

SUN LIFE SMC LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2011



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

SUN LIFE SMC LIMITED
COMPANY INFORMATION

DIRECTOR

J. P. D L. Drouffe

COMPANY SECRETARY

J. P. Small

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

SUN LIFE SMC LIMITED

DIRECTOR'S REPORT

The director has pleasure in submitting his report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The Company acts as a UK holding company for a number of offshore companies, based in the Isle of Man

REVIEW OF ACTIVITY

The company received an interim dividend on 31 May 2011 from AXA Isle of Man Limited amounting to £35,998,186, being 153.97 pence per share on the 23,380,000 shares in issue, held by the Company. The Company used these same proceeds to part repay a further a loan from AXA UK on the same date

BUSINESS PERFORMANCE

The profit for the year of £36.0m (2010: £0.1m loss) results primarily from the dividend received from AXA Isle of Man Limited.

DIVIDENDS

The director does not recommend the payment of a dividend for the year ended 31 December 2011 (2010: £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is part of the AXA UK Group which has established group wide processes for risk acceptance and risk management. These are maintained through a framework of policies, procedures and internal controls. All policies are subject to board approval and on-going review by management, risk management and group internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the internal compliance and finance functions take on an important oversight role in this regard.

Financial risk management, including the impact of risk on economic capital, is discussed in the note on management of financial risk on page 10.

FUTURE OUTLOOK

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

DIRECTORS

The director of the Company at the date of this report is shown on page 1

Mr K. R. Dean resigned as director on 8 July 2011.

SUN LIFE SMC LIMITED

DIRECTOR'S REPORT (CONTINUED)

EXERCISE OF DIRECTORS' AXA SA OPTIONS

None of the directors of the Company exercised share options during the year (2010. none).

INDEMNIFICATION OF DIRECTORS

Throughout the year and at the date of this report 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 2006.

PAYMENT OF CREDITORS

All trade purchases are managed by Winterthur Financial Services UK Limited ("WFS").

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

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The ability to cope with unexpected risks to the financial position is shown within the Management of Financial Risk note on page 10.

Detailed budgets, plans and forecasts have been prepared and reviewed setting out the continued financial position of the AXA Wealth business as a whole for the next 12 months and a strategic plan to 2015. As a consequence, the director believes sufficient contingencies have been put in place that will enable the Company to manage its business risks despite the current uncertain economic outlook, and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In addition in order to maintain a satisfactory capital and cashflow position, the director has obtained assurances of the continued financial support of the Company from AXA UK plc in the form of a letter of support.

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

SUN LIFE SMC LIMITED

DIRECTOR'S REPORT (CONTINUED)

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, 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 2006. 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 D L. Drouffe
Director

20 June 2012

SUN LIFE SMC LIMITED
INDEPENDENT AUDITORS' REPORT

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 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

SUN LIFE SMC LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Heidi Johnson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 June 2012

SUN LIFE SMC LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Income from investments in group undertakings		35,998,186	-
Interest receivable and similar income		10,886	25,380
Profit on ordinary activities before taxation		36,009,072	25,380
Tax on profit on ordinary activities	5	(51,085)	(157,403)
Profit for the financial year		35,957,987	(132,023)

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

There are no material differences between the profit on ordinary activities before taxation and the profit/(loss) for the years stated above and their historical cost equivalents.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	2010 £
Retained Profit/(Loss) for the financial year	35,957,987	(132,023)
Movement on revaluation reserve	(8,090,327)	28,554,514
Total recognised gains for the year	27,867,660	28,422,491

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

SUN LIFE SMC LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2011**

	Note	2011 £	2010 £
Fixed assets			
Investments in group undertakings	7	<u>150,638,479</u>	<u>158,728,759</u>
		150,638,479	158,728,759
Current assets			
Debtors	8	<u>4,609,326</u>	<u>4,841,792</u>
		4,609,326	4,841,792
Creditors: amounts falling due within one year	9	<u>(41,166,285)</u>	<u>(77,356,738)</u>
Net current liabilities		(36,556,959)	(72,514,946)
Net assets		<u>114,081,520</u>	<u>86,213,813</u>
Equity Capital and reserves			
Called up share capital	6	6,002	6,002
Revaluation reserve	10	90,412,279	98,502,606
Profit and loss account	10	23,663,239	(12,294,795)
Total shareholders' funds		<u>114,081,520</u>	<u>86,213,813</u>

The financial statements were approved by the Company's sole Director on 20 June 2012 and signed on its behalf by



J P D L Drouffe
Director

The notes on pages 9 to 14 form an integral part of these financial statements

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are set out below

(a) Basis of presentation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of tangible assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Under Financial Reporting Standard ("FRS") 1 (Cash flow statements (revised 1996)), 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 cash flow of the Company is consolidated in the AXA group financial statements, which can be obtained from 23, avenue Matignon, 75008 Paris, France.

The Company has taken advantage of Section 400 of the Companies Act 2006 and has not produced consolidated financial statements on the basis that it is a subsidiary undertaking of AXA SA, 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) Fixed Asset Investments

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

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) 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.

Deferred tax assets are only recognised to the extent they are expected to be recoverable

2. MANAGEMENT OF FINANCIAL RISK

The Company is part of AXA UK plc group which has established a group wide financial risk management framework including a set of risk policies. This is designed to ensure that financial risks are adequately controlled and monitored through Risk Committees advising the Group Chief Executive and individual business unit Chief Executives

A dedicated financial risk management function supports the individual business units by ensuring that a full understanding and control of financial risks is incorporated into management decision making and procedures

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.

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 through on-going monitoring of amounts due.

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.

Mr J P D L Drouffe was also a Director of the intermediate parent company, AXA UK 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.

SUN LIFE SMC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. ADMINISTRATIVE EXPENSES**

The Company does not employ directly any staff (2010. none) All staff are employed by WFS Staff costs are borne by WFS and disclosed in the accounts of that company. Auditors' remuneration of £4,878 (2010. £4,000) has also been borne by WFS.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £	2010 £
Current tax.		
UK Corporation tax	112,885	172,106
Adjustments in respect of prior periods	(61,800)	(14,703)
Tax on profit on ordinary activities	<u>51,085</u>	<u>157,403</u>

Factors affecting the tax charge

The tax charge for the year is lower (2010 higher) than that calculated using the standard rate of corporation tax in the UK of 26.5% (2010. 28%) The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>36,009,072</u>	<u>25,380</u>
Profit on ordinary activities multiplied by standard rate in the UK 26.5% (2010. 28%)	9,542,404	7,106
Effects of		
Controlled Foreign Company charge – current year	110,000	165,000
Income Not Taxable – Intra Group Dividends	(9,539,519)	-
Adjustment in respect of prior periods	(61,800)	(14,703)
Current tax charge for the year	<u>51,085</u>	<u>157,403</u>

There is no deferred tax, either recognised or unrecognised, at the end of the current or preceding financial year

During the year, as a result of the change in the UK corporation tax rate from 27% to 25% that was enacted in Finance Act 2011 as effective from 1 April 2012, the relevant deferred tax balances have been re-measured on this basis. No impact is reflected in the tax charge for the year since the assets are unrecognised.

This is expected to be followed by further 1% per annum annual reductions which will bring the rate to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

SUN LIFE SMC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. CALLED UP SHARE CAPITAL**

	2011 Paid-up £	2010 Paid-up £
Allotted, called up and fully paid:		
6,002 Ordinary Shares of £1 each	<u>6,002</u>	<u>6,002</u>

7. INVESTMENT IN GROUP 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 Management Limited	Dormant company	Isle of Man
		£
At 1 January 2011		158,728,759
Revaluation		(8,090,280)
At 31 December 2011		<u>150,638,479</u>

The director believes that the carrying value of the investments is supported by their underlying net assets

The cost of investments in subsidiary undertakings at 31 December 2011 was £60.2m (2010: £60.2m).

SUN LIFE SMC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. DEBTORS**

	2011 £	2010 £
Amounts owed by group undertakings	4,609,326	4,841,792
	<u>4,609,326</u>	<u>4,841,792</u>

Amounts due from group undertakings are non-interest bearing, repayable on demand and unsecured.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Amounts owed to group undertakings	41,065,503	77,196,735
Current Tax	100,782	160,003
	<u>41,166,285</u>	<u>77,356,738</u>

The company repaid a further £35,998,186 of its loan from AXA UK on 31 May 2011. Amounts due to group undertakings are non-interest bearing, repayable on demand and unsecured

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up share capital £	Revaluation Reserve £	Profit And Loss Account £	Total £
At 1 January 2011	6,002	98,502,606	(12,294,795)	86,213,813
Profit for the year	-	-	35,957,987	35,957,987
Movement on revaluation reserve	-	(8,090,280)	-	(8,090,280)
Other movement on reserves	-	(47)	47	-
At 31 December 2011	<u>6,002</u>	<u>90,412,279</u>	<u>23,663,239</u>	<u>114,081,520</u>

11. 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

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. 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 director, 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 financial statements can be obtained from 23, avenue Matignon, 75008 Paris, France.