

CANADA LIFE FINANCE (U.K) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**



Registered Number 4493576

CANADA LIFE FINANCE (U.K.) LIMITED
Report and financial statements for the year ended 31 December 2006

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CANADA LIFE FINANCE (U.K.) LIMITED

Report and financial statements for the year ended 31 December 2006

Directors and Advisers

Directors

I Gilmour
H C Snow
N J Glover

Company Secretary

K Cranston

Registered Office

Canada Life Place
Potters Bar
Hertfordshire
EN6 5BA

Bankers

RBC Dexia
71 Queen Victoria Street
London
EC4V 4DE

Registered Number

4493576

Auditors

Deloitte & Touche LLP
London

CANADA LIFE FINANCE (U.K.) LIMITED
Report and financial statements for the year ended 31 December 2006

Directors' Report for the year ended 31 December 2006

The directors of Canada Life Finance (U K) Limited (the "company") present their annual report and audited financial statements for the year ended 31 December 2006

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	
N J Glover	(appointed 1 August 2006)
S G Thomas	(resigned 30 June 2006)

Results and Dividends

The profit after tax for the year was £826,000 (2005 £273,000). No dividend is proposed for the year (2005 £nil). £826,000 (2005 £273,000) will be transferred to reserves.

Business Review

The principal activity of the company is financing arrangements with fellow group undertakings.

The major transactions in 2006 were an additional £80m subordinated loan issued to Canada Life Limited, a group undertaking, on 10 May 2006 (see Note 8). An additional £60m loan was received from CLH International Capital Management Hungary Limited, a group undertaking, on 9 May 2006 (see Note 10).

Principal risks, uncertainties and 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, and so does not consider this risk material.

The company does not use hedge accounting.

CANADA LIFE FINANCE (U.K.) LIMITED

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Directors' Indemnities

Canada Life Financial Corporation has made qualifying third party indemnity provisions for the benefit of its directors which were made in 2003, have been in force throughout the year and remain in force at the date of this report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and shall be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

Date: 16 October 2007

CANADA LIFE FINANCE (U.K.) LIMITED
Report and financial statements for the year ended 31 December 2006

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 (the "financial statements") of Canada Life Finance (U.K.) Limited for the year ended 31 December 2006 which comprise the profit and loss account, balance sheet and related notes 1 to 13. 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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

CANADA LIFE FINANCE (U.K.) LIMITED

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

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

Date *16 October 2007*

CANADA LIFE FINANCE (U.K.) LIMITED**Report and financial statements for the year ended 31 December 2006****Profit and Loss Account****for the year ended 31 December 2006**

	Notes	2006 £'000	2005 £'000
Interest receivable and similar income	3	5,779	2,865
Interest payable	4	(4,591)	(2,474)
Administration expenses		(8)	(6)
Operating profit and profit on ordinary activities before taxation	2	1,180	385
Tax on profit on ordinary activities	5	(354)	(112)
Profit on ordinary activities after taxation		826	273

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 2006

Balance Sheet
at 31 December 2006

	Notes	2006 £'000	2005 £'000
Current Assets			
Debtors – amounts falling due within one year		6	-
Debtors – amounts falling due after more than one year	8	120,000	40,000
Cash at bank and in hand		2,932	1,156
Creditors - amounts falling due within one year	9	<u>(1,309)</u>	<u>(353)</u>
Net Current Assets		121,629	40,803
Total assets less current liabilities		121,629	40,803
Creditors – amounts falling due after more than one year	10	<u>(96,000)</u>	<u>(36,000)</u>
Net Assets		<u>25,629</u>	<u>4,803</u>
		2006 £'000	2005 £'000
Capital and Reserves			
Called up share capital	11	4,000	4,000
Capital contribution	12	20,000	-
Profit and loss account		<u>1,629</u>	<u>803</u>
Shareholder's funds - equity interests	12	<u>25,629</u>	<u>4,803</u>

The financial statements were approved by the Board of Directors, authorised for issue and signed on its behalf by.



I Gilmour
Director

Date: 16 October 2007

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2006

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 FRS1, Cash Flow Statements (revised 1996), 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.

Subordinated loans to group undertakings

Subordinated loans to group undertakings, detailed in Note 8 are recorded at cost, net of direct issue costs. Finance income is accounted for on an accrual basis in the profit or loss account.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Loans owed to group undertakings

Loans owed to group undertakings, detailed in Note 10 are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis in the profit or loss account.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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.

CANADA LIFE FINANCE (U.K.) LIMITED**Notes to the financial statements for the year ended 31 December 2006****2 Operating profit**

Operating profit is stated after charging

	2006 £'000	2005 £'000
Auditors' remuneration in respect of audit services	4	5
Bank fees	-	1

3 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest on loans to group undertaking	5,694	2,830
Short term deposit interest	38	-
Bank interest	47	35
	<u>5,779</u>	<u>2,865</u>

4 Interest payable

	2006 £'000	2005 £'000
Interest on loans from group undertaking	<u>4,591</u>	<u>2,474</u>

5 Tax on profit on ordinary activities

	2006 £'000	2005 £'000
UK corporation tax at 30% (2005 30%) based on the profit/loss for the period	<u>354</u>	<u>112</u>
Reconciliation of tax charge for the year		
Result for the year before taxation	<u>1,180</u>	<u>385</u>
UK corporation tax on profits for the period at 30%	354	116
Effect of		
Transfer pricing adjustment in respect of 2004	-	(2)
Transfer pricing adjustment in respect of 2005	-	(2)
Tax charge for the year	<u>354</u>	<u>112</u>

6 Employee information

There were no persons (including directors) employed by the company during the year (2005 nil)

CANADA LIFE FINANCE (U.K.) LIMITED**Notes to the financial statements for the year ended 31 December 2006****7 Directors' emoluments**

None of the directors received remuneration for their services as directors of the company (2005 £nil)

8 Debtors – amounts falling due after more than one year

	2006 £'000	2005 £'000
Loans to group undertakings	<u>120,000</u>	<u>40,000</u>

A £40m 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%.

A £80m subordinated loan was issued to Canada Life Limited, a group undertaking, on 10 May 2006. 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 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 a fixed rate of 5.90% per annum.

9 Creditors – amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	370	241
Income tax creditor	585	-
Corporation tax creditor	<u>354</u>	<u>112</u>
	<u>1,309</u>	<u>353</u>

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2006

10 Creditors – amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	<u>96,000</u>	<u>36,000</u>

A £36m 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%.

A £60m loan was received from CLH International Capital Management Hungary Limited, a group undertaking, on 9 May 2006. Interest is payable semi-annually in respect of the 30 year term loan on 30 June and 31 December each year at a fixed rate of 5.55% per annum for the first 10 years.

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 term until maturity at a fixed rate of 5.80% per annum.

11 Called up share capital

	2006 £'000	2005 £'000
Authorised		
10,000,000 (2005: 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 (2005: 4,000,100) Ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

12 Reconciliation of shareholder's funds and movements on reserves

	Ordinary share capital £'000	Capital Contribution £'000	Profit and loss account £'000	Total shareholder's funds £'000
Shareholder's funds at 1 Jan 2006	4,000	0	803	4,803
Profit for the year	-	-	826	826
Capital contributions	-	20,000	-	20,000
Shareholder's funds at 31 Dec 2006	<u>4,000</u>	<u>20,000</u>	<u>1,629</u>	<u>25,629</u>

During the year the company received a £20m capital contribution from its parent, 4073649 Canada Inc.

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2006

13 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 Corporation of Canada, is incorporated in Canada. In the directors' opinion Power Corporation of Canada is the controlling party. The parent of the smallest group was Canada Life Capital Corporation Inc. The immediate parent company is 4073649 Canada Inc.

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