

Registered Number 2937724

**AXA UK PLC**

**Directors' Report and Financial Statements**

**for the year ended 31 December 2005**



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

**DIRECTORS**

A. J. Hamilton \* (Chairman)

D. H. Brydon\*

H. de Castries\*‡

R. G. Dench\*

D. Duverne\*‡

P. J. Evans

K. G. Gibbs

D. Holt

P. J. Hubbard

P. S. S. Macpherson\*

P. L. H. Maso y Guell Rivet

A. R. D. Monro-Davies\*

J. O'Neill

I. D. Richardson

F. de Méneval ‡ (Alternate)

\* non-executive directors

‡Mr. de Castries and Mr. Duverne have appointed Mr. de Méneval as their alternate director.

**SECRETARY**

J. P. Small

**AUDITORS**

PricewaterhouseCoopers LLP

## **AXA UK PLC**

### **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 the holding company for AXA Life, AXA Insurance, AXA PPP healthcare and AXA Ireland. These companies undertake life assurance and pensions, general insurance and health insurance in the UK and general insurance in Ireland, respectively.

AXA Life specialises in investment, protection and retirement and long-term care products for individuals and corporate customers.

AXA Insurance provides general insurance to individuals, corporate customers and several major partners.

AXA PPP healthcare offers medical insurance, occupational health support, expert health information and counselling, dental care service and hospital care to individuals and corporate customers.

AXA Ireland provides general insurance in Ireland to individuals, corporate customers and several major partners.

On 23 December 2005, the Company purchased 1,690,000,000 ordinary shares of £1 each in a subsidiary undertaking, AXA-GRE Europe Investments Limited for a consideration of £1,690m. The proceeds were used by the subsidiary undertaking to redeem preference shares held by subsidiary undertakings, AXA Insurance plc and Guardian Royal Exchange International (Holdings) B.V.

The Company's return on investments and the year-end financial position were satisfactory, and the directors expect that this position will be sustained for the foreseeable future.

#### **CHANGE OF REGISTERED OFFICE**

The Registered Office of the Company changed from 107 Cheapside, London EC2V 6DU to 5 Old Broad Street, London EC2N 1AD on 13 January 2006.

#### **DIVIDENDS**

The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: £nil).

## AXA UK PLC

### DIRECTORS' REPORT (Continued)

#### DIRECTORS

The directors of the Company at the date of this report are shown on page 2.

Mr. D. Holt resigned as a director on 30 June 2006. Mr. N. J-M. D. Moreau was appointed a director on 1 July 2006.

#### APPOINTMENT OF DIRECTORS

In accordance with Article 82 of the Articles of Association of the Company, Mr. D. H. Brydon, Mr. D. Duverne, Mr. A. J. Hamilton and Mr. P. S. S. Macpherson will retire by rotation at the forthcoming Annual General Meeting. Being eligible, Mr. D. H. Brydon, Mr. D. Duverne, Mr. A. J. Hamilton and Mr. P. S. S. Macpherson offer themselves for re-appointment.

#### 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 2005	At 31 December 2005
A. J. Hamilton	4,436	4,436
D. H. Brydon	624	-
H. de Castries	107,900	598,059
D. Duverne	26,604	200,059
J. O'Neill	173	173
I. D. Richardson	1,176	400

# AXA UK PLC

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

#### AXA

	Units in AXA Global Fund		Units in AXA Actionnariat II Fund	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
A. J. Hamilton	-	-	25,327.1996	26,089.7163
D. Holt	-	-	31,059.3882	31,995.9330
P. J. Hubbard	2,263.3883	3,052.0582	1,141.0204	1,175.4260
D. H. Brydon	334.1086	-	9,202.7815	9,480.2763
H. de Castries	2,419.7191	2,102.8037	19,367.1400	-
F. de Ménéval (Alternate)	-	-	3,313.1947	-
D. Duverne	95.0747	-	41,035.5578	21,230.2053
P. J. Evans	2,828.6044	4,047.0620	-	-
K. G. Gibbs	1,885.7895	2,780.1094	-	-
P. L. H. Maso y Guell Rivet	-	-	1,215.8782	1,717.2105
J. O'Neill	628.8196	854.8739	294.5441	-
I. D. Richardson	112.1989	-	-	1,450.6291

#### AXA

	Units in AXA Share Plan Direct Global Fund Shares		Units in AXA Plan 2005 France Shares	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
H. de Castries	-	35,136.2490	-	-
A. J. Hamilton	-	4,065.5556	-	-
D. Duverne	-	16,048.6995	-	-
D. Holt	-	18,809.5368	-	-
F. de Ménéval (Alternate)	-	-	-	322.0612

# AXA UK PLC

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

#### AXA

	American Depositary Receipts		Units in AXA Avenir Shares	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
A. J. Hamilton	5,900	5,900	-	-
H. de Castries	286,719	286,719	-	-
D. Duverne	159,011	97,850	215.6537	198.8493

#### AXA Financial, Inc.

	Deferred Stock Units (in US\$)	
	At 1 January 2005	At 31 December 2005
A. J. Hamilton	8,678.106	9,778.003

#### Alliance Capital Management Holding L.P. Units

	At 1 January 2005	At 31 December 2005
H. de Castries	2,000	2,000
D. Duverne	2,000	2,000

#### FINAXA

	Shares	
	At 1 January 2005	At 31 December 2005
H. de Castries	64,107	-

#### AXA

	Actions Responsable Fund		Euro Monétaire	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
H. de Castries	842	-	-	-
P. L. H. Maso y Guell Rivet	-	-	896.8500	896.8500

# AXA UK PLC

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

#### AXA

	Plan 2002 France		Actions Relais	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
P. L. H. Maso y Guell Rivet	331.8584	331.8584	452.0665	-

#### NATIONAL MUTUAL LIFE ASSOCIATION

	Units in 3171 Fund		Units in 3291 Fund	
	At 1 January 2005	At 31 December 2005	At 1 January 2005	At 31 December 2005
F. de Méneval (Alternate)	46.2609	-	2,459.4166	-

### Interests in Options

#### AXA

	At 1 January 2005	During Year		At 31 December 2005
	Options to subscribe for Shares	Options granted	Options exercised	Options to subscribe for Shares
D. H. Brydon	291,594	-	-	291,594
H. de Castries	4,865,600	1,167,241	398,278	5,634,563
F. de Méneval (Alternate)	51,950	18,750	10,500	60,200
D. Duverne	1,683,656	315,000	238,116	1,760,540
P. J. Evans	186,105	52,500	20,100	218,505
K. G. Gibbs	119,400	30,000	-	149,400
P. J. Hubbard	176,575	45,000	38,433	183,142
D. Holt	498,973	101,250	58,625	541,598
P. L. H. Maso y Guell Rivet	183,755	30,000	-	213,755
J. O'Neill	152,540	30,000	13,400	169,140
I. D. Richardson	37,772	3,750	-	41,522

The options outstanding at 31 December 2005 are exercisable at various times between 1 January 2006 and 28 March 2015 at prices between €10.02 and €43.19 per share.

# AXA UK PLC

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

	AXA UK	
	At 1 January 2005	At 31 December 2005
	Options to subscribe for Ordinary Shares	Options to subscribe for Ordinary Shares
J. O'Neill	28,000	28,000

The options outstanding at 31 December 2005 are exercisable at various times between 1 January 2006 and 21 June 2009 at £5.20 per share.

### Performance Units

	AXA		
	At 1 January 2005	Granted during year	At 31 December 2005
D. Holt	-	866	866
P. J. Evans	-	506	506
P. J. Hubbard	-	433	433

Performance units vest as shares at the end of a prescribed period. The disclosure above relates to the amount of performance units which could vest as shares. Shares awarded at the end of the vesting period 25 March 2007 are held on the beneficiaries behalf until 25 March 2009.

	AXA		
	At 1 January 2005	Granted during year	At 31 December 2005
H. de Castries	60,000	3,000	-
D. Duverne	23,400	1,170	-

The performance units were converted into performance shares and restricted shares during 2005.



# AXA UK PLC

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

#### AXA Performance Shares

	AXA		
	At 1 January 2005	Granted during year	At 31 December 2005
H. de Castries	-	140,000	140,000
D. Duverne	-	57,600	57,600

The performance shares can be acquired during 2005-2007 and vest on 20 April 2007, two years from the commencement date of the plan. They are then converted to AXA ordinary shares and must be held for a further two years until 20 April 2009. The number of shares listed above is an indicative award, and the number of shares granted is subject to performance criteria. The above grants include shares converted from performance units during 2005.

#### AXA Restricted Shares

	AXA		
	At 1 January 2005	Granted during year	At 31 December 2005
H. de Castries	-	23,000	23,000
D. Duverne	-	8,970	8,970

The restricted shares are acquired during 2005-2007 and vest on 20 April 2007, two years from the commencement date of the plan. They are then converted to AXA ordinary shares and must be held for a further two years until 20 April 2009. They are awarded in their entirety and are not subject to performance criteria. The above grants include shares converted from performance units during 2005.

	FINAXA		
	At 1 January 2005	During year	At 31 December 2005
	Options to subscribe for Ordinary Shares	Options lapsed	Options to subscribe for Ordinary Shares
H. de Castries	111,264	111,264	-

# AXA UK PLC

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

#### AXA INVESTMENT MANAGERS

	At 1 January 2005	At 31 December 2005
	Options to subscribe for Ordinary Shares	Options to subscribe for Ordinary Shares
D. H. Brydon	34,714	34,714

The options outstanding at 31 December 2005 are exercisable at any time between 1 January 2006 and 15 May 2010 at prices between €155.94 and €458.29 per share.

#### AXA ASIA PACIFIC

	At 1 January 2005	During year	At 31 December 2005
	Options to subscribe for Ordinary Shares	Options exercised	Options to subscribe for Ordinary Shares
F. de Méneval (Alternate)	788,810	311,536	477,274

The options outstanding at 31 December 2005 are exercisable at various times between 1 January 2006 and 15 April 2009 at prices between AUS\$2.1787 and AUS\$3.1900 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 or subsidiaries of the ultimate holding company.

### EMPLOYEES

The AXA UK Group, through each of its employing subsidiary companies, is committed to a policy of equal opportunity in recruitment, training, career development and promotion of staff, irrespective of gender, marital status, race or ethnic origin. Full and fair consideration is also given to disabled persons including the rehabilitation and retention of staff who become disabled, having regard to their particular aptitudes and abilities.

Great importance is placed on good communications with employees and in seeking to inform and involve staff in the development of their operations and in the achievement of their business goals.

A full range of written, audio, video and regular face-to-face communications, including team briefings, regular appraisals, company newspapers and various bulletins are used. Regular consultation is maintained with independent and certified trade unions on the complete range of employment and business issues.

Many businesses within the Group have Investors in People accreditation.

**DIRECTORS' REPORT (Continued)**

---

**PAYMENT OF CREDITORS**

All trade purchases are dealt with through AXA Services Limited, a subsidiary undertaking.

**FINANCIAL INSTRUMENTS**

**Financial risk management objectives and policies**

The Company is exposed to financial risk through the inherent uncertainty in undertaking insurance business affecting its financial assets and liabilities. The most important components of this risk are price, credit, liquidity and cashflow risks.

The Company is the holding Company of the AXA UK Group which has established a groupwide financial risk management framework and associated set of policies. These are 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.

Financial risks are considered from both a shareholder and a policyholder liability perspective with the adoption of appropriate risk policies to cover different situations, such as insurance contracts, where the principal technique is to match assets to liabilities, and non-investment credit risk. The Company does not use hedge accounting.

**Price risk**

Price risk can be defined as the risk that movements in market factors (such as pricing of equities or bonds), interest rates and currency rates impact adversely the value of, or income from, the financial assets. Also, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

For an insurance company price risk appetite is required to reflect the aim of retaining prudent margins to avoid insolvency whilst balancing the desire to optimise investment performance. In order to control price risk, assets are chosen where relevant to match a range of underlying liability characteristics such as their mean duration, inflation and currency factors.

The AXA UK Investment Committee is responsible for strategy for the invested assets of AXA UK Group companies by setting investment guidelines. The Committee defines and documents the range of strategic asset allocation by class of asset taking into account the interaction between assets and liabilities. The Committee also defines concentration limits. Together, these controls are monitored monthly for each portfolio to help control the impact of price risks on the portfolio.

**DIRECTORS' REPORT (Continued)**

---

**FINANCIAL INSTRUMENTS (Continued)**

*Individual Capital Assessment*

Given the variability of the many inflows and outflows which are subject to price and other combinations of risk, regular monitoring of liability and asset profiles is undertaken to establish the implications for supporting capital requirements. The AXA UK Group carries out an Individual Capital Assessment (ICA), taking into account the variability of these risks, to ensure that there are sufficient assets to back the liabilities, under extreme scenarios. The ICA is established at levels of security defined by the AXA Group and the Financial Services Authority, to which regular reports are made.

*Insurance and reinsurance risk*

The Company's Insurance Risk Policy outlines its objectives in carrying out insurance business, its appetite for insurance risk and its policies for identifying, measuring, monitoring and controlling insurance risk. Reinsurance is used to manage insurance risk and is monitored through the AXA Insurance Reinsurance Committee. This includes the effectiveness of the reinsurance programme in reducing the gross provisions whilst considering the non-investment credit risks associated with reinsurance balances.

*Currency*

The Company is exposed to currency risk in respect of portfolios denominated in other currencies, principally the US dollar and euro. Mitigation of this risk is achieved by matching the liabilities with assets in the same currency.

**Credit risk**

Credit risk can be defined as the risk to capital or of income loss resulting from counterparty default or issuer credit downgrades affecting financial assets.

For investment related items credit risk is actively accepted in anticipation of the potential returns to be made but within closely controlled limits set and monitored by the AXA UK Investment Committee. The exposure to credit risk is controlled by the application of concentration limits to limit the exposure to any one counterparty and by restrictions on investment below certain credit ratings.

Non-investment items which generate credit risk generally arise as a by product of the AXA UK Group insurance operations, such as premium debts from policyholders and intermediaries, reinsurance balances and other operational debts. Exposure is controlled via different processes including the active monitoring of premium debt.

## AXA UK PLC

### DIRECTORS' REPORT (Continued)

---

#### FINANCIAL INSTRUMENTS (Continued)

##### Liquidity and cashflow risk

Liquidity or cashflow risk is defined as the risk that the AXA UK Group, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations when they fall due at reasonable cost.

Liquidity risk could arise from illiquid asset holdings, inappropriate asset/liability matching or inexact forecast operating liquidity requirements resulting in insufficient short-term (including intra-day) and longer-term liquidity. This is controlled via the higher level requirements of AXA UK for annual liquidity reviews including stress testing to ensure that sufficient liquidity exists in the business. In addition, a robust working capital management environment is encouraged by ensuring there are appropriate loan and overdraft facilities, backed up by shorter-term, regular cashflow forecasting.

#### CHARITABLE & POLITICAL DONATIONS

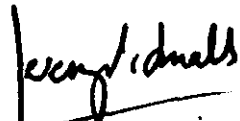
Contributions for medical, educational and other charitable purposes made by the AXA UK Group during the year amounted to £169,020 (2004: £110,564).

No donations were made for political purposes (2004: £nil).

#### AUDITORS

A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, who have indicated their willingness to continue in office, and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



J. P. Small

Secretary

20 July 2006

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

---

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities, is made for the purpose of clarifying the respective responsibilities of the directors and the auditors in the preparation of the financial statements.

Company law requires the directors to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently; with the exception of changes arising on the adoption of new accounting standards in the year;
- 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that 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.

## **AXA UK PLC**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA UK PLC**

---

We have audited the financial statements of AXA UK plc 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 Practices).

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 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 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.

AXA UK PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
AXA UK PLC (Continued)

---

**Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with the 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

*20 July* 2006.



**AXA UK PLC**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2005

	2005	As restated 2004
	£m	£m
Administrative expenses (note: 2)	(25)	(20)
Income from shares in group undertakings	-	101
Other interest receivable and similar income (note: 3)	17	24
Interest payable and similar charges (note: 4)	(192)	(188)
<b>Loss on ordinary activities before taxation</b>	<b>(200)</b>	<b>(83)</b>
Tax on loss on ordinary activities (note: 6)	34	9
<b>Loss for the financial year (note: 18)</b>	<b>(166)</b>	<b>(74)</b>

All the transactions relate to continuing operations. There were no other recognised gains or losses during the year (2004: £nil).

AXA UK PLC

**BALANCE SHEET**  
as at 31 December 2005

	2005 £m	As restated 2004 £m
<b>Fixed assets</b>		
Intangible assets (note: 7)	3	4
Tangible assets (note: 8)	9	5
Shares in group undertakings (note: 9)	8,186	6,496
Subordinated loans to group undertaking (note: 10)	192	282
Other investments (note: 11)	267	271
	<u>8,657</u>	<u>7,058</u>
<b>Current assets</b>		
Debtors: amounts falling due within one year (note: 12)	85	86
Debtors: amounts falling due after one year (note: 12)	-	40
Cash at bank and in hand	1	1
	<u>86</u>	<u>127</u>
<b>Creditors</b>		
Amounts falling due within one year (note: 13)	<u>(4,201)</u>	<u>(2,265)</u>
<b>Net current liabilities</b>	<u>(4,115)</u>	<u>(2,138)</u>
<b>Total assets less current liabilities</b>	<b>4,542</b>	<b>4,920</b>
<b>Creditors</b>		
Amounts falling due after more than one year (note: 14)	(2,404)	(2,615)
Provision for liabilities (note: 16)	<u>(7)</u>	<u>(8)</u>
<b>Net assets excluding pension liability</b>	<b>2,131</b>	<b>2,297</b>
Pension liability (note: 21)	<u>(1)</u>	<u>(1)</u>
<b>Net assets including pension liability</b>	<u><b>2,130</b></u>	<u><b>2,296</b></u>
<b>Capital and reserves</b>		
Called up share capital (note: 17)	1,036	1,036
Share premium account	239	239
Other reserves (note: 18)	284	284
Profit and loss account (note: 18)	571	737
<b>Equity shareholders' funds</b>	<u><b>2,130</b></u>	<u><b>2,296</b></u>

The financial statements on pages 17 to 35 were approved by the Board on 20 June 2006 and were signed on its behalf by

*Philippe May, Ch RIT*

Director  
20 July 2006

# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

	2005 £m	2004 £m
Loss for the financial year	(166)	(74)
Net reduction to shareholders' funds	(166)	(74)
Shareholders' funds at beginning of year	2,296	2,370
Shareholders' funds at end of year	2,130	2,296

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The principal accounting policies are set out below.

#### (a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards. In 2005, several new Financial Reporting Standards have become effective and require entities to apply the accounting practices set out in the standards for accounting periods beginning on or after 1 January 2005. Of these standards, the principal ones applying to the Company are:

- FRS 17 (Retirement Benefits, amended November 2002) has been adopted in full in these financial statements. This represents a change in accounting policy in respect of the AXA Unapproved Top-up Scheme and comparative figures have been restated accordingly. The practical effect of this is to change the presentation and increase the disclosure as shown in note 21. The fair value of the scheme liabilities is now shown as a pension liability in the balance sheet rather than in provisions, and actuarial gains and losses are shown in the statement of total gains and losses instead of the profit and loss account.
- FRS 21 (Events after the balance sheet date) has been adopted, although there is no overall impact on the Company's results in either the current or prior year.
- The presentational requirements of FRS 25 (Financial Instruments: Disclosure and Presentation) have been adopted with no impact on the current or prior year.

#### (b) Investment income

Investment income consists of interest, dividends and realised gains. Income from listed equities is recognised when investments are quoted ex-dividend. Income from government and other fixed interest securities, loans and deposits is dealt with on an accruals basis. Other investment income is recognised when due to be received.

Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

(c) **Derivatives**

Interest payable represents interest payable, after the effect of interest rate and currency swaps entered into by the Company (see note 15).

(d) **Valuation of investments**

Investments in subsidiary undertakings are stated at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.

Investments are stated at bid price that is equivalent to cost for unit trusts; and directors' valuations for other investments.

(e) **Intangible assets**

Software licences are capitalised in the balance sheet at cost and amortised through the profit and loss account over their useful economic life on a straight line basis.

(f) **Retirement benefits**

The Company has taken advantage of the concession in FRS 17 paragraph 9 which allows limited reporting by individual companies who participate in a groupwide pension arrangement that does not enable individual companies within the group to identify their share of the underlying assets and liabilities. In such cases, FRS 17 allows for a defined benefit scheme to be treated by the participating company as if it were a *defined contribution arrangement*.

The AXA Unapproved Top-up Scheme is a defined benefit scheme. In accordance with the requirements of FRS 17, the financial statements reflect at fair value the assets and liabilities relating to the pension scheme. Operating costs and financing costs are shown in other charges in the non-technical account and actuarial gains and losses in the statement of total recognised gains and losses.

(g) **Tangible fixed assets**

Tangible fixed assets are capitalised and depreciated by equal annual instalments over the following estimated useful economic lives:

Fixtures and fittings	3 - 10 years
Motor vehicles	2 - 5 years
Computer equipment and major software developments	3 - 5 years

# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 1. ACCOUNTING POLICIES (Continued)

#### (h) Deferred tax

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. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

#### (i) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Exchange gains and losses are treated as part of the investment return in the profit and loss account.

### 2. ADMINISTRATIVE EXPENSES

The administrative expenses represent the costs of the corporate centre of the AXA UK plc Group.

### 3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	As restated 2004
	£m	£m
Interest receivable from group undertakings	12	14
Income from other investments	8	10
Net loss from property rental	(3)	-
	<u>17</u>	<u>24</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£m	£m
<b>On loans repayable within 5 years</b>		
Other loans from ultimate parent company	4	7
Other loans from fellow subsidiary undertakings	10	8
Other loans from Group undertakings	130	129
	<u>144</u>	<u>144</u>
<b>On loans repayable after 5 years</b>		
Subordinated loan from ultimate parent company	4	4
Subordinated loan from fellow subsidiary undertakings	44	40
	<u>48</u>	<u>44</u>
	<u>192</u>	<u>188</u>

**AXA UK PLC**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. AUDITORS REMUNERATION**

The remuneration of the auditors amounted to £0.2m (2004: £0.2m).

Remuneration for taxation advice and other non-audit services provided by the Company's auditors to the Company amounted to £0.1m (2004: £0.1m).

**6. TAX ON LOSS ON ORDINARY ACTIVITIES**

**a) Analysis of credit for the period**

	2005	2004
	£m	£m
<b>Current tax:</b>		
UK Corporation Tax on losses for the period	(24)	6
Adjustments in respect of previous periods	<u>(5)</u>	<u>(10)</u>
Total current tax (note: 6b)	(29)	(4)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>(5)</u>	<u>(5)</u>
Total deferred tax (note: 6d)	<u>(5)</u>	<u>(5)</u>
<b>Tax on loss on ordinary activities</b>	<u>(34)</u>	<u>(9)</u>

**b) Factors affecting tax credit for the period**

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

	2005	2004
	£m	£m
<b>Loss on ordinary activities before tax</b>	<u>(200)</u>	<u>(83)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(60)	(25)
<b>Effects of:</b>		
Income not taxable (primarily intra-group equity income)	-	(31)
Crystallisation of deferred gain	-	27
Tax losses surrendered for nil payment	36	35
Adjustments to tax charge in respect of previous periods	<u>(5)</u>	<u>(10)</u>
<b>Current tax credit for the period (note: 6a)</b>	<u>(29)</u>	<u>(4)</u>

**AXA UK PLC**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. TAX ON LOSS ON ORDINARY ACTIVITIES (Continued)**

**c) Factors that may affect future tax charges**

The Company does not receive payment for tax losses surrendered to its subsidiary, AXA-GRE Europe Investments Limited. The Company surrenders sufficient tax losses to cover in full the taxable profits of its subsidiary.

**d) Provision for deferred tax**

	2005 £m	2004 £m
Other timing differences	<u>3</u>	<u>8</u>
<b>Undiscounted provision for deferred tax</b>	<u>3</u>	<u>8</u>
Provision at start of the period	8	13
Deferred tax credit in profit and loss account for the period (note: 6a)	<u>(5)</u>	<u>(5)</u>
<b>Provision at end of the period</b>	<u>3</u>	<u>8</u>

**7. INTANGIBLE ASSETS**

	Cost £m	Amortisation £m	Net book value £m
<b>Software licences</b>			
At 1 January 2005	6	2	4
Amortisation charge	<u>-</u>	<u>1</u>	<u>(1)</u>
<b>At 31 December 2005</b>	<u>6</u>	<u>3</u>	<u>3</u>

**8. TANGIBLE ASSETS**

	Cost £m	Depreciation £m	Net book value £m
At 1 January 2005	8	3	5
Additions	5	-	5
Depreciation charge	<u>-</u>	<u>1</u>	<u>(1)</u>
<b>At 31 December 2005</b>	<u>13</u>	<u>4</u>	<u>9</u>

Tangible fixed assets consist principally of fixtures and fittings, computer equipment and expenditure incurred in the design and development of software for use within computer systems.

# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 9. SHARES IN GROUP UNDERTAKINGS

	2005 £m
<b>Shares in subsidiary undertakings</b>	
Cost at 1 January 2005	6,496
Purchases	<u>1,690</u>
<b>Cost at 31 December 2005</b>	<b><u>8,186</u></b>

On 23 December 2005, the Company purchased 1,690,000,000 ordinary shares of £1 each in a subsidiary undertaking, AXA-GRE Europe Investments Limited for a consideration of £1,690m. The proceeds were used by the subsidiary undertaking to redeem preference shares held by subsidiary undertakings, AXA Insurance plc and Guardian Royal Exchange International (Holdings) B.V.

The principal subsidiary undertakings of the Company are:

	Country of incorporation	Principal activity	Percentage of equity shares held
<b>General Business</b>			
AXA Insurance plc	England	Insurance	100
AXA Insurance UK plc	England	Insurance	100
AXA General Insurance Ltd	England	Insurance	100
AXA Services Ltd	England	Provision of administration services	100
Guardian Royal Exchange plc	England	Holding company	*100
AXA Holdings Ireland Ltd	Ireland	Holding company	100
AXA-GRE Europe Investments Limited	England	Investment	*100
Guardian Royal Exchange International (Holdings) B.V.	Netherlands	Holding company	100



# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 9. SHARES IN GROUP UNDERTAKINGS (Continued)

	Country of incorporation	Principal activity	Percentage of equity shares held
<b>Life Business</b>			
<b>Shareholder Investments</b>			
AXA Sun Life Holdings plc	England	Holding company	*100
AXA Sun Life plc	England	Life assurance and pensions	100
AXA Sun Life Services plc	England	Provision of administration services	100
PPP lifetime care plc	England	Long-term insurance	100
Sun Life Assurance Society plc	England	Life assurance and pensions	100
Sun Life Pensions Management Ltd	England	Unit-linked pensions	100
Sun Life Unit Assurance Ltd	England	Unit-linked life assurance	100
AXA Isle of Man Ltd	Isle of Man	Life assurance	100
<b>Healthcare Business</b>			
Denplan Ltd	England	Capitation for dental practices	100
AXA PPP healthcare ltd	England	Healthcare insurance	100

- (a) An asterisk indicates holdings held direct by the Company.
- (b) In the opinion of the directors, the values of the investments of the Company in its subsidiary undertakings are not less than the amounts at which they are stated in the balance sheet.
- (c) As permitted by section 228 of the Companies Act 1985, group accounts have not been submitted, the Company being a wholly owned subsidiary of AXA which prepares group accounts (note 24).

**AXA UK PLC**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**10. SUBORDINATED LOANS TO GROUP UNDERTAKINGS**

	<b>2005</b>	2004
	<b>£m</b>	£m
5 year subordinated loan repayable 2009	<b>42</b>	132
15 year subordinated loan repayable 2016	<b>100</b>	100
Perpetual subordinated loan	<b>50</b>	50
	<b>192</b>	282

- (a) The five year subordinated loan is a non-interest bearing £260m loan facility.
- (b) The subordinated loans bear interest at rates of six months deposit London Inter-Bank Offer Rate plus a margin ranging from 170 to 220 basis points. They are repayable on demand by the lender, provided the lender has given not less than five years' notice in writing to the borrower.

On 19 December 2005, the notice period terms in the agreements were changed to those detailed above.

**11. OTHER INVESTMENTS**

	<b>2005</b>	As restated 2004
	<b>£m</b>	£m
Shares and other variable yield securities and units in units trusts: unlisted	<b>267</b>	271

The cost price of investments held at 31 December 2005 was £267m (2004: £271m).

The Company's holding of 18.88% in AXA Investment Managers (AIM) has been reclassified from shares in participating interests to other investments. In the opinion of the directors, the Company does not exercise significant influence over the operations of AIM.

**12. DEBTORS**

	<b>2005</b>	2004
	<b>£m</b>	£m
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	<b>68</b>	75
Other debtors	<b>5</b>	3
Taxation	<b>12</b>	-
Prepayments and accrued income	<b>-</b>	8
	<b>85</b>	86
<b>Amounts falling due after one year</b>		
Amounts owed by group undertakings	<b>-</b>	40
<b>Total</b>	<b>85</b>	126

AXA UK PLC

NOTES TO FINANCIAL STATEMENTS (Continued)

13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£m	£m
Loan owed to ultimate parent company (note: 5)	-	50
Amounts owed to group undertakings	4,200	2,152
Taxation	-	11
Other creditors	-	52
Accrued and deferred income	1	-
	<u>4,201</u>	<u>2,265</u>

14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£m	£m
Loan owed to fellow subsidiary undertaking (note: 5)	170	170
Subordinated loan owed to ultimate parent company (note: 16)	60	75
Subordinated loans owed to fellow subsidiary undertakings (note: 16)	640	640
Amounts owed to group undertakings	1,531	1,730
Accruals and deferred income	3	-
	<u>2,404</u>	<u>2,615</u>

15. ANALYSIS OF BORROWINGS WITHIN CREDITORS

	2005	2004
	£m	£m
Loan owed to ultimate parent company	-	50
Loan owed to fellow subsidiary undertaking	170	170
Subordinated loan owed to ultimate parent company	60	75
Subordinated loans owed to fellow subsidiary undertakings	640	640
	<u>870</u>	<u>935</u>
	<u>2005</u>	<u>2004</u>
	£m	£m
<b>Loans</b>		
Repayable within one year	-	50
Repayable within two - five years	170	170
	<u>170</u>	<u>220</u>
<b>Subordinated loans</b>		
Repayable after five years	700	715
	<u>870</u>	<u>935</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

**15. ANALYSIS OF BORROWINGS WITHIN CREDITORS (Continued)**

- (a) The Company has a three year £170m loan maturing in 2007 with a fellow subsidiary undertaking, AXA Lebensversicherung. The loan bears interest at a floating rate of six months deposit London Inter-Bank Offer Rate plus a margin of 30 basis points.
- (b) The Company has a ten year subordinated loan from a fellow subsidiary undertaking, AXA Conseil Vie for Euro 300m (£187m) maturing in 2011. The Company entered into a ten year Euro 300m cross currency swap with AXA to fix the liability at £187m. The loan bears interest at a fixed rate of 5.6087%. The Company entered into a ten year interest rate swap and guarantee with AXA, the effect of which is to convert the loan to bear interest at a rate of three months deposit London Inter-Bank Offer Rate plus a margin of 115 basis points.
- (c) The Company has a ten year subordinated loan from its fellow subsidiary undertaking, AXA Lebensversicherung for £113m maturing in 2011. The loan bears interest at a rate of three months deposit London Inter-Bank Offer Rate plus a margin of 115 basis points.
- (d) The Company has a ten year subordinated loan from AXA for £60m maturing in 2013. The loan bears interest at a floating rate of six months deposit London Inter-Bank Offer Rate plus a margin of 110 basis points. The company repaid £15m on 14 December 2005.
- (e) On 30 December 2005, the company received a ten year bond from a fellow subsidiary undertaking, AXA Life Insurance Company Limited (Japan) for Yen 27,776 million maturing in 2015. The bond proceeds were used to repay a ten year subordinated loan from AXA Group Life Insurance Company Limited maturing in 2013. The Company entered into a ten year Yen 27,776m cross currency swap with AXA to fix the liability at £140m. The bond bears interest at a floating rate of three months Yen deposit London Inter-Bank Offer Rate plus a margin of 1.20%. The Company entered into a ten year interest rate swap with AXA, the effect of which is to convert the bond to bear interest at a rate of GBP sterling and the margin is 1.525%. The terms and conditions of the bond are compliant with the Financial Services Authority definition for lower tier two capital.
- (f) The Company has a ten year subordinated bond from a fellow subsidiary undertaking, AXA Group Life Insurance Company Limited for Yen 36,600m (£200m) maturing in 2012. The Company entered into a ten year Yen 36,600m cross currency swap with AXA to fix the liability at £200m. The bond bears interest at a floating rate of three months Yen deposit London Inter-Bank Offer Rate plus a margin of 90 basis points. The Company entered into a ten year interest rate swap with AXA, the effect of which is to convert the loan to bear interest at a rate of six months deposit London Inter-Bank Offer Rate plus a margin of 115 basis points. On 1 October 2005, AXA Group Life Insurance Company Limited was merged into AXA Life Insurance Company Limited (Japan). On 20 December 2005, the terms and conditions were changed to be compliant with the Financial Services Authority definition for lower tier two capital.

# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 15. ANALYSIS OF BORROWINGS WITHIN CREDITORS (Continued)

- (g) The Company has a £100m five year interest rate swap with AXA maturing in 2007. The swap pays a fixed interest rate of 5.53% against a receipt of six months deposit London Inter-Bank Offer Rate.
- (h) The Company has a £100m five year interest rate swap with AXA maturing in 2007. The swap pays a fixed interest rate of 5.525% against a receipt of six months deposit London Inter-Bank Offer Rate.
- (i) The Company has a £200m four year interest rate swap with AXA maturing in 2006. The swap pays a fixed interest rate of 5.4875% against a receipt of six months deposit London Inter-Bank Offer Rate.
- (j) On 14 March 2005, the Company entered into a £200m four year interest rate swap with AXA. The swap pays a fixed interest rate of 5.0388% against a receipt of three months deposit London Inter-Bank Offer Rate.
- (k) On 15 April 2005, the Company entered into a £150m four year interest rate swap with AXA. The swap pays a fixed interest rate of 5.1208% against a receipt of three months deposit London Inter-Bank Offer Rate.

### 16. PROVISIONS FOR LIABILITIES

	As restated		
	Vacant space provision £m	Deferred tax £m	Total £m
At 1 January 2005	-	8	8
Profit and loss charge/(credit)	4	(5)	(1)
<b>At 31 December 2005</b>	<b>4</b>	<b>3</b>	<b>7</b>

The vacant space provision relates to future rent expenses for leasehold property where the property is vacant or where the property is sublet and the rents receivable are lower than rents payable under the terms of the head lease. It is utilised over the remaining period of the leases.

AXA UK PLC

NOTES TO FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

	2005		2004	
	£m	£m	£m	£m
	Authorised	Paid-up	Authorised	Paid-up
<b>Authorised</b>				
1,400 million ordinary shares of £1 each	1,400		1,400	
100 million preference shares of 0.1 pence each	-		-	
<b>Issued</b>				
1,036.3 million ordinary shares of £1 each		1,036		1,036
100 million preference shares of 0.1 pence each		-		-
	<u>1,400</u>	<u>1,036</u>	<u>1,400</u>	<u>1,036</u>

**Ordinary shares**

Options to subscribe for ordinary shares of £1 each outstanding at 31 December 2005 are as follows:

Date of grant	Subscription price (pence)	At 31 December 2005	At 31 December 2004	Last date for exercise
<b>Savings-related share option plan</b>				
07/06/1999*	321.37	-	158,657	25/05/2005
07/06/1999*	325.93	179,837	191,078	25/05/2006
15/10/1999	407.00	-	745,557	01/07/2005
		<u>179,837</u>	<u>1,095,292</u>	
<b>Executive share option plan</b>				
24/09/1996	235.50	10,353	10,353	23/09/2006
29/10/1997	375.50	82,870	82,870	28/10/2007
08/10/1998	520.00	80,248	80,248	07/10/2008
22/06/1999	483.00	303,624	303,624	21/06/2009
		<u>477,095</u>	<u>477,095</u>	
Grand total		<u>656,932</u>	<u>1,572,387</u>	

\* former GRE options

## NOTES TO FINANCIAL STATEMENTS (Continued)

**17. SHARE CAPITAL (Continued)****Preference shares**

The preference shares constitute non-equity funds of AXA UK plc and confer on the holder the right to:

- i) receive notice of, attend and speak at any general meeting but not to vote (unless cumulative preference dividends are more than one month in arrears or where there is a resolution to wind-up the Company); and
- ii) participate by way of dividend, in priority to other classes of shareholder, in any surplus assets in the AXA Equity & Law Life Assurance Society plc (AXA Equity & Law) Inherited Estate.

The preference shares carry the right to receive any value arising from an increase above ten per cent in the recognised shareholders' interest in the AXA Equity & Law Inherited Estate.

There will be no payment of dividends on the preference shares following any such recognition of shareholders' interests unless, following any such payment, the financial strength, as defined by the statutory with-profit free asset ratio, of the AXA Equity & Law with-profit long-term business fund is at least equal to that of the third strongest with-profit long-term business fund of AXA Equity & Law's principal competitors in the UK life sector with a significant volume of business sourced from Independent Financial Advisers.

**18. RESERVES**

	<b>Profit and loss account</b>	<b>Other reserves</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance at 1 January 2005	737	284	1,021
Retained loss for the year	(166)	-	(166)
<b>Balance at 31 December 2005</b>	<b>571</b>	<b>284</b>	<b>855</b>

Distributable reserves of the Company at 31 December 2005 were £nil (2004: £51m).

**19. DIRECTORS' EMOLUMENTS**

The executive directors are employed and paid by companies in the AXA group, non-executive directors receive fees from the AXA group, and their directorships are held as part of these arrangements. Other than as disclosed, 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.

# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 19. DIRECTORS' EMOLUMENTS (Continued)

	2005 £	2004 £
Non-executive directors:		
Fees	455,734	429,975
Executive directors:		
Salaries and other emoluments	<u>4,423,548</u>	<u>4,095,226</u>
	<u>4,879,282</u>	<u>4,525,201</u>
	2005 £	2004 £
Amounts attributable to highest paid director:		
Aggregate emoluments	1,078,215	1,056,830
Accrued pension at end of year	1,760	1,700

- i) No payments were made to directors for loss of office during the year (2004: none).
- ii) None of the directors exercised share options or employee sharesave options in AXA UK plc during the year (2004: none).
- iii) Six directors are accruing benefits under a defined benefit pension scheme (2004: six).

#### Directors' interests in transactions

No contract in which a director was interested and which was material to the Group or its subsidiaries or to the other transacting party existed during the year.

#### Loans to directors and connected persons

No loans or quasi-loans exceeding £5,000 to directors and connected persons were made or subsisted during the year. (2004 : One director had an endowment mortgage from a subsidiary company. The balance outstanding at the end of 2004 was £29,102. The mortgage was repaid in 2005.)

### 20. STAFF COSTS

Staff engaged in the Company's activities are employees of subsidiary undertakings, AXA Services Limited and AXA Sun Life Services Limited, and the related costs incurred are recharged to the Company. Pension costs included in the recharge are detailed in note 21.



# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 21. PENSIONS

Staff engaged in the Company's activities are members of the AXA UK Pension Scheme which embraces a number of companies in the AXA UK Group. The scheme has both defined benefit and defined contribution sections but the Company is unable accurately to identify its share of the underlying assets and liabilities of the defined benefit section. Accordingly, the Company has treated its contribution to the defined benefit section as if it were a defined contribution arrangement.

An independent actuarial review by Watson Wyatt of the defined benefit scheme revealed a deficit of £561.2m as at 31 December 2005 (£492.2m as at 31 December 2004) before taking account of any tax relief. This represents a snapshot of the present cost of meeting pension obligations that will crystallise over a period of many years. The scheme invests in a wide range of assets, including equities, which over the long term, are expected by the directors to produce higher returns than those underlying the assessment of the deficit as at 31 December 2005.

The total pension cost for the Company in 2005 was £2.4m (2004: £4m).

The Company operates the AXA Unapproved Top-up Scheme which is a defined benefit scheme. The scheme is an unfunded arrangement and therefore no Company contributions were paid during the accounting period or are to be paid in the future. The AXA Unapproved Top-up Scheme has been closed to new members since 1999. For a closed scheme, service cost, as determined under the projected unit credit method, will increase as members approach retirement. The details of the scheme are as follows:

#### (a) Financial assumptions as at 31 December

	2005	2004	2003
	% pa	% pa	% pa
Discount rate	4.70	5.30	5.50
Rate of increases in salaries	4.20	4.20	4.00
Rate of increases to deferred pensions (excl. guaranteed minimum pensions)	2.70	2.70	2.50
Rate of increases to pensions in payment	2.70	2.70	2.50
Price inflation	2.70	2.70	2.50

#### (b) Scheme assets and expected rate of return

There are no scheme assets.

#### (c) Reconciliation to the balance sheet as at 31 December

	2005	2004	2003
	£m	£m	£m
Actuarial value of scheme liabilities	(1)	(1)	(1)
Related deferred tax asset	-	-	-
Net pension liability recognised in the balance sheet	(1)	(1)	(1)

# AXA UK PLC

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 22. CAPITAL COMMITMENTS

At 31 December 2005 contracts placed for future capital expenditure not provided in the financial statements amounted to £2.8m (2004: £0.5m).

### 23. COMMITMENTS UNDER OPERATING LEASES

The Company is committed to pay under operating leases on properties:

	2005	2004
	£m	£m
Within one year	1	1
Two to five years	9	4
Over five years	13	-
	<u>23</u>	<u>5</u>

The Company is committed to pay in respect of non-cancellable software maintenance costs:

	2005	2004
	£m	£m
Within one year	<u>1</u>	<u>1</u>

### 24. ULTIMATE PARENT

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.

### 25. 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.

### 26. CASH FLOW STATEMENT

Under Financial Reporting Standard 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 cashflow of the Company is consolidated in the AXA group financial statements, which can be obtained from 23, avenue Matignon, 75008 Paris, France.

## AXA UK PLC

### NOTES TO FINANCIAL STATEMENTS (Continued)

---

#### **27. EVENTS AFTER BALANCE SHEET DATE**

On 26 April 2006 the Company's subsidiary undertaking, AXA PPP healthcare group plc, announced that agreement had been reached with the shareholders of Securehealth (Holdings) Limited (SHL) to acquire the entire share capital of SHL. The SHL Group are insurance intermediaries distributing health related insurances. The initial consideration is £14m with further amounts payable subject to the terms of the contract.