



Report to Policyholders of the Manulife Fund of Canada Life Limited

Introduction

Canada Life has published the Principles and Practices of Financial Management (PPFM), a detailed technical document which describes how we manage the Manulife Fund.

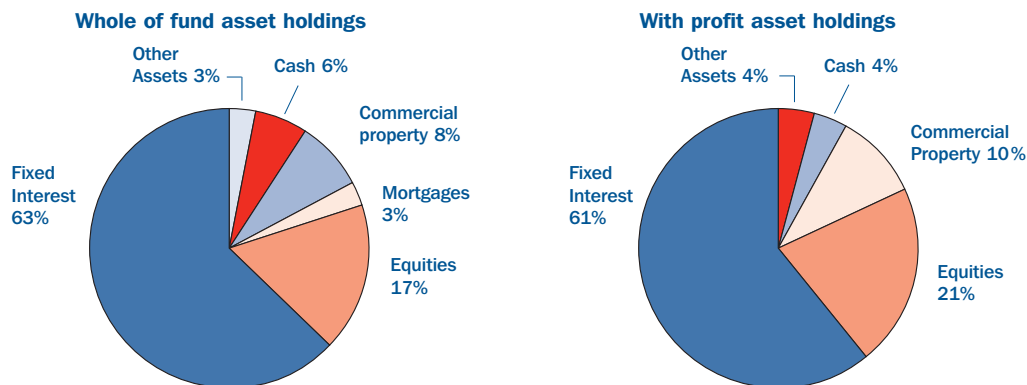
Canada Life has appointed a With-Profits Actuary who is an employee of the company and who provides actuarial advice to the Board in connection with the management of this fund. We have also appointed an Independent Expert who provides an opinion to the Board on its requirements to conduct the with-profits business in accordance with the PPFM.

For financial years starting on or after 1 January 2005, we are required (by the Financial Services Authority) to produce a report for the with-profits policyholders which provides a review of the financial year. This report for 2007 provides this review and also states whether we have complied with our obligations as covered in the PPFM.

The fund consists of both with-profits and non-profit policies, although approximately 80% of the liabilities relate to the with-profits policies.

Asset allocation

As at 31 December 2007, the split of assets is shown below:



The asset allocation for the whole fund complies with the asset allocation targets as set out in the PPFM.

Investment returns

During 2007, the investment returns on the various asset classes were (%):

	Income	Capital Gain/(Loss)	Total
Fixed Interest	6.1	(0.7)	5.4
Equities	2.7	6.7	9.4
Commercial Mortgages	6.8	-	6.8
Commercial Property	5.4	1.9	7.3
Cash	5.7	-	5.7
Other Assets	7.1	-	7.1
Total (overall return)	5.4	0.8	6.2

The above returns are based on the average of the year start and year end market values of assets. This is the return on the whole fund including assets backing the non-profit policies. The 2007 return for each asset class is above their respective benchmark. The return on the assets backing the with-profit policies (for 2007) is higher than the 6.2% (return on the whole fund), as the returns on the equity and property assets are wholly attributable to the with-profit policies.

Annual bonus

The annual bonus reflects the investment income (as opposed to capital gains/losses) on the assets supporting the with-profits policies and the miscellaneous surplus arising from death and surrender claims. The annual bonus allocations (to be credited in 2008) were unchanged. Annual bonuses once allocated to a policy are guaranteed and cannot be reduced but future bonus allocations will depend on the investment income received and experience on death and surrender claims.

Terminal bonus

For the maturity and death claims arising in 2008, the current terminal bonus rate (applied to the sum insured and attaching annual bonuses) varies from 18% for a 15 year policy to 40% for a policy with a term of 35 years (and over). These rates are higher than those paid in 2007. It should be noted that terminal bonus rates are not guaranteed and may be changed at short notice to take account of the market value of the assets in the fund.

The approach to declaring the annual and terminal bonus is consistent with that stated in the PPFM.

Surrender payouts

The terminal bonus payable on surrender is linked to that payable on maturities and death claims. As for maturities and death claims, this terminal bonus is not guaranteed and may be changed at short notice.

Expenses and tax

The charges for ongoing policy servicing and investment management are computed using the allowances stated in the PPFM. The tax deducted from the fund is computed on a basis that is consistent with the PPFM.

Summary

It is the Board's opinion that the management of this fund has complied with the PPFM and that the exercise of discretion over the period was appropriate and reflected the fair treatment of the different categories of policyholders, in a reasonable and proportionate manner. This opinion is consistent with that provided by the With-Profits Actuary.

About Canada Life

Canada Life is a UK subsidiary of the Great-West Life Assurance Company which is owned by Great-West Lifeco. Great-West Lifeco, serves the financial security needs of customers across Canada, the United States, the United Kingdom, Isle of Man, the Republic of Ireland and Germany. Great-West Lifeco and Canada Life* are rated by a number of agencies and consistently receive high marks for financial strength, claims-paying ability and operating performance. Canada Life has been operating in the UK since 1903. It is a leading provider of Annuities, Group Insurance and Wealth Management products.

* The Canada Life Assurance Company (which owns 100% of Canada Life Limited).

Note – past performance is not a guide for the future.

Key contacts

Call Centre

0845 6060708

Customer.services@canadalife.co.uk



Canada Life

Canada Life Limited, registered in England no. 973271. Registered office: Canada Life Place, Potters Bar, Hertfordshire EN6 5BA
Telephone 0845 6060708 Facsimile 01707 646088 www.canadalife.co.uk

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