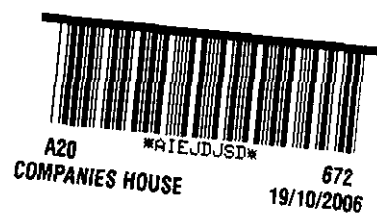


CANADA LIFE FINANCE (U.K.) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**



CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2005

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CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2005

Directors and Advisers

Directors	I Gilmour H C Snow
Company Secretary	C W Muir
Registered Office	Canada Life Place Potters Bar Hertfordshire EN6 5BA
Bankers	JP Morgan Chase 125 London Wall London EC2Y 5AJ
Registered Number	4493576
Auditors	Deloitte & Touche LLP London

CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2005

Directors' Report for the year ended 31 December 2005

The directors of Canada Life Finance (UK) Limited (the "company") present their annual report and audited financial statements for the year ended 31 December 2005.

Principal Activity and Future Developments

The company was incorporated on 24 July 2002 and its principal activity is financing arrangements with fellow group undertakings. This will continue to be the main activity for the foreseeable future.

Directors

The names of the persons who were directors throughout the year and up to the date of this report are set out below. None of the directors had any beneficial interests in the shares of the company or any UK group company at any time during the year.

I Gilmour
H C Snow
S G Thomas (resigned 30 June 2006)

Results and Dividends

The profit after tax for the year was £273,000 (2004: £251,000). No dividend is proposed for the year (2004: £nil). £273,000 (2004: £251,000) will be transferred to reserves.

Financial Instruments

The financial assets and liabilities of the company represent minimal exposure to financial risk.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company has no third party debtors.

The company does not use hedge accounting.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. In accordance with Section 379A of the Companies Act 1985 (as inserted by Section 116 of the Companies Act 1989), the company has dispensed with the obligation to appoint independent auditors annually.

Approved by the Board of Directors
and signed on behalf of the Board



I Gilmour
Director

13 October 2006

CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2005

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

CANADA LIFE FINANCE (U.K.) LIMITED

Independent Auditors' report to the members of Canada Life Finance (U.K.) Limited

We have audited the financial statements of Canada Life Finance (U.K.) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

CANADA LIFE FINANCE (U.K.) LIMITED

Independent Auditors' report to the members of Canada Life Finance (U.K.) Limited (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
13 October 2006

CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2005

Profit and Loss Account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Interest receivable and similar income	3	2,865	2,764
Interest payable	4	(2,474)	(2,396)
Administration expenses		(6)	(10)
Operating profit and profit on ordinary activities before taxation	2	385	358
Tax on profit on ordinary activities	5	(112)	(107)
Profit on ordinary activities after taxation		273	251

The results for the current and preceding year are from continuing operations.

The company has no recognised gains or losses other than as stated in the profit and loss account for the current or the preceding year and hence no statement of total recognised gains and losses is presented.

CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2005

Balance Sheet at 31 December 2005

	Note	2005 £'000	2004 £'000
Current Assets			
Debtors – amounts falling due after more than one year	8	40,000	40,000
Cash at bank and in hand		1,156	767
Creditors - amounts falling due within one year	9	<u>(353)</u>	<u>(237)</u>
Net Current Assets		40,803	40,530
Total assets less current liabilities		40,803	40,530
Creditors – amounts falling due after more than one year	10	<u>(36,000)</u>	<u>(36,000)</u>
Net Assets		<u>4,803</u>	<u>4,530</u>
		2005 £'000	2004 £'000
Capital and Reserves			
Called up share capital	11	4,000	4,000
Profit and loss account		<u>803</u>	<u>530</u>
Shareholder's funds - equity interests	12	<u>4,803</u>	<u>4,530</u>

The financial statements were approved by the Board of Directors and signed on its behalf by :



I Gilmour
Director

13 October 2006

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2005

1 Principal accounting policies

Basis of presentation

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards as defined by section 256 of the Companies Act 1985. The particular accounting policies adopted by the directors are described below.

Interest receivable / payable

Interest receivable and interest payable is accounted for on the accruals basis.

Cash flow statement

Advantage has been taken of the exemption under the revised FRS1, Cash Flow Statements, not to present a cash flow statement as the subsidiary is 100% controlled within the Great-West Lifeco Inc group of companies. The consolidated financial statements in which the subsidiary undertakings are included are publicly available.

Transactions with related parties

Advantage has been taken under FRS8, Related Party Disclosures, not to disclose transactions between entities 100% of whose voting rights are controlled by the Great-West Lifeco Inc group of companies.

Current taxation

Current taxation, including UK corporation tax, is provided at amounts expected to be paid or recovered using the tax rates applicable to the relevant financial years.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

2 Operating profit

Operating profit is stated after charging:

	2005 £'000	2004 £'000
Auditors' remuneration in respect of audit services	5	10
Bank fees	<u>1</u>	<u>-</u>

3 Interest receivable and similar income

	2005 £'000	2004 £'000
Interest on loan to group undertaking	2,830	2,742
Bank interest	<u>35</u>	<u>22</u>
	<u>2,865</u>	<u>2,764</u>

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2005

4 Interest payable

	2005 £'000	2004 £'000
Interest on loan from group undertaking	<u>2,474</u>	<u>2,396</u>

5 Tax on Profit on Ordinary Activities

	2005 £'000	2004 £'000
UK corporation tax at 30% (2004: 30%) based on the profit/loss for the period	<u>112</u>	<u>107</u>
Reconciliation of tax charge for the year		
Result for the year before taxation	<u>385</u>	<u>358</u>
UK corporation tax on profits for the period at 30%	116	107
Effect of:		
Transfer pricing adjustment in respect of 2004	(2)	-
Transfer pricing adjustment in respect of 2005	<u>(2)</u>	<u>-</u>
Tax charge for the year	<u>112</u>	<u>107</u>

6 Employee information

There were no persons (including directors) employed by the company during the year (2004: nil).

7 Directors' emoluments

None of the directors received remuneration for their services as directors of the company (2004: £nil).

8 Debtors – amounts falling due after more than one year

	2005 £'000	2004 £'000
Loans to group undertakings	<u>40,000</u>	<u>40,000</u>

A subordinated loan was issued to Canada Life Limited, a group undertaking, on 25 September 2002. Interest is receivable in respect of the loan at GBP LIBOR plus 2.25% for the first 10 years in two equal instalments each year. The loan is for an undated term.

The loan may be repaid by Canada Life Limited on the tenth anniversary of the drawdown date. If the company does not make such repayment, interest will be charged for the remaining term until maturity at GBP LIBOR plus 2.90%.

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2005

9 Creditors - amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to group undertakings	241	130
Corporation tax creditor	<u>112</u>	<u>107</u>
	<u>353</u>	<u>237</u>

10 Creditors – amounts falling due after more than one year

	2005 £'000	2004 £'000
Amounts owed to group undertakings	<u>36,000</u>	<u>36,000</u>

The loan was received from CLH International Capital Management Hungary Limited, a group undertaking, on 25 September 2002. Interest is payable semi-annually in respect of the 30 year term loan on 30 June and 31 December each year at the GBP LIBOR plus 2.05% for the first 10 years. The loan will be repaid with accrued interest on the business day immediately preceding the thirtieth anniversary of the drawdown date.

The loan may be repaid on the tenth anniversary of the drawdown date. If the company does not make such repayment, interest will be charged for the remaining term until maturity at GBP LIBOR plus 2.70%.

11 Called up share capital

	2005 £'000	2004 £'000
Authorised		
10,000,000 (2004: 10,000,000) Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
4,000,100 (2004: 4,000,100) Ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

12 Reconciliation of shareholders' funds and movements on reserves

	Ordinary share capital £'000	Profit and loss account £'000	Total shareholder's funds £'000
Shareholder's funds at 1 January 2005	4,000	530	4,530
Profit for the year	-	273	273
Shareholder's funds at 31 December 2005	<u>4,000</u>	<u>803</u>	<u>4,803</u>

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2005

13 Events after the balance sheet date

On 11 May 2006 Canada Life Limited entered into an agreement to acquire the assets and liabilities associated with part of the in-force annuity in payment business of The Equitable Life Assurance Society, which is based in the UK.

To fund the acquisition of this book of business, the company provided a £80m loan to Canada Life Limited under a subordinated perpetual loan facility agreement. Interest is receivable in respect of the loan at a fixed rate of 5.65% per annum for the first 10 years in two equal instalments each year. The loan may be repaid at the option of the borrower on the tenth anniversary of the drawdown date. If such repayment is not made, interest will be charged for the remaining life of the loan at a fixed rate of 5.90% per annum.

To finance the above loan, the company received a £20m capital contribution from its immediate parent undertaking and obtained a £60m loan from CLH International Capital Management Hungary Limited under a 30 year term loan facility agreement. Interest is payable semi-annually in respect of this loan on 30 June and 31 December each year at a fixed rate of 5.55% per annum for the first 10 years. This loan may be repaid at the option of the borrower on the tenth anniversary of the drawdown date. If such repayment is not made, interest will be charged for the remaining term until maturity at a fixed rate of 5.80% per annum.

14 Parent Undertaking and Controlling Party

At the balance sheet date the ultimate parent company, which is also the parent company of the largest group of companies for which group financial statements are drawn up and of which the company is a member, Power Financial Corporation, is incorporated in Canada. In the directors' opinion Power Financial Corporation is the controlling party. The parent of the smallest group was The Canada Life Assurance Company. The immediate parent company is 4073649 Canada Inc.

Copies of the group financial statements for both the Canada Life Assurance Company and Power Financial Corporation can be obtained from the company's registered office.