



AXA Asia Pacific Holdings Limited

Financial Report

For the year ended 31 December 2003



Be Life Confident

1	Statement of Financial Performance	21	19 Outside Equity Interests in Controlled Entities
2	Statement of Financial Position	22	20 Commitments
3	Statement of Cash Flows	23	21 Contingent Liabilities and Contingent Assets
4	Notes to the Financial Report	24	22 Superannuation
4	1 Summary of Significant Accounting Policies	25	23 Remuneration of Directors
10	2 Operating Profit	26	24 Remuneration of Executive Officers
11	3 Income Tax	28	25 Related Party Disclosures
13	4 Dividends	31	26 Auditors' Remuneration
13	5 Receivables	32	27 Notes to the Statement of Cash Flows
14	6 Investment Assets	34	28 Investment in Controlled Entities and Associates
14	7 Operating Assets	38	29 Subsequent Events
14	8 Intangibles	38	30 Segment Information
15	9 Excess of Market Value over Net Assets of Controlled Entities	39	31 Financial Instruments
15	10 Other Assets	43	32 Disclosures of Asset Restrictions, Managed Assets and Trustee Activities
15	11 Payables	44	33 Employee Share Purchase Schemes
15	12 Borrowings	45	34 Earnings per Share
16	13 Provisions	46	Directors' Declaration
16	14 Other Liabilities	47	Auditor's Report
17	15 Subordinated Debt		
17	16 Policy Liability and Life Insurance Business		
20	17 Contributed Equity		
21	18 Reserves and Shareholders' Retained Profits		



Contents

Statement of Financial Performance

for the year ended 31 December 2003

\$ million	Note	Consolidated		Company	
		12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
Premium, fee and other revenue	2	2,149	2,909	3	580
Investment revenue	2	2,612	(186)	472	233
Revenues from ordinary activities		4,761	2,723	475	813
Claims expense	2	(986)	(1,697)	–	–
Changes in net policy liabilities and policyowner retained profits	16	(1,652)	419	–	–
Commission		(381)	(351)	–	–
Other operating expenses	2	(774)	(744)	(19)	(245)
Expenses from ordinary activities		(3,793)	(2,373)	(19)	(245)
Share of net profits of associates and joint ventures accounted for using the equity method	28	14	24	–	–
Borrowing costs	2	(84)	(121)	(82)	(102)
Profit from ordinary activities before income tax		898	253	374	466
Income tax (expense)/benefit	3	62	91	(62)	(8)
Net profit from ordinary activities after income tax		960	344	312	458
Outside equity interests		(34)	(14)	–	–
Net profit after tax attributable to shareholders of AXA		926	330	312	458
Decrease in foreign currency translation reserve		(215)	(59)	–	–
Total revenues, expenses and valuation adjustments attributable to members of AXA and recognised directly in equity		(215)	(59)	–	–
Total changes in equity other than those resulting from transactions with owners as owners		711	271	312	458
		Cents per share	Cents per share		
Basic earnings per ordinary share	34	53.2	18.8		
Diluted earnings per ordinary share	34	52.7	18.7		
Proposed and paid dividends per share	4	10.25	9.75		

The accompanying notes form part of this Financial Report.

Statement of Financial Position

as at 31 December 2003

\$ million	Note	Consolidated		Company	
		As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Assets					
Cash at bank and deposits on call	27	1,884	1,418	5	6
Receivables	5	719	573	107	138
Equity securities	6	8,175	8,483	23	536
Debt securities	6	11,546	12,307	2,859	2,912
Property investments	6	2,450	2,463	–	–
Other investments	6	252	272	13	13
Operating assets	7	86	104	5	6
Deferred tax assets	3	284	343	236	13
Intangibles	8	19	13	–	–
Investments in controlled entities	6	–	–	1,877	1,264
Excess of market value over net assets of controlled entities	9	1,685	1,705	–	–
Other assets	10	101	53	–	–
Total Assets		27,201	27,734	5,125	4,888
Liabilities					
Payables	11	1,018	1,113	63	100
Current tax liabilities		84	75	–	23
Borrowings	12	712	1,442	1,748	1,776
Provisions	13	139	289	19	122
Deferred tax liabilities		315	201	202	–
Other liabilities	14	128	185	–	3
Subordinated debt	15	894	1,102	–	–
Life insurance policy liabilities	16	19,793	19,927	–	–
Total Liabilities		23,083	24,334	2,032	2,024
Net Assets		4,118	3,400	3,093	2,864
Equity attributable to shareholders of the parent entity					
Contributed equity	17	1,130	1,130	1,130	1,130
Asset revaluation reserve	18	–	15	–	–
Foreign currency translation reserve	18	(274)	(59)	–	–
Shareholders' retained profits	18	2,832	1,974	1,963	1,734
Total equity attributable to shareholders of the parent entity		3,688	3,060	3,093	2,864
Outside equity interests in controlled entities	19	430	340	–	–
Total equity		4,118	3,400	3,093	2,864

The accompanying notes form part of this Financial Report.

Statement of Cash Flows

for the year ended 31 December 2003

\$ million	Note	Consolidated		Company	
		12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
Cash flows from Operating Activities					
Premiums received		4,240	5,419	–	–
Interest received		708	703	19	23
Dividends/trust distributions received		348	299	209	63
Fees, rents and other cash received		581	330	3	7
Policy payments		(3,295)	(4,173)	–	–
Interest and other finance costs paid		(74)	(107)	(6)	(28)
Income tax paid		(35)	(150)	–	(1)
Fees and commissions paid		(382)	(355)	–	–
Payment to suppliers and employees		(797)	(781)	(26)	(9)
Net Cash Provided by Operating Activities	27	1,294	1,185	199	55
Cash flows from Investing Activities					
Proceeds from sale of operating assets		1	5	–	–
Payment for the purchase of operating assets		(23)	(18)	–	–
Proceeds from sale of controlled entities		–	67	–	57
Proceeds from the sale of associated entities		–	–	–	–
Payments for investment in controlled entities		–	(208)	–	–
Payments for issue of shares by a controlled entity		–	–	–	(206)
Proceeds from share buy-back of a controlled entity		–	–	–	80
Net proceeds from sale of/(investment in) associated entities		608	(5)	–	–
Net proceeds from sale of/(investment in) equity securities		170	(2,011)	–	–
Net proceeds from sale of/(investment in) debt securities		(938)	657	–	–
Net proceeds from sale of property investments		15	85	–	–
Net proceeds from sale of/(investment in) other investments		213	(44)	–	–
Net Cash Provided by/(Used in) Investing Activities		46	(1,472)	–	(69)
Cash flows from Financing Activities					
Dividends paid		(170)	(216)	(170)	(216)
Payment for shares bought back		–	(56)	–	(56)
Proceeds from borrowings		247	427	310	286
Repayment of borrowings		(800)	–	(340)	–
Net Cash Provided by/(Used in) Financing Activities		(723)	155	(200)	14
Net increase/(decrease) in Cash Held		617	(132)	(1)	–
Cash at beginning of the financial period		1,418	1,597	6	6
Effect of exchange rate changes on the balance of cash held in foreign currencies at the beginning of the financial period		(151)	(47)	–	–
Cash at the End of the Financial Period	27	1,884	1,418	5	6

The accompanying notes form part of this Financial Report.

Notes

to the Financial Report for the year ended 31 December 2003

1 | Summary of Significant Accounting Policies

Financial reporting framework

The AXA Group comprises AXA Asia Pacific Holdings Limited (AXA APH or the Company) and its controlled entities. This general purpose financial report has been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views and the Corporations Act 2001.

This financial report has been prepared in accordance with the market value convention for life insurance and health insurance business and on the historical cost convention for all other businesses, unless otherwise noted.

The preparation of this financial report, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates although it is not anticipated that such differences would be material.

Where necessary, comparative information has been reclassified to be consistent in disclosure with current period amounts and other disclosures.

Unless otherwise indicated, all amounts are shown in \$million and are expressed in Australian currency.

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported. The significant accounting policies set out below, which are consistent with those of the previous financial period except as detailed below, have been adopted in the preparation and presentation of this financial report.

Changes in accounting policies and disclosures

AASB 1044 Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets', on 1 January 2003 AXA APH changed its policy for providing for dividends. Under the new policy, a provision for dividend is recognised at balance date when the directors have declared, determined or publicly recommended the dividend before balance date. The effect of this change in accounting policy is reflected in notes 4, 13 and 18.

Sale of AXA Australia Health Insurance Pty Limited (AXA Health)

On 5 June 2002, the Company announced that it had reached agreement with Macquarie Bank Limited (MBL) to sell AXA Australia Health Insurance Pty Limited.

The transaction was completed on 30 August 2002 with AXA Australia Health Insurance Pty Limited being sold to Macquarie Health Acquisitions Pty Limited (MHA), a controlled entity of MBL. The consideration comprised cash and 513,000,000 \$1 vendor shares in MHA as well as a pre-completion dividend. On 28 February 2003 AXA APH converted the vendor shares into ordinary shares of MHA. These vendor shares represent a controlling interest in MHA.

At the Company level, a profit on the sale of AXA Health was recognised in 2002.

During the period 31 August 2002 to 28 February 2003 at the AXA Asia Pacific Holdings Limited consolidated level, the Group interest in MHA (and its investment in AXA Health) has been treated as an associate investment. The results have been equity accounted in accordance with AASB 1016 "Accounting for Investments in Associates", refer Note 28.

At the consolidated level, the profit on sale has been recognised in 2003 and included as a significant item, refer Note 2(b).

Tax consolidation

On 21 October 2002 legislation was enacted to allow groups, comprising an Australian parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. This legislation, which includes both mandatory and elective elements, is applicable to the company.

The directors have elected for those entities within the economic entity that are wholly owned Australian resident entities to be taxed as a single entity from 1 July 2003. The adoption of the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the economic entity for the purposes of the tax consolidation system is AXA Asia Pacific Holdings Limited ("AXA APH").

As a result, all income tax assets and liabilities of the members of the tax consolidated group are recognised in the financial statements of the parent entity (AXA APH). Due to the existence of a tax sharing and contribution agreement between the entities in the tax consolidated group, income tax assets and liabilities of the wholly-owned entities are included as amounts receivable or payable between AXA APH and subsidiary entities in accordance with the agreement.

Further information about the tax sharing and contribution agreement is detailed in Note 3 to the financial statements. The current and deferred tax assets and liabilities of AXA APH are not reduced by any amounts owing from or to subsidiary entities in accordance with the tax sharing and contribution agreement as these amounts are recognised as inter-company receivables and payables.

Notes

to the Financial Report for the year ended 31 December 2003

1 | Summary of Significant Accounting Policies (continued)

Classification of assets and liabilities

The AXA Group operates predominantly in the financial services industry. As such, the assets and liabilities disclosed in the consolidated Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity.

Accounting for life insurance business

The consolidated entity complies with Accounting Standard, AASB 1038 'Life Insurance Business' ("AASB 1038"). Under AASB 1038 the financial statements must include all assets, liabilities, revenues, expenses and equity, irrespective of whether they are designated as relating to shareholders or policyowners. Therefore the consolidated entity's financial statements include total (combined) statutory and shareholder's funds of any life insurance subsidiaries.

In addition, AASB 1038 requires the following Accounting Standards to be modified in respect of the group's life insurance business:

AASB 1008 Accounting for Leases

Consistent with the market value basis of accounting, investments in leases are classified as investments and valued at net market values.

AASB 1010 Accounting for the Revaluation of Non-Current Assets and AASB 1041 Revaluation of Non-Current Assets

Consistent with the market value basis of accounting, unrealised gains are recorded in the Statement of Financial Performance rather than credited to an asset revaluation reserve.

AASB 1012 Foreign Currency Translation

Consistent with the market value basis of accounting, the effect of movements in the exchange rates on the carrying amount of investments is included in their net market values, changes in which are recognised as part of investment revenue in the Statement of Financial Performance as they occur.

AASB 1013 Accounting for Goodwill

Consistent with the market value basis of accounting, goodwill does not arise.

AASB 1016 Accounting for Investments in Associates

Consistent with the market value basis of accounting, investments in associates have been recognised at net market value.

AASB 1020 Accounting for Income Tax (Tax-effect Accounting)

A reconciliation of prima facie tax payable on operating profit before income tax to income tax expense has not been prepared for life insurance businesses. The income tax payable by a Life Insurance Company is not based upon traditional profit concepts and is not comparable to other industries. Accordingly any reconciliation of the income tax expense to the prima facie tax payable on the operating profit would not be meaningful. Note 3 provides an overview of the bases and calculation of the income tax expense for life insurance business.

AASB 1021 Depreciation of Non-Current Assets

Consistent with a market value basis of accounting, property investments are not depreciated.

AASB 1028 Employee Benefits

All liabilities of life insurers, including the current employee entitlements are required to be measured at net present value.

Principles of consolidation

The consolidated financial report has been prepared so as to reflect the financial position of the AXA Group as a single economic entity. The consolidated financial report comprises the financial statements of AXA as the parent entity and the financial statements of all entities which AXA has the capacity to control. The financial statements of controlled life insurance entities, comprising policyholder funds and shareholder funds, are also included in the consolidated financial report and are consolidated on a line by line basis. The retained earnings and other reserves attributable to policyholders have been disclosed as part of life insurance policy liabilities in the consolidated Statement of Financial Position. Profits attributable to policyholders have been disclosed as an operating expense (within "Changes in net policy liabilities and policyowner retained profit") in the consolidated Statement of Financial Performance. This recognises the separate entitlements of policyholders and shareholders in the life funds of controlled life insurance entities under life insurance legislation. Assets held in life funds are subject to the distribution and transfer restrictions and other requirements of the various life insurance regulators.

Life insurance entities carry investments in controlled entities at market value. On consolidation of the life insurance controlled entities in the AXA Group consolidated financial report, the investment in controlled entities is reclassified to reflect those entities' underlying assets and liabilities. Any excess in the valuation of these controlled entities over the recognised net assets is disclosed in the consolidated financial report as an investment entitled "Excess of market values over net assets of controlled entities". The recoverable amount of this asset is assessed regularly. Refer to "Excess of net market value over net assets of controlled entities" section on page 8.

Notes

to the Financial Report for the year ended 31 December 2003

1 | Summary of Significant Accounting Policies (continued)

Where an entity either began or ceased to be controlled during the financial year, the results are included only from the date control commenced or up to the date control ceased.

Where accounting policies adopted by controlled entities differ from those of AXA, the financial reports of those controlled entities have been restated to ensure consistency with the policies adopted by AXA, unless the differences are required to comply with other accounting standards or regulations, or the differences are not considered material.

The balances and financial impact of transactions between controlled entities included in the consolidated financial report have been eliminated.

Outside equity interests in the equity and results of the entities that are controlled by the AXA Group are shown as a separate line item in the consolidated Statement of Financial Position and consolidated Statement of Financial Performance.

Premium revenue and claims expense

Life insurance premium revenue comprises the revenue component of premium receipts from customers. Premium receipts of a deposit nature are recognised as a change in policy liabilities. Premiums for investment account and investment linked business are recognised on a cash basis. Other premiums are recognised as income when due from policyholders, except that unpaid premiums are recognised only during the days of grace or where secured by the surrender value of the policy. Conversions inward are included within premium revenue.

Life insurance claims expense comprises the expense component of claims payments to customers. Claims payments of a deposit withdrawal nature are recognised as a change in policy liabilities. Claims under investment linked business are recognised when policies cease to participate in the earnings of the relevant statutory fund. Claims on non-investment linked business are recognised when the liability to the policy owner under the policy contract has been established. Claims in respect of policies remaining in force at balance date are included in policy liabilities. Conversions outward are included within claims expense.

Policy conversions inward or outward occur when a policy is transferred from one product to another at the request of the client or as a result of specific product conversion campaigns.

Non life insurance premiums primarily consist of contributions to health insurance. Non life insurance premiums are recognised on an accrual basis. Non life insurance claims primarily represent health and medical claims. Non life insurance claims are recognised when the liability to the policyholder under the contract has been established.

Investment revenue

Interest, dividends, distributions and rent are taken to income on a due and receivable basis.

Net realised and unrealised gains and losses in respect of the assets of the life insurance businesses and health insurance business are recognised in the Statement of Financial Performance in the period in which they occur. Net realised gains and losses in respect of the assets of other business are recognised in the Statement of Financial Performance in the period in which they occur.

Income tax

For non life insurance entities, tax effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustments for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax asset and liability, as applicable.

For life insurance business, income tax expense is the amount that is expected to be assessed on the life insurer's operations for the year adjusted for permanent differences, calculated on the various taxation bases for the different classes of business conducted in each country. An adjustment is made for under or over provision of previous years' taxation provisions.

The deferred tax liability includes a provision in relation to tax potentially payable should investment assets be realised at the reported amount in the financial statements. The deferred tax liability and asset have been discounted to present values using reasonable assumptions as to current levels of interest rates, average periods for which each asset category of investments is held, the tax rate applicable to the respective classes of business and the tax regime in each country of operation.

Deferred tax assets are not brought to account unless realisation is assured beyond reasonable doubt. Deferred tax assets relating to controlled entities with tax losses are only brought to account when their realisation is virtually certain.

Policyholder tax expense has been included as a separate line item in movement in policy liabilities.

Financial instruments

The AXA Group is a financial institution which uses an extensive range of on and off balance sheet financial instruments. Each class of financial instrument listed at note 31 is transacted on a commercial basis to derive an interest yield or cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

Cash at bank and deposits on call

Cash at bank and deposits on call include currency notes, investments in cash management trusts and other short term money market deposits. They are brought to account at the face value of the outstanding balance. Interest is recognised in the Statement of Financial Performance when earned.

Notes

to the Financial Report for the year ended 31 December 2003

1 | Summary of Significant Accounting Policies (continued)

Receivables

Receivables include insurance premiums billed but not yet collected and accrued investment income receivable. These assets are recorded at the cash value to be realised when settled, less any provisions for doubtful debts.

Investments

Investments in controlled entities of the Company are recorded at the lower of cost or recoverable amount.

Investments in associated entities held by life insurance entities are recorded at net market value with reference to the life insurance entity's proportionate interest in the market value of each associated entity. Investments in associated entities, other than those owned by life insurance entities, are accounted for using the equity method in accordance with AASB 1016: Accounting for Investments in Associates.

Investments held by non life and health insurance entities are shown at either cost or Directors' valuation. Any changes in the valuation of investments held by non life and health insurance entities are recognised in the asset revaluation reserve of the Company in accordance with AASB 1041 "Accounting for the Revaluation of Non-Current Assets".

Life insurance and health insurance investment assets are measured at net market value as at the reporting date and changes in their net market values are recognised in the Statement of Financial Position in the financial period in which the changes occur.

The net market values of investment assets reflect an allowance for estimated selling costs, where applicable. The investments of life insurance and health insurance entities and their subsidiaries have been valued as follows:

Equity securities

Ordinary and preference shares, equity options and futures (included in equities) and investments in unit trusts are recorded at their latest available market value as quoted on stock exchanges, or where the investment is unlisted, at Directors' valuations with reference to the estimated fair value of the net assets of the respective entity, the most recent published unit prices or on the advice of suitably qualified valuers.

Debt securities

Interest bearing securities and convertible notes listed on stock exchanges are shown at quoted prices at balance date. Unlisted fixed interest securities, interest rate swaps, forward rate agreements and variable interest securities are recorded at valuations based on pricing formulas using rates of interest equivalent to the yields obtainable on comparable investments. These securities may or may not be backed by some form of security.

Loans to controlled entities, loans to related parties and loans to other parties and the loan advanced by the Company to the Australian Executive Plan (refer note 33) are recorded at Directors' valuations with reference to principal amounts outstanding less, where applicable, a provision for doubtful debts or any provision for permanent diminution in value of the loan to the Australian Executive Plan. Loans provided are of varying duration and usually interest bearing. These securities may or may not be backed by some form of security.

Leveraged leases are recorded at their market value by adopting the multiple income sinking fund approach to determine the constant investment yield on after tax cash flows earned over the life of the investment. This yield is used to calculate income based on the outstanding balance of the leverage-leased investment.

Property

Freehold and leasehold properties, including owner occupied properties, are carried at market value. Properties have been valued on an annual basis by external valuers in accordance with a regular policy of revaluation.

Other investments

Forward foreign exchange contracts are marked to market based on spot exchange rates adjusted, where applicable, for forward margins. Other investments are recorded at net market value at balance date.

Operating assets

Operating assets comprise plant and capitalised software development costs.

Operating assets are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

- computer equipment 3 years
- furniture and fittings 10 years
- motor vehicles 5 – 6 years
- office equipment 4 years

Software development costs of major projects are capitalised where it is expected that future economic benefit will be derived and are amortised over a period not exceeding three years. Software maintenance costs continue to be expensed as incurred.

Notes

to the Financial Report for the year ended 31 December 2003

1 | Summary of Significant Accounting Policies (continued)

Intangibles

Intangible assets consist of goodwill and identifiable intangibles.

Goodwill

Goodwill arises on the consolidation of controlled entities and represents the excess of the purchase price over the fair value of identifiable net assets of the controlled entities. Purchased goodwill is amortised on a straight-line basis over a maximum of 20 years.

Identifiable intangibles

Where an identifiable intangible asset is purchased the asset is initially recognised at cost and is amortised on a straight-line basis over the period in which benefits are expected. Identifiable intangibles include incentive payments made to advisers to secure their client base and the purchase of adviser's portfolios. Subsequent to initial recognition, the asset is carried at the lower of amortised cost and recoverable amount. Any revaluation decrements are recognised immediately as an expense.

Excess of net market value over net assets of controlled entities

Controlled entities owned by life insurance entities are valued at net market value. For material controlled entities, net market value is determined by a Directors' valuation with reference to the net tangible assets, the anticipated discounted cashflows or a multiple of earnings of the controlled entity. On consolidation of the controlled entities, any excess in the valuation of these controlled entities over the recognised net assets is disclosed in the consolidated financial report as a separate asset entitled "Excess of net market value over net assets of controlled entities".

This excess represents;

- Acquired goodwill to the extent it remains at reporting date
- Increments in the value of the acquired goodwill since acquisition date or establishment
- Measurement differences, being the different value being assigned to the assets and liabilities of the subsidiary.

This asset does not require amortisation. Changes in the amount of this asset are included in the consolidated Statement of Financial Performance.

The excess recorded on the transfer of NMI (including ALS), AXACR, Detura & NMMT from NMLA to the company or other non-life insurance subsidiaries on 27 December 2001 constitutes a permanent consolidation adjustment, subject to ongoing recoverable value testing.

Payables

Payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recorded at the cash values to be incurred when settled.

Borrowings and subordinated debt

The carrying value of borrowings and subordinated debt represents the amount of outstanding principal. Interest is recognised in the Statement of Financial Performance on an accrual basis.

Employee entitlements

Provisions are made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and benefits are capable of being measured reliably. Provisions made in respect of annual leave and other employee entitlements expected to be settled within 12 months are measured at their nominal value, which is not materially different from the net present value. Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

Contributions to superannuation schemes, which are determined on an actuarial basis or as otherwise agreed by the Board of Directors, are charged to the Statement of Financial Performance. The assets or liabilities of the schemes have not been consolidated, as the Company does not have direct or indirect control of the schemes.

Life insurance policy liabilities

Life insurance policy liabilities in the Statement of Financial Position and the changes in net policy liabilities in the Statement of Financial Performance have been calculated using the margin on services methodology in accordance with Actuarial Standard 1.03 "Valuation of Policy Liabilities" as issued by the Life Insurance Actuarial Standards Board. Policy liabilities are measured at net present values of estimated future cash flows with the exception of certain product groups, where the liability is calculated as the accumulated benefits available to the policyowner.

Benefits vested in the policyowner (policyholder's bonus) are treated as an expense and any amount payable at the reporting date is included as a component of policy liabilities.

Policyowner retained profits are amounts that have been allocated to participating policyowners generally but that have not vested in specific policyowner entitlements as at the reporting date. These amounts are included in "Life insurance policy liabilities" in the Statement of Financial Position.

Notes

to the Financial Report for the year ended 31 December 2003

1 | Summary of Significant Accounting Policies (continued)

Foreign currency translation

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transactions. Foreign currency monetary items at balance date are translated at the exchange rate existing at that date.

In respect of controlled entities of a life insurer, the effects of movements in the exchange rates on the carrying amount of the investment is included in their net market values, changes in which are recognised as part of investment revenue in the Statement of Financial Performance as they occur. Exchange differences for controlled entities of non-life insurance entities are transferred directly to the foreign currency translation reserve.

Contributed Capital

Ordinary share capital is recognised at the fair value of consideration received by the Company.

Earnings per share

Basic earnings per share is determined by dividing operating profit from ordinary activities after tax attributable to shareholders by the weighted average number of shares outstanding during the financial period.

Diluted earnings per share is determined by dividing operating profit from ordinary activities after tax attributable to shareholders by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the financial period.

Fiduciary activities

Certain of AXA's controlled entities act as trustees or managers for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds. Further details are set out in note 32.

The assets and liabilities of these trusts and funds are not included in the consolidated financial report as AXA does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Statement of Financial Performance.

Notes

to the Financial Report for the year ended 31 December 2003

2 | Operating Profit

\$ million	Consolidated		Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(a) Included in the operating profit are the following items of revenue and expense				
Revenue				
Premium revenue				
Life insurance premium revenue received and receivable	4,126	4,768	-	-
Less deposits recognised as an increase in life insurance policy liabilities	(2,391)	(2,676)	-	-
Life insurance premiums – recognised as revenue	1,735	2,092	-	-
Non-life insurance premiums	55	616	-	-
Total premium revenue	1,790	2,708	-	-
Fee and other revenue				
Operating				
Management fees	100	59	-	-
Other operating income	259	141	3	10
Non-operating				
Proceeds from sale of investments	-	-	-	570
Other non-operating revenue	-	1	-	-
Total fee and other revenue	359	201	3	580
Premium, fee and other revenue	2,149	2,909	3	580
Investment revenue				
Equity securities				
Dividends				
– Controlled entities	-	-	209	63
– Associated entities	7	8	-	-
– Other parties	159	138	-	-
Net realised and unrealised gains/(losses)	1,363	(1,699)	-	-
Unit trust distribution	118	100	-	-
Debt securities				
Interest income				
– Controlled entities	-	-	153	169
– Other parties	764	687	3	1
Net realised and unrealised gains/(losses)	(61)	391	-	-
Unit trust distribution	-	2	-	-
Property investments				
Net property rental				
– Other parties	112	113	-	-
Net realised and unrealised gains/(losses)	(1)	(7)	-	-
Unit trust distribution	65	51	-	-
Other investments				
Net exchange gain/(loss) on foreign currency transactions	(27)	(74)	107	-
Net realised and unrealised gains/(losses)	113	104	-	-
Investment revenue	2,612	(186)	472	233
Revenue from ordinary activities	4,761	2,723	475	813
Expenses				
Claims expense				
Life insurance claims expenses paid and payable				
Outwards reinsurance expense	3,239	3,669	-	-
	(36)	(28)	-	-
	3,203	3,641	-	-
Less withdrawals recognised as a reduction in life insurance policy liabilities	(2,252)	(2,449)	-	-
Life insurance claims recognised as expense	951	1,192	-	-
Non life insurance claims	35	505	-	-
Claims expense	986	1,697	-	-
Other operating expenses				
Salaries & other employee costs	330	377	-	-
Consultancy & legal	48	56	-	-
IT and telecommunication costs	33	37	-	-
Other expenses	363	274	19	9
Net cost of sale of investments	-	-	-	236
Other operating expenses	774	744	19	245
Borrowing costs				
Interest				
– Other related parties	63	83	90	96
– Other parties	21	38	(8)	6
Borrowing costs	84	121	82	102

Notes

to the Financial Report for the year ended 31 December 2003

2 | Operating Profit (continued)

\$ million	Consolidated		Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(b) Significant Items				
The following individually significant items have been recognised in the Statement of Financial Performance for the period, net of tax:				
Additional superannuation contributions (refer note 22)	(20)	(12)	–	–
Tax benefit arising on internal finance restructure	–	14	–	–
Tax benefit on the liquidation of Australian Casualty & Life Limited	–	12	–	12
Profit on sale of AXA Australia Health Insurance Pty Limited	366	–	–	322
Profit on sale of Members Equity Pty Limited	40	–	–	–
Profit on sale of AXA Investment Managers	28	–	–	–
Write-down of AXA Life Singapore Pte Limited	(25)	–	–	–
Provision for litigation settlements	(10)	–	–	–
Total	379	14	–	334
(c) Specific expense disclosures				
Included within expenses above are the following specific items:				
Depreciation, amortisation or diminution in value of:				
Operating assets	28	30	–	–
Goodwill	–	1	–	–
Operating lease rental expense	18	43	–	–
Contribution to superannuation plans	49	35	–	–
Charge for bad debts and doubtful debts:				
– Other related parties	1	–	–	–
– Other parties	–	–	–	–

3 | Income Tax

\$ million	Consolidated		Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(a) Income Tax Expense				
Operating profit before income tax	898	253	374	466
Less: Operating profit attributable to life insurance entities	(551)	(242)	–	–
Operating profit attributable to non life insurance entities	347	11	374	466
Prima facie tax thereon at 30% (2002: 30%)	(104)	(3)	(112)	(140)
Tax effect of permanent differences				
Reduction in tax payable from:				
– Tax benefit arising on liquidation of Australian Casualty & Life Limited	–	12	–	12
– Tax losses transferred from a wholly owned subsidiary	–	–	–	12
– Rebatable/Exempt Dividends	–	–	63	20
– Amounts under/(over) provided in prior years	–	–	(14)	–
– Other	(5)	7	1	–
Increase in tax payable from:				
– Other non deductible items	–	–	–	–
– Other	–	–	–	–
Sale of AXA Australia Health Insurance Pty Limited	110	–	–	88
Total income tax (expense)/benefit attributable to non-life insurance operating profit	1	16	(62)	(8)
Income tax benefit attributable to life insurance entities ⁽¹⁾	61	75	–	–
Total income tax (expense)/benefit attributable to operating profit	62	91	(62)	(8)

(1) The significant tax benefit arising in relation to life insurance activities is a result of:

- the discounted tax rate and various tax concessions offered to life insurance operations in Hong Kong
- the transitional provisions applying to life companies until July 2005 mean that one third of NMLA's income (referable to pre 30 June 2000 policies) is not subject to tax
- receipt of exempt dividends
- certain one-off tax benefit items detailed in note 2(b)

Notes

to the Financial Report for the year ended 31 December 2003

3 | Income Tax (continued)

Life Insurance Entities

The income tax expense of the Economic Entity's life insurance businesses was based on specific requirements for determining taxable income in each country in which life insurance business is conducted. Such bases differ from the basis used to determine accounting profit. The rates of taxation applicable to the taxable income of significant classes of business by country are as follows:

	2003 %	2002 %
Australia		
Superannuation Business (via establishment of a virtual PST)	15%	15%
Immediate Annuity and Current Pension Business (via segregation as Segregated Exempt Assets)	0%	0%
Ordinary Business (including Shareholders' Fund)	30%	30%
New Zealand	33%	33%
Taiwan	25%	25%
Hong Kong	16%	16%
Singapore	26%	26%

	Consolidated		Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
\$ million				
(b) Deferred Tax Assets				
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate on the following items:				
Tax losses carried forward	152	85	-	-
Timing differences	132	258	236	13
	284	343	236	13

Those entities within the economic entity that are wholly-owned Australian resident entities have entered into a tax-sharing and contribution agreement with the parent entity, AXA APH. Under the terms of this agreement AXA APH and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from AXA APH.

It is the intention of the tax sharing and contribution agreement that these payments will be the equivalent of any future income tax benefit or deferred tax asset or any provision for deferred income tax or liability. Such payments are reflected in the inter-company accounts between the entities in the tax consolidated group. The amount of tax balances transferred to the parent entity via the inter-company accounts is \$43.6 million payable.

Notes

to the Financial Report for the year ended 31 December 2003

4 | Dividends

\$ million	Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
Ordinary Shares		
Interim dividend of 4.75 cents (2002 – 4.75 cents) paid on 3 October 2003 as follows: Franked – to 60% at 30% (2002 – 60% at 30%)	83	84
Final dividend of 5.5 cents (2002 – 5 cents) to be paid on 2 April 2004 (4 April 2003) as follows: Franked – to 20% at 30% (2002 – 60% at 30%)	97	87
Total Dividends during the year	180	171

The final dividend for the year ended 31 December 2003 has not been recognised because the final dividend was declared and recommended subsequent to 31 December 2003. On the basis that directors will continue to publicly recommend dividends subsequent to reporting date, in future financial reports the amounts disclosed as 'recognised' will be the final dividend from the previous financial year as well as the interim dividend declared and paid during the year.

The final dividend for the year ended 31 December 2002 has been provided for within comparative figures presented as at 31 December 2002. As of 1 January 2003 there has been a change in accounting policy in respect of providing for dividends, as described in Note 1. Refer Note 13 and Note 18 for additional information.

Dividend Franking Account

\$ million	Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
Franking credits available for subsequent financial years	9	14

The balance of the franking account is adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

5 | Receivables

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Sundry receivables	211	174	91	91
Outstanding premiums	115	157	–	–
Investment income accrued and receivable				
– Controlled entities	–	–	–	–
– Other parties	190	165	1	4
Reinsurance claims receivable	4	15	–	–
Amounts due from				
– Controlled entities	–	–	15	43
– Other related parties	108	–	–	–
– Other parties	84	56	–	–
Goods and Services Tax recoverable	7	6	–	–
Total Receivables	719	573	107	138

Notes

to the Financial Report for the year ended 31 December 2003

6 | Investment Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Equity securities, at valuation				
Equities held directly	6,207	5,974	–	–
Equities in				
– Associated entities	177	378	23	536
Held via unit trusts	1,791	2,131	–	–
	8,175	8,483	23	536
Debt securities, at valuation				
Interest bearing securities				
– National government	2,013	2,372	–	–
– Other public sector	1,197	962	–	–
– Private sector (unsecured)	7,087	7,705	–	–
– Private sector (secured)	155	31	–	–
Loans to				
– Controlled entities (unsecured)	–	–	2,859	2,912
– Other related parties (unsecured)	–	82	–	–
– Other parties (unsecured)	42	20	–	–
– Other parties (secured)	740	986	–	–
Held via unit trusts	312	149	–	–
	11,546	12,307	2,859	2,912
Property investments, at valuation				
Freehold and leasehold properties	1,747	1,754	–	–
Held via unit trusts	703	709	–	–
	2,450	2,463	–	–
Other investments, at valuation				
Other investments	252	272	13	13
	252	272	13	13
Investments in controlled entities, at cost /recoverable amount				
National Mutual Funds Management (Global) Limited	–	–	25	25
National Mutual Funds Management (International) Limited	–	–	30	30
AXA Asia Pacific Finance Limited	–	–	21	21
National Mutual International Pty Ltd ⁽¹⁾	–	–	283	183
The National Mutual Life Association of Australasia Limited	–	–	1,005	1,005
A.C.N. 100 509 993 PTY LTD (formerly Macquarie Health Acquisitions Pty Limited) ⁽²⁾	–	–	513	–
	–	–	1,877	1,264
Total Investment Assets	22,423	23,525	4,772	4,725

(1) National Mutual International Pty Ltd provided a debt for equity swap to AXA Asia Pacific Holdings Limited during the year

(2) Details of the sale of AXA Australia Health Insurance Pty Limited and subsequent investment in Macquarie Health Acquisitions Pty Limited have been disclosed in Note 1.

7 | Operating Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Plant and equipment – at cost	201	215	5	6
Accumulated depreciation	(115)	(111)	–	–
Total Operating Assets	86	104	5	6

8 | Intangibles

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Identifiable intangible assets	25	17	–	–
Accumulated amortisation – other	(6)	(4)	–	–
Total Intangibles	19	13	–	–

Intangibles relate to those held by ipac and Sterling Grace.

Notes

to the Financial Report for the year ended 31 December 2003

9 | Excess of Market Value over Net Assets of Controlled Entities

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
AXA China Region Limited ⁽¹⁾	1,140	1,140	–	–
AXA Life Insurance Singapore Pte Ltd ^{(1) (2)}	46	71	–	–
S G Holdings Ltd	193	191	–	–
S G Australia Holdings Ltd	55	55	–	–
ipac Securities Ltd	206	202	–	–
NMMT Limited ⁽¹⁾	37	37	–	–
Other Controlled Entities	8	9	–	–
Excess of Market Value over Net Assets of Controlled Entities	1,685	1,705	–	–

(1) In 2001, the National Mutual Life Association of Australasia Limited transferred its interests in National Mutual International Limited (incorporating AXA Life Singapore), AXA China Region Limited and NMMT Limited to the company or other non life insurance subsidiaries. Prior to transfer, the excess of the market values of the investments in the transferred entities over the net assets of those entities ("excess") was recorded in the consolidated Statement of Financial Position as a separate asset in accordance with AASB 1038 "Life Insurance Business". In accordance with the requirements of AASB 1024 "Consolidated Accounts", to eliminate the financial impact of transactions within the economic entity, the excess at the time of transfer continues to be recorded in the consolidated Statement of Financial Position. This excess constitutes a permanent consolidation adjustment, subject to impairment testing.

(2) A review of the carrying value of AXA Life Insurance Singapore Pte Ltd was undertaken during the year. As a result of this, a write-down of \$25 million has been recognised in 2003. Refer Significant Items within Note 2 (b).

10 | Other Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Prepayments	11	18	–	–
Inventories	–	7	–	–
Hedge receivable	77	–	–	–
Other Assets	13	28	–	–
Total Other Assets	101	53	–	–

11 | Payables

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Sundry payables	378	345	16	12
Amounts due to controlled entities	–	–	44	–
Operational debt of controlled funds	259	188	–	–
Outstanding claims – life insurance	219	280	–	–
Outstanding claims – non life insurance	17	–	–	–
Hedge payable	3	88	3	88
Investor deposits	142	212	–	–
Total Payables	1,018	1,113	63	100

12 | Borrowings

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Unsecured				
Deposits	40	40	40	40
Loans from				
– Controlled entities	–	–	1,708	1,736
– Controlling entity	672	1,402	–	–
Total Borrowings	712	1,442	1,748	1,776

Notes

to the Financial Report for the year ended 31 December 2003

13 | Provisions

Consolidated				
\$ million	Dividends	Employee Entitlements	Other	Total
Balance at 1 January 2003	87	72	130	289
Adjustment from change in accounting policy (refer Note 1)	(87)	–	–	(87)
Additional provisions recognised	170	46	17	233
Reductions arising from payments / other sacrifices of future economic benefits	(170)	(48)	(78)	(296)
Reductions from remeasurement	–	–	–	–
Balance at 31 December 2003	–	70	69	139

Company				
\$ million	Dividends	Employee Entitlements	Other	Total
Balance at 1 January 2003	87	–	35	122
Adjustment from change in accounting policy (refer Note 1)	(87)	–	–	(87)
Additional provisions recognised	170	–	4	174
Reductions arising from payments / other sacrifices of future economic benefits	(170)	–	(20)	(190)
Reductions from remeasurement	–	–	–	–
Balance at 31 December 2003	–	–	19	19

Consolidated				
\$ million	As at		As at	
	31 Dec 2003		31 Dec 2002	
Employee Entitlements				
The aggregate employee entitlement liability recognised and included in the financial report is as follows:				
Provision for employee entitlements				
Current – includes annual leave and long service leave			62	63
Non-current – includes long service leave			8	9
Total Employee Entitlements			70	72
Number of employees at end of financial year			3,251	3,810

Dividend provision

The provision for dividends represents the aggregate amount of dividends declared, determined, or publicly recommended on or before the reporting date, which remain undistributed as at reporting date. The accounting policy in respect of providing for dividends has changed during the period, refer note 1.

Employee Entitlements provision

Provisions are made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and benefits are capable of being measured reliably.

Other provision

Other provisions predominantly relate to restructuring and termination benefits, compliance and legal costs and guarantees.

14 | Other Liabilities

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Accrued management expenses	24	22	–	–
Commissions payable	44	53	–	–
Other liabilities	60	110	–	3
Total Other Liabilities	128	185	–	3

Notes

to the Financial Report for the year ended 31 December 2003

15 | Subordinated Debt

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Subordinated debt ⁽¹⁾	280	280	–	–
Non-convertible Redeemable Perpetual Preference Shares ⁽²⁾	614	822	–	–
Total Subordinated Debt	894	1,102	–	–

(1) Subordinated debt provided by AXA SA, maturing in September 2011.

(2) Non-convertible redeemable perpetual preference shares issued by AXA China Region Limited on 14 August 2001 and held by AXA SA and its related entities for USD462,660,155.

16 | Policy Liability and Life Insurance Business

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
(a) Life Insurance Policy Liabilities				
Movements in Policy Liabilities				
Gross Policy Liabilities and policyowner retained profits	19,886	20,012	–	–
Reinsured policy liabilities				
– Gross policy liabilities ceded	(93)	(85)	–	–
Net Policy Liabilities and policy owner retained profits at end of year	19,793	19,927	–	–
Net policy liabilities and policyowner retained profits at the end of the previous period	19,927	20,432	–	–
Net change in policy liabilities	(134)	(505)	–	–
Net change in policy liabilities as above	134	505	–	–
Premiums recognised as an increase in policy liabilities	2,391	2,676	–	–
Claims recognised as a decrease in policy liabilities	(2,252)	(2,449)	–	–
Terminal bonus paid in the current year	(93)	(131)	–	–
Policyholder tax expense	(219)	29	–	–
Exchange adjustment	(1,613)	(211)	–	–
Change in net policy liabilities and policyowner retained profits	(1,652)	419	–	–
Components of Policy Liabilities				
Value of policy liabilities – projection method ⁽¹⁾				
Best Estimate Liability				
– Value of future policy benefits ⁽²⁾	28,185	29,339	–	–
– Value of future expenses	2,917	2,898	–	–
– Value of future premiums	(18,487)	(20,127)	–	–
Total Best Estimate Liability	12,615	12,110	–	–
Value of Future Profits ⁽¹⁾				
– Policy owner bonuses ⁽³⁾	3,082	3,426	–	–
– Shareholder profit margins	2,468	2,662	–	–
Total Value of Future Profits	5,550	6,088	–	–
Value of policy liabilities – accumulation method				
Best Estimate Liability				
– Value of future policy benefits ⁽²⁾	1,029	1,127	–	–
– Value of future charges for acquisition expenses	(1)	2	–	–
Total Best Estimate Liability	1,028	1,129	–	–
Policyowner retained profit	433	431	–	–
Total value of declared bonuses ⁽⁴⁾	167	169	–	–
Net Policy Liabilities and Policyowner retained profits	19,793	19,927	–	–
Value of policy benefits subject to capital guarantees	11,244	10,618	–	–

(1) For businesses valued by the projection method, the value of future charges for the acquisition expenses is not an identified component of the policy liability.

(2) Future policy benefits include bonuses credited to policy owners in prior periods but exclude current year bonuses.

(3) Future bonuses exclude current year bonuses.

(4) Current year declared bonuses valued in accordance with the actuarial standard.

Notes

to the Financial Report for the year ended 31 December 2003

16 | Policy Liability and Life Insurance Business (continued)

(b) Actuarial Methods and Assumptions

Policy Liabilities

The effective date of the actuarial report on policy liabilities and solvency reserves is 31 December 2003. The actuarial report was prepared by Mr Kent Griffin, FIAA. The actuarial report indicates that Mr Griffin is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

Policy liabilities are valued in accordance with Actuarial Standard AS1.03 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board under the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way, which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

The methods and profit carriers used for particular policy types in order to achieve the systematic release of planned margins are:

Policy type	Method	Profit carrier
Individual		
Traditional participating	Projection (Australia, NZ) Projection (Hong Kong)	Bonuses Dividends/Bonuses & Premium
Traditional non-participating	Projection (Australia, NZ, Hong Kong)	Claim payments
Investment Account	Projection (Australia, NZ)	Investment Earnings
Investment-linked	Projection (Australia, NZ) Projection (Hong Kong – unit linked) Accumulation (Hong Kong – other)	Investment earnings Asset charges Not applicable
Lump sum and income stream risk	Projection (Australia, NZ, Hong Kong)	Claim payments
Life annuities	Projection (Australia, NZ)	Annuity payments
Term certain annuities	Projection (Australia, NZ)	Investment earnings
Group		
Investment account	Projection (small plans – Australia, NZ) Accumulation (large plans – Australia, NZ)	Investment earnings Not applicable
Investment-linked	Projection (small plans – Australia, NZ) Accumulation (large plans – Australia, NZ, Hong Kong)	Servicing charges Not applicable
Investment-linked (MPF)	Projection (Hong Kong)	Asset Charges
Capital guaranteed (DA / MPF)	Projection (Hong Kong)	Interest credited / Asset charges
Lump sum and income stream risk	Accumulation (Australia, NZ) Unearned premium (Hong Kong)	Not applicable Not applicable
General Insurance	Unearned Premium (Hong Kong)	Not applicable

Actuarial Assumptions

The following sets out the key assumptions used in the calculation of policy liabilities and any material changes over the year. These relate to Australia, New Zealand and Hong Kong. Consistent principles and assumptions are used in Taiwan and Singapore.

Assumption	Basis of Assumption	Significant changes
Discount rates	Where assets are closely matched to policy liabilities and are largely held in fixed-interest securities, the rate assumed is the expected rate of return on the existing assets over the future term of the liabilities. Otherwise, the rate assumed is the expected long-term rate of return based on the relevant asset pool. Asset Mixes vary considerably depending on the nature of the liabilities being supported and can vary from 100% cash through to 100% equities.	Year 2002 values were
	Ordinary business: 5.3% – 10.0% (before tax, Australia) 5.3% – 10.0% (before tax, NZ) 2.5% – 5.0% (before tax, Singapore)	4.8% – 10.0% 6.0% – 10.5% 5.5%
	Superannuation: 4.5% – 9.0% (after tax, Australia)	4.0% – 9.0%
	Long Term Fund: (Non-linked) 6.5% – 7.5% (before tax, Hong Kong) (Unit Linked) 7.8% (before tax, Hong Kong)	7.0% – 8.0% 8.2%
	Retirement Fund (DA/MPF): 6.0% – 7.2% (before tax, Hong Kong)	6.3% – 7.7%

Notes

to the Financial Report for the year ended 31 December 2003

16 | Policy Liability and Life Insurance Business (continued)

Assumption	Basis of Assumption	Significant changes																												
Unit prices	For investment linked business, the assumed future rates of growth of unit prices are the discount rates less appropriate management fees.	No change in methodology																												
Inflation	Allowance for future inflation is assumed at the levels consistent with long term expectations (2.5% for Australia, NZ and Hong Kong, 2% for Singapore).	No change																												
Future expenses	Future maintenance expenses are based on expense levels experienced in the current year, excluding any "one off" expenses, with allowance for future inflation. Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.	No change																												
Taxation	Rates of taxation in the future have been assumed to remain at current levels, except where future changes to tax rates have been legislated.	No change																												
Mortality – individual insurance products	Rates vary by sex, age, product type and smoker status. Rates are typically expressed as a proportion of standard mortality tables adjusted for recent company experience. The tables in Hong Kong are derived from the company's recent experience. Australia: 80% – 90% of IA90-92 NZ: 80% – 105% of IA90-92 Hong Kong: 75% – 100% of SMK99/NSMK99 (smart term & linked) 75% – 100% of ACR97 (other products) Singapore: 55% of A67-70 Select	No change																												
Mortality – annuitants	As a result of an investigation into annuitant mortality in 2003, the following assumptions were used as at December 2003: Australia: 67% of IM/IF80 There is an additional allowance for future improvements in mortality equal to the average between that reflected in the IM/IF80 and 92 tables. NZ: 85% of PMA/PMF80 Hong Kong: Not applicable	Year 2002 values were 80% of IM/IF80 90% of PMA80 100% of PMF80																												
Disability lump sum	Australia and NZ: Claim rates are expressed as a proportion of pricing assumptions, based on the company's recent experience (65% Australia; 75% NZ). Hong Kong: Claims are assumed to be a proportion of premium income, based on the company's recent experience. Loss ratio currently 37%.	Australia and NZ: No change Hong Kong: No change in loss ratio																												
Morbidity – trauma lump sum	Australia and NZ: Claim rates are expressed as a proportion of pricing assumptions, based on the company's recent experience (55% – 90% Australia; 90% – 130% NZ). Hong Kong: Claim incidence rates based on a reinsurer's table and company's recent experience, currently 75%.	No change Hong Kong: No change in claim rates																												
Morbidity – disability income	Australia and NZ: The assumed rates of claim incidence and termination are based on company's recent experience and are expressed as proportions of IAD89-93. Multiplicative loadings based on age, occupation, waiting period, benefit amount, claim duration and policy commencement year are applied to the base table. The rates, in aggregate, are: Australia: 76% – 135% (incidence), 88% – 115% (termination) NZ: 85% (incidence), 72% – 100% (termination) Hong Kong: 20% (loss ratio)	No change Hong Kong: No change in loss ratio																												
Surrender values	Surrender values are based on the provisions specified in policy contracts and include a recovery of policy establishment and maintenance costs. Surrender values assumed are those current at the reporting date.	No change																												
Discontinuance	Discontinuance rates are based on recent company's experience and vary by country, product and duration in force. Allowance is made for cash withdrawals, paid ups and non payment of contractual premiums. Future rates of discontinuance for major classes of business are:	No change																												
	<table border="1"> <thead> <tr> <th></th> <th>Australia</th> <th>NZ</th> <th>Hong Kong</th> </tr> </thead> <tbody> <tr> <td>Term life insurance</td> <td>9%</td> <td>8%</td> <td>15%</td> </tr> <tr> <td>Disability income insurance (Other risk insurance for HK only)</td> <td>14%</td> <td>12%</td> <td>10%</td> </tr> <tr> <td>Regular premium investment*</td> <td>7%</td> <td>13%</td> <td>7%</td> </tr> <tr> <td>Single premium investment*</td> <td>16%</td> <td>20%</td> <td>5%</td> </tr> <tr> <td>Conventional business</td> <td>6%</td> <td>5%</td> <td>7%</td> </tr> <tr> <td>Singapore</td> <td>3.5%</td> <td></td> <td></td> </tr> </tbody> </table>		Australia	NZ	Hong Kong	Term life insurance	9%	8%	15%	Disability income insurance (Other risk insurance for HK only)	14%	12%	10%	Regular premium investment*	7%	13%	7%	Single premium investment*	16%	20%	5%	Conventional business	6%	5%	7%	Singapore	3.5%			
	Australia	NZ	Hong Kong																											
Term life insurance	9%	8%	15%																											
Disability income insurance (Other risk insurance for HK only)	14%	12%	10%																											
Regular premium investment*	7%	13%	7%																											
Single premium investment*	16%	20%	5%																											
Conventional business	6%	5%	7%																											
Singapore	3.5%																													
	* Unit Linked business for Hong Kong																													

Notes

to the Financial Report for the year ended 31 December 2003

16 | Policy Liability and Life Insurance Business (continued)

(c) Details of the solvency position of each life insurer in the AXA Asia Pacific Holdings Group

\$ million	NMLA AUD	AXA China Region HKD	AXA Life Singapore SGD
At 31 December 2003			
Solvency Reserve	1,213	1,487	44
Assets available for solvency	2,017	6,417	76
Coverage of solvency reserve (times)	1.7	4.3	1.7
At 31 December 2002			
Solvency Reserve	1,268	1,400	44
Assets available for solvency	2,003	3,300	63
Coverage of solvency reserve (times)	1.6	2.4	1.4

Australian life insurers

Under the Life Insurance Act 1995, life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan to provide a cushion against adverse experience in managing long term risks.

The Life Insurance Actuarial Standards Board has issued Actuarial Standard 2.03 'Solvency Standard' for determining the level of solvency reserves. This prescribes a minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund. It has also issued Actuarial Standard 6.02 'Management Capital Standard' which prescribes a minimum capital requirement for the shareholder's fund. For detailed solvency information on a statutory basis, users should refer to the financial report prepared by each life insurer.

Non-Australian life insurers

Each of the non-Australian life insurers shown above are required to hold reserves in excess of the amount of policy liabilities. The summarised information provided above has been prepared by each life insurer in accordance with local solvency requirements, as prescribed by local Acts and prevailing prudential rules. For detailed solvency information on a statutory basis, users should refer to the financial report prepared by each life insurer.

(d) Disaggregated information – Australasian Life Insurance Businesses

AXA's Australasia life insurance operations are conducted through NMLA.

In accordance with the Australian Life Insurance Act 1995, the life insurance business is conducted within one or more separate statutory funds which are distinguished from each other and from the shareholders' fund. The financial reports of NMLA are prepared in accordance with AASB 1038 and provide details of the major components of the financial report disaggregated between the statutory funds and the shareholders' fund.

17 | Contributed Equity

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Issued share capital 1,739,868,891 ordinary shares (2002:1,740,222,836)	1,130	1,130	1,130	1,130
Total Contributed Equity	1,130	1,130	1,130	1,130

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitles the holder to one vote, either in person or by proxy, at a meeting of the company.

Movements during the year

	As at 31 Dec 2003	As at 31 Dec 2002
Balance at the beginning of the year	1,740,222,836	1,762,433,891
Shares bought back	353,945	22,211,055
Balance at the end of the year	1,739,868,891	1,740,222,836

Share buyback

353,945 fully paid ordinary shares were bought back during the prior year by the parent entity and cancelled on the 7 January 2003. In 2002, 22,211,055 fully paid ordinary shares were bought back and cancelled by the parent entity. The share buy-back occurred on-market for consideration of \$55,744,868. This buy-back was conducted in relation to the acquisition of ipac Securities Limited.

Notes

to the Financial Report for the year ended 31 December 2003

18 | Reserves and Shareholders' Retained Profits

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Asset Revaluation Reserve				
Balance at beginning of the period	15	15	-	-
Transfer to Shareholders' Retained Profits ⁽¹⁾	(15)	-	-	-
Balance at end of the period	-	15	-	-
Foreign Currency Translation Reserve ⁽²⁾				
Balance at beginning of the period	(59)	-	-	-
Exchange difference on net investments in foreign operations and related hedges	(215)	(59)	-	-
Balance at end of the period	(274)	(59)	-	-
Shareholders' Retained Profits				
Balance at beginning of the period	1,974	1,815	1,734	1,447
Adjustment from change in accounting policy (refer Note 1)	87	-	87	-
Profit for the period	926	330	312	458
Transfer from Asset Revaluation Reserve ⁽¹⁾	15	-	-	-
Dividends provided or paid	(170)	(171)	(170)	(171)
Balance at end of the period	2,832	1,974	1,963	1,734

(1) This revaluation increment relates to the associate investment in Members Equity Pty Limited. Following the sale of this investment during the year the balance of the Asset Revaluation Reserve has been transferred to Shareholders' Retained Profits.

(2) This represents the translation of the Group's investment in AXA China Region (AXA CR) and AXA Life Singapore (AXA LS) which has been partially offset by the foreign currency gains on financial instruments held to hedge the Group's net investment in AXA CR.

19 | Outside Equity Interests in Controlled Entities

\$ million	Consolidated	
	As at 31 Dec 2003	As at 31 Dec 2002
Share capital	405	329
Retained profits	25	11
Outside Equity Interests	430	340
	2003	2002
	OEI %	OEI %
Outside Equity Interests are comprised of the following:		
Cameron Chote Investment Services Limited	25	25
National Mutual New Zealand Leaders Trust	-	1
Wholesale Global Fixed Income Fund	8	4
Deutsche Wholesale Property Fund	32	26
Wholesale International Equity Fund	2	3

Notes

to the Financial Report for the year ended 31 December 2003

20 | Commitments

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
(a) Lease Expenditure Commitments				
Operating Leases				
No later than one year	27	38	-	-
Later than one year and not later than five years	57	79	-	-
Later than five years	-	1	-	-
Future Lease Payments	84	118	-	-
<p>Operating leases are predominantly comprised of leases of properties with no contingent rental payments, no purchase options or any restrictions imposed by these arrangements. Generally the building operating leases contain escalation clauses that are either rental increases or linking escalations to movements in market rates or the CPI. These estimates are set out and agreed in the lease agreements.</p> <p>A provision of \$0.5m (2002: \$5m) has been raised for surplus leased space. Property leases have been disclosed at current market values, however, they are subject to periodic review. The total future minimum lease payments expected to be received for non-cancellable sub-leases is \$3m (2002: \$1.3m).</p>				
Economic entity's share of associates' operating lease commitments:				
No later than one year	2	7	-	-
Later than one year and not later than five years	3	13	-	-
Later than five years	-	-	-	-
	5	20	-	-
(b) Capital Expenditure Commitments				
Estimated aggregate amount of contracts for capital expenditure not provided for:				
Computer and data facilities				
No later than one year	1	1	-	-
Freehold and leasehold properties				
No later than one year	-	-	-	-
Other				
No later than one year	9	6	-	-
Later than one year and not later than five years	83	52	-	-
Later than five years	11	9	-	-
Total Capital Expenditure Commitments	104	68	-	-
Economic entity's share of associates' capital expenditure commitments:				
No later than one year	1	3	-	-
Later than one year and not later than five years	1	-	-	-
	2	3	-	-
(c) Other Commitments				
No later than one year	-	3	-	-
Total Other Commitments	-	3	-	-
Comprises:				
Investment Ventures	-	-	-	-
Futures contracts	-	3	-	-
Undrawn loan commitments	-	-	-	-
	-	3	-	-
Economic Entity's share of Associates' other expenditure commitments:				
No later than one year	-	2	-	-
Later than one year and not later than five years	-	2	-	-
Later than five years	-	-	-	-
	-	4	-	-

Notes

to the Financial Report for the year ended 31 December 2003

21 | Contingent Liabilities and Contingent Assets

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Contingent Liabilities				
Contingent liabilities for which no specific provision was made in the Financial Report at balance date are estimated to be:				
Uncalled capital and other obligations in respect of shareholdings in controlled entities	2	2	–	–
Litigation ⁽¹⁾	8	17	–	–
Guarantees ⁽²⁾	1,203	1,400	4	7
Other ⁽³⁾	20	25	904	904
Economic entity's share of associates' contingent liabilities ⁽⁴⁾	–	300	–	–
Total Contingent Liabilities	1,233	1,744	908	911
Contingent Assets				
Contingent assets for which no specific provision was made in the Financial Report at balance date are estimated to be:				
Guarantees	10	–	–	–
Total Contingent Assets	10	–	–	–

(1) There are no individually significant items of litigation.

(2) National Mutual Funds Management Limited has provided guarantees in respect of certain units issued by the National Mutual Australian Income Fund and the National Mutual Cash Management Trust (unit trusts managed by National Mutual Funds Management Limited) to the value of \$1,036m (2002: \$1,188m). Sufficient assets exist within these unit trusts to satisfy these guarantees and the Directors are satisfied that no loss will be incurred by the economic entity.

National Mutual Assets Management (New Zealand) Limited has provided guarantees in respect of certain units issued by the Mortgage Income Trust Fund, Cash Management Fund and the Mortgage Backed Fund (unit trusts managed by National Mutual Assets Management (New Zealand) Limited) to the value of \$157m (2002: \$192m). Sufficient assets exist within these unit trusts to satisfy these guarantees and the Directors are satisfied that no loss will be incurred by the economic entity. In addition, there are other guarantees in the Company's subsidiaries of \$10 m (2002: \$20m) however none of these are individually significant.

(3) As a result of a recent examination of prior year income tax returns of National Mutual Life Association ("NMLA"), the Australian Tax Office (ATO) has issued amended assessments seeking to recover additional primary tax of approximately \$20m. Based on the director's opinion no liability has been brought to account. Were the ATO to be successful, additional interest and penalties could apply. In addition there are other contingencies in NMLA's subsidiaries of \$5m however none of these are individually significant.

(4) In relation to the sale of AXA Health Insurance Pty Limited (refer note 1 for detailed transaction description) a subsidiary of the associate entity Macquarie Health Acquisitions Pty Limited had issued a guarantee to a related entity of Macquarie Bank Limited. The guarantee related to an undrawn \$300,000,000 funding facility in relation to the sale of AXA Australia Health Insurance Pty Limited. Following the completion of the sale during 2003 this contingent liability no longer exists.

AXA APH has received an assessment for tax totalling \$127 million in relation to the sale of AXA Health that the company has objected to. No provision for this amount has been recognised in the statement of financial position as, based on advice, the directors are confident of successfully appealing the amended assessment.

As part of the acquisition of ipac Securities Limited the Company has a potential commitment to issue 22,564,025 AXA APH shares to the founders and certain senior staff of ipac Securities Limited. The shares would be issued between 2004 and 2007, dependent on the achievement of specified performance targets and continued employment of the ipac founders and senior staff.

AXA Financial Planning (AXA FP) and Charter Financial Planning (Charter FP), wholly owned subsidiaries of the National Mutual Life Association of Australasia Limited (NMLA) have offered to act as a "buyer of last resort" for each adviser's client register. If an adviser wished to sell their client register and no other buyer was available, and provided certain conditions are met, then AXA FP and/or Charter FP would be committed to purchasing the client register. In return for the payment, Charter FP and/or AXA FP would receive all future trail commissions relating to the acquired client register. AXA FP and Charter FP can vary the term of the buyer of last resort offer at any time with 30 days notice.

Notes

to the Financial Report for the year ended 31 December 2003

22 | Superannuation

The economic entity contributes to a number of in-house defined benefit superannuation plans which exist to provide benefits for employees and their dependents.

Contributions as specified in the rules of the respective funds are made by entities of the economic entity and its employees. Actuarial investigations of the funds are undertaken no less frequently than every three years. An actuarial valuation has been conducted for the AXA Australia Staff Superannuation Plan as at 30 June 2003 (previous valuation was as at 30 June 2002). Provisional results are now available for this review and the final actuarial review report will be completed by 30 June 2004. A full actuarial valuation was conducted for the AXA New Zealand Superannuation Scheme as at 30 September 2001. This has been updated as at 30 September 2003. This update does not represent a full actuarial review.

Details of the major funds with assets in excess of \$20 million are:

Name of Fund	Principal Type of Benefit	Date of last Actuarial Assessment	Accrued benefits at last valuation A\$m	Net Market Value of Assets A\$m	Vested Benefits A\$m
AXA Australia Staff Superannuation Plan	Defined Benefit Lump sum/ Pension Scheme, providing benefits on resignation, retirement, disability, death or other termination.	30/06/2003*	260.6	240.1	268.0
AXA New Zealand Superannuation Scheme	As above	30/09/2003**	63.0	72.8	67.8
Total			323.6	312.9	335.8

* The accrued benefits, vested benefits and net market value of plan assets are based on the provisional results of the actuarial valuation undertaken as at 30 June 2003.

** Net market value of assets and vested benefits for the AXA New Zealand Superannuation Scheme are as at 30 September 2003, the last reporting date for which financial statements are currently available. Accrued benefits were determined in accordance with the updated assessment as at 30 September 2003 and rolled forward to 31 December 2003.

Australia and New Zealand

The 30 June 2003 valuation showed a deficit of plan assets to accrued benefits of \$20.5 million subject to an increase in standard employer contributions by 3.5% of defined benefit superannuation salaries (approximately \$2.5 million for the 2003/2004 year). In line with a recommendation from the plan actuary the employer has reviewed the standard contribution rate and increased it by the 3.5%. The employer has also made a one-off contribution of \$25 million, which has been provided for at 31 December 2003 which eliminates the deficit to accrued benefits after taking into account superannuations contributions tax. The value of these additional contributions were not incorporated into the 30 June 2003 valuation.

Based on the updated assessment for the AXA New Zealand Superannuation Scheme ("the Scheme") it was noted that, as at 30 September 2003, the net assets of the Scheme exceeded accrued benefits by \$9.8m. No entries are included in the Company's financial results in relation to this balance.

AXA China Region Limited

The AXA China Region Limited Group (AXA CR Group) operates defined contribution retirement benefit schemes for all eligible employees and agents. The assets of the schemes are held separately from those of the AXA CR Group in funds under the control of the trustee. Pursuant to the rules of the employees' schemes, employees are required to make contributions to the schemes calculated at 5% of their basic salaries on a monthly basis whilst the AXA CR Group contributions vary with the number of years service of the employees, from 5% to 15% of the basic monthly salary. The employees are entitled to 100% of the AXA CR Group's mandatory contributions (being 5% of the basic salary) and the accrued interest thereon. They are also entitled to 100% of the AXA CR Group's voluntary contributions (any contributions in excess of the 5% of the basic salary) and the accrued interest thereon after 10 complete years of service, or at increasing scale of between 30% to 90% after completion of 3 to 9 years service. The agents' scheme has similar rules for benefits but AXA CR Group contributions are at 5% of agents' income regardless of years of service.

Where there are employees and agents who leave the schemes prior to vesting fully in the contributions, in accordance with the rules of the scheme, any unvested AXA CR Group contributions shall be used to reduce the future contributions of the AXA CR Group due under the schemes or increase the benefits for the employees and agents.

The AXA CR Group's total retirement cost charged to the profit and loss account for 12 months ended 31 December 2003 amounted to HK\$30,517,000 (12 months to 31 December 2002: HK\$30,875,000), net of forfeited contributions of HK\$1,786,000 (12 months to 31 December 2002: HK\$2,576,000). At the balance sheet date, the total amount of forfeited unvested contributions which were available to reduce contributions payable in future years or improve benefits was HK\$8,063,000 (as at 31 December 2002: HK\$6,332,000).

Notes

to the Financial Report for the year ended 31 December 2003

23 | Remuneration of Directors

\$'000	Consolidated		Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(a) Directors of AXA Asia Pacific Holdings Limited who have held office during the twelve months were:				
R H Allert	P H Masfen	M Butler ⁽³⁾		
P A Cooper	A L Owen	L Xizhong ⁽⁴⁾		
T B Finn	M Pinault	B Jantet ⁽⁵⁾		
J Y Le Berre ⁽¹⁾	M K Ward ⁽²⁾			
(1) Ceased to be an alternate director on 7/04/2003				
(2) Resigned on 07/04/2003				
(3) Appointed on 25/08/2003				
(4) Appointed on 30/07/2003				
(5) Appointed alternate director on 7/04/2003, appointed director on 28/11/03				
(b) The aggregate of income paid or payable or otherwise made available (including termination payments) in respect of the financial year, to all Directors of the Company directly or indirectly by the Company or from any related party:				
Base pay	–	–	2,696	2,743
Incentive payments	–	–	1,500	1,649
Total Remuneration	–	–	4,196	4,392
The aggregate of income paid or payable or otherwise made available (including termination payments) in respect of the financial year, to all Directors of each entity in the economic entity, directly or indirectly, by the entities in which they are Directors or from any related party:				
Base pay	12,274	11,488	–	–
Incentive payments	3,203	3,281	–	–
Total Remuneration	15,477	14,769	–	–

During the year retirement benefits paid to directors of the company totalled \$300,217 (2002: \$260,268). Retirement benefits paid to directors of the consolidated group totalled \$1,057,011 (2002: \$716,341)

Number	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(c) The number of Directors of the Company whose total income falls within each successive \$10,000 band of income:		
\$		
0 – 9,999	3	4
40,000 – 49,999	2	–
60,000 – 69,999	1	–
90,000 – 99,999	–	2
100,000 – 109,999	–	1
120,000 – 129,999	1	–
130,000 – 139,999	1	–
150,000 – 159,999	1	1
260,000 – 269,999	–	1
290,000 – 299,999	–	1
340,000 – 349,999	1	–
630,000 – 639,999	–	1
3,010,000 – 3,019,999	–	1
3,290,000 – 3,299,999	1	–
	11	12

In accordance with accounting standard AASB 1017, any person required to be a director of AXA Asia Pacific Holdings Ltd in order to discharge his or her duties as an executive officer of the parent company (excluding executive directors) is excluded from the determination of the directors' remuneration.

Notes

to the Financial Report for the year ended 31 December 2003

24 Remuneration of Executive Officers

\$'000	Executive Officers of Entities in the Economic Entity		Executive Officers of the Company	
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(a) Aggregate remuneration of executive officers of the Company working mainly in Australia and receiving \$100,000 or more from the Company or from any related party:				
Base pay	-	-	8,986	9,309
Incentive payments	-	-	3,814	4,316
Eligible termination payments	-	-	-	1,513
Total Remuneration	-	-	12,800	15,138
Aggregate remuneration of executive officers of each entity in the economic entity working mainly in Australia and receiving \$100,000 or more from the entity for which they are executive officers or from any related party:				
Base pay	8,986	9,309	-	-
Incentive payments*	3,814	4,316	-	-
Eligible termination payments	-	1,513	-	-
Total Remuneration	12,800	15,138	-	-

Number	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
(b) The number of executive officers (including executive directors) whose income falls within each successive \$10,000 band of income (commencing at \$100,000).				
\$				
120,000 – 129,999	-	1	-	1
150,000 – 159,999	1	2	1	2
170,000 – 179,999	-	1	-	1
180,000 – 189,999	-	2	-	2
200,000 – 209,999	1	-	1	-
210,000 – 219,999	-	1	-	1
240,000 – 249,999	1	-	1	-
250,000 – 259,999	1	-	1	-
260,000 – 269,999	-	2	-	2
270,000 – 279,999	1	-	1	-
280,000 – 289,999	1	1	1	1
290,000 – 299,999	1	2	1	2
310,000 – 319,999	1	2	1	2
320,000 – 329,999	-	3	-	3
330,000 – 339,999	2	-	2	-
340,000 – 349,999	2	-	2	-
350,000 – 359,999	2	1	2	1
360,000 – 369,999	1	1	1	1
370,000 – 379,999	-	1	-	1
400,000 – 409,999	1	2	1	2
410,000 – 419,999	-	1	-	1
430,000 – 439,999	-	1	-	1
440,000 – 449,999	1	-	1	-
450,000 – 459,999	-	1	-	1
460,000 – 469,999	1	-	1	-
470,000 – 479,999	2	1	2	1
490,000 – 499,999	-	1	-	1
520,000 – 529,999	-	1	-	1
570,000 – 579,999	-	1	-	1
600,000 – 609,999	-	1	-	1
630,000 – 639,999	-	2	-	2
670,000 – 679,999	1	-	1	-
680,000 – 689,999	1	-	1	-
690,000 – 699,999	1	-	1	-
700,000 – 709,999	1	-	1	-
720,000 – 729,999	-	1	-	1
3,010,000 – 3,019,999	-	1	-	1
3,290,000 – 3,299,999	1	-	1	-
Total Number of Executive Officers	25	34	25	34

Notes

to the Financial Report for the year ended 31 December 2003

24 | Remuneration of Executive Officers (continued)

An executive officer includes persons who work in or mainly in Australia, receiving gross remuneration in excess of \$100,000 who are responsible for the strategic direction and management of major business units.

(i) Income and benefits of executives includes:

- Base pay includes salary package, company superannuation contributions and fringe benefits tax;
- Expatriate costs include housing, tax advisory benefits, travel and living away from home allowance.
- Other benefits include travel and car benefits and the provision of accommodation, professional advice and fringe benefits tax for the Group Chief Executive
- Short term incentive plan
- Retirement/redundancy/termination payments.

(ii) The Short Term Incentive Plan (STI) is an annual plan open to senior managers and executives. The incentive opportunity is typically between 0% and 60% of base pay (excluding other benefits), depending on seniority. The plan is based on performance against set targets for corporate, functional unit and individual measures. The measures include financial, customer service and individual measures. Certain senior executives have the option to defer part of their STI with the potential for increasing the total benefit if certain share price growth is achieved. In addition, one executive has additional performance related incentives linked to ipac funds inflow targets.

The Australian Executive Plan commenced in 1997 and provides for selected senior managers and executives, who contribute significantly to the future long term profitability of AXA APH, to be invited to participate in an equity based Long Term Incentive Plan (LTI). This is regarded as an important element of AXA APH's remuneration policy. The Board believes that the executive share plan encourages the attraction and retention of talented senior managers and executives by rewarding participants for enhancing shareholder value.

Offers under the Australian Executive Share Plan are made to senior managers and executives at the discretion of the Board, usually on an annual basis. The Board exercises its discretion on the basis of management recommendation, the performance and potential of senior managers and the measures set in employee performance plans, including qualitative and quantitative measures. For offers made in 2003, the typical incentive opportunity was estimated to be equivalent in value to between 10% and 35% of base pay, calculated by reference to the Black-Scholes option pricing model.

All shares acquired for the purpose of these plans are acquired on the Australian Stock Exchange (ASX) or New Zealand Stock Exchange (NZSE) and there is no dilution of shareholders' ownership of AXA APH. Participants are required to pay a set amount to acquire shares pursuant to the plans, and the exercise of the rights to acquire shares pursuant to the executive share plan (known as "allocation rights") require that certain performance criteria be achieved by AXA APH. The criteria for allocation rights granted in 2003 are set out on in the Directors' Report. Further details of the Australian Executive Share Plan including accounting treatment, are set out in Note 33.

A remuneration value is not attributed to the allocation rights in this note.

Notes

to the Financial Report for the year ended 31 December 2003

25 | Related Party Disclosures

\$'000	Consolidated		Company	
	2003	2002	2003	2002
(a) Directors				
Loans – Total Amount**				
Aggregate of loans outstanding at balance date made to the Directors of the entities in the AXA Asia Pacific Holdings Group ("AXA APH Group") and their Director-related entities from:				
The Company	-	-	-	-
AXA APH Group	698	1,970	-	-
Loans Advanced to Directors During the Year**				
Aggregate of loans advanced during the year to the Directors of the entities in the AXA APH Group and their Director-related entities by:				
The Company	-	-	-	-
AXA APH Group	-	654	-	-
Loan Repayments Received from Directors During the Year**				
Aggregate of loans repaid during the year by Directors of the AXA APH Group and their Director-related entities to:				
The Company	-	-	-	-
AXA APH Group	1,075	1,612	-	-
** Loans made under normal commercial terms, or on terms consistent with those applicable to management.				
The following Directors of each entity in the economic entity received loans and/or made loan repayments during the year:				
# B Birchall				
# J Cameron				
# R M Camm				
# C Cheong				
# M Knight				
# A R Penn				
* Loans Advanced to Directors				
# Loans Repaid by Directors				
Interest Revenue				
Interest revenue on loans provided by AXA Asia Pacific Holdings or controlled entities in the AXA APH Group to Directors & Director Related Entities of:				
The Company	-	-	-	-
AXA Asia Pacific Holdings Group Companies	64	151	-	-

	Issuing Entity	Class	Number 2003	Number 2002
Share transactions with Directors and Director-related entities				
The aggregate number of shares held by Directors of the Company and their Director-related entities as at reporting date. ⁽¹⁾⁽²⁾				
	AXA Asia Pacific Holdings Limited	Ordinary	412,067	1,928,842
Acquisitions				
The aggregate number of shares acquired by Directors of the Company and their Director-related entities during the financial year and held as at reporting date. ⁽³⁾⁽⁴⁾				
	AXA Asia Pacific Holdings Limited	Ordinary	100,000	1,097,894
Disposals				
The aggregate number of shares disposed by Directors of the Company and their Director-related entities during the financial year.				
	AXA Asia Pacific Holdings Limited	Ordinary	-	-

(1) Included in the number of shares held by directors at 31 December 2002 were 1,616,775 shares held by directors who resigned during 2002.

(2) Included in the number of shares held by directors at 31 December 2003 were 10,956 shares held by directors who resigned during 2003.

(3) The number of shares acquired during 2002 include 1,023,394 shares acquired by directors who resigned during 2002.

(4) There were no shares acquired during 2003 by directors who resigned during 2003.

Notes

to the Financial Report for the year ended 31 December 2003

25 | Related Party Disclosures (continued)

\$'000	Consolidated		Company	
	2003	2002	2003	2002
(b) Other transactions with Directors and their Director-related Entities				
AS&K Limited is an entity which is a related party by way of being a director related entity of the following directors: D Adderley P Bubenzer M Burns J Collis T Faries				
During the year administrative services were provided by AS&K Limited to three controlled entities within the AXA APH Group. These services were provided under normal commercial terms and conditions on an arm's length basis.				
Service:				
Corporate Administration Services	18	6	-	-

(ii) Transactions entered into during the period by Directors and their Director-related entities which were on the same terms and conditions available to other employees and customers and are trivial or domestic in nature and include:

- Purchase of insurance products available to other employees and policy holders:
 - life insurance
 - health insurance
 - general insurance
- Purchase of superannuation products available to other employees and policyholders.
- Placement of funds on deposit.
- Acquisition and disposal of units in controlled unit trusts and receipt of trust distributions.
- Acquisition of parent entity shares via employee share scheme or option scheme.

(iii) A number of the Directors of the AXA APH Group are also Directors of other public companies which have transactions with the economic entity. The Directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either company in their dealings with each other. Those companies are therefore not considered to be director-related entities.

(c) Transactions within the wholly-owned group

Details of the dividend revenue derived by the Company from wholly-owned controlled entities are disclosed in Note 2 of the financial report. Amounts receivable from and payable to wholly-owned controlled entities are disclosed in the respective notes to the financial report.

Transactions that occurred during the financial year between entities in the wholly-owned group were:

- Provision of administrative services to wholly owned controlled entities based on cost and/or agreed charges. Services include accounting, secretarial, payroll, taxation, disbursements, group management, legal and internal audit.
- Reinsurance
- Data processing services and supply of computer equipment by operational lease are provided by NM Computer Services Pty Ltd.
- Cash depository services on normal commercial terms and conditions
- Provision of office accommodation on normal terms and conditions
- Reimbursement of expenses and disbursements made on behalf of wholly-owned controlled entities
- Provision of investment management services on normal terms and conditions
- Granting of loan facilities at nil interest or market rates
- Receipt of insurance premiums on normal terms and conditions
- Receipt of superannuation contributions on normal terms and conditions
- Receipt and payment of agency fees and commissions on normal terms and conditions

Notes

to the Financial Report for the year ended 31 December 2003

25 | Related Party Disclosures (continued)

\$'000	Consolidated		Company	
	2003	2002	2003	2002
(d) Transactions with Partly-Owned Controlled Entities				
Any Interest received or paid is disclosed in Note 2.				
Any dividend received is disclosed in Note 2.				
Other transactions with partly owned entities:				
Management fees paid	4,244	3,566	-	-
Distributions received from partly-owned trusts	86,948	83,167	-	-
Other Expenses Paid	297	447	-	-
Aggregate loans receivable	-	1,613	-	-
Aggregate loans payable	-	-	-	-
(e) Transactions with Associated Entities				
Any Interest received or paid is disclosed in Note 2.				
Any dividend received is disclosed in Note 2.				
Management Fees paid to associates	6,267	5,963	-	-
Aggregate Payable	132	61	-	-
Operational Charges paid to associates	24,272	25,241	-	-
Superannuation contributions received	288	291	-	-
Aggregate loans receivable	7,632	8,879	-	-
Fees charged to associates	17,491	7,618	-	-

The sale of AXA Australia Health Insurance Pty Limited (AXA Health) was finalised during 2003. For details of this transaction refer Note 1.

During the period Alliance US provided services to the company for the management of the equity portfolio. Fees charged for these services totalled \$2,297,983 (2002: \$2,339,000).

(f) Transactions with Other Related Parties

During the period Alliance US provided services to the company for the management of the equity portfolio. Fees charged for these services totalled \$2,297,983 (2002: \$2,339,000).

(g) Transactions with Other Related Parties

AXA SA and the Company have agreed to provide each other with personnel, property and other services in order to assist each other in carrying on and developing their respective businesses. The provider of services in terms of these agreements, will be reimbursed for the costs and expenses (direct and indirect) for the provision of such services, provided that the costs and expenses reimbursed may not exceed the charges which would be incurred in acquiring equivalent services from an unrelated third party. Services from AXA GIE (in Paris) to the Company include:

Corporate Financial Advice	Staff Training	Information Systems	Use of AXA Brand
Human Resources	Accounting and Reporting	Group Strategic Purchasing	

The fees for these services totalled \$7,961,710 (2002: \$8,069,744)

During the period AXA Technology Services Australia Pty Ltd provided infrastructure technology services to the company comprising desktop, midrange, mainframe and network functions. Fees charged for these services totalled \$38,626,988 (2002: nil).

The company also provided services to AXA Technology Services Australia Pty Ltd encompassing the provision of personnel services and equipment costs. Fees charged for these services totalled \$37,312,701 (2002: nil).

During 2002 the US based company AXA Technology Services provided services to the company for the migration of mainframe operations from Australia to the US. Fees charged for these services totalled \$3,000,000 in 2002. No services were provided by AXA Tech US in 2003.

Dividends paid by the Company to AXA SA and other AXA Group entities totalled \$87,637,025 (2002: \$110,108,057).

During the period AXA Business Services in Bangalore provided services to the company for processing, maintenance, alterations, contributions, withdrawals and new business for selected Life Insurance, Investment Product, Personal Superannuation and Business Superannuation contracts. Fees charged for these services totalled approximately \$2,137,000 (2002: \$783,000).

(h) Controlling Entities

The parent entity in the economic entity and the ultimate Australian parent entity is AXA APH Limited. The ultimate parent entity is AXA SA.

Notes

to the Financial Report for the year ended 31 December 2003

26 | Auditors' Remuneration

\$'000	Consolidated		Company	
	2003	2002	2003	2002
(a) Total of the remuneration received or due and receivable directly or indirectly from any entity in the AXA APH Group or any related entity in connection with auditing the financial report				
– by the auditor of the parent entity	1,168	1,103	164	116
– by other member firms of Deloitte Touche Tohmatsu	482	444	–	–
	1,650	1,547	164	116
(b) Total of the remuneration received or due and receivable directly or indirectly from any entity in the AXA APH Group or any related entity in connection with other services provided to any entity in the AXA APH Group*				
– by the auditor of the parent entity	924	1,555	136	57
– by other member firms of Deloitte Touche Tohmatsu	317	946	–	–
– by other auditors	–	–	–	–
	1,241	2,501	136	57
TOTAL	2,891	4,048	300	173
*Other services to companies within the group include:				
Regulatory services (e.g. APRA and dealers' licence returns)	332	557	–	–
U.S. & French-GAAP reporting requirements	471	462	61	57
Tax compliance	130	145	75	–
Due diligence	–	549	–	–
Project management services	–	100	–	–
Accounting and compliance advice	104	34	–	–
Review of risk product strategy	–	320	–	–
Other services	204	334	–	–
	1,241	2,501	136	57

Notes

to the Financial Report for the year ended 31 December 2003

27 | Notes to the Statement of Cash Flows

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Reconciliation of Cash				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank and deposits on call	1,884	1,418	5	6
Bank overdrafts	-	-	-	-
Cash at the End of the Financial Year	1,884	1,418	5	6
Financing Facilities				
The total facilities available at balance date were as follows:				
Bank overdraft and bill facilities	5	5	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	1,186	1,523	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	510	1,260	-	-
Bank standby facilities	-	100	-	-
Total Financing Facilities	1,701	2,888	-	-
Used at balance date:				
Bank overdraft and bill facilities	-	-	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	1,186	1,524	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	380	980	-	-
Bank standby facilities	-	-	-	-
Total Financing Facilities Used	1,566	2,504	-	-
Unused at balance date :				
Bank overdraft and bill facilities	5	5	-	-
Loan facilities and subordinated debt (denominated in United States Dollars)	-	(1)	-	-
Loan facilities and subordinated debt (denominated in Australian Dollars)	130	280	-	-
Bank standby facilities	-	100	-	-
Total Financing Facilities Unused	135	384	-	-

Senior debt

During the year, the AXA APH group repaid AUD300 million of senior debt. Senior debt was further reduced by AUD500 million through an investment loan made by AXA China Region to AXA SA, which offsets senior debt held by AXA Asia Pacific Finance, a subsidiary of AXA APH. The AXA APH group also drew AUD200 million and USD36 million on loan facilities provided by AXA SA.

Subordinated debt

No subordinated debt was drawn or repaid in 2003.

Notes

to the Financial Report for the year ended 31 December 2003

27 | Notes to the Statement of Cash Flows (continued)

Reconciliation of Net Cash (used in)/provided by Operating Activities to Operating Profit from ordinary activities after Income Tax

\$ million	Consolidated		Company	
	As at 31 Dec 2003	As at 31 Dec 2002	As at 31 Dec 2003	As at 31 Dec 2002
Operating profit/(loss) after income tax	926	330	312	458
Loss/(profit) from sale of other assets	(487)	–	–	(334)
Foreign exchange (gain)/loss	19	102	(106)	(1)
Depreciation and amortisation of operating assets	30	30	–	–
Net depreciation/(revaluation) of investment assets and intangibles	(928)	1,445	–	–
(Increase)/decrease in receivables	(31)	27	–	(85)
(Increase)/decrease in other assets	27	24	6	2
(Increase)/decrease in deferred tax asset	60	(317)	19	(18)
Increase/(decrease) in payables	20	(37)	(11)	2
Increase/(decrease) in provision for income tax	6	75	(18)	35
Increase/(decrease) in deferred tax liability	55	4	(1)	(6)
Increase/(decrease) in other liabilities	15	7	(2)	2
Increase/(decrease) in net policy liabilities	1,582	(505)	–	–
Net Cash (used in)/provided by Operating Activities	1,294	1,185	199	55
Non Cash Transactions				
The following non-cash transactions took place during the year:				
<ul style="list-style-type: none"> ▪ The sale of AXA Health was partly non-cash. Refer Note 1 for details of this transaction. ▪ Investments in NMLA were restructured through an in specie transfer as follows: <ol style="list-style-type: none"> 1 \$1.5 billion of unit linked business within Statutory Fund 2 & 5 relating to Super Direction and Pension products were re-invested into ipac unit trusts; and 2 \$4.1 billion of fixed interest and equity securities in Statutory Fund 1 & 4 were re-invested into the Wholesale Core Australian Equity Growth Fund and the Wholesale Core Australian Fixed Income Fund. 				

Notes

to the Financial Report for the year ended 31 December 2003

28 | Investment in Controlled Entities and Associates

	Note	Place of Incorporation/ Operation	Principal activities	Type	2003 % Holding	2002 % Holding
AXA Asia Pacific Holdings Limited		AUS	Holding Company			
Controlled entities at balance date						
AXA APH Executive Plan (Australia) Pty Limited		AUS	Trustee of Executive Share Plan	Ord	100	100
Australian Casualty & Life Limited	3	AUS	Life & Disability Insurer	Ord	–	–
AXA Asia Pacific Finance Limited		AUS	Finance Company	Ord	100	100
AXA New Zealand Finance Limited		AUS	Finance Company	Ord	100	100
National Mutual Funds Management (Global) Limited		AUS	Provision of funds mgt group services	Ord	100	100
NMFM Limited		AUS	Master Trust Administrator	Ord	100	100
National Mutual Funds Management NZ Limited		NZ	Mgt of Investment Portfolios	Ord	100	100
National Mutual Funds Management Limited		AUS	Mgt of Investment Portfolios	Ord	100	100
Folio Nominees Pty Limited		AUS	Nominee Company	Ord	100	100
National Mutual Assets Management Pty Limited		AUS	Promotion/Mgt of Unit Trusts	Ord	100	100
NMFM Property Pty Limited		AUS	Dormant	Ord	100	100
National Mutual Funds Management (International) Limited		AUS	Holding Company	Ord	100	100
National Mutual Funds Management (Luxembourg) SA		LUX	Mgt of Investment Portfolios	Ord	100	100
NMHI Superannuation Pty Limited		AUS	Dormant	Ord	–	–
National Mutual International Pty Limited		AUS	Holding Company	Ord	100	100
ipac (Ireland) IINC BV1		IRE	Provision of financial services	Ord	100	–
ipac Portfolio Management (Dublin) Ltd		IRE	Provision of financial services	Ord	100	–
NM Insurances (Singapore) Pte Limited	3	SING	Dormant	Ord	100	100
AXA Financial Services Pte Ltd Singapore Holding Company		SING	Holding company	Ord	100	–
AXA Life Insurance Singapore Pte Limited		SING	Provision of Life Insurance	Ord	100	100
ipac Financial Planning Singapore Pte Ltd		SING	Provision of financial services	Ord	100	–
AXA Wealth Management Singapore Pte Ltd		SING	Provision of financial services	Ord	100	–
Detura Limited – (British Virgin Islands)	9	BVI	Holding Company	Ord	100	100
AXA Services Indonesia		IND	Provision of financial services	Ord	99	–
AXA China Region Limited	1,9	BER	Provision of Financial Services	Ord	73	73
AXA China Region Insurance Company (Bermuda) Limited	1	BER	Insurance Underwriter	Ord	100	100
AXA China Region (Bermuda) Limited	1	BER	Trustee Services	Ord	100	100
AXA Centre (H.K.) Limited		HK	Property Investment	Ord	100	100
Hoxberry Limited		HK	Property Investment	Ord	100	100
AXA China Region Insurance Company Limited		HK	Insurance Underwriter	Ord	100	100
AXA China Region Property Management Company Limited		HK	Property Manager	Ord	100	100
AXA China Region Investment Management Limited		HK	Unit Trust Management Services	Ord	100	100
AXA Partners Limited		HK	Nominee Services	Ord	100	100
AXA China Region Investment Services Limited		HK	Investment Advisor	Ord	100	100
AXA China Region Trustees Limited	2	HK	Trustee Services	Ord	20	20
P.T. AXA Life Indonesia		IND	Provision of Life Insurance	Ord	80	80
ACN 098 983 816 Limited	3	AUS	Holding Company	Ord	–	–
ACN 100 509 993 Limited	15,16	AUS	Holding Company	Ord	100	27
Alliance Capital Management Australia Ltd		AUS	Provision of financial services	Ord	50	50
Alliance Capital Management New Zealand Ltd		NZ	Provision of financial services	Ord	50	50
AXA Mandiri Financial Services		IND	Provision of financial services	Ord	51	–
The National Mutual Life Association of Australasia Limited		AUS	Provision of Life Insurance	Ord	100	100
Controlled by Shareholders' Fund						
Altus Financial Services Limited		AUS	Provision of Financial Services	Ord	100	100
Central Sourcing Proprietary Limited		AUS	Dormant	Ord	100	100
HNLZ Management Limited		NZ	Trust mgr for Securitisation Program	Ord	100	100
AXA New Zealand HJZ Limited		NZ	Mortgage Lending	Ord	100	100
Cameron Chote Investment Services Limited		NZ	Provision of Financial Services	Ord	75	75
National Mutual Assets Management (New Zealand) Limited		NZ	Unit Trust Management	Ord	100	100
National Mutual Corporate Superannuation Services Limited		NZ	Superannuation Mgt Services	Ord	100	100
National Mutual Life Nominees Limited		AUS	Trustee Company	Ord	100	100
Quantum Financial Solutions Limited		NZ	Financial Analyst Services	Ord	100	100
SG (Aust) Holdings Pty Limited		AUS	Holding Company	Ord	100	100
Sterling Grace Portfolio Management Group Pty Limited		AUS	Holding Company	Ord	100	100
Invest Assure Holdings Pty Limited		AUS	Provision of Financial Services	Ord	100	100
Masterplan Managers Limited		AUS	Superannuation Trustee	Ord	100	100
Monitor Money Corporation Pty Limited		AUS	Investment Services	Ord	100	100
Assure Services & Technology Limited		AUS	Administration Services	Ord	100	100

Notes

to the Financial Report for the year ended 31 December 2003

28 | Investment in Controlled Entities and Associates (continued)

	Note	Place of Incorporation/ Operation	Principal activities	Type	2003 % Holding	2002 % Holding
Controlled by Shareholders' Fund (continued)						
SG Holdings Limited		NZ	Holding Company	Ord	100	100
Sterling Grace Portfolio Management Group Limited		NZ	Holding Company	Ord	100	100
Stableford Investments Limited	13	NZ	Holding Company	Ord	–	–
Spicers Portfolio Management Limited		NZ	Provision of Financial Services	Ord	100	100
Spicers NZ Limited	13	NZ	Dormant	Ord	–	–
Spicers Finance Limited	13	NZ	Dormant	Ord	–	–
Spicers Tauranga Limited	13	NZ	Dormant	Ord	–	–
Client Reserve Limited		NZ	Finance Company	Ord	100	100
Sterling Portfolio Management Ltd		AUS	Provision of financial services	Ord	100	100
Client Portfolio Management Limited	3	NZ	Dormant	Ord	–	–
CWML Limited	3	NZ	Dormant	Ord	–	–
Assure NZ Limited		NZ	Administration Services	Ord	100	100
Arcus Investments Limited		NZ	Mgt of Investment Portfolios	Ord	100	100
Client Portfolio Administration Limited		NZ	Mgt of Investment Portfolios	Ord	100	100
ipac Securities Limited		AUS	Provision of Financial and Administration Services	Ord	100	100
ipac Asset Management Limited		AUS	Mgt of Investment Portfolios	Ord	100	100
ipac Financial Care Pty Limited	12	AUS	Provision of Financial Services	Ord	85	85
Advanced Investment Management		AUS	Dormant	Ord	100	100
ipac Portfolio Management Limited		AUS	Provision of Financial Services	Ord	100	100
ipac Financial Services Pty Ltd		AUS	Dormant	Ord	100	100
Vaudois Pty Limited		AUS	Trustee Company	Ord	100	100
ipac Group Services Pty Limited		AUS	Service Company	Ord	100	100
Albert & Will Financial Planning		AUS	Provision of Financial Services	Ord	100	100
Financial Resources Group Pty Limited		AUS	Provision of Financial Services	Ord	100	100
Clientcare Australia (Investments) Pty Ltd		AUS	Provision of Financial Services	Ord	100	100
Armitage Investment Services Pty Ltd		AUS	Provision of Financial Services	Ord	100	100
Armitage Group Pty Ltd		AUS	Provision of Financial Services	Ord	100	100
TFS Financial Planning Ltd		AUS	Provision of Financial Services	Ord	72	72
TM Securities Pty Limited		AUS	Investment Company	Ord	100	100
Controlled by Statutory Funds						
31 Carbine Road Limited		NZ	Property Holding	Ord	100	100
AXA Advisor Services Ltd	14	AUS	Provision of Financial Services	Ord	100	100
AXA Financial Planning Limited		AUS	Provision of Financial Services	Ord	100	100
AXA New Zealand Nominees Limited		NZ	Nominee Company	Ord	100	100
Charter Financial Planning Limited		AUS	Provision of Financial Services	Ord	100	100
CPQ Limited		AUS	Property Investment	Ord	100	100
Didus Pty Limited		AUS	Property Investment	Ord	100	100
Enalus Pty Limited		AUS	Property Investment	Ord	100	100
Enemelay Investments Pty Limited		AUS	Investment Company	Ord	100	100
HLNZ Custodian Lending Limited		NZ	Trustee Company	Ord	100	100
National Mutual CPS Management Limited		NZ	Investment Management	Ord	100	100
National Mutual Corporation (No.2) Pty Limited		AUS	Dormant	Ord	100	100
AXA New Zealand Financial Services Limited		NZ	Finance Company	Ord	100	100
National Mutual Leasing (NZ) Limited		NZ	Leasing Company	Ord	100	100
National Mutual Management Services Pty Limited	3	AUS	Dormant	Ord	100	100
National Mutual Security Limited		AUS	Issue/Acq Income Prod Assets	Ord	100	100
AXA Australia Staff Superannuation Pty Limited	4	AUS	Trustee of Superannuation Fund	Ord	50	50
National Mutual Superannuation Master Trustee Limited		NZ	Superannuation Management	Ord	100	100
Neuville Company Inc.		USA	Property Management	Ord	100	100
NM Computer Services Pty Limited		AUS	Provision of Computer Services	Ord	100	100
NMFM Mortgages Limited		NZ	Provider of Finance Mortgages	Ord	100	100
NM Rural Enterprises Pty Limited		AUS	Agricultural Activities	Ord	100	100
Acheever Pty Limited	3	AUS	Dormant	Ord	–	–
N.M. Superannuation Pty Limited		AUS	Trustees of Super/Insur Plans	Ord	100	100
OFF Pty Limited	5,6	AUS	Mgt of Income Producing Assets	Ord	100	100
Silverton Securities Proprietary Limited		AUS	Dormant	Ord	100	100
Stephenson & Watt Proprietary Limited		AUS	Investment Company	Ord	100	100
Swann Life Insurance Limited		NZ	Dormant	Ord	100	100
T&G Mutual Life Society Limited		AUS	Trustee Company	–	100	100

Notes

to the Financial Report for the year ended 31 December 2003

28 | Investment in Controlled Entities and Associates (continued)

	Note	Place of Incorporation/ Operation	Principal activities	Type	2003 % Holding	2002 % Holding
Controlled by Statutory Funds (continued)						
National Mutual Home Loans Origination Fund No. 1		AUS	Mortgage Lending	–	100	100
National Mutual New Zealand Leaders Trust	7, 17	NZ	Investment in Equity Markets	–	–	99
Wholesale Global Fixed Income Fund	8, 11	AUS	Investing in International Bonds	–	96	96
Wholesale Australian Diversified Property Security Fund	8	AUS	Property Trust	–	64	64
Deutsche Wholesale Property Fund	8	AUS	Property Trust	–	74	74
The Gateway Trust	8	AUS	Property Trust	–	100	100
AXA Ausplus Debt Fund	8	AUS	Investment in Debt Markets	–	100	100
Australian Equity Growth Fund	8	AUS	Investment in Equity Markets	–	32	83
Diversified Balanced Fund	8	AUS	Investment in Equity Markets	–	48	54
Diversified Capital Stable Fund	8	AUS	Investment in Equity Markets	–	59	72
Diversified High Growth Fund	8	AUS	Investment in Equity Markets	–	78	79
Global Equity Growth Fund	8	AUS	Investment in Equity Markets	–	62	72
Global Equity Healthcare Fund	8	AUS	Investment in Equity Markets	–	72	72
Global Equity Technology Fund	8	AUS	Investment in Equity Markets	–	86	90
Global Equity Value Fund	8	AUS	Investment in Equity Markets	–	44	77
US Equity – Premier Growth Fund	8	AUS	Investment in Equity Markets	–	69	74
Wholesale International Equity Fund	8	AUS	Investment in Equity Markets	–	98	97
Wholesale Global Diversified Hedge Fund	8	AUS	Investment in Equity Markets	–	61	65
Wholesale Global Equity – Technology Fund	8	AUS	Investment in Equity Markets	–	51	53
Wholesale Global Equity – Healthcare Fund	8	AUS	Investment in Equity Markets	–	41	41
Wholesale Global Equity – Growth Fund	8	AUS	Investment in Equity Markets	–	25	65
Wholesale US Equity – Premier Growth Fund	8	AUS	Investment in Equity Markets	–	51	56
Wholesale Australian Equity Industrial Fund	8	AUS	Investment in Equity Markets	–	64	81
Wholesale Global Equity – Value Fund	8	AUS	Investment in Equity Markets	–	7	52
Multi Manager Portfolio						
– Secure	8	AUS	Investment in Equity Markets	–	100	–
– Secure Growth	8	AUS	Investment in Equity Markets	–	100	–
– Balanced	8	AUS	Investment in Equity Markets	–	100	–
– Growth	8	AUS	Investment in Equity Markets	–	100	–
– High Growth	8	AUS	Investment in Equity Markets	–	100	–
– Australian Listed Property	8	AUS	Investment in Equity Markets	–	100	–
– Australian Cash	8	AUS	Investment in Debt Markets	–	100	–
– Australian Fixed Interest	8	AUS	Investment in Debt Markets	–	100	–
– International Fixed Interest	8	AUS	Investment in Debt Markets	–	100	–
– Australian Shares	8	AUS	Investment in Equity Markets	–	100	–
– International Shares	8	AUS	Investment in Equity Markets	–	100	–
– International Shares Hedged	8	AUS	Investment in Equity Markets	–	100	–
– Australian Property	8	AUS	Investment in Property Markets	–	100	–
Specialist Investment Strategies						
– Australian Fixed Interest Strategy No 2	8	AUS	Investment in Debt Markets	–	100	–
– International Fixed Interest Strategy No 3	8	AUS	Investment in Debt Markets	–	100	–
– Australian Shares Strategy No 6	8	AUS	Investment in Equity Markets	–	64	–
– Australian Property Strategy No 3	8	AUS	Investment in Equity Markets	–	100	–
– International Shares Strategy No 10	8	AUS	Investment in Equity Markets	–	76	–
Wholesale Core Australian Fixed Income Fund	8	AUS	Investment in Debt Markets	–	100	–
Wholesale Core Australian Equity Growth Fund	8	AUS	Investment in Equity Markets	–	100	–
Australian Equity Value Fund	8	AUS	Investment in Equity Markets	–	92	–
NMFM Split Equity Fund No. 1	8	AUS	Investment in Equity Markets	–	90	–
Wholesale Australian Equity Value Fund	8	AUS	Investment in Equity Markets	–	81	–
NMFM Superannuation Fund	8	AUS	Investment in Equity Markets	–	60	–
Wholesale Diversified Property Fund	8	AUS	Investment in Property Markets	–	57	–

All entities are audited by Deloitte Touche Tohmatsu or other member firms, unless otherwise stated.

Notes

to the Financial Report for the year ended 31 December 2003

28 | Investment in Controlled Entities and Associates (continued)

Notes

- 1 Place of Operation where it differs from place of incorporation
- Entity Place of Operation
- AXA China Region Limited Hong Kong
- AXA China Region Insurance Company (Bermuda) Limited Hong Kong
- AXA China Region (Bermuda) Limited Hong Kong
- 2 20% owned by AXA China Region Investment Management Limited,
20% AXA Partners Limited
20% AXA China Region Insurance Company (Bermuda) Limited
20% AXA China Region Insurance Company Limited
- 3 Currently in voluntary liquidation
- 4 An additional 50% held by National Mutual Corporation (No 2) Pty Limited
- 5 An additional 50% held by Enalus Pty Limited
- 6 The National Mutual Life Association of Australasia Limited also holds 50% of Ordinary B and C shares
- 7 Year end 31 March
- 8 Year end 30 June
- 9 Detura Limited holds 27% of shares in AXA China Region Limited
- 10 Not audited by Deloitte Touche Tohmatsu
- 11 Formerly NMFIM International Bond Fund
- 12 The remaining 15% holding is owned by ipac Asset Management Limited
- 13 Amalgamated with another entity during the year
- 14 Formerly National Mutual Advisor Services Limited
- 15 Formerly Macquarie Health Acquisitions Pty Ltd
- 16 Change in status from associate to controlled entity on consolidation. The Company chose to convert the Vendor shares, held in 2002, to 100% of the ordinary share capital of Macquarie Health Acquisitions Pty Ltd in 2003.
- 17 Disposed of during year ended 31 December 2003.

Name of associate entity	Note	Place of Incorporation/ Operation	Principal activities	Holding		Carrying value		Contribution to profit	
				2003 %	2002 %	2003 \$m	2002 \$m	2003 \$m	2002 \$m
Equity Accounted									
Macquarie Health Acquisitions Pty Limited	3,5	AUS	Investment	–	27	–	138	10	19
Alliance Capital Management Limited		AUS	Mgt. of Investment Portfolios	50	50	12	8	4	3
Alliance Capital Management New Zealand Limited		NZ	Mgt. of Investment Portfolios	50	50	1	1	–	–
Members Equity Pty Limited	2,8	AUS	Provision of Financial Services	–	50	–	33	–	2
AXA Life Insurance Corporation (Philippines)		PHI	Provision of Life Insurance	50	50	17	17	–	–
Krungthai AXA Life Insurance Company Limited		THAI	Life insurance operations	50	50	16	16	–	–
						46	213	14	24
Market Value Accounted ⁽⁷⁾									
Greenstone Fund Limited	1,3	NZ	Development capital investment	20	20	4	4		
Ticor Limited	3	AUS	Mining	29	29	92	106		
AXA Minmetals Assurance Company Limited	4	HK	Life insurance operations	25	25	10	26		
IMB Financial Planning Pty Limited	3,6	AUS	Provision of Financial Services	50	50	2	1		
Tynan Mckenzie Pty Limited	3,6	AUS	Provision of Financial Services	33	33.3	23	28		
TM Fallback Options Pty Ltd		AUS	Dormant	50	50	–	–		
						131	165		
						177	378		

- 1 Year end 31 March
- 2 Year end 30 September
- 3 Not audited by Deloitte Touche Tohmatsu or other member firms.
- 4 AXA China Region has a 49% holding in AXA China SA which has a 51% interest in AXA Minmetals
- 5 Details of the sale of AXA Australia Health Insurance Pty Limited and subsequent investment in Macquarie Health Acquisitions Pty Limited have been disclosed in Note 1
- 6 Year end 30 June
- 7 Associates held in a market value environment contribute to Group profit their movement in market value. This is included as part of Net realised gains/losses on Equity Securities in Note 2 "Operating Profit".
- 8 Members Equity Pty Limited was sold during 2003. Refer to Note 2 for details of this transaction.

Notes

to the Financial Report for the year ended 31 December 2003

29 | Subsequent Events

As at the date of this report, there has not been any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

30 | Segment Information

The revenue, result, assets and liabilities of each segment include items directly attributable to the segment and also those items that can be allocated on a reasonable basis. Unallocated items primarily comprise corporate assets and expenses. Inter-segment pricing is determined on an arm's length basis.

Geographically (primary segment reporting) the Group is organised into three operating divisions as follows:

- Australia and New Zealand: life insurance, funds management, health insurance and borrowing costs
- China Region: life insurance and funds management in Hong Kong and China
- Other: life insurance and funds management in Singapore and other Asian regions

The Group also operates in two business segments (secondary segment reporting) as follows:

- life insurance and funds management: includes life, term, trauma and income protection insurance, retail funds, wealth management and superannuation
- health insurance: represents health and medical insurance cover

Primary Reporting – Geographical segments

Profit and loss disclosure

	Australia and New Zealand		China Region		Other		Consolidation adjustments		Consolidated Total	
	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02
\$ million										
Revenue										
External segment revenue	2,709	1,373	1,919	1,266	133	84	–	–	4,761	2,723
Inter-segment revenue	301	334	18	18	4	4	(323)	(356)	–	–
Share of net profit of equity accounted associates	14	24	–	–	–	–	–	–	14	24
Total revenue	3,024	1,731	1,937	1,284	137	88	(323)	(356)	4,775	2,747
Result										
Profit from ordinary activities before income tax expense	436	9	431	234	(3)	(4)	–	–	864	239
Income tax (expense)/benefit	64	101	(3)	(11)	1	1	–	–	62	91
Profit from ordinary activities after income tax expense	500	110	428	223	(2)	(3)	–	–	926	330

Balance Sheet disclosure

	Australia and New Zealand		China Region		Other		Consolidation adjustments		Consolidated Total	
	As at 31 Dec '03	As at 31 Dec '02	As at 31 Dec '03	As at 31 Dec '02	As at 31 Dec '03	As at 31 Dec '02	As at 31 Dec '03	As at 31 Dec '02	As at 31 Dec '03	As at 31 Dec '02
\$ million										
Segment assets	21,048	20,521	6,697	7,352	869	1,073	(1,590)	(1,590)	27,024	27,356
Equity accounted investments	132	319	12	26	33	33	–	–	177	378
Total assets	21,180	20,840	6,709	7,378	902	1,106	(1,590)	(1,590)	27,201	27,734
Total liabilities	17,111	17,544	4,541	4,958	817	1,010	614	822	23,083	24,334

Secondary reporting – Business segments

	Life insurance and funds management		Health insurance		Consolidated Total	
	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02
\$ million						
Segment revenue from external customers	4,761	2,170	–	553	4,761	2,723
	Life insurance and funds management		Health insurance		Consolidated Total	
	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02	12 months ended 31 Dec '03	12 months ended 31 Dec '02
\$ million						
Segment assets	27,201	27,596	–	138	27,201	27,734

Notes

to the Financial Report for the year ended 31 December 2003

31 | Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial report. Significant terms and conditions of Policy Liabilities are disclosed in Notes 1 and 16 and of Subordinated Debt are disclosed in Note 15.

(a) Objectives of Derivative Financial Instruments

A derivative instrument is a contract whose value depends on (or derives from) the value of an underlying asset, reference rate or index.

Investment management

The Life Companies included in the Group use derivatives as part of their normal investment management procedures. Derivatives are principally used as an effective alternative to physical assets in order to achieve a desired level of total exposure to various asset classes, and as a means to hedge against market movements. The most commonly used derivatives are futures contracts, options, swaps and foreign exchange contracts.

The table below details the effective exposure and net market value of investment management derivatives for life companies and unit trusts. The effective exposure provides an indication of the economic entity's exposure to various asset classes through the use of derivative instruments. The market value in the table below gives no indication of the ultimate gain or loss that will occur upon settlement of the derivatives, as the ultimate gain or loss will depend on the applicable market price at the time of settlement.

Derivative instruments

\$ million	Market Value		Net Notional Value	
	2003	2002	2003	2002
Fixed Interest Futures – Domestic	3	1	(797)	45
– International	–	3	106	161
Equity Futures – Domestic	4	(1)	185	(123)
– International	10	(3)	240	231
Foreign Currency	–	(1)	(550)	(371)
Interest Rate Swaps	6	21	(504)	(407)
	23	20	(1,320)	(464)

Derivatives held by life companies are valued on a mark-to-market basis, which involves the calculation and recognition of unrealised gains and losses on all current positions. Accordingly, the Consolidated Statement of Financial Position reflects all unrealised gains and losses on derivatives held by Life Companies.

Group

The Group also entered into a series of cross currency swaps (HKD to AUD with a notional value of \$415m (2002: AUD \$554m) and HKD to USD with a notional value of \$171m (2002: AUD \$228m) to hedge the Groups' investment in AXA China Region. In addition the Group has entered into a USD to AUD cross currency swap with a notional value of \$328m to hedge the Group's borrowings. These swaps are recorded in the Statement of Financial Position at market value, with any movement taken through the foreign currency translation reserve. The market value of these swaps at 31 December 2003 is an unrealised gain of \$73m (2002: unrealised loss of \$88m). The impact of these swaps on the Groups' foreign exchange exposure is disclosed in note (d) Foreign Currency Risk Exposure.

In addition, the Group entered into a series of interest rate swaps (receiving fixed USD and paying floating USD) with a notional value of US\$500m (AUD\$664m). The maturity of these swaps range from April 2004 to April 2007. These swaps have been entered into to hedge the Groups' borrowing costs. These swaps are accounted for in the Statement of Financial Position on an accruals basis and they are not marked to market. The market value of these swaps off balance sheet at 31 December 2003 was a unrealised loss of \$26m (2002: \$47m) The impact on the Groups' exposure to these interest rate swaps are set out below in note (b) "Interest Rate Risk".

There are four major types of risks inherent in derivatives, these are:

- (1) Market Risk – the risk of loss due to a change in market conditions.
- (2) Liquidity Risk – the risk that a transaction in a particular physical asset or derivative could have a detrimental effect on its price; for example in the extreme, it may not be possible to sell the security.
- (3) Credit Risk – the risk that a loss will be incurred if a counterparty defaults on a contract.
- (4) Operational Risk – is the risk of losses occurring as a result of inadequate systems and control, human error or management failure.

The AXA Group has a Risk Management Statement which describes its controls to manage these risks inherent in derivatives. In accordance with this statement, derivatives cannot be used to leverage exposure to an asset class. Market risk is controlled through a process of setting exposure limits to various asset classes and exposure limits to particular holdings within an asset class.

Liquidity and credit risk are managed by a process of setting limits on transaction levels and aggregate counterparty exposure. These limits, and the criteria upon which they are originally set, are regularly monitored and control processes are independent of portfolio trading activity.

Notes

to the Financial Report for the year ended 31 December 2003

31 | Financial Instruments (continued)

(b) Interest Rate Risk

As at 31 December 2003	Average Fixed Interest repricing						Total \$m
	Average Interest rate \$	Floating Interest rate \$m	1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m	Non- Interest bearing \$m	
Interest Bearing Assets							
Cash at bank and deposits on call	3.68	1,618	253	13	–	–	1,884
Debt Securities		–	–	–	–	–	–
Interest bearing securities		–	–	–	–	–	–
– National government	3.84	–	24	704	1,285	–	2,013
– Other public sector	5.74	–	20	651	526	–	1,197
– Private sector (secured)	5.11	19	11	19	106	–	155
– Private sector (unsecured)	5.79	1,174	1,593	1,343	2,977	–	7,087
Loans to		–	–	–	–	–	–
– Other related parties (unsecured)		–	–	–	–	–	–
– Other parties (unsecured)	5.79	33	2	–	–	7	42
– Other parties (secured)	6.18	288	252	79	39	82	740
Total Interest Bearing Assets		3,132	2,155	2,809	4,933	89	13,118
Total Non-Interest Bearing Assets		–	–	–	–	14,083	14,083
Total On Balance Sheet Assets		3,132	2,155	2,809	4,933	14,172	27,201
Off Balance Sheet Derivatives							
Swaps		(1,168)	351	817	–	–	–
Futures		(691)	–	–	–	425	(266)
Total Off Balance Sheet Derivatives		(1,859)	351	817	–	425	(266)
Total		1,273	2,506	3,626	4,933	14,597	26,935
Interest Bearing Liabilities							
Loans from Controlling entity	3.14	672	–	–	–	–	672
Other borrowings – unsecured	3.88	614	–	–	280	–	894
Total Interest Bearing Liabilities		1,286	–	–	280	–	1,566
Total Non-Interest Bearing Liabilities		–	–	–	–	21,517	21,517
Total On Balance Sheet Liabilities		1,286	–	–	280	21,517	23,083
Off Balance Sheet Derivatives							
Swaps		(888)	–	888	–	–	–
Total Off Balance Sheet Derivatives		(888)	–	888	–	–	–
Total		398	–	888	280	21,517	23,083
Net Assets on Balance Sheet		2,734	2,155	1,921	4,653	(7,345)	4,118
Net Derivatives		(971)	351	(71)	–	425	(266)
Net Position		1,763	2,506	1,850	4,653	(6,920)	3,852

Notes

to the Financial Report for the year ended 31 December 2003

31 | Financial Instruments (continued)

(b) Interest Rate Risk (continued)

As at 31 December 2002	Average Fixed Interest repricing						Total \$m
	Average Interest rate \$	Floating Interest rate \$m	1 year or less \$m	Over 1 to 5 years \$m	More than 5 years \$m	Non- Interest bearing \$m	
Interest Bearing Assets							
Cash at bank and deposits on call	3.30	1,404	–	–	–	14	1,418
Debt Securities							
Interest bearing securities							
– National government	4.09	–	6	703	1,663	–	2,372
– Other public sector	5.43	–	30	315	617	–	962
– Private sector (secured)	6.25	–	–	–	31	–	31
– Private sector (unsecured)	5.79	1,178	2,300	1,630	2,591	6	7,705
Loans to							
– Other related parties (unsecured)	–	–	–	–	–	82	82
– Other parties (unsecured)	5.08	18	2	–	–	–	20
– Other parties (secured)	7.39	388	303	167	133	(5)	986
Total Interest Bearing Assets		2,988	2,641	2,815	5,035	97	13,576
Total Non-Interest Bearing Assets		–	–	–	–	14,158	14,158
Total On Balance Sheet Assets		2,988	2,641	2,815	5,035	14,255	27,734
Off Balance Sheet Derivatives							
Swaps		(407)	80	198	129	–	–
Futures		206	–	–	–	108	314
Total Off Balance Sheet Derivatives		(201)	80	198	129	108	314
Total		2,787	2,721	3,013	5,164	14,363	28,048
Interest Bearing Liabilities							
Loans from Controlling entity	3.48	1,402	–	–	–	–	1,402
Subordinated debt	3.61	1,102	–	–	–	–	1,102
Total Interest Bearing Liabilities		2,504	–	–	–	–	2,504
Total Non-Interest Bearing Liabilities		–	–	–	–	21,830	21,830
Total On Balance Sheet Liabilities		2,504	–	–	–	21,830	24,334
Off Balance Sheet Derivatives							
Swaps		(888)	–	888	–	–	–
Total Off Balance Sheet Derivatives		(888)	–	888	–	–	–
Total		1,616	–	888	–	21,830	24,334
Net Assets on Balance Sheet		484	2,641	2,815	5,035	(7,575)	3,400
Net Derivatives		687	80	(690)	129	108	314
Net Position		1,171	2,721	2,125	5,164	(7,467)	3,714

Notes

to the Financial Report for the year ended 31 December 2003

31 | Financial Instruments (continued)

(c) Credit Risk Exposures

The maximum credit risk for financial assets recognised on the balance sheet is the carrying amount less, where applicable, any provision for doubtful debts. The recognised financial assets include amounts receivable arising from unrealised gains on derivative instruments.

As at 31 December 2003 there was no significant credit risk exposure to one single entity, other than the normal clearing house exposure associated with dealings through recognised exchanges.

(d) Net Fair Values (Liquidity Risk)

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements, with exception to the Groups Interest Rate Swaps which are recorded on an accruals basis and are not marked to market in the Statement of Financial Position.

(e) Foreign Currency Risk Exposure

The economic entity is exposed to foreign currency risk through its physical holdings in investments denominated in foreign currency and derivative instruments such as forward foreign exchange contracts, currency swaps and options. The following table details the economic entity's international investments in Australian dollar equivalent by currency exposure and the amounts that are effectively hedged using forward foreign currency contracts as at reporting date:

As at 31 December 2003 AUD\$ million	US Dollars	Japanese Yen	Hong Kong Dollars	British Pounds	European Euro	New Zealand Dollars	Taiwan Dollars	Singapore Dollars	Other	Total
Assets denominated in foreign currency	5,292	340	1,445	298	753	1,927	48	751	434	11,288
Liabilities denominated in foreign currency ⁽¹⁾	(4,337)	–	(1,408)	–	–	(1,909)	–	(816)	–	(8,470)
Amount effectively hedged ⁽²⁾	(304)	(47)	(587)	4	(290)	–	–	–	(52)	(1,276)
Net Exposure to foreign currency	651	293	(550)	302	463	18	48	(65)	382	1,542
As at 31 December 2002 AUD\$ million	US Dollars	Japanese Yen	Hong Kong Dollars	British Pounds	European Euro	New Zealand Dollars	Taiwan Dollars	Singapore Dollars	Other	Total
Assets denominated in foreign currency	5,337	335	1,926	284	609	2,111	91	804	415	11,912
Liabilities denominated in foreign currency ⁽¹⁾	(5,023)	–	(1,471)	–	–	(2,088)	(9)	(840)	–	(9,431)
Amount effectively hedged ⁽²⁾	173	(88)	(781)	(4)	(177)	–	–	–	(46)	(923)
Net Exposure to foreign currency	487	247	(326)	280	432	23	82	(36)	369	1,558

1 The \$USD denominated liabilities include Group borrowings of USD \$431m (AUD \$572m) from a controlling entity (2002: USD \$395m AUD \$701m) and subordinated debt of USD \$463m (AUD \$615m) (2002: AUD \$821m) which are to hedge the Groups' exposure to AXA China Region.

2 The Group also entered into a series of cross currency swaps HKD to AUD with a notional value of \$415m (2002: \$554m) and HKD to USD with a notional value of \$171m (2002: \$228m) to hedge the Groups' investment in AXA China Region.

Notes

to the Financial Report for the year ended 31 December 2003

32 | Disclosure of Asset Restrictions, Managed Assets and Trustee Activities

Managed Assets

In addition to the assets owned by the Company or controlled entities, the AXA APH Group also manages and administers separate investment portfolios for entities such as superannuation funds, unit trusts and individuals. Included in the 31 December 2003 Funds Under Management and Administration are funds relating to Alliance Capital Management.

On an aggregated basis these managed assets, together with the assets reflected in the AAPH Group, after eliminating appropriate inter-fund entries, total \$52.8 billion (2002: \$58.1 billion).

AXA Asia Pacific Group	Area of Operation
National Mutual Funds Management Limited	Australia
National Mutual Funds Management (International) Limited	Australia
The National Mutual Life Association of Australasia Limited (Life Insurance Funds)	Australia & New Zealand
ipac Securities Limited (Funds Administration)	Australia
SG Holdings Limited (Funds Administration)	New Zealand
SG (Aust) Holdings Pty Limited (Funds Administration)	Australia
Alliance Capital Management Limited	Australia
Alliance Capital Management New Zealand Limited	New Zealand
AXA China Region Insurance Company (Bermuda) Ltd (Life Insurance Funds)	Hong Kong
AXA Life Singapore (Life Insurance Funds)	Singapore
National Mutual Assets Management Limited	Australia
National Mutual Assets Management (New Zealand) Limited	New Zealand
NMMT Limited	Australia
N.M. Superannuation Pty Limited	Australia
National Mutual Superannuation Master Trustee Limited	New Zealand

\$ million	2003	2002
Assets Held within the AXA APH Group		
Australia and New Zealand	19,626	19,277
AXA China Region	6,709	7,378
International	866	1,079
	27,201	27,734
Assets Managed & Administered by the AXA APH Group		
Australia and New Zealand	24,653	29,239
AXA China Region	135	147
International	833	1,009
	25,621	30,395
Total Assets Held, Managed & Administered by the AXA APH Group		
Australia and New Zealand	44,245	48,516
AXA China Region	6,845	7,525
International	1,699	2,088
Total Managed & Administered Assets	52,789	58,129

Restrictions on Assets

Investments held in the statutory funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions when solvency and capital adequacy requirements are met. Participating policyholders can receive a distribution when the higher level of capital adequacy is met.

Trustee Activities

National Mutual Superannuation Master Trustee Limited and N.M. Superannuation Pty Limited act as trustees in relation to superannuation policies issued by The National Mutual Life Association of Australasia. Arrangements are in place to ensure that the activities of National Mutual Superannuation Master Trustee Limited and N.M. Superannuation Pty Limited are managed separately.

Notes

to the Financial Report for the year ended 31 December 2003

33 | Employee Share Purchase Schemes

The Company has two share purchase schemes available for employees in Australia: The Australian General Employee Share Plan – Tax Exempt; and the Australian Share Plan – Tax Deferred.

An offer to employees cannot be made under any of the schemes if an issue pursuant to that offer will result in the aggregate of shares issued exceeding 5% of the issued capital of the Company. The total number of shares issued under employee share plans represent 2.12% of the total shares on issue. All shares have been acquired on market and free of brokerage and stamp duty costs to the participant upon acquisition.

The market price of one ordinary share at 31 December 2003 was \$2.86

Australian General Employee Share Plan – Tax Exempt

All permanent employees who are resident in Australia, who did not participate in the Australian General Employee Share Plan-Tax Deferred are eligible to participate in this plan. Each eligible employee has a \$1,000 contribution limit per year which is deducted from the employees salary.

As at 31 December 2003, there were 1,102 participants in the Plan and a total of 986,736 shares were subject to plan rules.

Australian General Employee Share Plan – Tax Deferred

All permanent employees who are resident in Australia, who did not participate in the Australian General Employee Share Plan-Tax Exempt are eligible to participate in this plan.

During the 12 months ended 31 December 2003, there was no general offer to all staff under the plan rules. Other opportunities were provided to management to sacrifice remuneration in order to acquire shares.

As at 31 December 2003, there were 96 participants in the Plan and a total of 827,041 shares were subject to plan rules.

Australian Executive Plan

The Australian Executive Plan started in 1997. Its purpose is to align key executives' rewards with shareholders' interests, and reward performance improvement supporting business plans and corporate strategies.

The Board determines who is invited to participate in the Australian Executive Plan. Allocation rights represent a right to acquire a share in the Company. Generally, allocation rights may only be exercised to acquire shares if performance hurdles are satisfied in the performance period and the exercise price is paid by the executive. No consideration is received by the Company on issuance of allocation rights.

Details of share allocation rights outstanding as at 31 December 2003 are as follows:

Grant date	Exercise period	Expiry date	Exercise price	Number of rights
5 January 2000 ⁽¹⁾	5 Jan 2003-5 Jan 2005	5 January 2005	\$2.67	1,647,500
18 May 2000 ⁽²⁾	19 May 2003-19 May 2005	19 May 2005	\$2.48	500,000
20 September 2000 ⁽³⁾	19 Sept 2003-19 Sept 2005	19 Sept 2005	\$2.71	886,000
23 April 2001 ⁽⁴⁾	23 April 2004-23 April 2006	23 April 2006	\$2.80	4,893,600
20 September 2001 ⁽⁵⁾	20 Sept 2004-20 Sept 2006	20 Sept 2006	\$2.72	50,000
28 May 2002 ⁽⁶⁾	14 May 2004-14 May 2007	14 May 2007	\$3.02	7,932,530
28 April 2003 ⁽⁷⁾	28 April 2005 – 28 April 2008	28 April 2008	\$2.18	15,170,900
22 Sept 2003 ⁽⁸⁾	22 Sept 2005 – 22 Sept 2008	22 Sept 2008	\$2.64	20,000

Exercise Criteria as follows:

- (1) Exercise between 5 January 2003 and 5 January 2005 subject to AXA APH Total Shareholder Return (TSR) outperformance of the All Ordinaries Accumulation Index as measured on 20 consecutive trading days;
 - (a) ending on the third anniversary of the date on which the rights are allocated; or
 - (b) occurring after the third anniversary of the date on which the rights are allocated and prior to the expiration of the rights.
- (2) Exercise between 19 May 2003 and 19 May 2005 subject to AXA APH TSR outperformance of the All Ordinaries Accumulation Index as measured on 20 consecutive trading days;
 - (a) ending on the third anniversary of the date on which the rights are allocated; or
 - (b) occurring after the third anniversary of the date on which the rights are allocated and prior to the expiration of the rights.
- (3) Exercise between 19 September 2003 and 19 September 2005 subject to AXA APH TSR outperformance of the All Ordinaries Accumulation Index as measured on 20 consecutive trading days;
 - (a) ending on the third anniversary of the date on which the rights are allocated; or
 - (b) occurring after the third anniversary of the date on which the rights are allocated and prior to the expiration of the rights.
- (4) Exercise between 23 April 2004 and 23 April 2006 subject to AAPH TSR out performance of the All Ordinaries Accumulation Index as measured on 20 consecutive trading days;
 - (a) ending on the third anniversary of the date on which the rights are allocated; or
 - (b) occurring after the third anniversary of the date on which the rights are allocated and prior to the expiration of the rights.
- (5) Exercise between 20 Sept 2004 and 20 Sept 2006 subject to AAPH TSR outperformance of the All Ordinaries Accumulation index as measured on 20 consecutive trading days;
 - (a) ending on the third anniversary of the date on which the rights are allocated; or
 - (b) occurring after the third anniversary of the date on which the rights are allocated and prior to the expiration of the rights.
- (6) Exercise between 14 May 2004 and 14 May 2007 subject to AAPH TSR outperformance of the All Ordinaries Accumulation Index as measured on 20 consecutive trading days;
 - (a) ending on any of the second, third or fourth anniversary of the date on which the rights are allocated; or
 - (b) occurring after the vesting date and prior to expiration of the rights i.e. 14 May 2007.
- (7) The performance trigger for exercise of each portion of the tranche will be outperformance of the All Ordinaries Accumulation Index as measured on 20 Consecutive trading days;
 - (a) ending on any of the second, third or fourth anniversary of the date on which the rights are allocated; or
 - (b) occurring after vesting and prior to expiration of the rights ie, 28 April 2008
- (8) The performance trigger for exercise of each portion of the tranche will be outperformance of the All Ordinaries Accumulation Index as measured on 20 Consecutive trading days;
 - (a) ending on any of the second, third or fourth anniversary of the date on which the rights are allocated; or
 - (b) occurring after vesting and prior to expiration of the rights ie, 22 September 2008

Notes

to the Financial Report for the year ended 31 December 2003

33 | Employee Share Purchase Schemes (continued)

Due to executive departures, 204,410 shares of the Company held and allocated within the Plan are not subject to the usual exercise criteria.

In addition, 3,892,253 shares of the Company are held within the plan and are unallocated due to lapses and forfeitures.

For the year ended 31 December 2003, movements in the number of allocation rights outstanding are as follows:

Allocation rights at beginning of year (1 January 2003)	18,406,340
Allocation rights granted during the year (a)	15,767,600
Allocation rights exercised during the year (b)	(172,250)
Allocation rights lapsed during the year	(2,901,160)
Allocation rights held as at the end of the year	31,100,530

Details of allocation rights exercised during the year are as follows:

Grant date	Exercise period	Expiry date	Exercise price	Number of shares issued	Market value at issue date of shares	Total consideration received
5 January 2000 ⁽¹⁾	5 Jan 2003-5 Jan 2005	5 January 2005	\$2.67	32,250	\$2.74 – \$ 2.71	\$86,108
28 April 2003 ⁽⁷⁾	28 April 2005 – 28 April 2008	28 April 2008	\$2.17	140,000	\$3.12 – \$ 2.74	\$303,800

All rights exercised during the year were in respect of former employees of the group. The performance hurdles in respect of allocation rights for former employees are waived in certain circumstances.

An executive is not entitled to shares of the Company before the allocation rights are exercised. This means that the executive cannot use rights to vote or receive dividends. If the performance hurdle is satisfied in the performance period, allocation rights may be exercised at any time before the expiry date; otherwise they will lapse. Once the allocation rights are exercised, shares of the Company will be transferred to the executive.

Further terms and conditions associated with this Plan are as per the Plan outline approved by shareholders at the 1997 Annual General Meeting.

The Australian Executive Plan purchases existing AXA Asia Pacific Holdings Limited shares on the Australian Stock Exchange (ASX) or The Company provides a loan to the Australian Executive Plan to enable it to purchase these shares to underpin the allocation rights. The balance of this loan at 31 December 2003 was \$87,659,658.62 (31 December 2002:\$67,325,053). Pursuant to a Deed of Agreement dated 9 August 2000 the loan bears an interest rate determined by the Company from time to time. The Company has charged the Plan interest of \$4,122,055.00 for the year ended 31 December 2003 (\$2,097,892 for the year ended 31 December 2002). When exercised, the executive pays for the shares at the exercise price and the loan is repaid to the Company. On the basis that the executives must pay the exercise price of the allocation rights, which repays the loan made by the Company, there is no expense to be included in the Statement of Financial Performance other than the implicit funding cost (net of interest received from the plan). The estimated net funding cost of the Plan included as an expense in the consolidated Statement of Financial Performance in the financial report for the year ended 31 December 2003 is \$1.99 million (\$1 million for the year ended 31 December 2002).

34 | Earnings per Share

	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,739,962,953	1,757,399,937
Add: weighted average number of potential ordinary shares	22,470,938	5,033,954
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	1,762,433,891	1,762,433,891
	12 months ended 31 Dec 2003	12 months ended 31 Dec 2002
\$ million		
Net profit used in calculating basic and diluted earnings per share	926	330

Directors' Declaration

for the year ended 31 December 2003

The Directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



R. H. Allert A.M.
Chairman

Melbourne, 24 February 2004

Auditor's Report

Independent Audit Report to the Members of AXA Asia Pacific Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both AXA Asia Pacific Holdings Limited (the company) and the consolidated entity, for the financial year ended 31 December 2003 as set out on pages 1 to 46. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of AXA Asia Pacific Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

Peter Caldwell
Partner
Chartered Accountants

Melbourne, 24 February 2004

This page has been left blank intentionally.



www.axa.com.au



AXA Asia Pacific Holdings Limited ABN 78 069 123 011

Be Life Confident

02195-02-04S