tax	**(2,933,311)**	(2,748,501)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	**(879,993)**	(824,550)
Controlled Foreign Company charge – current year	**300,000**	260,000
Intra-group dividends	**-**	(26,471)
Expenses not deductible for tax purposes	**92**	-
Isle of Man withholding tax	**-**	13,236
Adjustment to tax credit in respect of prior periods	**(418)**	279,525
Current tax credit for the period	**(580,319)**	(298,260)

6. SHARE CAPITAL

	2005		2004	
	Authorised £	**Paid-up £**	Authorised £	Paid-up £
Authorised: 6,002 ordinary shares of £1 each	**6,002**		6,002	
Allotted and Issued: 6,002 ordinary shares of £1 each, fully paid		**6,002**		6,002

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 Limited	Offshore life assurance	Isle of Man
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 Insurance Management Limited	Administration company	Isle of Man
AXA Isle of Man M Limited (formerly AXA Isle of Man Management Limited)	Dormant	Isle of Man

7. SUBSIDIARY UNDERTAKINGS (CONTINUED)

	£
At 1 January 2005	64,259,960
Adjustment	(308)
Revaluation	880,073
At 31 December 2005	**65,139,725**

The cost of investments in subsidiary undertakings at 31 December 2005 was £60,226,300 (2004: £60,226,300).

8. OTHER INVESTMENTS

	Cost		Market Value	
	2005	2004	**2005**	2004
	£	£	**£**	£
Fixed interest security	**6,444**	4,871	**6,443**	4,565

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

9. DEBTORS

	2005	2004
	£	£
Amounts owed by group undertakings	**815,120**	570,847
Corporation tax receivable	**70,713**	565,920
Prepayments and accrued income	**27**	25
	885,860	1,136,792

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
		Restated
Amounts owed to group undertakings	**65,869,108**	63,765,377
Other creditors	**-**	100
	65,869,108	63,765,477

Amounts owed to group undertakings includes an unsecured loan of £60 million plus interest accruing on the loan at a commercial rate of interest, which is repayable to Sun Life Assurance Society plc on demand. The 2004 figure has been restated from creditors: amounts falling due after one year to better reflect the terms of the loan.

11. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Revaluation Reserve £	Profit And Loss Account £	Total £
At 1 January 2005	6,002	4,033,501	(2,403,663)	1,635,840
Loss for the year	-	-	(2,352,992)	(2,352,992)
Movement on revaluation reserve	-	880,073	-	880,073
At 31 December 2005	**6,002**	**4,913,574**	**(4,756,655)**	**162,921**

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. 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.