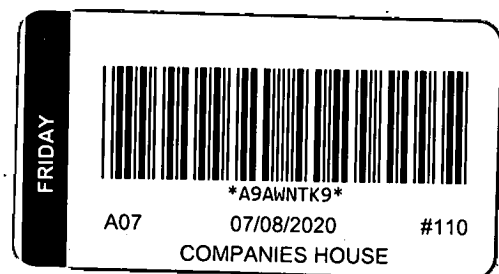


THE CANADA LIFE GROUP (U.K.) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



Registered Number 02228475

THE CANADA LIFE GROUP (U.K.) LIMITED

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THE CANADA LIFE GROUP (U.K.) LIMITED

Directors and advisers

Directors

M Campbell
C Hayes
P Mahon
S McArthur
N Moss
D Netherton
R Orr
S Vanaselja

Company Secretary

L Rodriguez

Registered Office

Canada Life Place
Potters Bar
Hertfordshire
EN6 5BA
England

Registered Number

02228475

Independent Auditor

Deloitte LLP
London

THE CANADA LIFE GROUP (U.K.) LIMITED

Strategic report for the year ended 31 December 2019

Principal Activity

The Canada Life Group (U.K.) Limited ("the Company") ("CLG") is an indirect wholly-owned subsidiary of The Canada Life Assurance Company (incorporated in Canada) and is the parent company of a group of companies whose principal activities during the year were transacting of ordinary long-term life assurance business and investment management business. This will continue to be the main activity for the foreseeable future.

Business Review

During 2019, the company continued to act as a holding company.

Profit for the year is £135.5m (2018: £503.1m). The decrease is mainly due to the impairment of MGM Advantage Life (MGMA) following the Part VII transfer of the assets and liabilities of this business to Canada Life Limited on 1st January 2020.

The company continued to invest in Financial Investments (Bonds and a Guaranteed Liquidity Fund) during the year in line with its Investment Mandate.

Key Performance Indicators

	2019	2018	2017
	£m	£m	£m
Investments in group undertakings	2,730.1	2,902.1	2,718.8
Profit attributable to shareholders	135.5	503.1	332.8
Dividends paid	289.6	288.6	288.6

Corporate Activity

Transfer of businesses within CLG

In March 2019, a company reorganisation took place whereby the reinsurance business (Canada Life Re Ireland dac) and the international business (Canada Life International Assurance (Ireland) dac) were transferred out of the direct ownership of CLG, into the ownership of Canada Life Irish Holding Company Limited (CLIHC), a subsidiary of CLG. This is to ensure that post-Brexit all EU based businesses continue to report up through an EU based holding company, which will be subject to group supervision by the Central Bank of Ireland.

Purchase of Jung DMS & Cie (JDC) Group AG

In Q4 2019, CLIHC completed the purchase of 28% of JDC Group AG, a German financial advice and technology company. JDC Group AG provides financial advice and intelligent financial technology for advisors and customers in Germany. In the "AdvisorTech" business arena, via its subsidiary Jung, DMS & Cie., it provides customers and advisors with modern advisory and administration technology. In the "Advisory" segment, it procures financial products for private customers via free advisors using the FiNUM Group of companies. With over 16,000 connected sales partners, a portfolio of more than EUR 4.5 billion and over EUR 1.5 billion in product sales each year, it is one of the market leaders in the German speaking region.

Sale of heritage block of business in Canada Life Limited

Following the announcement in June 2018 to sell a heritage block of business to Scottish Friendly, Canada Life Limited completed the sale under Part VII of the Financial Services and Markets Act 2000. Policies to the value of £2.4bn, comprising unit-linked policies of £1.9bn and non-unit-linked policies of £0.5bn, were transferred on 1 November 2019, the scheme effective date.

Strategic report for the year ended 31 December 2019 (Continued)

THE CANADA LIFE GROUP (U.K.) LIMITED

Corporate Activity (Continued)

Integration of MGM Advantage Life

On 1 January 2020, Canada Life Limited completed the integration of the insurance business of MGMA, a wholly-owned subsidiary of CLG. As the effective date of transfer is after the date of this report, no account has been taken of the MGMA business in the books of Canada Life Limited. The principal activity of MGMA in the United Kingdom is the provision of retirement income solutions including annuity and drawdown business and equity release lifetime mortgages (ERMs) which are originated through its sister company Stonehaven UK Ltd.

Outlook

The ongoing coronavirus pandemic (COVID-19) is an emerging risk to which the Company is exposed. The Company is monitoring the situation closely, including carrying out stress and scenario testing, which include both pandemic and economic shock scenarios, and has made preparations to ensure that it will continue to operate effectively while ensuring the safety and well-being of customers, employees and wider communities. Continuity plans are in operation with employees working remotely to ensure their safety and maintain service levels to customers. Further details are disclosed in Note 18.

Principal risks and uncertainties

The ongoing coronavirus pandemic (COVID-19) is an emerging situation that increases the exposure to some of the risks already identified in this section but particularly operational and credit risk.

Management have taken action to mitigate the operational risks and enable the Company to continue to conduct its business activities effectively while ensuring the safety and well-being of customers, employees and wider communities. Continuity plans are in operation with employees working remotely to ensure service levels to customers are maintained.

The Company's strong capital position, combined with a high quality and well diversified investment portfolio, means that it is able to withstand the financial impacts of credit deterioration in credit markets. Stress and scenario testing shows we can withstand a range of events including pandemics, economic downturns and property market events. Management is also monitoring developments for any further deterioration. Further details are disclosed in Note 15.

Financial risk

The Company is exposed to financial risk through its investments held at market value which may fluctuate.

Liquidity Risk

The Company is exposed to liquidity risk if cash received via dividends from subsidiaries is insufficient to pay expenses as they fall due.

Foreign Currency Risk

The Company receives some dividend income in a foreign currency and is therefore subject to exchange rate fluctuations.

Credit risk

The Company is exposed to the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Financial Statements as at 31 December 2019 have been prepared in accordance with the Financial Reporting Standard 102 ("FRS 102").

THE CANADA LIFE GROUP (U.K.) LIMITED

Strategic report for the year ended 31 December 2019 (Continued)

Section 172(1) Statement

The directors of the Company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to (amongst other matters) those laid out in Section 172 of the Companies Act 2006.

The Board is collectively responsible for the long-term success of the Company and its subsidiaries. It sets Company values and culture and ensures that obligations to its shareholder, customers and other stakeholders are understood and met.

The Company's workforce is employed by a service company within the Group. The Company has a general Staff Forum which meets quarterly. The aim of the forum is to represent the views of the workforce, communicate with management, provide feedback to the workforce and consult with them on key issues. The Company also conducts a workforce engagement survey every year. The responses to this survey are presented to the Board which provides an important level of feedback. This helps to identify aspects of the business which the Company may need to improve on as well as those which it is implementing successfully.

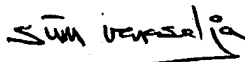
Engagement is sought from the workforce through an Employee Consultation Forum (ECF). The purpose of the ECF is to give the Company's workforce (through their elected representatives) the opportunity to work collectively and collaboratively with management to understand, support and influence proposals which may impact the workforce and the wider business.

The Company understands the importance of strong supervision and fosters open and transparent relationships with both its UK and overseas regulators. Proactive engagement ensures we stay ahead of any new regulations and can react and implement changes efficiently and effectively.

The Company makes every effort to ensure it works with suppliers in line with their Code of Conduct and the supply chain is assessed with regard to the Modern Slavery Act 2015. Outsourcing arrangements and professional service contracts are governed by an Outsourcing and Supplier Risk Operating Policy and Standard. Suppliers are treated fairly with regular communication and timely financial payments. Vital suppliers are assigned a relationship manager to maintain open dialogue and implement regular monitoring and assessment to ensure the continued effectiveness of the arrangement.

The Company takes its charitable giving responsibilities seriously – both in the communities it operates in and also at a national level to support important causes throughout the year. Donations are carried out through the Group's Service Company. During the year donations were made through the workforce nominated charity scheme with further amounts being raised at fundraising events held across the UK offices. In 2019 the Company launched its new Sustainability Group, which has launched a number of initiatives to help make Canada Life more environmentally friendly. These included reducing the use of plastic cups in the office and switching to 100% renewable energy sources.

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



Director S Vanaselja
Canada Life Place, Potters Bar, Hertfordshire EN6 5BA

Date: 26th May 2020

Directors' report for the year ended 31 December 2019

THE CANADA LIFE GROUP (U.K.) LIMITED

The directors of the Company present their annual report and audited financial statements for the year ended 31 December 2019.

1 Principal activity and future developments

The Company is the parent company of a group of companies whose principal activity during the year was transacting of ordinary long-term life assurance business and investment management business. This will continue to be the main activity for the foreseeable future.

2 Results and dividends

The profit after tax for the year was £135.5m (2018: £503.1m). Interim dividends of £289.6m were proposed and paid during the year (note 16) (2018: £288.6m) and no final dividend is proposed (2018: nil).

3 Directors

The names of the persons who were directors during the year and up to the date of this report are set out below.

M Campbell
C Hayes
A Jamal
2020

Resigned 27th February

P Mahon
S

McArthur

N Moss
D Netherton
R
Orr

S Vanaselja

4 Political contributions

During the year the company made political contributions of £nil (2018: £nil).

5 Financial Instruments

Details of financial instruments are included in Note 3D and form part of this report by cross-reference.

6 Auditor

THE CANADA LIFE GROUP (U.K.) LIMITED

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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Directors' report for the year ended 31 December 2019 (continued)

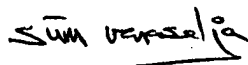
6 Auditor (continued)

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

7 Events occurring after the reporting period

The details of events occurring after the reporting period are presented in Note 18, while their impacts on consideration of the Company's Going Concern status are presented in Note 3A.

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



Director S
Vanaselja

Canada Life Place, Potters Bar, Hertfordshire EN6 5BA

Date: 26th May 2020

THE CANADA LIFE GROUP (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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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, 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE CANADA LIFE GROUP (U.K.) LIMITED

Independent auditor's report to the members of The Canada Life Group (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Canada Life Group (U.K.) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

THE CANADA LIFE GROUP (U.K.) LIMITED

Independent auditor's report to the members of The Canada Life Group (U.K.) Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

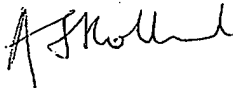
We have nothing to report in respect of these matters.

THE CANADA LIFE GROUP (U.K.) LIMITED

Independent auditor's report to the members of The Canada Life Group (U.K.) Limited (continued)

Use of our report

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.



Andrew Holland FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
Date: 26th May 2020

THE CANADA LIFE GROUP (U.K.) LIMITED

Income Statement for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Investment return	8	1,204.7	1,167.5
Administrative expenses		(4.9)	(6.0)
Impairment of investment in subsidiary	11	(1,054.6)	(650.0)
Interest payable		(16.4)	(16.2)
Interest receivable		3.8	4.0
Operating profit and profit on ordinary activities before taxation	5	132.6	499.3
Tax on profit on ordinary activities	9	2.9	3.8
Profit on ordinary activities after taxation		135.5	503.1

All amounts derive from continuing operations.

The notes on pages 15 to 34 form an integral part of these financial statements.

The company has no recognised gains or losses other than those included in the income statement above for the current or the preceding year and consequently no statement of other comprehensive income is presented.

THE CANADA LIFE GROUP (U.K.) LIMITED

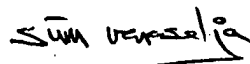
Statement of Financial Position at 31 December 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Financial Investments	10	242.1	209.1
Investments in group undertakings	11	2,730.1	2,902.1
Current assets			
Current tax asset		5.5	3.4
Cash at bank and in hand		79.7	98.3
Other debtors and accrued income		1.9	1.6
Creditors - amounts falling due within one year	13	(0.9)	(2.0)
Net Current Assets		86.2	101.3
Debtors – amounts falling due after more than one year	12	78.4	78.4
Creditors – amounts falling due after more than one year	13	(325.1)	(325.1)
Net assets		<u>2,811.7</u>	<u>2,965.8</u>
Capital and reserves			
Called up share capital	14	404.2	404.2
Share premium		1,605.2	1,605.2
Capital contribution		597.7	597.7
Profit and loss account		204.6	358.7
Shareholders' funds – equity interests		<u>2,811.7</u>	<u>2,965.8</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

The financial statements of the Company (registered number 02228475) were approved by the Board of Directors and authorised for issue on

They were signed on its behalf by:



Director **S Vanaselja**

Date: 26th May 2020

THE CANADA LIFE GROUP (U.K.) LIMITED

Statement of change in equity for the year ended 31 December 2019

	Ordinary share capital	Share premium account	Capital contribution	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 1 January 2018	404.2	1,605.2	597.7	144.2	2,751.3
Profit and total comprehensive income attributable to shareholders	-	-	-	503.1	503.1
Dividend paid (Note 16)	-	-	-	(288.6)	(288.6)
At end of the year	404.2	1,605.2	597.7	358.7	2,965.8
Balance at 1 January 2019	404.2	1,605.2	597.7	358.7	2,965.8
Profit and total comprehensive income attributable to shareholders	-	-	-	135.5	135.5
Dividend paid (Note 16)	-	-	-	(289.6)	(289.6)
At end of the year	404.2	1,605.2	597.7	204.6	2,811.7

All shareholders' funds are attributable to equity shareholders.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

1 Principal accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

1A General information

The Company is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA, England. The company is a wholly owned subsidiary of The Canada Life Assurance Company (incorporated in Canada).

The company is the parent of a group of companies whose principal activities during the year were transacting of ordinary long-term life assurance business and investment management business. This will continue to be the main activity for the foreseeable future.

The functional currency of the company is pounds sterling because that is the currency of the primary economic environment in which the company operates.

2 Statement of Compliance

The Financial Statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including FRS102 and the Companies Act 2006.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to presentation of cash flow statement, intra-group transactions and remuneration of key management personnel.

3 Principal accounting information

The principal accounting policies applied in the preparation of these Financial Statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with applicable law and United Kingdom Accounting Standards, including FRS 102. The particular accounting policies adopted by the directors are described below.

Basis of consolidation

The financial statements present information about the company as an individual undertaking as it is exempt from the obligation to prepare consolidated financial statements under section 401 of the Companies Act 2006. The company's results are included in the consolidated financial statements of The Canada Life Assurance Company, a company incorporated in Canada.

Going concern

The Strategic report outlines the company's activities, principal risks and uncertainties. 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.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

A. Basis of preparation (continued)

As a European group with predominantly domestically focused businesses in the UK, Ireland and Germany, the Company's operating model and strategy is not materially impacted by the UK's withdrawal from the EU. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Strategic Report outlines the Company's activities, performance, principal risks, uncertainties and financial risk management objectives. Note 15 to the financial statements sets out the Company's policies and procedures for managing insurance and financial risk and the Statement of Financial Position sets out the Company's capital resources. The Company has taken into consideration the recent COVID-19 outbreak when undertaking its Going Concern assessment and further details are outlined in Note 18. As a holding company of largely domestic focused businesses in UK, Ireland and Germany, the Company's operating model and strategy is not materially impacted by the UK's withdrawal from the EU. 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.

Cash Flow Statement

Advantage has been taken of the exemption under FRS 102 1.12(b), Cash Flow Statements, not to present a cash flow statement, as the company 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 (see Note 19).

Transaction with related parties

Advantage has been taken under FRS 102 33 1(A), Related Party Disclosures, not to disclose transactions between entities, 100% of whose voting rights are controlled within the Great-West Lifeco Inc group of companies (see Note 16).

Key Management Personnel

Advantage has been taken under FRS 102 33.7 to disclose key management personnel compensation in total. The directors' emoluments are disclosed as per Companies Acts 2006.

B. Dividends received from group undertakings

Dividends received from group undertakings comprise ordinary share dividends received from subsidiary undertakings.

C. Investments in group undertakings

Investments in subsidiaries are held at cost less accumulated impairment losses. The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. No other significant judgements or material estimates have been made in applying the accounting policies.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

D. Financial instruments

The Company has chosen to adopt the section 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and cash equivalent, loans and receivables, are initially recognised at transaction price, unless the arrangement constitute a financing transaction where the transaction is measured at present value of futures receipts discounted at market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

Other financial assets

Other financial assets, including investment in equity instruments, which are not subsidiaries, associates or Joint Ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Income Statement. The company has classified its other financial assets as debts and other fixed income securities at fair value through profit and loss.

The fair value of other financial assets is calculated based on paragraph 11.27 of FRS 102:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable for the asset or liability.

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the company commits to purchase or sell the asset. Purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

A financial asset is derecognised when the contractual right to receive cash flows expires or when the asset, together with substantially all the risks and rewards of ownership, has been transferred.

Financial liabilities and equity

Basic financial liabilities, including trade and other payable, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where a debt instruments is measured at present value of future receipts discounted at market rate of interest.

Debt instruments that are payable or receivable within one year shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the profit and loss account unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the company.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

D. Financial instruments (continued)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

E. Investment income

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses.

Dividends are included as investment income on the date that the shares are quoted ex-dividend and include the imputed tax credits. Interest, rent and expenses are accounted for on an accruals basis.

Realised gains and losses on investments

Realised gains and losses on investments carried at fair value are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value.

Unrealised gains and losses on investments

Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

F. Current taxation

Current tax expense is based on the taxable profits for the year, at rates that have been enacted at the balance sheet date after any adjustments in respect of prior years. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

G. 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, but only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

H. Foreign currencies

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Non-monetary items at historical cost are translated using the exchange rate at the date of transaction, and non-monetary assets measured at fair value are translated using the exchange rate when the fair value was determined. All differences are taken to the income statement.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

I. Dividends

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the Board of Directors passing a written resolution.

4 Critical accounting judgements and estimation uncertainty

A. Critical judgements in applying the accounting policies

There are no significant judgements in accounting policies to disclose.

B. Key sources of estimation uncertainty

Assessing impairment of investments in group undertakings

The Company assesses at each balance sheet date whether there is objective evidence that any financial asset or subsidiary undertaking not carried at fair value is impaired. Such an asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement for the period. If an investment carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the income statement for the period.

The Company's policies for assessing impairment are disclosed in Notes 3C.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

5 Operating profit

Operating profit is after charging:

	2019 £'000	2018 £'000
Fees payable to the company's auditors and their associates for the audit of the company's annual accounts	55	53
Fees payable to the company's auditors and their associate for audit related assurance services to the company	82	84
Fees	<u>137</u>	<u>137</u>
Impairment of investment in subsidiary	<u>1,054,577</u>	<u>650,000</u>

6 Staff costs

The company had no employees during the year (including directors) (2018: none).

All contracts of employment with the company are held with CLFIS (U.K.) Limited ("CLFIS"), Canada Life Group Services Limited and Irish Life Group Services Limited, subsidiaries of the company. The associated costs are recharged back to the company, where appropriate.

7 Directors' emoluments

Certain directors of this company have served during the year as directors of other companies within the Great-West Lifeco Inc. group of companies, and their remuneration has been paid by other group companies. These directors do not consider that it is possible to apportion their remuneration between their services as directors of the Company and their services as directors of entities within the group; as such no disclosure is made in relation to their emoluments.

Certain directors of this company have their remuneration paid by CLFIS, a subsidiary of the Company. It is not considered practicable to apportion the emoluments between their services as directors of the Company and their services as directors of other group undertakings. In respect of these directors the aggregate amount of emoluments and fees paid during the year was as follows:

	2019 £'000	2018 £'000
Fees	498	446
Emoluments	<u>-</u>	<u>-</u>
Highest paid director		
Fees	116	90
Emoluments	<u>-</u>	<u>-</u>

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

7 Directors' emoluments (continued)

As at 31 December 2019, the highest paid director had accrued pension benefits of £nil (2018: £nil) (including the defined contribution and defined benefit pension scheme) per annum assuming normal age at retirement.

As at 31 December 2019, no (2018: no) director had accrued retirement benefits.

As at 31 December 2019, none (2018: none) of the company's directors were employed within the UK group of companies.

8 Net Investment return

	2019	2018
	£m	£m
Dividend received from subsidiaries	1,202.5	1,167.1
Income from financial instruments at fair value through profit and loss		
▪ Designated as such on initial recognition	4.3	2.0
Investment income	1,206.8	1,169.1
Unrealised losses from financial instruments at fair value through profit and loss		
▪ Designated as such on initial recognition	(2.1)	(1.5)
Unrealised losses on investments	(2.1)	(1.5)
Realised losses from financial assets at fair value through profit and loss		
▪ Designated as such on initial recognition	0.0	(0.1)
Realised losses on investments	0.0	(0.1)
Investment return	1,204.7	1,167.5

9 Taxation

	2019	2018
	£m	£m
Current year tax credit	(2.9)	(3.4)
Prior year tax charge/(credit)	0.0	(0.4)
Total tax credit for the year	(2.9)	(3.8)

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

9 Taxation (continued)

Reconciliation of tax charge/(credit) for the year

	2019	2018
	£m	£m
Profit on ordinary activities before taxation	132.6	499.3
Corporation tax charge at standard UK Corporation tax rate of 19% (2018: 19%)	25.2	94.9
Non-taxable dividends	(228.5)	(221.8)
Unrelievable expenses		
Prior year adjustment	0.0	(0.4)
Impairment of investment in subsidiary	200.4	123.5
Total tax (credit) for the year	<u>(2.9)</u>	<u>(3.8)</u>

The standard rate of tax applied to reported profit on ordinary activities is 19% (2018: 19%).

The tax attributes which are recognised do not have an expiry date.

10 Investments

Financial Assets

Financial assets designated at fair value through profit and loss

	2019	2018
	£m	£m
• Debts and other fixed income securities	242.1	209.1
	<u>242.1</u>	<u>209.1</u>

For listed financial assets at fair value through profit and loss, fair value is by reference to quoted bid-values or where not available on a model price based upon market observable data.

The table below shows financial assets carried at fair value through profit and loss by valuation method.

	2019	2018
	£m	£m
Quoted prices in active markets (level 1)	-	-
Valuation technique		
Market observable data (level 2)	242.1	209.1
Other than observable market data (level 3)	-	-

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings

At the balance sheet date the company directly or indirectly held investments in the issued ordinary share capital of the following undertakings.

Company	Registered office address	Country of incorporation	Principal activity	Holding %
Life Assurance Companies				
Canada Life Assurance Europe Public Limited Company	14 – 15 Abbey Street Lower, Dublin 1, Ireland	Ireland	Life assurance	100%
Canada Life Dublin dac (formerly Canada Life International Re Designated Activity Company)	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Reinsurance Company.	100%
Canada Life International Assurance (Ireland) Designated Activity Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Life Assurance	100%
Canada Life Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Life assurance	100%
Canada Life Re Ireland DAC	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Reinsurance Company	100%
Irish Life Assurance Public Limited Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Life assurance	100%
Irish Life Health Designated Activity Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Health Insurance	100%
MGM Advantage Life Limited	6th floor, 110 Canon Street, London, EC4N 6EU	United Kingdom	Life assurance	100%
Fund Management Companies				
Canada Life Asset Management Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Investment fund manager	100%
Canada Life Fund Managers (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Fund management	100%
Irish Association of Investment Managers Company Limited by Guarantee	Fitzwilliam Business Centre, 26/27 Prembroke Street Upper, Dublin 2	Ireland	Investment fund manager	7%
Irish Life Investment Managers Limited	Beresford Court, Beresford Place, Dublin 1	Ireland	Investment fund manager	100%

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings (continued)

Company	Registered office address	Country of incorporation	Principal activity	Holding %
Setanta Asset Management Limited	Beresford Court, Beresford Place, Dublin 1	Ireland	Investment fund manager	100%
Summit Asset Managers Limited	Beresford Court, Beresford Place, Dublin 1	Ireland	Fund management	100%
Service Companies				
Canada Life Group Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Service provider	100%
Canada Life Group Services (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Ancillary services	100%
Canada Life Ireland Holdings Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Ancillary services	100%
CLFIS (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Ancillary services	100%
Irish Life Financial Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Insurance intermediary, investment business, mortgage intermediary, life assurance service provider	100%
Irish Life Group Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Administrative service provider	100%
Irish Progressive Services International Limited	Block C, Irish Life Centre, Lower Abbey Street, Dublin 1	Ireland	Life assurance service provider	100%
MGM Advantage Services Limited	6th floor, 110 Canon Street, London, EC4N 6EU	United Kingdom	Ancillary services	100%
Brokerage Companies				
Cornmarket Group Financial Services Limited	Liberties House, Christchurch Square, Dublin 8, D08FP21	Ireland	Insurance brokerage holding company	100%
Cornmarket Insurance Services Limited	1st Floor, Boucher Plaza, 4-6 Boucher Road, Belfast, BT12 6HR	United Kingdom	Insurance brokerage	100%
Cornmarket Retail Trading Limited	Liberties House, Christchurch Square, Dublin 8, D08FP21	Ireland	Insurance brokerage	100%

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings (continued)

Company	Registered office address	Country of incorporation	Principal activity	Holding %
Glohealth Financial Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Health Insurance agency Services	100%
City Life Limited	Unit 2 Nore House Bessboro Road Blackrock Cork	Ireland	Insurance brokerage	75%
EIS Financial Services Limited	6 Clairmont Gardens, Glasgow, G3 7LW	United Kingdom	Activities of insurance agents and brokers	25%
FINUM.PRIVATE Finance Holding GmbH	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Wealth Management	28%
FINUM. Finanzhaus AG	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Wealth Management	28%
FINUM.Pension Consulting GmbH	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Wealth Management	28%
FINUM.Private Finance AG	Tauentzienstrasse 7 b / c 10789 Berlin, Germany	Germany	Wealth Management	28%
FINUM.PRIVATE Finance Holding GmbH	Teinfaltstrasse 4/8, 1010 Vienna, Austria	Austria	Wealth Management	28%
FINUM.Private Finance AG	Krugerstrasse 13 / 4th floor, A-1010 Vienna, Austria	Austria	Wealth Management	28%
JDC Group AG	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Holding company	28%
JDC Geld.de GmbH	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Insurance brokerage	28%
JDC plus GmbH	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Insurance brokerage	28%
JDC B-LAB GmbH	Landstrasse 123, Triesen, 9495 Liechtenstein	Liechtenstein	Financial Technology Company	28%
Jung, DMS & Cie. Aktiengesellschaft	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Insurance brokerage	28%
Jung, DMS & Cie. Fundmatrix AG	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Insurance brokerage	28%
Jung, DMS & Cie. Pro GmbH	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Insurance brokerage	28%

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings (continued)

Company	Registered office address	Country of incorporation	Principal activity	Holding %
Jung, DMS & Cie. Pool GmbH	Kormoranweg 1, 65201 Wiesbaden, Germany	Germany	Insurance brokerage	28%
Jung, DMS & Cie. GmbH	Krugerstrasse 13 / 4th floor, A-1010 Vienna, Austria	Austria	Financial Advisors	28%
Jupoo finance GmbH	Liechtensteinstrasse 63, 1090 Vienna, Austria	Austria	Financial Advisors	14%
ILGAPT Limited	Irish Life Centre, Lower Abbey Street, Dublin 1	Ireland	Wealth Management Consulting Services	100%
Invesco Limited	2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, D18XK37	Ireland	Wealth Management and Pensions Consulting Services	75%
Stonehaven UK Limited	110 Canon Street, London, EC4N 6EU	United Kingdom	Insurance brokerage	100%
Vestone Limited	Liberties House, Christchurch Square, Dublin 8, D08FP21	Ireland	Insurance brokerage holding company	100%
Holding Companies				
Canada Life Europe Investment Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Holding company	100%
Canada Life Europe Management Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Holding company	100%
Canada Life Irish Holding Company Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Holding Company	100%
Irish Life Irish Holdings Unlimited Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Holding company	100%
MGM Advantage Holdings Limited	6th floor, 110 Canon Street, London, EC4N 6EU	United Kingdom	Holding company	100%
Property Management Companies				
Canada Life European Real Estate Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Ancillary services	100%
Choralli Limited	c/o Sky Property Management Limited, 53 Bracken Road, Sandyford, D18N23	Ireland	Property Management	20%

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings (continued)

Company	Registered office address	Country of incorporation	Principal activity	Holding %
City Gate Park Administration Company Limited	1104 City Gate, Mahon Co.Cork	Ireland	Property Management	67%
Dakline Company Limited by Guarantee	c/o Savills commercial (Ireland) Limited, 33 Molesworth Street, Dublin 2	Ireland	Property Management	50%
GD (2,3 & 4) Basement Company Limited	1st Floor, 1 Exchange Place, IFSC, Dublin 1, Ireland, D01R8W8	Ireland	Property Management	100%
Hollins Clough Management Company Limited	Mossley Tax Shop, 2 Lees Road, Mossley, Ashton-Under-Lyne, Lancashire, OL5 0PF	United Kingdom	Property Management	50%
Hotel Operations (Cardiff) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Other letting and operating of own or leased real estate	100%
Hotel Operations (Walsall) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Other letting and operating of own or leased real estate	100%
Padamul Limited	c/o Aramark Property, 5th Floor St Stephens Green House, Earlsfort Terrace, Dublin 2	Ireland	Property Management	6%
SJRQ Riverside IV Management Limited	Fourth Floor, 76 Lower Baggot Street, Dublin 2	Ireland	Property Management	51%
Stephen Court Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Property Management	100%
Synergy Sunrise (Wellington Row) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Property Management	100%
Trustee Companies				
Canada Life SIPP Trustee Company Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Nominee company	100%
Canada Life UK Staff Pension Trustee Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Ancillary services	100%

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings (continued)

Company	Registered office address	Country of incorporation	Principal activity	Holding %
Ilona Financial Group Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	USA	Management Services	100%
ILP Pension Trustees Designated Activity Company	2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, D18XK37	Ireland	Corporate Trustee for Revenue Approved Pension Schemes	75%
Irish Life Trustee Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Management Services	100%
Invesco Trustees Designated Activity Company	2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, D18XK37	Ireland	Pension Trustee for Revenue Approved Pension Schemes	75%
MGM Advantage Life Trustees Limited	110 Canon Street, London, EC4N 6EU	United Kingdom	Ancillary services	100%
Dormant Companies				
CL Abbey Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Dormant	100%
Canada Life Holdings (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Dormant	100%
Canada Life Irish Operations Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Dormant	100%
Canada Life Management (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Dormant	100%
Canada Life Services (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Dormant	100%
Canada Life Trustee Services (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Dormant	100%
Radial Park Management Limited	The Brampton, Newcastle-Under-Lyme, Staffordshire, ST5 0QW	United Kingdom	Dormant	76%

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

11 Group Undertakings (continued)

The investments in subsidiary undertakings are as follows:

		2019 £m	2018 £m
Cost :	At 1 January	3,570.6	2,737.3
	Additions during the year	<u>882.6</u>	<u>833.3</u>
	At 31 December	<u>4,453.2</u>	<u>3,570.6</u>
Provision :	At 1 January	(668.5)	(18.5)
	Movement during the year	<u>(1,054.6)</u>	<u>(650.0)</u>
	At 31 December	<u>(1,723.1)</u>	<u>(668.5)</u>
Carrying value :	At 31 December	<u>2,730.1</u>	<u>2,902.1</u>

The movement in investments in subsidiary is made of the following transactions:

In March 2019, a company reorganisation took place whereby the reinsurance business (Canada Life Re Ireland dac) and the international business (Canada Life International Assurance (Ireland) dac) were transferred out of the direct ownership of CLG, into the ownership of Canada Life Irish Holding Company Limited (CLIHC), a subsidiary of CLG. This was reflected as an increase to and then an equal and opposite impairment to the investment in subsidiaries. This was a common control transaction which had no overall impact on the value of CLG's investment in subsidiaries.

Additionally, CLG made further capital contributions to MGMA during the year, totalling £84m, which are reflected as an increase to the cost of the investment.

CLG performs annual impairment testing on its subsidiaries to ensure that the carrying value of its investments does not exceed its underlying fair value. CLG has decided to impair the value of its holding in MGMA by £255.9m to reflect the underlying fair value of the company in advance of its Part VII transfer into Canada Life Limited.

12 Debtors – amounts falling due after more than one year

	2019 £m	2018 £m
Loans to group undertakings	<u>78.4</u>	<u>78.4</u>

A £78.4m loan was issued to MGM Advantage Holdings Limited, a group undertaking, on 2 January 2018. Interest is payable at a fixed rate of 4.9% per annum if paid in full by the end of the year. Otherwise, the interest is rolled into the loan principal and the applicable rate is 8.3%. The loan term is for 5 years.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

13 Other creditors

	2019 £m	2018 £m
Creditors - amounts falling due within one year		
Other creditors	1.2	1.3
Amounts owed to group undertaking	<u>(0.2)</u>	<u>0.7</u>
Total	<u>1.0</u>	<u>2.0</u>
	2019 £m	2018 £m
Creditors - amounts falling due after more than one year		
Loans to group undertakings	<u>325.1</u>	<u>325.1</u>
Total	<u>325.1</u>	<u>325.1</u>

A £150.9m loan was received from Canada Life Finance (U.K.) Limited, a group undertaking, on 8 July 2013. Interest is payable semi-annually on 30 June and 31 December each year at a fixed rate of 5.5% per annum. The loan may be repaid at the option of the borrower on the business day immediately preceding the tenth anniversary of the drawdown date. If such repayment is not made, interest will be charged at a fixed rate of 5.80% per annum thereafter and there is no time limit for the repayment of the loan.

A £99.2m loan was received from Canada Life Group Holdings Limited, a group undertaking, on 8 July 2013. This loan was assigned by Canada Life Group Holdings Limited to CL Luxembourg Capital Management S.a.r.l., a fellow subsidiary of Canada Life Financial Corporation on 8 July 2013. There were no changes to the terms and conditions of the loan. Interest is payable semi-annually on 30 June and 31 December each year at a fixed rate of 5.25% per annum. The loan may be repaid at the option of the borrower on the business day immediately preceding 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 5.55% per annum. The loan will be repaid in full with accrued interest no later than the business day immediately preceding the thirtieth anniversary of the drawdown date.

A £75m loan was received from CL Luxembourg Capital Management S.a.r.l, a fellow subsidiary of Canada Life Financial Corporation on 20 December 2017. The loan is for a term of thirty years, interest is payable semi-annually on 30 June and 31 December each year at 2.90% above London Inter-bank Offer Rate (LIBOR). The principal amount of the loan is payable on the maturity date together with arrears of interest, if any, and any other accrued and unpaid interest thereon to the maturity date.

Under Solvency II regulations, any amount which falls due for payment under the terms of these loans is conditional upon the Company complying with the Solvency Capital Requirements and Minimum Capital Requirements of these regulations. Also the repayment of the loans is subject to no objection being received from the PRA.

14 Called up share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
Equity interest		
404,154,721 (2018: 404,154,721) ordinary shares of £1 each	<u>404.2</u>	<u>404.2</u>

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

15 Risk management objectives and policies for mitigating risks

The risk management objective is to manage risks in accordance with the company's risk appetite and business strategy. The company's risk management policies and the processes for identifying risks include identification and control of financial and other risks. The key components are:

- Financial risk
- Liquidity risk
- Foreign currency risk
- Credit risk

For each of the risks above, the company determines its risk appetite and sets its policies accordingly. Risk policy is documented including the actions to mitigate those risks. A summary of how each risk is mitigated is provided below with quantitative information on the exposure to that risk, where appropriate.

Risk owners are assigned to manage these risks and there are key process controls to identify, assess, report, monitor and mitigate these risks.

Financial risk

The largest financial risk the company faces is the risk of loss arising from the impairment in the values of the subsidiaries that the company holds. The financial risks of these subsidiaries include insurance risk, credit risk, insurance rate risk and equity price risk, and the risks are managed by the companies in their own right.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its commitments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The company's exposure to liquidity risk is mitigated through the use of an Investment Mandate that ensures it holds adequate liquid assets.

Foreign currency risk

Foreign currency risk is the risk that a company holding assets in foreign currencies is exposed to exchange rate fluctuations. The company receives dividends in Euros from its European subsidiaries and pays some expenses in Euros and Canadian dollars. In order to mitigate the exposure to exchange rate fluctuations, dividends are translated into Sterling immediately upon receipt and money required to pay non sterling expenses is translated into foreign currencies only as and when required.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It is the potential loss of earnings or capital arising from a financial loss attributed to:

- the default of that security in its financing obligations;
- the downgrade of a security's credit worthiness; and
- a change in the yield premium required by the market in respect of credit risk on risky assets.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

15 Risk management objectives and policies for mitigating risks (continued)

Credit risk (continued)

A key area where the company is exposed to credit risk is its exposure to corporate bonds;

The following table gives an indication of the level of creditworthiness of those categories of assets which are most exposed to credit risk; this assists to mitigate credit risk. The ratings used are derived from the ratings published by three external ratings agencies (Standard and Poor's, Moody's Investors Service and Fitch Ratings) where we rate the instrument no higher than the highest published rating.

As at 31 December 2019

	AAA £m	AA £m	Total £m
Corporate Bonds	71.7	5.1	76.8
Gilts	-	165.3	165.3
Total	71.7	170.4	242.1
	30.0%	70.0%	100.0%

As at 31 December 2018

	AAA £m	AA £m	Total £m
Corporate Bonds	58.7	5.3	64.0
Gilts	-	145.1	145.1
Total	58.7	150.4	209.1
	28.1%	71.9%	100.0%

To mitigate credit risk the company has an Investment Mandate that limits the exposure to Corporate Bonds and other non-liquid assets:

COVID-19

The ongoing coronavirus pandemic (COVID-19) is an emerging situation that increases the exposure to some of the risks already identified in this section but particularly operational and credit risk.

Management within the group and its operating subsidiaries have taken action to mitigate the operational risks which enable them to continue to conduct business activities effectively while ensuring the safety and well-being of customers, employees and wider communities. Continuity plans are in operation with employees working remotely to ensure their safety whilst ensuring service levels to customers are maintained.

The Company's strong capital position, combined with a high quality and well diversified investment portfolio, means that it is able to withstand the financial impacts of credit deterioration in credit markets. Stress and scenario testing shows we can withstand a range of events including pandemics, economic downturns and property market events. Management is also monitoring developments for any further deterioration.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

16 Related party transactions

No contracts of significance existed at any time during the year in which a director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 102 section 33 Related Party Disclosures. No other contracts of significance existed at any time during the year between the company and other related parties that similarly require disclosure under FRS 102 section 33. Advantage has been taken under FRS 102 33.1A, Related Party Disclosures, not to disclose transactions between entities, 100% of whose voting rights are controlled within the Great-West Lifeco Inc group of companies.

17 Dividend paid

	2019	2018
	£m	£m
Dividend paid	<u>289.6</u>	<u>288.6</u>
	<u>289.6</u>	<u>288.6</u>

18 Events after the reporting period

On 1 January 2020, Canada Life Limited completed the integration of the insurance business of MGMA, a wholly-owned subsidiary of CLG. As the effective date of transfer is after the date of this report, no account has been taken of the MGMA business in the books of Canada Life Limited. The principal activity of MGMA in the United Kingdom is the provision of retirement income solutions including annuity and drawdown business and equity release lifetime mortgages (ERMs) which are originated through its sister company Stonehaven UK Ltd.

On 10 February 2020, Irish Life Group Ltd announced the sale of IPSI, a wholly owned subsidiary whose principle activity is the provision of outsourced administration services for life assurance companies, to FNZ (UK) Limited. The proposed transaction will be subject to customary closing conditions including receipt of required regulatory approvals and is expected to complete in the second quarter of 2020.

The ongoing coronavirus pandemic (COVID-19) is an emerging risk to which the Company is exposed. The directors consider the emergence of COVID-19 as a pandemic, and the associated economic impact and government measures in response, as a non-adjusting post balance sheet event.

The Company is monitoring the situation closely, including carrying out stress and scenario testing, which includes both pandemic and economic shock scenarios, and has made preparations to ensure that it will continue to operate effectively while ensuring the safety and well-being of customers, employees and wider communities. Continuity plans are in operation with employees working remotely to maintain service levels to customers.

The outbreak is having an impact on global economies and markets to which the Company through its subsidiaries and their policyholders are exposed and, should this impact be sustained or lead to adverse impacts on claims or sales, it will continue to impact on the Company's performance. These impacts depend on future developments which are highly uncertain. The Company's governance structures and processes support continuous monitoring of the Company's solvency position based on up to date market information.

THE CANADA LIFE GROUP (U.K.) LIMITED

Notes to the financial statements for the year ended 31 December 2019

18 Events after the reporting period (continued)

The Company's solvency ratio at the financial year end was 154% (unaudited; 2018: 150%) which is £2.0bn over the Solvency Capital Requirement. The Company continues to operate within Solvency II regulatory capital guidelines and in excess of the Solvency Capital Requirement. While the impact of COVID-19 on market related interest and investment movement has put additional stress on our solvency cover, management estimates that on 31 March 2020, the unaudited solvency ratio of the Company remains above operating tolerance levels set by the Board.

COVID-19 has impacted the Company's financial position primarily as a result of market related interest and investment movements. The estimated net assets of the Company (under UK GAAP) as at 31 March 2020 were £2.8bn (unaudited). The estimated Own Funds under Solvency II on a group basis as at 31 March 2020 were £5.1bn (unaudited) which represents an excess over the Solvency Capital Ratio of £1.5bn.

19 Parent company and controlling party

As at the balance sheet date the immediate parent company is Canada Life International Holdings Limited, company incorporated in the UK. The controlling party and ultimate parent company, which is also the parent company of the largest group of companies for which consolidated financial statements are drawn up and of which the Company is a member, Power Corporation of Canada, is incorporated in Canada. The parent company of the smallest group for which consolidated financial statements are drawn up and of which the Company is a member, The Canada Life Assurance Company, is incorporated in Canada.

Copies of the group financial statements for both The Canada Life Assurance Company (330 University Avenue, Toronto, Ontario, Canada, M5G 1R8) and Power Corporation of Canada (751 Victoria Square Montréal, Québec, Canada, H2Y 2J3) can be obtained from the Company's registered office.