

2009

**Guardian Linked Life Assurance
Limited**

Head office: Ballam Road, Lytham St.Annes, FY8 4JZ

A member of the AEGON UK Group

Annual FSA Insurance Returns for the year ended

31 December 2009

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

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Statement of solvency - long-term insurance businessName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
	R2	1397655	GL	31	12	2009
				As at end of this financial year		As at end of the previous year
				1		2

Capital resources

Capital resources arising within the long-term insurance fund	11	6702	10383
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	26936	21278
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	33638	31661

Guarantee fund

Guarantee fund requirement	21	4558	4916
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	29080	26745

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	13674	14747
Resilience capital requirement	32	1350	1200
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	15024	15947
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	15024	15947
Excess (deficiency) of available capital resources to cover 50% of MCR	37	26126	23688
Excess (deficiency) of available capital resources to cover 75% of MCR	38	22370	19701

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	15024	15947

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	15024	15947
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	18614	15714

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2

Form 2

Name of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

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O. THORESEN Chief Executive

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J.M. LAIDLAW Director

.....

W.J. ROBERTSON Director

Edinburgh, 23 March 2010

Components of capital resources

Name of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1397655	GL	31	12	2009	£000
		General insurance business		Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year
		1		2	3	4

Core tier one capital

Permanent share capital	11		27560	27560	27560
Profit and loss account and other reserves	12		42418	42418	44645
Share premium account	13		129240	129240	129240
Positive valuation differences	14		12708	12708	13637
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		211926	211926	215082

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		211926	211926	215082
Investments in own shares	32				
Intangible assets	33		51348	51348	59257
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		51348	51348	59257
Total tier one capital after deductions (31-37)	39		160578	160578	155825

Components of capital resourcesName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1397655	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				

Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resourcesName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1397655	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		160578	160578	155825	
Inadmissible assets other than intangibles and own shares	73		5583	5583	6303	
Assets in excess of market risk and counterparty limits	74		121357	121357	117861	
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		33638	33638	31661	

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		33638	33638	31661	
Available capital resources for 50% MCR requirement	82		33638	33638	31661	
Available capital resources for 75% MCR requirement	83		33638	33638	31661	

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93					
Outstanding contingent loans	94					
Any other charges on future profits	95					
Sum of financial engineering adjustments (91+92-93+94+95)	96					

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	1397655	GL	31	12	2009	£000
				This financial year		Previous year	
				1	2		
Gross premiums written			11	235			312
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13	235			312
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16	235			312
Gross premiums earned			21	235			312
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23	235			312
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26	235			312
Sub-total I (higher of sub-total A and sub-total H)			30	235			312
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31	235			312
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32	42			56
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34	42			56
Claims paid in period of 3 financial years			41	2564			3437
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42	7036			7139
	For insurance business accounted for on an accident year basis		43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44	6251			8880
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46	3350			1696
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	2406			908
Sub-total D (46-47)			48	943			788
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49	0.50			0.50
Premiums amount (Sub-total J x reinsurance ratio)			50	21			28
Provision for claims outstanding (before discounting and net of reinsurance)			51	2428			2467
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53	201			204
Greater of lines 50 and 53			54	201			204

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1397655	GL	31	12	2009	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	2564			3437
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	7036			7139
	For insurance business accounted for on an accident year basis			23				
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	6251			8880
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	3350			1696
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	3350			1696
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	1117			565
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	290			147
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	290			147
Claims amount Sub-total G x reinsurance ratio (11.49)				41	145			73
Higher of premiums amount and brought forward amount (11.54)				42	201			204
General insurance capital requirement (higher of lines 41 and 42)				43	201			204

Analysis of admissible assetsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1397655	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	12018	8867
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	13739	20053
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	1397655	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	1355	1647
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	663	789
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	80	80
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	27855	31436
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Analysis of admissible assetsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	1397655	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	27855	31436
Admissible assets in excess of market and counterparty limits	92	121357	117861
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	149212	149297
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1356	1647

Analysis of admissible assetsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1397655	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	29739	33797
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		5993
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	814110	755828

Analysis of admissible assetsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	1397655	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	13742	4025
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	482	1188
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	403	304
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	858476	801135
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Analysis of admissible assetsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1397655	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	858476	801135
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	51348	59257
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	5583	6303
Reinsurers' share of technical provisions excluded from line 89	100	6061	6093
Other asset adjustments (may be negative)	101	(3716)	2547
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	917752	875335
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Long Term Business**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	829584	773365	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	6702	10383	
Long term insurance business fund carried forward (11 to 13)	14	836286	783748	
Claims outstanding	Gross	15	7494	5085
	Reinsurers' share	16		
	Net (15-16)	17	7494	5085
Provisions	Taxation	21	(485)	(403)
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32	30	36
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	6	249	
Creditors	Taxation	37	4318	
	Other	38	10827	12420
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	22190	17387	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	858476	801135	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	601	489
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	804020	743808

Total liabilities (11+12+49)	71	851774	790752
Increase to liabilities - DAC related	72	1563	1765
Reinsurers' share of technical provisions	73	6061	6093
Other adjustments to liabilities (may be negative)	74	7428	14418
Capital and reserves and fund for future appropriations	75	50926	62307
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	917752	875335

Liabilities (other than long term insurance business)Name of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

R15	Company registration number	GL/UK/CM	day month year			Units
	1397655	GL	31	12	2009	£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		1
Creditors	Taxation	47	916	1923
	Foreseeable dividend	48		
	Other	49	3	8234
Accruals and deferred income		51		
Total (19 to 51)		59	919	10158
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	919	10158

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	3	1
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	1	1
Capital and reserves	84	148292	139138
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	149212	149297

Profit and loss account (non-technical account)Name of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1397655	GL	31	12	2009	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			17000	20000	
Investment income	Income		14			3627	7321	
	Value re-adjustments on investments		15				218	
	Gains on the realisation of investments		16				216	
Investment charges	Investment management charges, including interest		17			175	924	
	Value re-adjustments on investments		18			182		
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			20270	26831	
Tax on profit or loss on ordinary activities			31			916	1947	
Profit or loss on ordinary activities after tax (29-31)			39			19354	24884	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			19354	24884	
Dividends (paid or foreseeable)			51			10200	10500	
Profit or loss retained for the financial year (49-51)			59			9154	14384	

Long-term insurance business : Revenue account

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	44841	49371
Investment income receivable before deduction of tax	12	26539	35610
Increase (decrease) in the value of non-linked assets brought into account	13	(2008)	1551
Increase (decrease) in the value of linked assets	14	103700	(206958)
Other income	15		
Total income	19	173072	(120426)

Expenditure

Claims incurred	21	93488	95355
Expenses payable	22	5506	6067
Interest payable before the deduction of tax	23	165	448
Taxation	24	4375	(5526)
Other expenditure	25		
Transfer to (from) non technical account	26	17000	20000
Total expenditure	29	120534	116344

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	52538	(236770)
Fund brought forward	49	783748	1020518
Fund carried forward (39+49)	59	836286	783748

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	47030			47030	51831
Single premiums	12	8			8	30

Reinsurance - external

Regular premiums	13	355			355	372
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	1842			1842	2118
Single premiums	16					

Net of reinsurance

Regular premiums	17	44833			44833	49341
Single premiums	18	8			8	30

Total

Gross	19	47038			47038	51861
Reinsurance	20	2197			2197	2490
Net	21	44841			44841	49371

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	14226			14226	14393
Disability periodic payments	12	1312			1312	1608
Surrender or partial surrender	13	33433			33433	49263
Annuity payments	14					
Lump sums on maturity	15	46846			46846	32200
Total	16	95817			95817	97464

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					180
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					180

Reinsurance - intra-group

Death or disability lump sums	31	1251			1251	1282
Disability periodic payments	32	623			623	622
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35	455			455	25
Total	36	2329			2329	1929

Net of reinsurance

Death or disability lump sums	41	12975			12975	13111
Disability periodic payments	42	689			689	806
Surrender or partial surrender	43	33433			33433	49263
Annuity payments	44					
Lump sums on maturity	45	46391			46391	32175
Total	46	93488			93488	95355

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	425		425	548
Commission - other	12	665		665	1138
Management - acquisition	13	17		17	16
Management - maintenance	14	3565		3565	3422
Management - other	15				
Total	16	4672		4672	5124

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33	(10)		(10)	(14)
Management - maintenance	34	(824)		(824)	(929)
Management - other	35				
Total	36	(834)		(834)	(943)

Net of reinsurance

Commission - acquisition	41	425		425	548
Commission - other	42	665		665	1138
Management - acquisition	43	27		27	30
Management - maintenance	44	4389		4389	4351
Management - other	45				
Total	46	5506		5506	6067

Long-term insurance business : Linked funds balance sheet

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	814387	756424
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+ 13)	14	814387	756424
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16	6	249
Other liabilities	17	10085	11771
Total net assets (14-15-16-17)	18	804296	744404

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	804296	744404
Surplus units	32	276	596
Deficit units	33		
Net unit liability (31-32+33)	34	804020	743808

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Income

Value of total creation of units	11	5480	63235
Investment income attributable to the funds before deduction of tax	12	25746	33181
Increase (decrease) in the value of investments in the financial year	13	102260	(206958)
Other income	14		
Total income	19	133486	(110542)

Expenditure

Value of total cancellation of units	21	68052	124625
Charges for management	22		
Charges in respect of tax on investment income	23	4724	9104
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	1	(12514)
Other expenditure	26	818	451
Total expenditure	29	73595	121666

Increase (decrease) in funds in financial year (19-29)	39	59891	(232208)
Internal linked fund brought forward	49	744405	976612
Internal linked funds carried forward (39+49)	59	804296	744404

Long-term insurance business : Summary of new businessName of insurer **Guardian Linked Life Assurance Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	2		2	1
Single premium business	12				
Total	13	2		2	1

**Amount of new regular
premiums**

Direct insurance business	21	1312		1312	1465
External reinsurance	22				
Intra-group reinsurance	23	219		219	124
Total	24	1531		1531	1589

**Amount of new single
premiums**

Direct insurance business	25				26
External reinsurance	26				
Intra-group reinsurance	27				
Total	28				26

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Guardian Linked Life Assurance Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	30142	30142	1244	1.75	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	14224	14224			
Total	19	44366	44366	1244	1.19	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Summary of mathematical reservesName of insurer **Guardian Linked Life Assurance Limited**Total business / subfund **Long Term Business**Financial year ended **31 December 2009**

Units

£000

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	3333		3333	3089
Form 52	13				
Form 53 - linked	14	804019		804019	743808
Form 53 - non-linked	15	101620		101620	123184
Form 54 - linked	16				
Form 54 - non-linked	17	2248		2248	2443
Total	18	911220		911220	872525

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	877		877	843
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	877		877	843

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35	79148		79148	96557
Form 54 - linked	36				
Form 54 - non-linked	37	1611		1611	1760
Total	38	80759		80759	98316

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	2455		2455	2246
Form 52	43				
Form 53 - linked	44	804019		804019	743808
Form 53 - non-linked	45	22473		22473	26627
Form 54 - linked	46				
Form 54 - non-linked	47	636		636	684
Total	48	829584		829584	773365

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	2659	424997	802				1277
330	Decreasing term assurance	617	61280	281				(81)
345	Accelerated critical illness (reviewable premiums)	565	99411	266				1206
355	Stand-alone critical illness (reviewable premiums)	188	27890	129				606
365	Income protection non-profit (reviewable premiums)	1	309	7				33
380	Miscellaneous protection rider		55253	41				212
440	Additional reserves non-profit OB							81

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		38731	75				29
330	Decreasing term assurance		2749	13				(15)
345	Accelerated critical illness (reviewable premiums)		48009	103				515
355	Stand-alone critical illness (reviewable premiums)		14164	54				256
380	Miscellaneous protection rider		26502	14				92

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Guardian Linked Life Assurance Limited**
Total business / subfund **Long Term Business**
Financial year ended **31 December 2009**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium - Investment Bond	5792	114990		114962	114962	353	115315
710	Life property linked whole life regular premium - Capital Builder	2293	28726	545	28629	28629	3	28632
710	Life property linked whole life regular premium - Freedom	10876	1042766	9784	39529	39529	85	39615
710	Life property linked whole life regular premium - Freedom reinsurance from GA		319677	3925			87	87
710	Life property linked whole life regular premium - HIP	88	2523	6	2523	2523		2523
710	Life property linked whole life regular premium - Lifeplan	383	39096	296	2984	2984	3	2988
715	Life property linked endowment regular premium - savings - HIP	167	5067	48	5050	5050	1	5051
715	Life property linked endowment regular premium - savings - Maximum	31	883	16	847	847		847
720	Life property linked endowment regular premium - target cash - Homebuilder	33259	855664	23964	473862	473862	869	474731
720	Life property linked endowment regular premium - target cash - Homebuilder Plus	7266	178420	5398	135634	135634	30	135664
785	Income protection rider		23542	84			326	326
785	Income protection rider - claims in payment						4462	4462
790	Miscellaneous protection rider			26			269	269
800	Additional reserves property linked						95132	95132

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life property linked whole life regular premium - Freedom		517302	1509			151	151
785	Income protection rider		14645	385			235	235
785	Income protection rider - claims in payment						2762	2762
790	Miscellaneous protection rider			9				
800	Additional reserves property linked						76000	76000

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment						2248	2248

Long-term insurance business: Analysis of valuation interest rateName of insurer **Guardian Linked Life Assurance Limited**Total business **Long Term Business**Financial year ended **31 December 2009**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
F51 and F53 life discounted	3242	1.50	n/a	2.24
F51 and F53 life non-discounted	19297		n/a	1.10
F51 critical illness, income protection	557	n/a	2.00	2.24
F51 and F53 income protection non-discounted	132	n/a		2.24
F53 and F54 income protection claims in payment	2336	n/a	4.25	4.46
Total	25564			

Long-term insurance business : Distribution of surplus

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	836286	783749
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	17000	20000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	853286	803749
Mathematical reserves	21	829584	773365
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	23703	30383

Composition of surplus

Balance brought forward	31	10383	14565
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	13319	15818
Total	39	23703	30383

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	17000	20000
Total distributed surplus (46+47)	48	17000	20000
Surplus carried forward	49	6703	10383
Total (48+49)	59	23703	30383

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance capital requirementName of insurer **Guardian Linked Life Assurance Limited**

Global business

Financial year ended **31 December 2009**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		0.87		
Classes I (other), II and IX	14	0.3%	545224	476649	1430	1592
Classes III, VII and VIII	15	0.3%	1739930	1194248	0.69	3583
Total	16		2285154	1670898		5013

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					201	204
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	2335	1858	0.85	20	18
Classes III, VII and VIII (investment risk)	33	1%	211664	135664	0.85	1799	1903
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	15428	15428	1.00	154	139
Classes III, VII and VIII (other)	35	25%				748	660
Class IV (other)	36	1%	8303	3149	0.85	71	71
Class V	37	1%					
Class VI	38	1%					
Total	39					2792	2791

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	2335	1858	0.85	60	54
Classes III, VII and VIII (investment risk)	43	3%	211664	135664	0.85	5397	5709
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	15428	15428			
Classes III, VII and VIII (other)	45	0%	673491	673485			
Class IV (other)	46	3%	8303	3149	0.85	212	214
Class V	47	0%					
Class VI	48	3%					
Total	49		911220	829584		5669	5977

Long term insurance capital requirement	51					13674	14747
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Supplementary Notes to the Return**GUARDIAN LINKED LIFE ASSURANCE LIMITED****Financial year ended 31 December 2009****APPENDIX 9.1**

0301 Net Admissible Asset Reconciliation

		2009	2008
		£'000	£'000
F13 L89	Grand total of admissible assets	27,855	31,436
OLTB			
F13 L89 LTB	Grand total of admissible assets	858,476	801,135
F14 L11	Mathematical reserves, after distributions of surplus	(829,585)	(773,365)
F14 L12	Cash bonus which has not been paid to policyholders prior to end of the financial year	-	-
F14 L49	Total other insurance and non insurance liabilities	(22,189)	(17,387)
F15 L69	Total	(919)	(10,158)
	Sub Total	33,638	31,661
F3 L79	Total Capital resources after deductions	33,638	31,661

0310 Net Valuation Differences

The positive valuation differences in Form 3 Line 14 are in respect of IFRS GAAP adjustments of £12,708,000. (2008: £13,637,000.)

	2009	2008
	£'000	£'000
Valuation differences	(3,233)	(4,721)
Deferred tax on Value Of Business Acquired		14,377
16,592 Deferred tax on Deferred Acquisition Cost		1,563
1,765		
Rounding	1	1
Total	12,708	13,637

0313 Reconciliation of Profit and Loss Account and Other Reserves

	2009
	£'000
Form 3 Line 12: 2009	42,418
Less Form 3 Line 12: 2008	(44,645)
	(2,227)
Transfer from LTB revenue account	17,000
LTB profit in IFRS financial statements	(6,927)
Movement in revaluation reserve in respect of LTB in IFRS financial statements	1,308
Form 16 Line 59	9,154

1305 OLTB: Maximum Counterparty limit

There are no separate limits relating to the shareholders' fund - the limits detailed in supplementary note 1319 below apply to the combination of long term and shareholders' funds.

Supplementary Notes to the Return**GUARDIAN LINKED LIFE ASSURANCE LIMITED****Financial year ended 31 December 2009**

1306 OLTB: Exposure at Year End to large Counterparties
At the valuation date, when taken together with policyholder assets, there was one large exposure to an individual counterparty (see supplementary note 1312).

1307 Aggregate value of certain fully secured rights
The aggregate value of rights falling under INSPRU 2.1.35R, INSPRU 2.1.36R and INSPRU 2.1.37R is nil.

1312 LTB: Exposure at Year End to large Counterparties
At the valuation date, when shareholders and policyholders are taken together, there was a large exposure of £122,712,000 relating to a loan with AEGON UK Plc, a fellow subsidiary of AEGON N.V.

1318 LTB: Other asset adjustments in Form 13 Line 101

	2009	2008
	£'000	£'000
Corporation tax categorisation difference	-	(803)
Linked secured and unsecured loans per Forms (F44.16/F14.36)	(6)	(249)
Linked other liabilities per Form (F44.17)	(10,085)	(11,771)
Linked other liabilities per stats	4,381	9,218
Linked Derivatives categorisation difference	1,994	6,152
	<u>(3,716)</u>	<u>2,547</u>

1319 LTB: Maximum Counterparty limit
The Company's Investment Guidelines as they relate to exposure limits are as follows. All percentages refer to Business Amount (non-linked business). There are no exposure limits restricting the investment operation of internal linked funds.

Counterparty Exposure Limits

- a. Unincorporated body of persons, individual, non-Zone A public body, manufacturing company: 5.0%
- b. Approved counterparty, approved credit institution (excluding deposits) : 10.0%
- c. Approved credit institution (deposits) : 10.0%

There is no limit on the exposure to approved securities or accrued interest thereon, amounts due from public bodies in any Zone A state or UCITS. There is also no limit in respect of amounts due from the Company's immediate parent undertaking, AEGON UK plc.

Supplementary Notes to the Return**GUARDIAN LINKED LIFE ASSURANCE LIMITED****Financial year ended 31 December 2009**Asset Class Exposure Limits by Counterparty

	Non-Linked Business
Equities :	2.5%
Preference Shares :	2.5%
Equity, Preference Shares & Fixed Interest Securities :	5.0%

Deposit Exposure Limits by Credit Rating

Deposits with counterparties with a Moody's (or equivalent) credit rating of "A" or higher are subject to an overall limit of £6m per counterparty in each fund range.

There were no breaches of internal exposure limits during the year.

- *1321* Reconciliation of assets held to match linked liabilities – property linked assets held to cover linked liabilities in the report and accounts.

	2009 £000
Form 13 Line 59 Assets held to match linked liabilities – Property Linked	814,110
Form 44 Line 15 Provision for tax on unrealised capital gains	-
Form 44 Line 16 Secured and unsecured loans	(6)
Form 44 Line 17 Other liabilities	(10,085)
	Report and accounts – Linked other liabilities 4,381
Form 44 Line 32 Surplus units	275
	Report and accounts – Derivatives (5,960)
	Report and accounts – Other assets and receivables (11,394)
	Report and accounts – Cash and cash equivalents (11,266)
	Report and accounts – Investments for account of policyholders
	780,055

- *1401* Provision for reasonably foreseeable adverse variations (F14L41)
To meet the requirements of GENPRU 1.3.30R to GENPRU 1.3.33R, the firm generally uses current market data at the valuation point and where this is not available fair value pricing principles are employed. The Insurer has no obligations or potential obligations to which INSPRU 3.2.17R to INSPRU 3.2.18R apply.

1402 LTB: Liabilities

- (a) The Company granted a Bond and Floating Charge to Guardian Assurance plc, a fellow Aegon UK plc subsidiary undertaking on 29 December 2005 in respect of reinsurance contracts (relating to unit linked business and other classes of insurance business) between the Company and Guardian Assurance plc.
- (b) As at 31st December 2009 £NIL (2008: £NIL) has been set aside for tax on capital gains not yet realised. Full provision has been made for taxation which might be payable if the assets were sold at the values at which they are included in Form 13.
- (c) The Company has no contingent liabilities.
- (d) The Company has no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.
- (e) The Company has a provision in respect of complaints arising from past mortgage endowments of £6.2m.

Supplementary Notes to the Return**GUARDIAN LINKED LIFE ASSURANCE LIMITED****Financial year ended 31 December 2009**

1405 Other Adjustments To Liabilities in Form 14 Line 74

	2009	2008
	£'000	£'000
Corporation tax categorisation difference	-	(803)
Linked secured and unsecured loans per forms (F44.16/F14.36)	(6)	(249)
Linked other liabilities per forms (F44.17)	(10,085)	(11,771)
Linked other liabilities per stats	4,381	9,218
Linked Derivatives categorisation difference	1,994	6,152
Net technical provisions – difference between IFRS and regulatory bases (difference between F14-11 and stats)	(3,233)	(4,721)
Deferred Tax Asset on Value Of Business Acquired	14,377	16,592
	<u>7,428</u>	<u>14,418</u>

1501 Provision for reasonably foreseeable adverse variations (F15L61)

To meet the requirements of GENPRU 1.3.30R to GENPRU 1.3.33R, the firm generally uses current market data at the valuation point and where this is not available fair value pricing principles are employed. The Insurer has no obligations or potential obligations to which INSPRU 3.2.17R to INSPRU 3.2.18R apply.

1502 OLTB: Liabilities

- (a) There were no charges over assets.
- (b) Deferred taxation on unrealised gains has been provided where it is considered that a liability will arise in the future. For other than long term business this provision within Form 15 was £Nil. If taxation had been charged on the full amount of unrealised gains and other timing differences, the additional provision required would have been approximately £Nil.
- (c) The Company has no contingent liabilities.
- (d) The Company has no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of insurance business and in respect of related companies.
- (e) The Company is not aware of any fundamental uncertainties affecting its business.

1507 OLTB: Other Adjustment to Liabilities

Within Line 83 of Form 15 there is rounding of £1,000.

1601 Basis of foreign currency conversion

Income and expenditure receivable and payable in a currency other than sterling is converted to sterling at the rates ruling at the date of the transaction. Income and expenditure of overseas branches and agencies is translated at average rates throughout the year.

1700 Analysis of derivative assets

Form 17 has not been prepared for both “Total other than long term insurance business assets” and “Total Long term insurance business assets” as the Company did not hold any derivative instruments.

Supplementary Notes to the Return

GUARDIAN LINKED LIFE ASSURANCE LIMITED

Financial year ended 31 December 2009

APPENDIX 9.3

***4008* Management Services**

An agreement is in force whereby AEGON UK Services Limited administer the expense payments on behalf of the Company. There was a management agreement in place with AEGON Asset Management plc for the provision of investment management services.

***4009* Material Connected-Party Transactions**

Due to reinsurance agreements in place, the Company accepted reinsurance premium business of £4.7m from Guardian Assurance plc, a fellow subsidiary of AEGON UK plc. The total aggregate reinsurance transaction, after inclusion of claims, commissions and interest between the Company and Guardian Assurance plc resulted in a receipt of £5.0m to the Company.

The aggregate of the management service charge, as detailed in supplementary note 4008, and associated interest charges amounted to £3.3m.

The Company also has a loan of £122.7m to AEGON UK plc, a fellow subsidiary of AEGON NV.

***4401* Valuation of Assets**

For the purposes of these Returns, the assets have been valued in accordance with GENPRU 1.3.

***4402* Derivative Contracts/Rights & Liabilities**

The Company held derivatives in the form of futures valued at £5,960,000. The Company did not hold any stock warrants.

***4502* Other Income and Expenditure**

Other expenditure consists of Overdraft Interest (£7,000), Custodian Fees (£76,000) and Investment Expenses (in respect of futures) (£735,000).

***4900* Form 49 has been omitted as there are no non-linked fixed interest securities which are not approved securities.**

***5102* It has been assumed that the number of individual policies is the number of individual policyholders.**

***5302* It has been assumed that the number of individual policies is the number of individual policyholders except where a number of 'mini-policies' have been sold in a 'cluster', in which case the cluster has been counted as individual policyholder.**

Additional Information on Derivative Contracts required by rule 9.29 of the Interim Prudential Sourcebook for Insurers.

GUARDIAN LINKED LIFE ASSURANCE LIMITED

Financial year ended 31 December 2009

- (a) The Investment Guidelines operated during the year to 31 December 2009 were as follows :
- (i) Exchange traded Index Futures may be used in the equity and fixed interest sectors of the long term business fund for efficient portfolio management and reduction of risk up to a level of 25% of the relevant "sector" fund.
 - (ii) Margin requirements on Futures positions are deposited with the exchange through a clearing agent. Overall exposure is limited to 25% of the relevant "sector" fund.
 - (iii) Exchange traded puts or calls on individual shares may be bought or sold consistent with the fund mandates. Options sold by the insurer must be covered.
 - (iv) Currency forward contracts may be used to manage currency exposure. Currency options may be used as an alternative to currency forwards. Currency hedging may be occasionally achieved by using borrowings. Hedging can only be applied against currencies actually held by the insurer.
 - (v) Over the Counter (OTC) derivatives are used only for very specific purposes consistent with the fund mandate. Where investment guarantees are given to policyholders, the guarantees may be achieved by entering into an OTC contract with an investment bank.
 - (vi) Derivatives may be utilised within structured documented programmes that do not comply with (a)(i)-(v) above. These programmes specifically detail the way in which derivatives may be used and the funds to which they apply. The limits on the use of derivatives within such programmes are capped at 100% of the value of the fund and the use of derivatives must comply with FSA rules.
- (b) The Investment Guidelines do not normally permit any new contracts to be bought or sold which are more than 10% out of the money (this includes over the counter options). The only exceptions are where a contract that is more than 10% out of the money is covered by an additional contract that is less than 10% out of the money, or the out of the money contract, potentially in combination with other contracts, has the effect of reducing investment risk as defined in FSA rules. The Guidelines also specifically require care to be taken so that out of the money options are not exercised and losses consequently incurred.
- (c) The Insurer was not a party to any such contracts as described in sub-paragraph (b) above during 2009.
- (h) No derivative contract was held at any time during the financial year which required a significant provision to be made for it under INSPRU 3.2.17R, or did not fall within the definition of a permitted derivative contract.
- (i) During 2009 within the linked long-term insurance fund, the insurer received a fixed consideration of £6.9m in return for granting rights under derivative contracts. The derivative contracts in question were put and call options written against both individual company holdings and standard indices.

Returns under the Accounts and Statements Rules

Additional Information on Controllers required by Rule 9.30 of the Interim Prudential Sourcebook for Insurers.

GUARDIAN LINKED LIFE ASSURANCE LIMITED

Financial year ended 31 December 2009

Controllers

During the year AEGON NV was a controller of the Company by virtue of being the ultimate parent company. The Company is a wholly owned subsidiary of AEGON (UK) plc, which is a wholly owned subsidiary of AEGON Holdings (UK) Ltd. AEGON Holdings (UK) Ltd in turn is a wholly owned subsidiary of AEGON International NV, which is a wholly owned subsidiary of AEGON NV, the ultimate parent undertaking. Both AEGON International NV and AEGON NV are incorporated in the Netherlands.

The ultimate parent undertaking of Guardian Linked Life Assurance Ltd is AEGON NV. Vereniging AEGON holds approximately 11% of AEGON NV's outstanding common shares and all of the preferred shares. This corresponds to approximately 22% of voting rights. In the event of a "special cause", Vereniging AEGON's voting rights would currently increase to around 32%, for up to 6 months per "special cause". A "special cause" would be such as the acquisition of a 15% interest in AEGON NV, a tender offer for AEGON NV shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by AEGON NV's Executive Board and Supervisory Board.

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The valuation date is 31 December 2009.
- (2) The previous valuation date was 31 December 2008.
- (3) There have been no interim valuations (for the purposes of rule 9.4 of IPRU(INS)) carried out since 31 December 2008.

Product range

2. There have been no significant changes in products during the financial year.

Discretionary charges and benefits

3. (1) There are no contracts where there is an option to apply a market value reduction (or equivalent).
- (2) Historically the Company offered both 5 and 10 year reviewable contracts on the health related protection business. However, to date, there has not been any increase in the premiums for these contracts.
- (3) There are no contracts with non-profit deposit administration benefits.
- (4) Service charges on the Freedom range of contracts increased by 4.2% during 2009, except for those relating to plans where the monthly service charge can only be increased on the 5th or 10th anniversary, where the percentage increase was 19.8% (e.g. £3.08 to £3.69) and 40% (£2.80 to £3.90) respectively.
- (5) There have been no changes to benefit charges on linked policies since the previous investigation.
- (6) There have been no changes to unit management charges since the previous investigation.
- (7) For unit pricing of internal linked funds:
 - (a)
 - (i) Units in the internal linked funds are created and cancelled at the net asset price.
 - (ii) The offer price used for the allocation of units to policies is calculated as the net asset price plus a bid/offer spread. The bid price used in the cancellation of units from policies is calculated as the offer price multiplied by [1-the bid/offer spread percentage]. For Accumulation units, prices must be within the following maximum and minimum limits. The minimum bid price is obtained by dividing the number of units in issue into the net value of the relevant fund with due allowance for disposal costs. The maximum offer price is obtained similarly from the value of the relevant fund but with due allowance for acquisition costs and the results increased by 100/95. For initial units the maximum and minimum prices are obtained from prices for the corresponding Accumulation units after taking into account the additional management charges made.

- (iii) Underlying net asset prices are calculated on two bases. The higher net asset price represents the offer price of the underlying assets plus an allowance for purchase expenses. The lower net asset price represents the equivalent bid price of those underlying assets less an allowance for sale costs. A striking point is then determined between the two values according to current and expected cashflows to represent the deemed net asset price. The current and expected cashflows are reviewed each month and could be reviewed on other occasions in special circumstances.
 - (iv) Asset valuations are based on the 12pm intra-day valuation except for property which is valued monthly.
- (b) There are no circumstances where different pricing bases apply to different policies. Pricing bases vary depending on the position of the individual unit-linked funds as described above.
- (c) Not applicable.
- (8) Tax is deducted from the internal linked funds on a quarterly basis consistent with the tax payments made to HM Revenue and Customs. Tax is deducted in respect of realised gains and other taxable income assuming a tax rate of 20%. In respect of the notional gains on unit trusts the tax deducted is based on a rate of 20% applying to 1/7th of the notional gain which is consistent with the Company's taxation basis. No deduction is made with respect to other unrealised gains.
- (9) For all funds subject to tax on capital gains, tax provisions are established in respect of realised and unrealised gains at rate of 20% of the indexed gain. This figure is adjusted to allow for the deferment of tax on deemed disposals of unit trust holdings. For the Fixed Interest and Index Linked Gilt funds, corporation tax provisions are established in respect of realised and unrealised gains at a rate of 20% of the relevant gain. This is assessed on a mark to market basis.
- (10) For those funds which hold units in AEGON Asset Management OEICs, the amount of the management charge on the OEIC is rebated to the fund and hence to the policyholders. There are no beneficial terms in respect of purchases or sale of the OEIC holding. There are no beneficial terms on holdings in other unit trusts or OEICs.

Valuation basis (other than for special reserves)

4. (1) The valuation methods used are as follows:
- The non linked protection reserves were calculated using a gross premium approach. The present value of office premiums was deducted from the present value of benefits and expenses, including commission, allowing for lapses on a prudent basis with no minimum reserve.
 - Income protection claims in payment reserves are calculated prospectively with an appropriate allowance for future claims expenses.

- For unit linked contracts the reserve is equal to the bid value of units, adjusted for actuarial funding where relevant, plus an additional reserve to avoid future valuation strain, and a multiple of the monthly benefit charges for those contracts that are current-costed. The unit reserve was in all cases at least as great as the surrender value. The additional reserves were calculated by projecting future cashflows. The cash flows are projected on 2 bases (with the reserve being established based on the least favourable).

- On the assumption that premiums continue to be paid until maturity or surrender.
- On the assumption that all policies are immediately paid up at the valuation date.

- The interest rates used in the 2009 valuation and those used in the 2008 investigation are as follows:

Product Type	31 December 2009	31 December 2008
Non-Linked Life, Linked Life	1.50%	1.50%
Critical Illness, Income Protection	2.00%	2.00%
Income Protection Claims in Payment	4.25%	3.50%

- The fixed interest securities are all gilts and as such there is no requirement to reduce the yields to allow for risk.

- Mortality Bases

Product Range	31 December 2009		31 December 2008	
Freedom Direct				
	Smokers	Non-Smokers	Smokers	Non-Smokers
Males	120% TMS00	140% TMN00	120% TMS00	140% TMN00
Females	145% TFS00	140% TFN00	145% TFS00	140% TFN00
Homebuilder, Homebuilder Plus, Investment Bond, Capital Builder, HIP				
Males	105% AM92		105% AM92	
Females	110% AF92		110% AF92	
Aids: Males	+50% R6A AIDS		+50% R6A AIDS	
Aids: Females	+17.5% R6A AIDS		+17.5% R6A AIDS	
	+0.001 for Fatal Accident Benefits		+0.001 for Fatal Accident Benefits	

Non-Linked Life Protection				
	31 December 2009		31 December 2008	
	Smokers	Non-Smokers	Smokers	Non-Smokers
Males	120% TM92	70% TM92	120% TM92	70% TM92
Females	140% TF92	80% TF92	140% TF92	80% TF92
Aids: Males	+50% R6A	+50% R6A	+50% R6A	+50% R6A
Aids: Females	+17.5% R6A	+17.5% R6A	+17.5% R6A	+17.5% R6A

- (5) For Income Protection claims in payment the termination rates are of a modified CMIR12 table and AM/AF80-1 combined.

The 2009 basis, using a deferred period of twenty six weeks is as follows:

Modified CMIR12 & AM/AF80-1 combined Termination Rates				
	Duration 2 yrs	Duration 2 yrs	Duration 5 yrs	Duration 5 yrs
Age	female	male	female	male
25	0.1123	0.1126	0.0447	0.0451
35	0.0923	0.0924	0.0380	0.0382
45	0.0720	0.0725	0.0323	0.0329
55	0.0524	0.0550	0.0287	0.0313

The equivalent basis for 2008 is as follows:

Modified CMIR12 & AM/AF80-1 combined Termination Rates				
	Duration 2 yrs	Duration 2 yrs	Duration 5 yrs	Duration 5 yrs
Age	female	male	female	male
25	0.1123	0.1126	0.0447	0.0451
35	0.0923	0.0924	0.0380	0.0382
45	0.0720	0.0725	0.0323	0.0329
55	0.0524	0.0550	0.0287	0.0313

- (6) Expense Bases

	31 December 2009	31 December 2008
Renewal Expenses (Before 20% tax relief):		
Term Assurance (325/330)	£22.00	£22.00
Critical Illness (345/355)	£22.00	£22.00
UL Bond (700)	£55.00	£55.00
UL Savings Endowment (715) - HIP	£32.00	£32.00
UL Target Cash endowment (720) - Homebuilder	£50.00	£50.00

(7) Unit Growth Rates and Expense Inflation

	31 December 2009	31 December 2008
Unit growth rate (Net) - Before Management Charges	5.25%	4.75%
Expense Inflation: (Rate per annum)		
Series A Units	6.00%	5.00%
Series B Units	4.00%	3.00%
Reassurance Accepted	4.50%	3.50%
Inflation rate for Monthly Service Charges (Rate per annum):		
Freedom Direct	4.00%	3.00%
Freedom Reassurance Accepted	4.50%	3.50%
Investment Expenses:	0.15% p.a. of fund	0.075% p.a. of fund

(8) Reassurance is accepted from contracts written by Guardian Assurance plc, notably the Freedom range of contracts, that comprise accumulating with-profit policies. However, the unit liability associated with the contract remains with Guardian Assurance plc.

(9) Lapse, Surrender and Paid-up Assumptions

Product		Average lapse/surrender rate for the policy years (%)			
		1-5	6-10	11-15	16-20
Level term	lapse	5.6	5.6	5.6	5.6
Decreasing term	lapse	5.6	5.6	5.6	5.6
Accelerated critical illness	lapse	5.6	5.6	5.6	5.6
UL savings endowment - HIP	surrender	7.0	7.0	7.0	7.0
UL target cash endowment - HB	surrender	5.95	5.95	5.95	5.95
UL Bond	surrender	5.6	5.6	5.6	5.6
UL Bond	automatic withdrawals	100% of current withdrawals for relevant policies			

(10) Contracts or benefits were valued individually and for unit linked contracts any negative values were eliminated as they arose.

(11) Account is taken of derivative contracts to the extent that any market value, or the value of amounts margined, contributes to the value of assets underlying each internal linked fund.

(12) Not applicable.

Options and guarantees

5. (1) Not applicable.
- (2) Guaranteed surrender and unit-linked maturity values:

Homebuilder Plus maturity guarantees

Homebuilder Plus contracts pay at maturity the greater of the sum assured and the bid value of the Managed units held. If the unit value exceeds the sum assured before maturity then the units are switched into the GLLA Deposit fund. The guarantee reserve is fully reassured intra-group to Guardian Assurance plc.

Product	Mathematical reserve	Outstanding durations	Guarantee reserve	Guaranteed amount	MVA free conditions	In-force premiums	Increments accepted
Homebuilder Plus	£135.6m	Average 2 years	£76.0m	£178.0m	None	£ 5.4 m	No

- (3) Not applicable.
- (4) Not applicable.

Expense reserves

6. (1) An aggregate amount of £4,968,000 is contained in the valuation arising during the 12 months after the valuation date to meet expenses in fulfilling contracts in force at the valuation date. £3,728,000 is from explicit allowances and £1,240,000 from implicit allowances. Allowances for investment expenses and maintenance expenses are £1,240,000 and £3,728,000 respectively.
- (2) Implicit allowances for expenses arise from the deduction to the available yields for investment expenses.
- (3) Form 43 Line 14 includes £1,001,276 of investment expenses, leaving £2,563,322 of maintenance expenses.
- (4) The Fund is only writing new business where it is legally obliged to in respect of increments and options under existing policies. The expenses of continuing to write new business for 12 months were assessed by looking at expense budgets and anticipated new business volumes. The associated surplus emerging from existing business was also assessed. The expected surplus was more than sufficient to meet the additional costs, and no additional reserve is held.
- (5) The fund is effectively closed to new business and therefore no additional reserve is deemed necessary to cover the costs of closure.

Mismatching reserves

7. (1) The liabilities of the Company (other than liabilities for property linked benefits) are denominated in sterling and are backed by sterling denominated assets.

	Liabilities	Assets
UK £	£25,564,000	£25,564,000

- (2) No liabilities have been grouped together as 'other currencies'.
- (3) No reserve is held for currency mismatching.

- (4) The most onerous scenario under INSPRU 3.1.16R for assets invested in the UK for the purposes of calculating the resilience capital requirement in INSPRU 3.1.10R is a combination of a fall in the value of equities of 20.3% and a rise in the fixed interest yields of 0.89% (20% of the long-term gilt yield).
- (5) The Company has no non-linked assets invested outside the United Kingdom.
- (6) In respect of the scenario described under (4) above
 - (a) a resilience capital requirement of **£1,350,000** is required,
 - (b) the aggregate amount of the non-linked long-term insurance liabilities increased by no more than **£772,099**,
 - (c) the aggregate amount of the assets allocated to match such liabilities decreased by **£577,901**.
- (7) No further reserve arises from the test on assets in INSPRU 1.1.34R.

Other special reserves

8. Other special reserves which exceed 0.1% of the mathematical reserves are:

£ 6,200,000	Mortgage Endowment Compensation Reserve in respect of complaints arising from past sales of mortgage endowments. The reserve is based on actual ongoing and future expected complaints with assumed average levels of compensation, based on a prudent assessment of current experience. The annual cashflows are discounted at 1.5% and zero lapses are assumed.
£ 5,918,069	The provision relates to differences between the Capital Gains Tax (CGT) losses in the individual internal linked funds compared to the overall CGT losses of the Company. The Company can offset gains in one fund with losses in another fund and therefore the overall CGT losses of the Company are less than the sum of the individual losses within each internal linked fund. The provision is in respect of the value of the losses to each of the internal linked funds compared to the value of the overall value of the Company's CGT losses.
£ 4,050,797	Reserve to cover the Gratuity Values under lapsed policies.
£ 1,601,000	Reinsurance risk reserve for adverse deviation on reinsurance exposures.

Reinsurance

9. (1) No premiums were payable under facultative reinsurance arrangements in the reporting period to companies not permitted to carry on insurance business in the United Kingdom.
- (2) Reinsurance Treaties:
(see later table)

Reversionary (or annual) bonus

10. Policyholders do not participate in the profits of the fund and bonuses are not declared.

Reinsurance Treaties where the Company is the Cedant

Treaty No	Name of Reinsurer	Principal classes of business	Nature of Cover	Extent of cover	Premiums payable in 2009	Amount of mathematical reserves ceded	
1	Guardian Assurance plc	Life cover on linked business	Risk premium	The balance of risk over £100,000 (see notes)	£1,882,177	£80,759,083	Closed to New Business
		Homebuilder Plus		All Maturity Guarantees, being the excess, if any, of the Mortgage Amount over the Bid Value of units allocated			
		Freedom and Lifeplan: Permanent Health Insurance Total Permanent Disability benefit Waiver of premium benefit Fatal accident benefit		The balance of risk over £2,500 per annum escalation rate is 5% p.a. or less Total benefit Total benefit Total benefit			
2	Swiss Re Life & Health Ltd	Life cover on non-linked business	Original terms	£2,400,000 in excess of £100,000	£163,957	£877,497	Closed to New Business
		Critical Illness & Total and Permanent Disability Cover		£470,000 in excess of £30,000			
		Mortgage Health Protection & Plan Payment Health Protection		£27,000 per annum in excess of £5,000 per annum			
3	Munich Reinsurance Company	Freedom	Risk premium	90% quota share of risk written by or ceded to the Company for policies issued in 1992. The Treaty is renewable annually.	£134,686	NIL	Closed to New Business

Notes:

For treaty 1 the extent of cover shown is in excess of amounts recoverable under treaty 3.

g. No deposit back arrangements exist.

h. The treaties are closed to new business.

i. There are no undischarged obligations of the insurer.

l. All reinsurers are authorised to carry on business in the United Kingdom.

m. There is a connection between the Company and the reinsurer of treaty 1.

n. There are no material contingencies.

o. The Company had no liability for the refund of reinsurance commission (under any of the treaties) on lapse or surrender other than where premiums were refunded to the Company. Accordingly no Provision was considered necessary.

p. Not applicable.

Directors' Certificate pursuant to Appendix 9.6 (Rule 9.34(1)) of the Interim Prudential Sourcebook for Insurers

GUARDIAN LINKED LIFE ASSURANCE LIMITED

Financial year ended 31 December 2009

We certify that :

- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU and INSPRU; and
 - (b) the directors are satisfied that :
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU (INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
- (2) (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
- (c) the directors have, in preparing the return, taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

O. THORESEN, Chief Executive

J.M. LAIDLAW, Director

W.J. ROBERTSON, Director

Edinburgh, 23 March 2010

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Guardian Linked Life Assurance Limited

Global business

Financial year ended 31 December 2009

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU (INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000

- Forms 2, 3, 11 to 16, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU (INS) rule 9.29 ("the statement"); and
- the report required by IPRU (INS) rule 9.31(a) ("the valuation report")

We are not required to examine and do not express an opinion on the following:

- Forms 46, 47, 50, 51, 53 to 55 and 57 (including the supplementary notes);
- the statements required by IPRU (INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with IPRU (INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU (INS) rule 9.35. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' 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 insurer for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. Under IPRU (INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept adequate accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Guardian Linked Life Assurance Limited

Global business

Financial year ended 31 December 2009

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 23 March 2010. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU (INS) rule 9.11.

In accordance with IPRU (INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU (INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU (INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Registered Auditor

Edinburgh

23 March 2010