

Registered Number 3116678

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

Directors' Report and Financial Statements for the year ended 31 December 2007



Registered Office 5 Old Broad Street, London EC2N 1AD

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

DIRECTORS

P J Evans (Chairman and Chief Executive)
M J Kellard
F de Meneval
A J Purvis
I Robinson

COMPANY SECRETARY

J P Small

AUDITORS

PricewaterhouseCoopers LLP

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITY

The Company's principal activity is that of a holding company

BUSINESS ENVIRONMENT AND COMPANY POSITIONING

Business environment

The Winterthur UK Financial Services Group ("WUKFSG") of companies offers a range of specialist long-term insurance products. In the United Kingdom the life and savings market is a highly regulated mature market with distribution largely through third party intermediaries, characterised by high levels of competition leading to lower than average shareholder returns.

Through its subsidiary holding companies, the Company is the parent company of Winterthur Life UK Limited ("WLUK") and Winterthur Financial Services UK Limited ("WFS")

WLUK transacts long-term insurance business and associated investment activities in the United Kingdom

WFS acts as the employing company within the WUKFSG of companies and as the paymaster for all management expenses, for which it makes a recharge to other group undertakings as appropriate. WFS also holds fixed assets for which it makes a lease charge to the companies utilising those assets. The principal user of these services is WLUK.

WFS is the principal employer of the WLUK Staff Pension Scheme

Clients

WLUK targets both individual and corporate clients. WLUK's individual clients are concentrated in higher socio-economic groups, typically looking to consolidate their assets into pension policies prior to retirement and those wishing to keep their assets invested post retirement. Group Personal Pension contracts are offered to corporate clients who wish to offer pension schemes to their staff.

Products

WLUK offers a range of specialist long-term insurance products. Investment bonds provide packaged investment solutions to individuals in a tax efficient life insurance wrapper. Individual and group pensions offer packaged investment vehicles for individuals to save towards retirement. Unsecured and Alternatively Secured Pensions offer packaged investment vehicles for individuals to keep their assets invested whilst also providing an income when in retirement.

A key feature of the Winterthur Life approach to pensions is the use of external fund managers. The Tailored Selection offers a choice of over 100 carefully selected funds from over 30 fund managers. Winterthur Life also offers the Elite Fund of Funds Range, 4 risk-rated managed funds to cater for different attitudes to risk and 6 sector funds that can form the core of a client's portfolio. The Winterthur Elite Funds, available to pension and investment bond investors, combine the skills of leading investment managers within a fund of funds structure.

Distribution

WLUK's distribution is concentrated in the independent financial adviser/whole of market adviser distribution channel and employee benefit consultants.

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW

The Company operated as a holding company throughout the financial year. There were no acquisitions or disposals of investments in subsidiary undertakings during the year.

During the year the Company made a capital contribution of £26.1m to a group undertaking Winterthur Life UK Holdings Limited ("WLUKH").

Results and performance

The Company's loss for the year after taxation amounted to £0.9m (2006: loss of £112.6m).

Principal risks and uncertainties

The Company is part of the AXA UK Group which has established a group wide risk management framework and associated set of policies. These are designed to ensure that 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.

Group-wide policies are in place in relation to specific risk areas. Where group-wide policies are not appropriate, due to the diverse nature of the risk individual business units are exposed to, policies have been established at a local business unit level. For example, there are separate policies in respect of insurance risk and non-investment related credit risk within the various business units of the Company.

The key risks borne by WLUK are financial and insurance risks.

WLUK is exposed to a number of financial risks including market, credit and liquidity risk. The risks are controlled via the application of risk policies which include control over investment concentrations by type/issuer/credit-rating and reviews of the economic matching of asset durations to liability durations.

WLUK aims to mitigate insurance risk through a number of measures including the application of new business, medical underwriting and pricing policies designed to ensure that premiums charged are appropriate to the risk assumed and the purchase of appropriate external reinsurance to manage the level of insurance risk retained.

WFS operate a defined benefit pension scheme. There are risks associated with the operation of such schemes on the shareholders' funds from both investment market movements and continuing improvements in mortality. WFS actively monitor the position and development of the scheme in conjunction with the scheme trustees.

Future outlook

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

Financial risk management objectives and policies

The Company is exposed to financial risk through its business operations affecting the financial assets and liabilities. The most important component of this risk for the Company is non-investment credit risk in respect of balances due.

Hedge accounting

There are no current or forecasted transactions for which hedge accounting is used.

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

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 and from debts due from third parties. The risk in respect of these debts is controlled through on-going monitoring of amounts due.

PAYMENT OF CREDITORS

All trade purchases are dealt with through WFS.

DIVIDENDS

The directors do not recommend the payment of a dividend (2006 £nil).

SECRETARY

Ms S J Basaran resigned as a Secretary of the Company on 30 April 2007 and Mr J P Small was appointed Secretary on the same day as her replacement.

DIRECTORS

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

Mr D M Brown and Mrs K M Isherwood resigned as directors of the Company on 31 March 2007.
Mr A M Parsons was appointed as a director of the Company on 1 May 2007 and he resigned as a director of the Company on 11 April 2008.
Mr P L H Maso y Guell Rivet resigned as a director of the Company on 11 April 2008.
Mr D E Hynam resigned as a director of the Company on 11 June 2008.
Mr I Robinson was appointed as a director of the Company on 18 June 2008.

EXERCISE OF DIRECTORS' AXA SA OPTIONS

Two directors of the Company exercised share options during the year (2006 1).

DIRECTORS' INTERESTS

Following the change in legislation from 6 April 2007 (SI 2006/3428 'The Companies Act 2006 (commencement No. 1, Transitional provisions and savings) Order 2006'), no information on directors' interest in shares and share options is required to be disclosed.

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.

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

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements

The responsibilities of the auditors are set out in the auditors' report

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

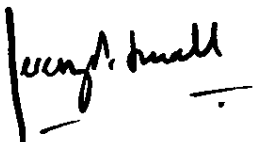
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently, 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By Order of the Board



J. P. Small

Secretary

30 September 2008

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

We have audited the financial statements of Winterthur UK Financial Services Group Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

01 OCT 2008

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Administrative expenses		<u>(1,906)</u>	<u>(3,785)</u>
Operating loss		(1,906)	(3,785)
Interest receivable and similar income	2	563	1,353
Write back of provision for investment in group undertakings	8	-	85,000
Impairment of loans to group undertakings	3	<u>-</u>	<u>(195,851)</u>
Loss on ordinary activities before taxation	4	(1,343)	(113,283)
Tax on loss on ordinary activities	7	<u>403</u>	<u>730</u>
Loss for the financial year	11	(940)	(112,553)

All of the above amounts are in respect of continuing operations

The Company has no recognised gains or losses other than those included in the profit and loss account

There are no differences between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents

The information on pages 10 to 13 forms an integral part of these financial statements

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £'000	2006 £'000
Loss for the financial year	(940)	(112,553)
Total shareholders' funds at 1 January	<u>470,101</u>	<u>582,654</u>
Total shareholders' funds at 31 December	<u>469,161</u>	<u>470,101</u>

The information on pages 10 to 13 forms an integral part of these financial statements

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments in group undertakings	8	<u>424,479</u>	<u>398,374</u>
Current assets			
Debtors	9	44,043	44,622
Cash at bank and in hand		<u>2,545</u>	<u>27,105</u>
Net current assets		<u>46,588</u>	<u>71,727</u>
Creditors amounts falling due within one year	10	(1,906)	-
Total assets less current liabilities		<u><u>469,161</u></u>	<u><u>470,101</u></u>
Capital and reserves			
Called up share capital attributable to equity interests	11	1	1
Share premium account	12	299,999	299,999
Other reserves	12	389,218	389,218
Profit and loss account	12	<u>(220,057)</u>	<u>(219,117)</u>
Shareholders' funds		<u><u>469,161</u></u>	<u><u>470,101</u></u>

The financial statements were approved by the Board of directors on 1 October 2008 and were signed on its behalf by



A. J. Purvis
Director

The information on pages 10 to 13 forms an integral part of these financial statements

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are set out below

Basis of presentation

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards

The Company has taken advantage of section 228 of the Companies Act 1985 and has not produced consolidated financial statements on the basis that it is a subsidiary undertaking of AXA which prepares consolidated financial statements and is established under the laws of a European Economic Area state

Under Financial Reporting Standard ("FRS") 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of a parent undertaking which produces a consolidated cash flow statement. The cash flow of the Company is consolidated in the AXA group financial statements, which can be obtained from 23, Avenue Matignon, 75008 Paris, France

Taxation

The charge for taxation is based on the result for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Investments

Investments in subsidiary undertakings are included in the balance sheet at cost unless their value has been permanently impaired, in which case they are valued at their realisable value or value in use as appropriate

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Other interest receivable and similar income	<u>563</u>	<u>1,353</u>

3. IMPAIRMENT OF LOANS TO OTHER GROUP UNDERTAKINGS

During 2006 the loan to WLUKH was impaired to its recoverable amount

4 AUDITORS' REMUNERATION INCLUDED IN LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration in respect of audit fees for 2007 of £5,000 (2006 £5,000 audit, £144,000 Sarbanes Oxley) was borne by WFS, a fellow group company

5 EMPLOYEE NUMBERS AND COSTS

The Company does not employ directly any staff. All staff are employed by other group undertakings

The costs of staff are borne by WFS. Staff costs are disclosed in the accounts of WFS

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. DIRECTORS' EMOLUMENTS

The emoluments paid to the directors of the Company in respect of their services to the group were

	2007 £'000	2006 £'000
Directors fees	-	118
Other emoluments	927	962
Compensation for loss of office	-	9
Excess retirement benefits to former directors	84	82
	<u>1,011</u>	<u>1,171</u>

Three directors were covered by defined benefits pension arrangements (2006 3)

The emoluments, excluding pension contributions, of the highest paid director were £670,905 (2006 £618,190) and the amount of his accrued pension at the end of the year was £35,044 per annum (2006 £27,268 per annum)

The emoluments of Mr M J Kellard, Mrs K M Isherwood and Mr D M Brown in respect of their services to the group were £927,274 (2006 The emoluments of Mr M J Kellard, Mrs K M Isherwood and Mr D M Brown in respect of their services to the group were £962,048)

The expenses have been borne by other group undertakings

Mr P J Evans, Mr P L H Maso y Guell Rivet and Mr F de Meneval were also directors of the intermediate parent company, AXA UK plc, during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company

Mr D E Hynam and Mr A J Purvis were also directors of AXA Sun Life Holdings plc during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company

The costs of staff are borne by WFS WFS levies management fees on the Company based upon standard rates and volumes of business processed It is not therefore possible to identify separately the amounts of staff costs within the management fees Staff costs are disclosed in the accounts of WFS

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
UK corporation tax:		
UK corporation tax on income for the current year	<u>(403)</u>	<u>(730)</u>

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Factors affecting the tax charge

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

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(1,343)	(113,283)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(403)	(33,985)
Expenses not deductible for tax purposes	-	33,255
UK transfer pricing adjustment	-	4,074
Balancing payment	-	(4,074)
Current tax credit for the period	(403)	(730)

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed to 28% with effect from the 1 April 2008

8. INVESTMENTS IN GROUP UNDERTAKINGS

Investments in group undertakings are

	2007 £'000	2006 £'000
Shares in group undertakings		
Cost at 1 January net of provision	345,374	313,374
Write back of previous provision	-	32,000
Balance at 31 December	345,374	345,374
Capital contributions to group undertakings net of previous provision		
At 1 January	53,000	-
Write back of previous provision	-	53,000
Additions	26,105	-
At 31 December	79,105	53,000
Investments in group undertakings at 31 December	424,479	398,374

At 31 December 2007 the Company owned the whole of the issued ordinary share capital of the following group undertakings, all of which are incorporated in Great Britain and registered in England and Wales

Name	Nature of business
Winterthur Life UK Holdings Limited	Holding company
Winterthur Financial Services UK Holdings Limited	Holding company

9 DEBTORS

	2007 £'000	2006 £'000
Loans to group undertakings	43,639	43,639
Amounts owed by other group undertakings – other	-	150
Amounts owed by other group undertakings – re taxation	403	730
Accrued income	1	103
	44,043	44,622

WINTERTHUR UK FINANCIAL SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CREDITORS: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due to other group undertakings – other	<u>1,906</u>	<u>-</u>

11 CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000
400,000,000 redeemable shares of £1 each	<u>400,000</u>	<u>400,000</u>
	<u>500,000</u>	<u>500,000</u>
Allotted and fully paid:		
1,002 ordinary shares of £1 each (2006 1,002)	<u>1</u>	<u>1</u>

12. RECONCILIATION OF MOVEMENT IN RESERVES

	Share premium account £'000	Capital contrib- ution £'000	Profit & loss account £'000	Total £'000
Balance at 1 January 2007	299,999	389,218	(219,117)	470,100
Loss for the financial year	-	-	(940)	(940)
Balance at 31 December 2007	<u>299,999</u>	<u>389,218</u>	<u>(220,057)</u>	<u>469,160</u>

13 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Company has agreed to provide such funds as are necessary to another group undertaking, WLUKH, to enable this company to continue trading for the foreseeable future

14. RELATED PARTY TRANSACTIONS

As the Company is a wholly-owned subsidiary it has taken advantage of the exemption granted under FRS 8 (Related Party Disclosures) where subsidiary undertakings do not have to disclose transactions with Group companies qualifying as related parties provide that consolidated financial statements are publicly available

15 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company is an immediate subsidiary of AXA Sun Life Holdings Limited, a company incorporated in Great Britain and registered in England and Wales

In the opinion of the directors, the Company's ultimate parent and controlling company is AXA SA, 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 Maignon, 75008 Paris, France