

**CANADA LIFE FINANCE (U.K.) LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

THURSDAY



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COMPANIES HOUSE

**Registered Number 4493576**

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**CANADA LIFE FINANCE (U.K.) LIMITED**  
**Report and financial statements for the year ended 31 December 2007**

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**CANADA LIFE FINANCE (U.K.) LIMITED**

**Report and financial statements for the year ended 31 December 2007**

**Directors and Advisers**

**Directors**

I Gilmour  
H C Snow  
N J Glover

**Company Secretary**

Vacant

**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 2007**

#### **Directors' Report for the year ended 31 December 2007**

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 2007.

#### **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.

I Gilmour  
H C Snow  
N J Glover

#### **Results and Dividends**

The profit after tax for the year was £1,738k (2006 £826k). No dividend is proposed for the year (2006 £nil). £1,738k (2006 £826k) will be transferred to reserves.

#### **Business Review**

During 2007 the company entered into a financing arrangement with a fellow group undertaking which enabled it to accelerate the receipt of loan interest on favourable terms.

#### **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.

Interest rate risk arises from the potential change in the LIBOR rate, and the effect this will have on the loan repayments the company owes to CLH International Capital Management Hungary Limited. The company does not consider this risk material as it is mitigated by the repayments that Canada Life Limited owes.

The company does not use hedge accounting.

## **CANADA LIFE FINANCE (U.K.) LIMITED**

### **Report and financial statements for the year ended 31 December 2007**

#### **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**

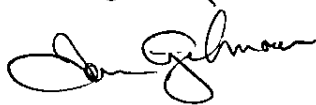
Each of the persons who is a director at the date of approval of this report confirms that

- (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  
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**

17 October 2008

## **CANADA LIFE FINANCE (U.K.) LIMITED**

### **Report and financial statements for the year ended 31 December 2007**

#### **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, 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 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 2007 which comprise the profit and loss account, balance sheet and 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**

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 judgements 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.

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## **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 2007 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  
17 October 2008



**CANADA LIFE FINANCE (U.K.) LIMITED****Report and financial statements for the year ended 31 December 2007****Profit and Loss Account****for the year ended 31 December 2007**

|   | Notes | 2007<br>£'000 | 2006<br>£'000 |
|---|-------|---------------|---------------|
| Interest receivable and similar income                                    | 3     | 8,009         | 5,779         |
| Interest payable  | 4     | (6,288)       | (4,591)       |
| Administration expenses   |       | (81)          | (8)           |
| <b>Operating profit and profit on ordinary activities before taxation</b> | 2     | 1,640         | 1,180         |
| Tax on profit on ordinary activities                                      | 5     | 98            | (354)         |
| <b>Profit for the financial year</b>                                      |       | 1,738         | 826           |

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 2007**

**Balance Sheet**  
**at 31 December 2007**

|   | Notes | 2007<br>£'000   | 2006<br>£'000   |
|---|-------|-----------------|-----------------|
| <b>Current Assets</b>   |       |                 |                 |
| Debtors – amounts falling due within one year                   | 8     | 104             | 6               |
| Debtors – amounts falling due after more than one year          | 9     | 120,000         | 120,000         |
| Cash at bank and in hand  |       | 8,125           | 2,932           |
| <b>Creditors - amounts falling due within one year</b>          | 10    | <u>(4,862)</u>  | <u>(1,309)</u>  |
| <b>Net Current Assets</b>                                       |       | 123,367         | 121,629         |
| <b>Total assets less current liabilities</b>                    |       | 123,367         | 121,629         |
| <b>Creditors – amounts falling due after more than one year</b> | 11    | <u>(96,000)</u> | <u>(96,000)</u> |
| <b>Net Assets</b>   |       | <u>27,367</u>   | <u>25,629</u>   |
|   |       |                 |                 |
|   |       | 2007<br>£'000   | 2006<br>£'000   |
| <b>Capital and Reserves</b>                                     |       |                 |                 |
| Called up share capital   | 12    | 4,000           | 4,000           |
| Capital contribution  | 13    | 20,000          | 20,000          |
| Profit and loss account   |       | <u>3,367</u>    | <u>1,629</u>    |
| <b>Shareholder's funds</b>                                      | 14    | <u>27,367</u>   | <u>25,629</u>   |

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



I Gilmour  
**Director**

17 October 2008

## **CANADA LIFE FINANCE (U.K.) LIMITED**

### **Notes to the financial statements for the year ended 31 December 2007**

#### **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. 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 FRS 1, Cash Flow Statements, not to present a cash flow statement. The subsidiary is consolidated within the Great-West Lifeco Inc group of companies and ultimately 100% controlled by Power Corporation of Canada. The consolidated financial statements in which the subsidiary undertakings are included are publicly available (see Note 14).

##### **Subordinated loans to group undertakings**

Subordinated loans to group undertakings, detailed in Note 9 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 11 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 FRS 8, Related Party Disclosures, not to disclose transactions between entities, 100% of whose voting rights are controlled by Great-West Lifeco Inc and ultimately by Power Corporation of Canada.

##### **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 2007****2 Operating profit**

Operating profit is stated after charging

|   | 2007<br>£'000 | 2006<br>£'000 |
|---|---------------|---------------|
| Auditors' remuneration in respect of audit services | <u>7</u>      | <u>4</u>      |

**3 Interest receivable and similar income**

|  | 2007<br>£'000 | 2006<br>£'000 |
|--|---------------|---------------|
| Interest on loans to group undertaking | 7,728         | 5,694         |
| Short term deposit interest            | 273           | 38            |
| Bank interest                          | 8             | 47            |
|  | <u>8,009</u>  | <u>5,779</u>  |

**4 Interest payable**

|  | 2007<br>£'000 | 2006<br>£'000 |
|--|---------------|---------------|
| Interest on loans from group undertaking | <u>6,288</u>  | <u>4,591</u>  |

**5 Tax on profit on ordinary activities**

|   | 2007<br>£'000 | 2006<br>£'000 |
|---|---------------|---------------|
| UK corporation tax at 30% (2006 30%) based on the profit for the year | <u>(98)</u>   | <u>354</u>    |
| Reconciliation of tax (credit) / charge for the year                  |               |               |
| Profit on ordinary activities before taxation                         | <u>1,640</u>  | <u>1,180</u>  |
| Corporation tax at 30%(2006 30%) thereon                              | 492           | 354           |
| Non taxable income  | <u>(590)</u>  | <u>-</u>      |
|   | <u>(98)</u>   | <u>354</u>    |

**6 Employee information**

There were no individuals (including directors) employed by the company during the year (2006 nil)

**7 Directors' emoluments**

None of the directors received remuneration for their services as directors of the company (2006 £nil)

**CANADA LIFE FINANCE (U.K.) LIMITED****Notes to the financial statements for the year ended 31 December 2007****8 Debtors - amounts falling due within one year**

|                            | 2007<br>£'000 | 2006<br>£'000 |
|----------------------------|---------------|---------------|
| Corporation tax receivable | 98            | -             |
| Other debtors              | 6             | 6             |
|                            | <u>104</u>    | <u>6</u>      |

**9 Debtors – amounts falling due after more than one year**

|                             | 2007<br>£'000  | 2006<br>£'000  |
|-----------------------------|----------------|----------------|
| Loans to group undertakings | <u>120,000</u> | <u>120,000</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.

**10 Creditors - amounts falling due within one year**

|                                    | 2007<br>£'000 | 2006<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 4,453         | 370           |
| Withholding tax payable            | 336           | 585           |
| Corporation tax payable            | -             | 354           |
| Accruals                           | 73            | -             |
|                                    | <u>4,862</u>  | <u>1,309</u>  |

On 28 September 2007 the company entered into an agreement with Canada Life International Re Limited to sell the right to future interest receivable by it over a set period of time on loans advanced to Canada Life Limited. Under the terms of the agreement both parties had the option to transfer the right to interest back to the company in exchange for a payment from the company equal to the original sale proceeds less interest received plus an interest charge calculated on the reducing balance. The amount determined as at 31 December 2007 was £3.8m and is included with in the amounts owed to group undertakings. Subsequent to the year end the Option was exercised by Canada Life International Re Limited on 20 June 2008.

**CANADA LIFE FINANCE (U.K.) LIMITED****Notes to the financial statements for the year ended 31 December 2007****11 Creditors – amounts falling due after more than one year**

|                                    | 2007<br>£'000 | 2006<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | <u>96,000</u> | <u>96,000</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.

**12 Called up share capital**

|  | 2007<br>£'000 | 2006<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>  |               |               |
| 10,000,000 (2006: 10,000,000) Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |
| <b>Allotted, called up and fully paid</b>                |               |               |
| 4,000,100 (2006: 4,000,100) Ordinary shares of £1 each   | <u>4,000</u>  | <u>4,000</u>  |

**13 Reconciliation of shareholder's funds and movements on reserves**

|                          | Ordinary<br>share capital | Capital<br>Contribution | Profit and<br>loss account | Total         | Total         |
|--------------------------|---------------------------|-------------------------|----------------------------|---------------|---------------|
|                          | £'000                     | £'000                   | £'000                      | 2007<br>£'000 | 2006<br>£'000 |
| At beginning of the year | 4,000                     | 20,000                  | 1,629                      | 25,629        | 4,803         |
| Profit for the year      | -                         | -                       | 1,738                      | 1,738         | 826           |
| Capital contributions    | -                         | -                       | -                          | -             | 20,000        |
| At end of the year       | <u>4,000</u>              | <u>20,000</u>           | <u>3,367</u>               | <u>27,367</u> | <u>25,629</u> |

## **CANADA LIFE FINANCE (U.K.) LIMITED**

### **Notes to the financial statements for the year ended 31 December 2007**

#### **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 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.