

SUN LIFE SMC LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2012



Registered Office 5 Old Broad Street, London EC2N 1AD

SUN LIFE SMC LIMITED
COMPANY INFORMATION

DIRECTOR

D R Cheeseman
N. J Elphick
B Poupart-Lafarge
A J Purvis

COMPANY SECRETARY

J P Small

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

SUN LIFE SMC LIMITED

DIRECTOR'S REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITY

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

REVIEW OF ACTIVITIES

The Company received two interim dividends during the financial year from AXA Isle of Man Limited ("AXAIOM") amounting to £49,700,000, being 212.57 pence per share on the 23,380,000 shares in issue, held by the Company. The Company primarily used these same proceeds to repay a loan from AXA UK plc.

On 29 April 2013 the Company received an interim 2013 dividend from AXAIOM amounting to £25.0 million. The proceeds were used to provide an additional loan to AXA UK plc, all loans subsequently fully repaid during June 2013.

On 3 May 2013, the entire issued share capital and ownership of the Company was transferred from Sun Life Corporation Limited ("SLC") to AXA UK plc.

BUSINESS PERFORMANCE

The profit for the year of £49.7 million (2011: £36.0 million profit) results primarily from the dividends received from AXAIOM.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011: £nil).

On 7 June 2013 the Company provided an in specie interim 2013 dividend to AXA UK plc amounting to £33.6 million, in settlement of a loan due from that company.

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 ongoing 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 11.

SUN LIFE SMC LIMITED
DIRECTOR'S REPORT (CONTINUED)

FUTURE OUTLOOK

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

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of approval of the financial statements are shown on page 1, with the following exceptions

Mr J P D. L Drouffe resigned as a director of the Company on 28 March 2013
Mr D R Cheeseman was appointed as a director of the Company on 28 March 2013
Mr B Poupart-Lafarge was appointed as a director of the Company on 28 March 2013.
Mr A J Purvis was appointed as a director of the Company on 28 March 2013
Mr N J Elphick was appointed as a director of the Company on 3 May 2013

EXERCISE OF DIRECTORS' AXA SA OPTIONS

One director of the Company exercised share options during the year (2011 none)

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 2006

The indemnification was in force during the year and at the date of signing

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

SUN LIFE SMC LIMITED

DIRECTOR'S REPORT (CONTINUED)

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 11.

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 directors have obtained assurances of the continued financial support of the Company from AXA UK plc in the form of a letter of support.

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

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.

SUN LIFE SMC LIMITED

DIRECTOR'S REPORT (CONTINUED)

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

On behalf of the Board



D R Cheeseman
Director

27 June 2013

SUN LIFE SMC LIMITED

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 2012 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 and 5, 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 2012 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 TO THE MEMBERS OF SUN LIFE SMC
LIMITED (CONTINUED)**

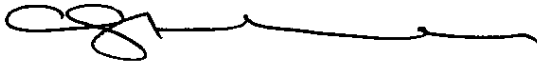
Opinion on other matter prescribed by the Companies Act 2006

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



Claire Stockhausen (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT
27 June 2013

SUN LIFE SMC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Income from investments in group undertakings		49,700,000	35,998,186
Interest receivable and similar income		23,071	10,886
Profit on ordinary activities before taxation		49,723,071	36,009,072
Tax on profit on ordinary activities	5	(16,344)	(51,085)
Profit for the financial year		49,706,727	35,957,987

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 for the years stated above and their historical cost equivalents

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Retained profit for the financial year		49,706,727	35,957,987
Movement on revaluation reserve	10	(25,318,288)	(8,090,327)
Total recognised gains for the year		24,388,439	27,867,660

The notes on pages 10 to 15 form an integral part of these financial statements

SUN LIFE SMC LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2012**

	Note	2012 £	2011 £
Fixed assets			
Investments in group undertakings	6	<u>125,320,191</u>	<u>150,638,479</u>
		125,320,191	150,638,479
Current assets			
Debtors	7	<u>13,166,112</u>	<u>4,609,326</u>
		13,166,112	4,609,326
Creditors: amounts falling due within one year	8	<u>(16,344)</u>	<u>(41,166,285)</u>
Net current assets/(liabilities)		13,149,768	(36,556,959)
Net assets		<u>138,469,959</u>	<u>114,081,520</u>
Equity capital and reserves			
Called up share capital	9	6,002	6,002
Revaluation reserve	10	65,093,991	90,412,279
Profit and loss account	10	73,369,966	23,663,239
Total shareholders' funds		<u>138,469,959</u>	<u>114,081,520</u>

The financial statements on pages 8 to 15 were approved by the Board of Directors on 27 June 2013 and signed on its behalf by



D R Cheeseman
Director

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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.

The Company has applied all applicable accounting standards and interpretations effective at 31 December 2012. There have been no new standards, changes to standards and interpretations which are effective for accounting periods beginning on or after 1 January 2012 that have a material impact on these financial statements.

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.

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)**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 (2011 none) All staff are employed by WFS Staff costs are borne by WFS and disclosed in the accounts of that company Auditors' remuneration of £4,271 (2011 £4,878) has also been borne by WFS

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current tax		
UK corporation tax charge for the current year	59,859	112,885
Adjustments in respect of prior periods	(43,515)	(61,800)
Tax on profit on ordinary activities	<u>16,344</u>	<u>51,085</u>

Factors affecting the tax charge

The tax charge for the year is lower (2011 lower) than that calculated using the standard rate of corporation tax in the UK of 24.5% (2011 26.5%) The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	49,723,071	36,009,072
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	12,182,152	9,542,404
Controlled Foreign Company charge – current year	54,207	110,000
Income not taxable – intra group dividends	(12,176,500)	(9,539,519)
Adjustment in respect of prior periods	(43,515)	(61,800)
Current tax charge for the year	<u>16,344</u>	<u>51,085</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 25% to 24% (effective from 1 April 2012) and from 24% to 23% (effective from 1 April 2013), that were enacted in the Finance Act 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 there are no deferred tax balances within this entity

In the Budget announcement on 20 March 2013, the Government proposed an additional reduction in the UK corporation tax rate which will bring the rate to 20% with effect from 1 April 2015. The Company does not have any deferred tax balances and the reductions would not impact on the balance sheet. This change had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements

SUN LIFE SMC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. 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 2012		150,638,479
Revaluation		(25,318,288)
At 31 December 2012		125,320,191

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 2012 was £60.2m (2011 £60.2m)

7. DEBTORS

	2012	2011
	£	£
Amounts owed by group undertakings	4,531,615	4,609,326
Amounts owed by intermediate parent	8,634,497	-
	13,166,112	4,609,326

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

SUN LIFE SMC LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £	2011 £
Amounts owed to group undertakings	12,103	41,065,503
Current Tax	4,241	100,782
	<u>16,344</u>	<u>41,166,285</u>

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

The company settled the outstanding balance of its loan from AXA UK plc, following the receipt of dividends from subsidiary AXAIOM

9. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid:		
6,002 Ordinary Shares of £1 each	<u>6,002</u>	<u>6,002</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2012	6,002	90,412,279	23,663,239	114,081,520
Profit for the year	-	-	49,706,727	49,706,727
Movement on revaluation reserve	-	(25,318,288)	-	(25,318,288)
At 31 December 2012	<u>6,002</u>	<u>65,093,991</u>	<u>73,369,966</u>	<u>138,469,959</u>

SUN LIFE SMC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 wholly owned Group companies

12. POST BALANCE SHEET EVENT

Following the year end several material transactions affecting the Company have taken place

- On 29 April 2013 the Company received an interim 2013 dividend of £25m from AXAIOM, which the Company provided to AXA UK plc in the form of a loan. This increased the total value of loans to AXA UK plc from £8,634m to £33,634m
- A rationalisation of the AXA UK plc group was instigated which resulted in the ownership of the Company changing from Sun Life Corporation Limited (previously Sun Life Corporation plc) to AXA UK plc on 3 May 2013.
- On 7 June 2013 the Company issued an interim in specie 2013 dividend of £33,634m to AXA UK plc in respect to loan debtors due from that company, which was fully cleared as a consequence

13. IMMEDIATE AND ULTIMATE PARENT COMPANIES

At the 31 December 2012 the Company was a subsidiary of Sun Life Corporation plc, a company incorporated in Great Britain and registered in England and Wales. Following the year end the Company has become a subsidiary of AXA UK 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 group financial statements can be obtained from 23, avenue Matignon, 75008 Paris, France