

Press Release:



TSX SYMBOLS:

LFE, LFE.PR.A

SUBJECT:

Fin Stmt

CANADIAN LIFE COMPANIES SPLIT CORP Financial Results to November 30, 2005

TORONTO, ONTARIO – February 2, 2006 / CCN Matthews - Canadian Life Companies Split Corp. ("CLC Split") announces its annual financial results for the initial period April 18, 2005 to November 30, 2005.

During the period, CLC Split made distributions at the targeted rate for both the Preferred and Class A shares. The net asset value per unit (one Preferred Share and one Class A share) was \$25.28 (after all distributions paid) as at November 30, 2005.

The fund's investment objectives are:

Preferred Shares:

- i. to provide holders of the Preferred Shares with fixed, cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price; and
- ii. on or about December 1, 2012 (termination date), to pay the holders of the Preferred Shares the original issue price of those shares.

Class A Shares:

- i. to provide holders of the Class A Shares with regular monthly cash dividends initially targeted to be \$0.10 per Class A Share to yield 8.0% per annum on the original issue price; and
- ii. on or about December 1, 2012 (termination date), to pay the holders of Class A Shares at least the original issue price of those shares.

CLC Split invests primarily in a core portfolio of four publicly traded Canadian life insurance companies as follows: Great-West Life, Industrial Alliance, Manulife Financial and Sun Life Financial. Shares held within the portfolio are expected to range between 10-30% in weight but may vary at any time. A limited covered call writing program is also employed to provide supplementary income to the portfolio.

CLC Split audited financial statements for the initial period April 18, 2005 to November 30, 2005 and related notes are attached.



AUDITORS' REPORT

December 22, 2005

To the Shareholders of Canadian Life Companies Split Corp.

We have audited the statement of portfolio investments of Canadian Life Companies Split Corp. (the "Company") as at November 30, 2005, the statement of financial position as at November 30, 2005 and the statements of operations and retained earnings, changes in shareholders' equity and cash flow for the period from April 18, 2005 (date of commencement) to November 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and the results of its operations and cash flow for the period from April 18, 2005 to November 30, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario

FINANCIAL STATEMENTS

Canadian Life Companies Split Corp. Statement of Financial Position As at November 30, 2005

November 30, 2005
(\$)

Assets

Investments - at market value (cost – \$188,603,927)	208,570,014
Cash	3,726,181
Interest, dividends and other receivables	<u>904,580</u>
Total Assets	<u>213,200,775</u>

Liabilities

Fees and other accounts payable	409,167
Accrued performance fee	1,716,409
Distributions payable	1,193,424
Preferred shares (note 3)	<u>83,020,780</u>
	<u>86,339,780</u>

Shareholders' Equity

Class A and Class B shares (note 4)	113,819,566
Retained earnings	<u>13,041,429</u>
	<u>126,860,995</u>
Total Liabilities & Shareholders' Equity	<u>213,200,775</u>

Number of units (consisting of 1 Preferred Share and 1 Class A Share) outstanding	8,302,078
Net asset value per unit	\$25.28
Net asset value per Preferred Share	\$10.00
Net asset value per Class A Share	\$15.28

Approved on behalf of the Board of Directors:

(Signed) S. Wayne Finch
Director

(Signed) Peter F. Cruickshank
Director

The accompanying notes are an integral part of the Company's financial statements.

Canadian Life Companies Split Corp.
Statement of Operations and Retained Earnings
For the period from April 18 to November 30, 2005

For the period from
April 18, 2005
to November 30, 2005
(\$)

Income

Dividends (net of foreign withholding taxes - \$5,465)	3,243,112
Interest	<u>42,088</u>
	<u><u>3,285,200</u></u>

Expenses (note 5)

Management fees	1,082,899
Performance fees	1,716,409
Service fees	371,797
Audit fees	15,888
Directors' fees	18,624
Custodian fees	33,655
Shareholder reporting costs	8,494
Other operating expenses	64,386
Goods and services tax	<u>85,535</u>
	<u><u>3,397,687</u></u>

Net investment (loss) before distributions on Preferred shares	(112,487)
Distributions on Preferred shares (note 3 and 6)	<u>(2,704,734)</u>
Net investment loss for the period	<u><u>(2,817,221)</u></u>

Realized and unrealized gain (loss) on investments and options

Net realized gain on investments and options (note 6)	1,704,134
Change in unrealized appreciation of investments	19,966,087
Change in unrealized depreciation of foreign exchange	<u>(116)</u>

Net gain on investments and options for the period	21,670,105
Increase in net assets from operations for the period	18,852,884
Retained earnings - Beginning of period	-
Distributions on Class A shares (note 4 and 6)	<u>(5,811,455)</u>
Retained earnings - End of period	<u><u>13,041,429</u></u>

Increase in net assets from operations per Class A share	\$2.27
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Canadian Life Companies Split Corp.
Statement of Changes in Shareholders' Equity
For the period from April 18 to November 30, 2005

For the period from
April 18, 2005 to
November 30, 2005
(\$)

Shareholders' equity – Beginning of period	-
Increase in net assets from operations	18,852,884
Gross proceeds from issue of Class A shares	124,531,170
Agents' fees and filing costs in connection with the initial public offering	<u>(10,712,494)</u>
Net proceeds from issue of Class A shares (note 4)	113,818,566
Net proceeds from issue of Class B shares (note 4)	1,000
Distributions on Class A shares	
From return of capital	<u>(5,811,455)</u>
Decrease in net assets for the period	<u>(5,811,455)</u>
Shareholders' equity - End of period	<u>126,860,995</u>

Statement of Cash Flow

For the period from April 18 to November 30, 2005

For the period from
April 18, 2005 to
November 30, 2005
(\$)

Cash flow from Operating activities	
Net investment (loss)	(2,817,221)
Proceeds from sale of investments	32,618,489
Purchase of investments	(219,518,282)
Net change in receivable balances	(904,580)
Net change in payable balances	3,319,000
Change in unrealized depreciation of foreign exchange	<u>(116)</u>
Cash flow from operations	(187,302,710)
Cash flow from Shareholder activities	
Gross proceeds from the issue of Class A shares and Preferred shares*	207,552,950
Agents' fee and filing fees in connection with the initial public offering	(10,712,494)
Amount paid on redemption of Class A shares	-
Distributions on Class A shares	<u>(5,811,455)</u>
Cash flow from shareholder activities	191,028,891
Net increase in cash	3,726,181
Cash, beginning of period	<u>-</u>
Cash, end of period	<u>3,726,181</u>

* Includes 1,000 Class B shares.

Canadian Life Companies Split Corp.
Statement of Portfolio Investments
As at November 30, 2005

No. of shares	Description	Average Cost (\$)	Market value (\$)
	Canadian Core Common Equities		
1,605,500	Great-West Lifeco Inc.	44,136,307	47,362,250
433,258	Industrial Alliance Insurance & Financial	12,321,390	12,022,910
876,100	Manulife Financial Corporation	51,739,571	58,830,115
1,097,800	Sun Life Financial Inc.	<u>43,818,353</u>	<u>50,883,030</u>
	Total Canadian Core Common Equities (81.1%)	<u>152,015,621</u>	<u>169,098,305</u>
	Other Canadian Common Equities		
68,300	Bank of Montreal	3,846,378	4,282,410
80,000	Bank of Nova Scotia	3,167,221	3,572,800
182,300	Canadian Imperial Bank of Commerce	13,346,342	13,707,137
105,000	Royal Bank of Canada	7,842,297	9,347,100
134,000	Toronto-Dominion Bank	<u>6,808,824</u>	<u>8,093,600</u>
	Total Other Canadian Common Equities (18.7%)	<u>35,011,062</u>	<u>39,003,047</u>
	Total Canadian Common Equities (99.8%)	<u>187,026,083</u>	<u>208,101,352</u>
	Other U.S. Common Equities		
35,000	Citigroup Inc.	<u>2,040,086</u>	<u>1,985,662</u>
	Total Other U.S. Equities (1.0%)	<u>2,040,086</u>	<u>1,985,662</u>
	Call Options written (100 shares per contract)		
	Canadian call options written	(Premium received)	
		(\$)	
(300)	Bank of Montreal, December 2005 @ \$58	(24,150)	(169,500)
(200)	Bank of Montreal, January 2006 @ \$60	(9,788)	(66,000)
(200)	Canadian Imperial Bank of Commerce, December 2005 @ \$76	(7,900)	(16,000)
(1,000)	Manulife Financial, December 2005 @ \$62	(117,000)	(525,000)
(1,000)	Manulife Financial, December 2005 @ \$66	(78,000)	(165,000)
(1,000)	Manulife Financial, December 2005 @ \$68	(73,000)	(57,500)
(400)	Royal Bank of Canada, December 2005 @ \$86	(40,800)	(158,000)
(2,000)	Sun Life Financial Inc., December 2005 @ \$46	(74,000)	(180,000)
(400)	Toronto-Dominion Bank, December 2005 @ \$56	<u>(38,204)</u>	<u>(180,000)</u>
	Total Canadian call options written (-0.8%)	<u>(462,842)</u>	<u>(1,517,000)</u>
	Total Investments (100%)	<u>188,603,927</u>	<u>208,570,014</u>

The Statement of Portfolio Investments is at November 30, 2005 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

Canadian Life Companies Split Corp.
Notes to Financial Statements
For the period from April 18, 2005 to November 30, 2005

1. Incorporation

Canadian Life Companies Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on March 3, 2005 and began investment operations on April 18, 2005. The manager of the Company is Quadravest Inc. (the “Manager”) and the investment manager is Quadravest Capital Management Inc. (“Quadravest”). All shares outstanding on December 1, 2012, the termination date of the Company, will be redeemed by the Company on that date.

2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting periods. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

Valuation of investments

Investments are recorded in the financial statements at their market values at the end of the period, determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices. Shares or other securities for which market quotations are not readily available are valued at fair market values as determined by the Manager.
- Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the value of investments in shareholders’ equity.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

3. Preferred shares

The Company is authorized to issue an unlimited number of Preferred shares.

Issued and outstanding
8,302,078 Preferred shares

November 30, 2005
\$83,020,780

On April 18, 2005, 8,202,078 Preferred shares were issued at \$10 per share. An additional 100,000 Preferred shares were issued for proceeds of \$1,000,000.

Preferred shares are entitled to fixed, cumulative monthly cash dividends of \$0.04375 per Preferred share. All Preferred shares outstanding on December 1, 2012 will be redeemed by the Company on that date. For accounting purposes, the Preferred Shares have been presented as liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

Preferred shares trade under the symbol “LFE.PR.A” on the Toronto Stock Exchange (“TSX”). Preferred shares trading price on the TSX was \$11.30 as at November 30, 2005. Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a “unit”) in the month of March in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of March. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at November 30, 2005 was \$25.28. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class B shares and the Class B shares rank in priority to the Class A shares with respect to the payment of dividends. Preferred shares rank in priority to the Class B shares and Class B shares rank in priority to the Class A shares upon termination of the Company.

4. Class A shares and Class B shares

Authorized

An unlimited number of Class A shares

1,000 Class B shares

Issued and outstanding

8,302,078 Class A shares

1,000 Class B shares

November 30, 2005

\$113,818,566

\$1,000

\$113,819,566

Class A shares were issued at \$15 per share. Class A share distributions are targeted at \$0.10 per month. All Class A shares outstanding on December 1, 2012 will be redeemed by the Company on that date.

Class A shares trade under the symbol “LFE” on the TSX. Class A shares trading price on the TSX was \$15.65 as at November 30, 2005. Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and an Preferred share (together, a “unit”) in the month of March in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of March. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at November 30, 2005 was \$25.28. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class B shares and the Class B shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

On April 18, 2005, the Company issued 8,202,078 Class A shares for gross proceeds of \$123,031,170. An additional 100,000 Class A shares were issued on May 4, 2005 for gross proceeds of \$1,500,000. Agents’ fees of \$9,962,604 and filing fees of \$750,000 were incurred in connection with this offering.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On April 18, 2005, the Company issued 1,000 Class B shares to Quadvest for cash consideration of \$1,000.

5. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.20% of the net assets of the Company, which includes the outstanding Preferred shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum.

Pursuant to the terms of the investment management agreement, Quadrainvest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net assets of the Company, which includes the outstanding Preferred shares calculated as at each monthly valuation date. In addition, Quadrainvest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$1,082,899 incurred during the period include the administration fee and base management fee. The Company achieved a total return of 11.8% on a net asset value per unit basis including distributions. This exceeded the minimum threshold return of 7.5% (12% annually) for the 7.5 month period and allowed the investment Manager to earn a performance fee of 20.7 cents per unit.

Total brokerage commission paid during the year by the Company for its portfolio transactions were \$223,085.

6. Distributions

The Company's investment objectives are to provide steady monthly distributions to both the Preferred and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2012.

Distributions per share were as follows:

	November 30, 2005
Preferred shares	\$0.3258
Class A shares	\$0.70

7. Income Taxes

The Company is a mutual fund corporation as defined in the *Income Tax Act* (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends, other than capital gains dividends.

The Company is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.

8. Financial instruments and risk management

The fair values of the Company's assets and liabilities are affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies.

For further information, please contact:

Canadian Life Companies Split Corp. Investor Relations
Royal Trust Tower, 77 King Street West, PO Box 341, Toronto, Ontario, M5K 1K7

info@lifesplit.com • www.lifesplit.com • 416.304.4443 • 1.877.478.2372

