CLFIS (U.K.) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Registered Number: 04356028

CLFIS (U.K.) LIMITED

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CLFIS (U.K.) LIMITED

Directors and Advisers

Directors	K L Bateman D A Brown R C Fazzini-Jones D J Marchant S W Mason R P Priestley T J Stoves
Company Secretary	L A Rodriguez
Registered Office	Canada Life Place High Street Potters Bar Hertfordshire EN6 5BA
Registered Number	04356028
Auditor	Deloitte LLP Bristol

CLFIS (U.K.) LIMITED

Strategic Report for the year ended 31 December 2019

The principal activity of CLFIS (U.K.) Limited ("the Company") is to provide management services to other group companies and this will continue to be the main activity for the foreseeable future. The directors continue to review the operations of the Company with a view to its future development.

The Company operates a staff pension scheme with two sections, a defined benefit section and a defined contribution section for its employees (for details please refer to Note 18). The defined benefit scheme is closed to new entrants and, with effect from 1 April 2016, has been closed to future accrual by existing members. The staff pension fund deficit of £78,337k (2018: £77,740k restated) is disclosed on the face of the balance sheet. This is shown gross of deferred tax. The scheme deficit has increased by £0.6m since the prior year. This is primarily due to an increase in the value placed on the liabilities following a decrease in the discount rate of 0.9% (which has increased the value placed on the liabilities); partially offset by contributions made into the scheme by the Company and gains made on the scheme assets.

The immediate parent company is The Canada Life Group (U.K.) Limited ("CLG") and 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 CLG, is discussed in the 2019 Management's Discussion and Analysis report of CLFC which does not form part of this report. The complete Management's Discussion and Analysis report of CLFC is available at www.canadalifefinancial.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.

Results and dividends

The profit after tax for the year was £2,142k (2018 loss after tax: £18,313k). No dividend was paid during the year (2018: £nil) and the directors do not propose a payment of a dividend.

These are the Key Performance Indicators for The Company for the year.

Principal risks, uncertainties and financial instruments

The ongoing coronavirus pandemic (COVID-19) is an emerging situation that increases the exposure to some of the risks 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. Further details are disclosed in Note 22.

In addition the Company is exposed to financial risk through its assets and liabilities. In particular, the key financial risk to the Company is credit risk: the risk that a counterparty will be unable to pay amounts in full when due. The Company has relatively small third-party debtor balances.

The Company does not use derivative financial instruments.

Principal risks, uncertainties and financial instruments (continued)

On 31 January 2020 the UK formally exited the European Union ("Brexit") entering into a transition period expected to last through 2020. The exact implications continue to remain uncertain until formal negotiations are concluded between the UK and the European Union. Given the majority of the Company's business is conducted domestically, the overall impact from Brexit, aside from any economic implications, is considered to be low. However, the Company continues to work closely with its customers, business partners and regulators over the transition period.

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 CLG Group's UK workforce is employed by the Company. 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.

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

Section 172(1) Statement (continued).

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 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.

The Financial Statements at 31 December 2019 have been prepared in accordance with the Financial Reporting Standard 102.

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

D Brown

Director
Canada Life Place, High Street, Potters Bar, Hertfordshire, EN6 5BA

Date: 17 September 2020

CLFIS (U.K.) LIMITED

Directors' Report for the year ended 31 December 2019

The directors of CLFIS (U.K.) Limited ("the Company") present their annual report and audited financial statements for the year ended 31 December 2019.

Details of principal risks, uncertainties, dividends and financial instruments are included in the Strategic Report and form part of this report by cross-reference.

Principal activity and future developments

The Company's principal activity is to provide management services to other group companies.

This will continue to be the main activity for the foreseeable future. The directors continue to review the operations of the Company with a view to its future development.

Employment of disabled persons

The company gives full and fair consideration to applications for employment by the Company made by disabled persons, having regard to their particular aptitudes and abilities. Where employees have become disabled during the period they were employed by the Company, every effort is made to continue their employment and arrange appropriate training. Otherwise the training, career development and promotion of disabled persons is the same as that of all other employees of the Company.

Employee involvement

Employees are regularly provided with information on matters of concern to them as employees. Their views are taken into account in making decisions which are likely to affect their interests by means of surveys and consultations with the employees or their representatives. The Company promotes awareness in the employees as to its financial performance through bulletins and other means and offers employees a share purchase scheme to encourage their involvement.

Directors

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

K L Bateman	
D A Brown	
R C Fazzini-Jones	
D J Marchant	
S W Mason	Appointed on 6 June 2019
K Pengelly	Resigned on 30 April 2019
R P Priestley	
H C Snow	Resigned on 1 February 2019
T J Stoves	

Going concern

The directors have adopted the going concern basis in preparing the financial statements. The Company continues to be supported by fellow group undertakings, and the directors consider that the resources available are adequate to meet third party obligations when they fall due, thus ensuring the Company will continue in operational existence. Please also refer to the principal accounting policies for further details.

COVID-19

The details of events occurring after the reporting period are presented in Note 22, while their impacts on consideration of the Company's Going Concern status are presented in Note 4A.

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

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/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 shall be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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 auditor in the absence of an Annual General Meeting.

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

D Brown

Director
Canada Life Place, High Street, Potters Bar, Hertfordshire, EN6 5BA

Date: 17 September 2020

CLFIS (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 preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

CLFIS (U.K.) LIMITED

Independent auditor's report to the members of CLFIS (U.K.) Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of CLFIS (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 of CLFIS (U.K.) Limited which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent 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 group's or the parent 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.

Independent auditor's report to the members of CLFIS (U.K.) Limited (Continued)

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.

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 group's and the parent 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 group or the parent 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report to the members of CLFIS (U.K.) Limited (Continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

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.

A J Holland

Andrew Holland FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

Date: 17th September 2020

CLFIS (U.K.) LIMITED

Income Statement
For the year ended 31 December 2019

	Notes	2019 £'000	2018 restated £'000
Turnover	**5**	168,189	131,827
Administrative expenses		(164,637)	(150,274)
Operating profit/(loss)	**6**	3,552	(18,447)
Interest payable and similar expenses		(28)	(27)
Net interest on pension scheme	**18**	(2,079)	(2,167)
Profit/(loss) before taxation		1,445	(20,641)
Tax on profit	**9**	697	2,328
Profit/(loss) for the financial year		2,142	(18,313)

All amounts derive from continuing operations.

The notes on pages 16 to 32 form an integral part of these financial statements.

CLFIS (U.K.) LIMITED

Statement of Other Comprehensive Income
For the year ended 31 December 2019

	2019 £'000	2018 restated £'000
Profit/(loss) for the financial year	2,142	(18,313)
Actuarial (loss) on staff pension fund (Note 18)	(15,414)	(2,553)
Increase in pension deficit deferred tax asset	2,630	434
Total Other Comprehensive (loss)	(10,642)	(20,432)

The notes on pages 16 to 32 form an integral part of these financial statements.

CLFIS (U.K.) LIMITED

Statement of Financial Position
As at 31 December 2019

	Notes	2019 £'000	2018 restated £'000
Fixed Assets			
Tangible assets	11	15,473	6,382
Current Assets			
Debtors			
- due within one year	12	20,177	13,803
- due after one year	12	15,122	13,856
Creditors: amounts falling due within one year	13	(108,668)	(82,027)
Net current liabilities		(73,369)	(54,368)
Provisions for liabilities	14	(57)	(64)
Creditors: amounts falling due after more than one year	15	(1,000)	(1,000)
Net liabilities excluding pension fund deficit		(58,953)	(49,050)
Pension fund deficit	18	(78,337)	(77,740)
Net liabilities including pension fund deficit		(137,290)	(126,790)
Capital and Reserves			
Called up share capital	16	-	-
Profit and loss account		(137,290)	(126,790)
Shareholders' deficit - equity interests		(137,290)	(126,790)

The notes on pages 16 to 32 form an integral part of these financial statements.

The financial statements of CLFIS (U.K.) Limited (registered number 04356028) were approved by the Board of Directors and signed on its behalf.

They were signed on its behalf by:

D Brown

Director

Date: 17 September 2020

CLFIS (U.K.) LIMITED

Statement of Changes in Equity
For the year ended 31 December 2019

	Ordinary share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018 (restated)	-	(106,520)	(106,520)
Loss for the year	-	(18,313)	(18,313)
Movement on deferred tax asset in respect of staff pension fund (restated)	-	434	434
Actuarial (loss) on staff pension fund (Note 18) (restated)	-	(2,553)	(2,553)
Capital contribution for share based payments expense (Note 19)	-	162	162
Balance at 31 December 2018 (restated)	-	(126,790)	(126,790)
Balance at 1 January 2019	-	(126,790)	(126,790)
Profit for the year	-	2,142	2,142
Movement on deferred tax asset in respect of staff pension fund	-	2,630	2,630
Actuarial (loss) on staff pension fund (Note 18)	-	(15,414)	(15,414)
Capital contribution for share based payments expense (Note 19)	-	142	142
Balance at 31 December 2019	-	(137,290)	(137,290)

CLFIS (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. No significant judgements have been made in applying the accounting policies and no material estimates have been made within the financial statements, with the exception of the valuation of the defined benefit pension scheme, see notes 18 and 23 for further details

2 General information

CLFIS (U.K) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Canada Life Place, Potters Bar, Hertfordshire EN6 5BA. The Company is a wholly owned subsidiary of Canada Life Financial Corporation ("CLFC") (incorporated in Canada).

The Company's principal activity is to provide management services to other group companies and this will continue to be the main activity for the foreseeable future.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

3 Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("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, remuneration of key management personnel and intra-group transactions.

4 Principal accounting information

The principal accounting policies applied in the preparation of these financial statements are summarised below. These polices have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

A. Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by financial instruments recognised at fair value and in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted by the directors are described below.

Going concern
The Strategic Report outlines the Company's activities, performance, principal risks, uncertainties and financial risk management objectives. The Company has taken into consideration the recent COVID-19 outbreak when undertaking its Going Concern assessment and further details are outlined in Note 22. 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. Whilst the Company has a significant liability mainly as a result of the pension fund deficit, it will continue to be supported in its operations by the group in line with group policy to provide support to entities which provide management services to other group companies. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

A. Basis of preparation (continued)

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 ("Lifeco"). The consolidated financial statements in which the subsidiary undertakings are included are publicly available (see note 21).

Transactions with related parties
Advantage has been taken under FRS102 33 1.A, Related Party Disclosures, not to disclose transactions between entities, 100% of whose voting rights are controlled within Lifeco. (see note 20).

Key Management Personnel disclosure
Advantage has been taken under FRS 102 1.12(e) to not disclose key management personnel compensation in total. The directors' emoluments are disclosed as per Companies Act 2006.

B. Depreciation of fixed assets

Depreciation is charged so as to write off the cost of the assets, over their estimated useful lives, using the straight line method, on the following bases:

Office Fixtures and Equipment	5 – 10 years
Other Assets	3 – 10 years

Other fixtures and equipment includes leasehold improvements and computer software.

C. 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.

D. 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.

E. Turnover

Turnover represents income the Company derives from the provision of management services to other companies within the European division of the CLFC group of companies and is recognised as management services are provided.

Notes to the financial statements for the year ended 31 December 2019 (continued)

F. Administrative expenses

Administrative expenses are recognised on an accruals basis and represent operating expenses captured on behalf of other group companies.

G. Interest receivable/payable

Interest receivable/payable is accounted for on an accruals basis.

H. Share-based payments

The Company is 100% controlled within the Lifeco, and employees of the Company are included within a share option scheme operated by Lifeco ("the Lifeco stock option plan"), as described in Note 19. *The Lifeco stock option plan provides for the granting of options on common shares of* Lifeco to certain employees of Lifeco and its affiliates.

The Black-Scholes option pricing model is used to determine the fair value of share-based payments granted under the Lifeco stock option plan, as at the date of grant. In accordance with FRS 102 section 26: Share-based payments, this expense is recognised over the vesting period of the granted options, with a corresponding increase directly to retained earnings.

The Company complies with the requirements of paragraph 26.16 of FRS 102 which requires share options issued by a parent company to be recognised as an expense in the subsidiary company.

All permanent employees are entitled to participate in the Canada Life Share Purchase Plan ("the SP Plan"). Each employee is able to invest a maximum of whichever is the lower of, either 10% of their monthly salary or £150 per month. These amounts are transferred over to Computer Share Plan Trust ("the Trust") under intermediary payment arrangements. The Trust purchases and holds the shares of Great-West Life Co Inc. For every £2 contributed by the employee the Company will contribute £1. The Company recognises the expenses incurred in relation to the above in its books. All matching and dividend shares have a holding period of three years. If shares are withdrawn before the end of the three year period the employee will face tax penalties.

At the balance sheet date outstanding matching, partnership and dividend shares are recognised on the company's balance sheet and a corresponding asset and liability created. The forfeited matching shares are held in the Trust and recycled in the monthly share purchase.

Certain key staff and senior executives are entitled to performance share units. These share units have a vesting period of three years. If all the vesting conditions are satisfied, the performance share units will be settled in cash. The cash settled share based payment liability will be recorded at fair value at each balance sheet date. Any changes in fair value will be recognised in the profit and loss account. The expense is recognised over the vesting period of the performance share units.

I. Pension costs

The Company operates pension schemes for its directors and employees, as described in Note 18. The amounts charged to operating profit are the current service costs, finance cost and gains and losses on settlements and curtailments. Past service costs are recognised in the profit and loss account if the benefits have vested. Charges in respect of the employer's contributions are calculated on a basis which spreads the costs over the service lives of scheme members. Actuarial gains and losses are recognised in the statement of other comprehensive income.

Notes to the financial statements for the year ended 31 December 2019 (continued)

I. Pension costs (continued)

Within the funded defined benefit scheme the assets of the scheme are held separately from those of the Company, in separate trustee-administered funds. These assets are measured at fair value and the liabilities of both the funded and unfunded defined benefit schemes are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained triennially and updated at each balance sheet date. The resulting defined benefit asset or liability of both the funded and unfunded defined benefit schemes, net of the related deferred tax, is presented separately after other net assets on the face of the statement of financial position.

J. 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. All differences are taken to the income statement.

K. Net interest payable on pension scheme

Net interest payable is the interest cost on net of pension scheme assets and liabilities.

5 Turnover

Turnover for the Company principally derives from the recharges to other companies within the European division of the CLFC group of companies for payroll and operating costs incurred on their behalf.

	2019 £'000	2018 restated £'000
Turnover		
Management fee	168,189	131,827

6 Operating Profit

This is stated after charging the following operating expenses:

	2019 £'000	2018 £'000
Rentals under operating leases	2,313	2,300
Depreciation of fixed assets	1,992	2,017
Auditor's remuneration in respect of fees payable for the audit of the Company's annual accounts	28	24

7 Employee information

	2019 £'000	2018 £'000
Wages and salaries	63,674	62,039
Social security costs	7,734	7,351
Share-based payment expense	142	162
	71,550	69,552

The Company's employees can be members of the Canada Life UK Division Staff Pension Fund ("The Fund") (see Note 18).

The average number of employees, including executive directors, during the year was as follows:

	2019 No.	2018 No.
Sales	69	63
Management	249	239
Administration	697	739
	1,015	1,041

8 Directors' emoluments

The aggregate amount of emoluments paid or receivable by the directors during the year was as follows:

	2019 £'000	2018 £'000
Emoluments	4,814	4,714
Highest paid director		
Emoluments	1,014	1,054

Some of the directors of the Company have served during the year as directors of fellow subsidiaries. The directors do not consider 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 CLG group of companies.

During the year, the Company made contributions of £7.8k (2018: £7.5k) into the defined contribution pension scheme on behalf of the highest paid director. During the year, the Company made contributions on behalf of four (2018: five) directors into the defined contribution pension scheme.

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Directors' emoluments (continued)

As at 31 December 2019, seven (2018: seven) of the Company's directors had share options. None of the Company's directors exercised share options during the year (2018: No directors).

The highest paid director did not exercise any share options in the year and did have shares receivable under long-term incentive schemes.

9 Taxation

i) Analysis of tax credit / (charge) on ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax credit based on the Company's profit for the period	3,023	5,271
Prior period adjustment	(962)	(486)
	2,061	4,785
Deferred tax		
Timing differences, origination and reversal	(106)	(166)
Prior period adjustment	1,327	-
Decrease in pension deficit deferred tax asset	(2,585)	(2,291)
Total tax credit	697	2,328

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

ii) Factors affecting tax charge for the current period

The tax assessed for the period is lower (2018: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit/(Loss) on ordinary activities before tax	1,445	(20,641)
Tax (charge)/credit at 19% (2018: 19%) thereon:	(274)	3,923
Effects of:		
Staff pension	315	277
Non-deductible expenses	-	(1,212)
Capital allowances	258	(195)
Other timing differences	33	21
Prior period adjustment	365	(486)
Total tax credit	697	2,328

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Investments in subsidiary undertakings

During the year the Company owned the whole of the issued ordinary share capital of the following undertakings, all of which are incorporated in the United Kingdom and registered in England and Wales. The registered office of its subsidiary is Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA.

Company	Business type
Canada Life UK Staff Pension Trustee Limited	Trustee Services

The investment in subsidiary undertakings is as follows:

		£
Cost :	At 1 January 2019	-
	Additions	1
	At 31 December 2019	1
Provision :	At 1 January 2019	-
	Provision for the year	-
	At 31 December 2019	-
Net Book Value:	At 31 December 2019	1
Net Book Value:	At 31 December 2018	-

11 Tangible assets

	Leasehold improvements	Computer software	Other assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	7,054	6,211	13,010	26,275
Additions	63	10,950	70	11,083
At 31 December 2019	7,117	17,161	13,080	37,358
Depreciation				
At 1 January 2019	4,596	5,209	10,088	19,893
Charge for the year	611	441	940	1,992
At 31 December 2019	5,207	5,650	11,028	21,885
Net book value at 31 December 2019	1,910	11,511	2,052	15,473
Net book value at 31 December 2018	2,458	1,002	2,922	6,382

Other assets include servers, fixtures and fittings and other immaterial items.

12 Debtors

	2019 £'000	2018 restated £'000
Due in less than one year		
Other debtors	430	428
Prepayments and accrued income	5,565	3,820
Share-based payment asset	6,021	3,149
Corporation tax	8,161	6,406
	20,177	13,803
Due in more than one year		
Deferred tax asset	15,122	13,856
	35,299	27,659

Analysis of deferred tax asset:

	2019 £'000	2018 restated £'000
Accelerated depreciation	607	448
Deferred tax relief on long term disability provision	12	12
Deferred tax relief on staff bonus	230	244
Deferred tax relief on defined benefit deficit	13,197	13,152
Deferred tax relief on redundancy provision	1,076	-
Deferred tax asset	15,122	13,856

13 Creditors: amounts falling due within one year

	2019 £'000	2018 restated £'000
Trade creditors	134	101
Amounts owed to group undertakings	73,817	50,259
Bank overdraft	333	570
Other taxation and social security	2,654	2,101
Accruals and deferred income	25,709	25,847
Share-based payment liability	6,021	3,149
	108,668	82,027

14 Provisions for liabilities

	2019 £'000	2018 £'000
1 January	64	71
Amounts received during the period	-	-
Amounts expended during the period	(7)	(7)
31 December	57	64

The provision represents the net present value of projected future costs associated with staff currently on long-term disability leave.

15 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Notes payable to other group undertakings	1,000	1,000
	1,000	1,000

16 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018: 1) Ordinary share of £1	1	1

17 Financial commitments

At 31 December 2019 the Company had annual commitments under non-cancellable operating leases as follows:

	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than one year	2,102	41	2,128	44
Between one year and five years	5,550	5	7,757	36
Later than five years	-	-	-	-
	7,652	46	9,885	80

18 Pension commitments

Employees of the Company can be members of the Fund which is a defined benefit scheme closed to new entrants and, with effect from 1 April 2016, has been closed to future accrual by existing members and/or defined contribution section of the Fund which was transferred to the Lifesight Master Trust in July 2019.

The Fund's assets are held in a separate Corporate Trustee-administered Fund to meet long-term pension liabilities to past and present employees. The Corporate Trustee of the Fund is required to act in the best interest of the Fund's beneficiaries and Corporate Trustee directors are appointed in accordance with the Fund's trust documentation. The Company has a policy that one-third of all Trustees should be nominated and voted for by members of the Fund.

Defined contribution section
The total cost charged to income of £6,320k (2018: £6,494k) represents contributions payable to the scheme by the Company at rates specified in the rules of the defined contribution section of the Fund until July 2019 and the Lifesight Master Trust plan thereafter.

Where there are employees who leave the scheme prior to fully vesting the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

Notes to the financial statements for the year ended 31 December 2019 (continued)

18 Pension commitments (continued)

Defined benefit section
The Company's parent undertaking CLG has provided a guarantee to the Corporate Trustee of the defined benefit pension scheme in the event of employer insolvency or failure to make agreed contributions.

A full actuarial calculation was carried out at 31 December 2016 and updated to 31 December 2019 by a qualified independent actuary.

The scheme deficit (net of the related deferred tax asset) as at 31 December 2019 was £65.1m (2018: £64.6m restated). The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, discount rate and the rates of increase in salaries (see below).

(a) Assets and liabilities of the defined benefit section:

	2019 £'000	2018 restated £'000
Scheme assets at fair value		
Equities and property	147,415	131,664
Corporate bonds	77,020	37,414
Gilts and cash	84,896	94,695
Fair value of scheme assets	309,331	263,773
Present value of scheme liabilities	(387,668)	(341,513)
Defined benefit pension scheme deficit	(78,337)	(77,740)
Net liability in the balance sheet	(78,337)	(77,740)

(b) Analysis of the amounts recognised in the profit and loss account:

	2019 £'000	2018 restated £'000
Past service cost	-	(1,222)
Total operating charge	-	(1,222)
Net Interest	(2,079)	(2,167)
Curtailment gain	-	-
Net return on defined benefit pension section	(2,079)	(3,389)

(c) Analysis of the amounts recognised in the statement of other comprehensive income:

	2019 £'000	2018 restated £'000
Actuarial loss recognised in the statement of other comprehensive income	(15,414)	(2,553)

Notes to the financial statements for the year ended 31 December 2019 (continued)

18 Pension commitments (continued)

(d) Main financial assumptions:

	2019	2018
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment:		
Pension accrued before 6 April 1997	0.00%	0.00%
Pension accrued after 6 April 1997 and before 6 April 2005	3.10%	3.20%
Pension accrued after 6 April 2005	2.20%	2.30%
Discount rate	2.10%	3.00%
Expected rate of return on scheme assets	3.20%	3.40%
Price inflation	2.20%	2.30%
The assumed life expectations on retirement at age 65 are:		
Retiring today		
Males	88.60	89.00
Females	89.60	90.10
Retiring in 20 years		
Males	90.10	90.60
Females	91.40	91.90

The Retail Price Index ("RPI") assumption has been based on the difference between the yields available on long-term fixed interest and index-linked gilts at the relevant date. The expected RPI inflation is further reduced using an inflation risk premium of 0.2% per annum. The Consumer Price Index ("CPI") assumption has been determined as the RPI assumption less a deduction of 1.1% p.a.

(e) Sensitivity analysis

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%	Decrease obligation by £69,984k
Discount rate	Decrease by 1%	Increase obligation by £87,213k
Inflation rate	Increase by 1%	Increase obligation by £45,011k
Inflation rate	Decrease by 1%	Decrease obligation by £51,609k
Mortality rate	Decrease by 10%	Increase obligation by £12,048k

(f) Future funding obligations of the defined benefit section:

The employer's best estimate of contributions to be paid to the scheme by the Company in 2020 is £16,896k.

The employer's best estimate of contributions to be paid to the scheme by employees in 2020 is £nil.

18 Pension commitments (continued)

(g) Nature and extent of risks arising from assets in the defined benefit section:

At 31 December 2019 the scheme assets were invested in a diversified portfolio that consisted primarily of equity, property, gilts and cash. The fair value of the scheme assets as a percentage of total scheme assets are set out below:

	2019	2018
Equities and property	48%	50%
Corporate bonds	25%	14%
Gilts and cash	27%	36%

The overall expected return on assets is equal to the discount rate.

(h) Changes in the present value of the defined benefit obligation:

	2019 £'000	2018 restated £'000
At 1 January	341,513	360,456
Interest cost	10,104	9,590
Members' contributions	-	-
Benefits paid	(13,990)	(9,127)
Actuarial (gains)/losses	50,041	(20,628)
Past service cost	-	1,222
At 31 December	387,668	341,513

The defined benefit obligation includes £6,538k (2018: £5,700k) arising from the unfunded scheme.

(i) Changes in the fair value of plan assets:

	2019 £'000	2018 £'000
At 1 January	263,773	271,784
Expected return on plan assets	8,025	7,423
Contributions by the company	16,896	16,874
Contributions by members	-	-
Benefits paid	(13,990)	(9,127)
Actuarial gains and losses	34,627	(23,181)
At 31 December	309,331	263,773

Notes to the financial statements for the year ended 31 December 2019 (continued)

18 Pension commitments (continued)

(j) History of experience gains and losses:

	2019 £'000	2018 restated £'000	2017 restated £'000	2016 £'000	2015 £'000
Fair value of scheme assets	309,331	263,773	271,784	244,235	220,418
Present value of defined benefit obligation	(387,668)	(341,513)	(360,456)	(360,221)	(276,171)
Deficit in the scheme	(78,337)	(77,740)	(88,672)	(115,986)	(55,753)
Experience adjustments arising on plan liabilities	912	197	829	1,992	5,658
Experience adjustments arising on plan assets	34,627	(23,181)	13,948	13,835	1,788

19 Share-based payments

The Company is 100% controlled within Lifeco, and employees of this Company are included within the Lifeco stock option plan. The Lifeco stock option plan provides for the granting of options on common shares of Lifeco to certain employees of Lifeco and its affiliates.

Lifeco's Compensation Committee (the "Committee") administers the Lifeco stock option plan and fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Lifeco stock option plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee.

To 31 December 2019, three categories of options had been granted to employees of the Company under the plan.

In the first category of options, 50% of the options are exercisable in one year, and 50% two years from the grant date respectively. The exercise of options in this category is subject to the attainment of certain financial targets of the group, and these financial targets have been satisfied.

In the second category of options, 20% of the options are exercisable each year following the date of grant. All of the options have a maximum exercise period of ten years from the date of grant.

In the third category of options, there are two types of options, referred to as 'Basic' and 'Basic7.5'. For the Basic options, 20% of the options are exercisable each year following the date of grant. For the Basic 7.5 options, 4% are exercisable after year one, 8% after year two and 14.66% annually for years three to seven, with the balance exercisable a further six months later. All of these options have a maximum exercise period of ten years from the date of grant.

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Share-based payments (continued)

Details of the share options outstanding during the year are as follows:

	2019		2018	
	Number of share options	Weighted average exercise price (C$)	Number of share options	Weighted average exercise price (C$)
Outstanding at beginning of period	400,000	32.26	374,320	31.96
Granted during the period	56,700	30.28	53,300	34.06
Forfeited during the period	(1,080)	36.87	(27,620)	31.66
Exercised during the period	(10,700)	26.62	-	-
Outstanding at the end of the period	444,920	32.13	400,000	32.26
Exercisable at the end of the period	265,180	31.07	217,820	29.88

The following table summarises information on the ranges of exercise prices, and the weighted average remaining contractual life as at 31 December 2019:

Outstanding			Exercisable		
Weighted average exercise price (C$)	No of options	Weighted average remaining contractual life	Options	Weighted average exercise price (C$)	Expiry
25.65	11,800	0.89	11,800	25.65	2020
27.16	16,000	1.16	16,000	27.16	2021
23.16	31,500	2.16	31,500	23.16	2022
27.13	41,700	3.16	41,700	27.13	2023
31.14	40,700	4.17	40,700	31.14	2024
35.62	50,700	5.17	40,560	35.62	2025
34.68	74,100	6.17	44,460	34.68	2026
36.87	68,420	7.17	27,800	36.87	2027
34.00	53,300	8.20	10,660	34.00	2028
30.28	56,700	8.61	-	-	2029

At the year end the number of share options outstanding was 444,920 (2018: 400,000). During the period 10,700 share options were exercised (2018: None). The options outstanding at 31 December 2019 had a weighted average exercise price of C$32.13 (2018: C$32.26) and a weighted average contractual life of 5.69 years (2018: 6.13 years). In 2019 56,700 share options were granted (2018: 53,300).

19 Share-based payments (continued)

The fair value of share options granted is determined using the Black-Scholes options pricing model. The inputs into the Black-Scholes options pricing model are as follows:

Year options granted	2019	2018 restated	2017	2016	2015	2014
Weighted average share price (C$)	30.28	34.00	36.87	34.67	35.62	31.14
Weighted average exercise price (C$)	30.28	34.00	36.87	34.67	35.62	31.14
Expected volatility	18.29%	8.68%	14.08%	19.44%	24.08%	23.88%
Option life	10 years	10 years	10 years	10 years	10 years	10 years
Risk-free interest rate	1.88%	2.10%	1.46%	1.01%	1.14%	2.08%
Dividend yield	5.46%	4.55%	3.98%	3.99%	3.66%	3.95%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous seven years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and *behavioural considerations.*

The Company used the inputs noted above to measure the fair value of the old and new options.

During the year, an expense was recognised of £421k (2018: £429k) relating to equity-settled share-based payment transactions and £604k (2018: £752k) relating to cash-settled share based payment transactions.

Expense items are translated at an average year-to-date rate. The average year-to-date rate of Canadian dollars (C$) to the pound sterling was 1.70 for 2019 (2018: 1.70).

All permanent employees of the Company are entitled to participate in the SP Plan. The current 'Evergreen' plan was launched in July 2012. Each employee is able to invest a maximum of whichever is the lower of, either 10% of their monthly salary or £150 per month. Previously employees were able to invest a maximum of whichever is the lower of, either 10% of their monthly salary or £125 per month for the 2007, 2012, 2013 plans. For every two partnership shares purchased the Company will issue one matching share. All matching and dividend shares have a holding period of three years. The share-based payment expense for the purchase of matching shares was £279k during 2019 (2018: £268k).

During the year, Performance Share Units ("PSU's") were granted to certain key employees and executive officers. The 2014, 2013, 2012 and 2011 grant of PSU's are subject to non-market performance conditions and have a vesting period of three years. The share based payment expense recognised during the year in relation to the award of performance share units was £604k (2018: £752k).

20 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 Lifeco.

21 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. The parent of the smallest group for which group 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.

The immediate parent of the Company is CLG, a company incorporated in the UK.

22 Events after the reporting period

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 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.

The directors have considered the impact of COVID-19 on the financial position of the Company and concluded that the most significant impact is on the pension scheme deficit. The latest interim valuation of the staff pension scheme deficit is £76.1m (unaudited) as at 30 June 2020 (31 December 2019: £78.3m deficit). This is an improvement in the year end position of £2.2m, driven by employer contributions offset partially by interest rate movements.

23 Restatement following identification of prior year error

In preparing financial statements for the year ended 31 December 2019 the Company identified an error relating to the valuation of the staff pension scheme that began in the year ended 31 December 2017 and continued to accumulate during the subsequent years.

Management concluded that the error represents a material prior period error and have restated the 2018 balances in the 2019 financial statements accordingly. The restatement includes an adjustment to the 2018 opening retained earnings position, which is presented in the statement of changes in equity. Restatements have also been made to the relevant financial statement note (Note 18).

Total Equity	2018 £'000	2017 £'000
As previously reported	(116,248)	(95,076)
Adjustments:		
Pension Fund Deficit	(13,073)	(13,788)
Amounts owed to Group Companies	372	-
Deferred Tax Asset	2,159	2,344
Restated	(126,790)	(106,520)

Total Comprehensive (Loss)	2018 £'000
As previously reported	(21,334)
Adjustments:	
Turnover	372
Net interest on pension scheme	(372)
Movement on deferred tax asset in respect of staff pension fund	(185)
Actuarial (loss) on staff pension fund (Note 18)	1,087
Restated	(20,432)