

CANADA LIFE FINANCE (U.K.) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**



Registered Number 4493576

CANADA LIFE FINANCE (U.K.) LIMITED

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CANADA LIFE FINANCE (U.K.) LIMITED

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

Auditor

Deloitte LLP
London

CANADA LIFE FINANCE (U.K.) LIMITED

Directors' Report for the year ended 31 December 2010

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 2010

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 £377k (2009 £1,085k). No dividend is proposed for the year (2009 £nil). £377k (2009 £1,085k) will be transferred to reserves.

Business review

During 2010 the company received interest on loans from Canada Life Limited and paid interest on loans to CLH International Capital Management Hungary Limited.

The company is a wholly owned subsidiary of Canada Life Financial Corporation (CLFC), incorporated in Canada. CLFC manages its operations on a divisional basis.

The performance of the European division of CLFC, which includes Canada Life Limited, is discussed in the Annual Report of CLFC which does not form part of this report. The complete Annual Report of CLFC is available at www.canadalife.com.

The directors believe that an understanding of the development, performance and position of the business is more useful when viewed on the same basis as that used to manage operations, and reference should be made to key performance data included within the Annual Report of CLFC.

CANADA LIFE FINANCE (U.K.) LIMITED

Directors' Report for the year ended 31 December 2010 (continued)

Principal risks, uncertainties and financial instruments

Financial risks are the principal risks of the company. 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.

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.

Auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



I Gilmour

Director

Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA

Date 14 July 2011

CANADA LIFE FINANCE (U.K.) LIMITED

Directors' Responsibilities Statement

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Independent Auditor's 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 2010 which comprise the profit and loss account, balance sheet and related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

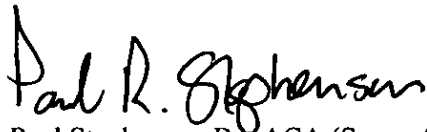
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Stephenson BA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

Date 14 JULY 2011

CANADA LIFE FINANCE (U.K.) LIMITED

Profit and Loss Account for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Interest receivable and similar income	3	5,834	6,368
Interest payable	4	(4,407)	(4,856)
Administration expenses		(8)	(5)
Operating profit and profit on ordinary activities before taxation	2	1,419	1,507
Tax on profit on ordinary activities	5	(1,042)	(422)
Profit for the financial year		377	1,085

The results for the current and preceding years are from continuing operations

The notes on pages 10 to 14 form an integral part of these financial statements

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

CANADA LIFE FINANCE (U.K.) LIMITED

Balance Sheet at 31 December 2010

	Notes	2010 £'000	2009 £'000
Current Assets			
Debtors – amounts falling due after more than one year	8	120,000	120,000
Cash at bank and in hand		8,768	7,336
Creditors - amounts falling due within one year	9	<u>(2,569)</u>	<u>(1,514)</u>
Net Current Assets		126,199	125,822
Total assets less current liabilities		126,199	125,822
Creditors – amounts falling due after more than one year	10	<u>(96,000)</u>	<u>(96,000)</u>
Net Assets		<u>30,199</u>	<u>29,822</u>
		2010 £'000	2009 £'000
Capital and Reserves			
Called up share capital	11	4,000	4,000
Capital contribution	12	20,000	20,000
Profit and loss account		<u>6,199</u>	<u>5,822</u>
Shareholder's funds	12	<u>30,199</u>	<u>29,822</u>

The notes on pages 10 to 14 form an integral part of these financial statements

The financial statements of Canada Life Finance (UK) Limited (registered number 4493576) were approved by the Board of Directors, authorised for issue and were signed on its behalf by



I Gilmour
Director

Date 14 July 2011

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2010

1 Principal accounting policies

Basis of preparation

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.

The Directors' Report outlines the company's activities, performance, principal risks, uncertainties and financial risk management objectives. Having regard to the company's financial position, its expected performance in the future, and having made appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 13).

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 and 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.

CANADA LIFE FINANCE (U.K.) LIMITED
Notes to the financial statements for the year ended 31 December 2010

1 Principal accounting policies (continued)

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

	2010 £'000	2009 £'000
Auditor's remuneration in respect of audit services	<u>3</u>	<u>3</u>

3 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest on loans to group undertaking	5,791	6,294
Short-term deposit interest	<u>43</u>	<u>74</u>
	<u>5,834</u>	<u>6,368</u>

4 Interest payable

	2010 £'000	2009 £'000
Interest on loans from group undertaking	<u>4,407</u>	<u>4,856</u>

5 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
UK corporation tax at 28% (2009 28%) based on the profit for the year	<u>1,042</u>	<u>422</u>
Reconciliation of tax charge for the year		
Profit on ordinary activities before taxation	<u>1,419</u>	<u>1,507</u>
Corporation tax at 28% (2009 28%) thereon	397	422
Prior year adjustment	<u>645</u>	<u>-</u>
	<u>1,042</u>	<u>422</u>

Under the provisions of the Finance (No 2) Act 2010, the rate of corporation tax reduced from 28% to 27% from 1 April 2011. Following a resolution passed in the House of Commons on 29 March 2011 under the Provisional Collection of Taxes Act 1968, the further reduction to 26% from 1 April 2011, as announced in the March 2011 Budget, is regarded as substantively enacted.

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2010

5 Tax on profit on ordinary activities (continued)

In Addition, in the March 2011 Budget, the UK government signalled its intention to reduce further the rate of corporation tax by a further 1% in each of the next three years to 23% for the financial year commencing 1 April 2014

As a consequence, the tax expense as a percentage of the pre-tax profits is expected to be lower in future periods

6 Employee information

There were no individuals (including directors) employed by the company during the year (2009 none)

7 Directors' emoluments

The directors of this company have served during the year as directors of fellow subsidiaries This remuneration was incurred by CLFIS (UK) Limited, a fellow subsidiary of The Canada Life Group (UK) Limited The directors do not believe that it is possible to apportion the total remuneration between their services as directors of the company and their services as directors of entities whose businesses form part of the group Accordingly the whole remuneration for the year is disclosed in the accounts of CLFIS (UK) Limited

8 Debtors – amounts falling due after more than one year

	2010 £'000	2009 £'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 at GBP LIBOR plus 2.90%

An £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 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 at a fixed rate of 5.90% per annum

CANADA LIFE FINANCE (U.K.) LIMITED**Notes to the financial statements for the year ended 31 December 2010****9 Creditors - amounts falling due within one year**

	2010 £'000	2009 £'000
Amounts owed to group undertakings	1,111	676
Corporation tax payable	1,458	838
	<u>2,569</u>	<u>1,514</u>

10 Creditors – amounts falling due after more than one year

	2010 £'000	2009 £'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.

11 Called up share capital

	2010 £'000	2009 £'000
Allotted, called up and fully paid		
4,000,100 (2009: 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	Capital contribution	Profit and loss account	Total	Total
	£'000	£'000	£'000	2010 £'000	2009 £'000
At beginning of the year	4,000	20,000	5,822	29,822	28,737
Profit for the year			377	377	1,085
At end of the year	<u>4,000</u>	<u>20,000</u>	<u>6,199</u>	<u>30,199</u>	<u>29,822</u>

CANADA LIFE FINANCE (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2010

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.