

2008

**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 2008

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 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	1397655	GL	31	12	2008	£000
			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	10383	14565
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	21278	20724
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	31661	35289

Guarantee fund

Guarantee fund requirement	21	4916	5153
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	26745	30136

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	14747	15459
Resilience capital requirement	32	1200	800
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	15947	16259
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	15947	16259
Excess (deficiency) of available capital resources to cover 50% of MCR	37	23688	27159
Excess (deficiency) of available capital resources to cover 75% of MCR	38	19701	23095

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	15947	16259

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	15947	16259
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	15714	19030

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 2008**

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O. THORESEN Chief Executive

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J.M. LAIDLAW Director

.....

F. MACKLE Director

Edinburgh, 25 March 2009

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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
R3	1397655	GL	31	12	2008	£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		44645	44645	34294
Share premium account	13		129240	129240	129240
Positive valuation differences	14		13637	13637	7320
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		215082	215082	198414

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		215082	215082	198414
Investments in own shares	32				
Intangible assets	33		59257	59257	51775
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		59257	59257	51775
Total tier one capital after deductions (31-37)	39		155825	155825	146639

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1397655	GL	31	12	2008	£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 resources

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1397655	GL	31	12	2008	£000
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		1			3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72			155825	155825	146639
Inadmissible assets other than intangibles and own shares	73			6303	6303	
Assets in excess of market risk and counterparty limits	74			117861	117861	111350
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			31661	31661	35289

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81			31661	31661	35289
Available capital resources for 50% MCR requirement	82			31661	31661	35289
Available capital resources for 75% MCR requirement	83			31661	31661	35289

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93					
Outstanding contingent loans	94					7320
Any other charges on future profits	95					
Sum of financial engineering adjustments (91+92-93+94+95)	96					7320

Calculation of general insurance capital requirement - premiums amount and brought forward amount

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

Global business

 Financial year ended **31 December 2008**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units
			R11	1397655	GL	
			This financial year 1			Previous year 2
Gross premiums written		11	312			309
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13	312			309
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	312			309
Gross premiums earned		21	312			309
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	312			309
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	312			309
Sub-total I (higher of sub-total A and sub-total H)		30	312			309
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31	312			309
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	56			56
	Excess (if any) over 53.1M EURO x 0.02	33				
Sub-total J (32-33)		34	56			56
Claims paid in period of 3 financial years		41	3437			3592
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	7139			6562
	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	8880			8318
	For insurance business accounted for on an accident year basis	45				
Sub-total C (41+42+43-44-45)		46	1696			1836
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	908			1276
Sub-total D (46-47)		48	788			560
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	28			28
Provision for claims outstanding (before discounting and net of reinsurance)		51	2467			2198
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	204			204
Greater of lines 50 and 53		54	204			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 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1397655	GL	31	12	2008	£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	3437			3592
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	7139			6562
	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	8880			8318
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	1696			1836
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	1696			1836
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	565			612
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	147			159
	Excess (if any) over 37.2M EURO x 0.03			33				
Sub-total G (32-33)				39	147			159
Claims amount Sub-total G x reinsurance ratio (11.49)				41	73			80
Higher of premiums amount and brought forward amount (11.54)				42	204			204
General insurance capital requirement (higher of lines 41 and 42)				43	204			204

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

Global business

Financial year ended **31 December 2008**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	2008	£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	8867	17489
	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	20053	23729
	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 2008**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	2008	£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	1647	1568
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	789	226
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	80	182
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	31436	43194

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

Global business

Financial year ended **31 December 2008**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	2008	£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	31436	43194
Admissible assets in excess of market and counterparty limits	92	117861	111350
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	149297	154544
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1647	1568

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

Global business

Financial year ended **31 December 2008**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	2008	£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	33797	39150
	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	3762
	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	755828	993229

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

Global business

Financial year ended **31 December 2008**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	2008	£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	4025	7076
	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	1188	708
	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	304	363
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	801135	1044288

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

Global business

Financial year ended **31 December 2008**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	2008	£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	801135	1044288
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	59257	51775
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	6303	
Reinsurers' share of technical provisions excluded from line 89	100	6093	73510
Other asset adjustments (may be negative)	101	2547	(16188)
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	875335	1153385
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 2008**Total business/Sub fund **10 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	773365	1005953	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	10383	14565	
Long term insurance business fund carried forward (11 to 13)	14	783748	1020518	
Claims outstanding	Gross	15	5085	5980
	Reinsurers' share	16		85
	Net (15-16)	17	5085	5895
Provisions	Taxation	21	(403)	13258
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32	36	29
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	249	426	
Creditors	Taxation	37		
	Other	38	12420	4162
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	17387	23770	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	801135	1044288	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	489	386
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	743808	976682

Total liabilities (11+12+49)	71	790752	1029723
Increase to liabilities - DAC related	72	1765	
Reinsurers' share of technical provisions	73	6093	73510
Other adjustments to liabilities (may be negative)	74	14418	(16188)
Capital and reserves and fund for future appropriations	75	62307	66340
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	875335	1153385

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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	1397655	GL	31	12	2008	£000
					As at end of this financial year 1	As at end of the previous year 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	1923	1614
	Foreseeable dividend	48		
	Other	49	8234	20856
Accruals and deferred income		51		
Total (19 to 51)		59	10158	22470
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	10158	22470

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		1	1
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83		1	7320
Capital and reserves	84		139138	124754
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		149297	154544

Profit and loss account (non-technical account)

Name of insurer

Guardian Linked Life Assurance Limited

Global business

Financial year ended

31 December 2008

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2008	£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			20000	18000
Investment income	Income		14			7321	7307
	Value re-adjustments on investments		15			218	731
	Gains on the realisation of investments		16			216	
Investment charges	Investment management charges, including interest		17			924	2411
	Value re-adjustments on investments		18				
	Loss on the realisation of investments		19				247
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			26831	23380
Tax on profit or loss on ordinary activities			31			1947	1614
Profit or loss on ordinary activities after tax (29-31)			39			24884	21766
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			24884	21766
Dividends (paid or foreseeable)			51			10500	5000
Profit or loss retained for the financial year (49-51)			59			14384	16766

Long-term insurance business : Revenue account

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	49371	54025
Investment income receivable before deduction of tax	12	35610	37151
Increase (decrease) in the value of non-linked assets brought into account	13	1551	649
Increase (decrease) in the value of linked assets	14	(206958)	41928
Other income	15		
Total income	19	(120426)	133753

Expenditure

Claims incurred	21	95355	122209
Expenses payable	22	6067	6386
Interest payable before the deduction of tax	23	448	448
Taxation	24	(5526)	8689
Other expenditure	25		
Transfer to (from) non technical account	26	20000	18000
Total expenditure	29	116344	155732

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(236770)	(21979)
Fund brought forward	49	1020518	1042497
Fund carried forward (39+49)	59	783748	1020518

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Regular premiums	11	51831			51831	56720
Single premiums	12	30			30	304

Reinsurance - external

Regular premiums	13	372			372	384
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	2118			2118	2615
Single premiums	16					

Net of reinsurance

Regular premiums	17	49341			49341	53721
Single premiums	18	30			30	304

Total

Gross	19	51861			51861	57024
Reinsurance	20	2490			2490	2999
Net	21	49371			49371	54025

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 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	14393			14393	16392
Disability periodic payments	12	1608			1608	2719
Surrender or partial surrender	13	49263			49263	72841
Annuity payments	14					
Lump sums on maturity	15	32200			32200	34081
Total	16	97464			97464	126033

Reinsurance - external

Death or disability lump sums	21					35
Disability periodic payments	22	180			180	1140
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	180			180	1175

Reinsurance - intra-group

Death or disability lump sums	31	1282			1282	2098
Disability periodic payments	32	622			622	544
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35	25			25	7
Total	36	1929			1929	2649

Net of reinsurance

Death or disability lump sums	41	13111			13111	14259
Disability periodic payments	42	806			806	1035
Surrender or partial surrender	43	49263			49263	72841
Annuity payments	44					
Lump sums on maturity	45	32175			32175	34074
Total	46	95355			95355	122209

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11	548			548	514
Commission - other	12	1138			1138	980
Management - acquisition	13	16			16	17
Management - maintenance	14	3422			3422	3818
Management - other	15					
Total	16	5124			5124	5329

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	(14)			(14)	(10)
Management - maintenance	34	(929)			(929)	(1047)
Management - other	35					
Total	36	(943)			(943)	(1057)

Net of reinsurance

Commission - acquisition	41	548			548	514
Commission - other	42	1138			1138	980
Management - acquisition	43	30			30	27
Management - maintenance	44	4351			4351	4865
Management - other	45					
Total	46	6067			6067	6386

Long-term insurance business : Linked funds balance sheet

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	756424	993160
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	756424	993160
Provision for tax on unrealised capital gains	15		12514
Secured and unsecured loans	16	249	426
Other liabilities	17	11771	3607
Total net assets (14-15-16-17)	18	744404	976613

Directly held linked assets

Value of directly held linked assets	21		
--------------------------------------	----	--	--

Total

Value of directly held linked assets and units held (18+21)	31	744404	976613
Surplus units	32	596	
Deficit units	33		69
Net unit liability (31-32+33)	34	743808	976682

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 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	63235	191694
Investment income attributable to the funds before deduction of tax	12	33181	33934
Increase (decrease) in the value of investments in the financial year	13	(206958)	41928
Other income	14		
Total income	19	(110542)	267556

Expenditure

Value of total cancellation of units	21	124625	278938
Charges for management	22		
Charges in respect of tax on investment income	23	9104	2773
Taxation on realised capital gains	24		528
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(12514)	5042
Other expenditure	26	451	202
Total expenditure	29	121666	287483

Increase (decrease) in funds in financial year (19-29)	39	(232208)	(19927)
Internal linked fund brought forward	49	976612	996540
Internal linked funds carried forward (39+49)	59	744404	976613

Long-term insurance business : Summary of new business

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business
 Financial year ended **31 December 2008**
 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	1			1	5
Single premium business	12					
Total	13	1			1	5

**Amount of new regular
premiums**

Direct insurance business	21	1465			1465	1551
External reinsurance	22					
Intra-group reinsurance	23	124			124	206
Total	24	1589			1589	1757

**Amount of new single
premiums**

Direct insurance business	25	26			26	294
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	26			26	294

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Linked Life Assurance Limited

Total business

Financial year ended

31 December 2008

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
345	Accelerated critical illness (reviewable premiums)	1			
700	Life property linked single premium				8
710	Life property linked whole life regular premium		860		18
720	Life property linked endowment regular premium - target cash		606		

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 2008**
 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	34102	34102	1542	1.86	
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	11205	11205	90	0.81	
Total	19	45307	45307	1632	1.60	

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 : Fixed and variable interest assets

Name of insurer **Guardian Linked Life Assurance Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	34102	3.01	1.86	1.86
Other approved fixed interest securities	21				
Other fixed interest securities					
AAA/Aaa	31				
AA/Aa	32				
A/A	33				
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39				
Approved variable interest securities	41				
Other variable interest securities	51				
Total (11+21+39+41+51)	61	34102	3.01	1.86	1.86

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Guardian Linked Life Assurance Limited**Total business / subfund **10 Long Term Business**Financial year ended **31 December 2008**

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	3089		3089	2858
Form 52	13				
Form 53 - linked	14	743808		743808	976682
Form 53 - non-linked	15	123184		123184	97468
Form 54 - linked	16				
Form 54 - non-linked	17	2443		2443	2370
Total	18	872525		872525	1079378

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	843		843	725
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	843		843	725

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	96557		96557	70951
Form 54 - linked	36				
Form 54 - non-linked	37	1760		1760	1749
Total	38	98316		98316	72700

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	2246		2246	2132
Form 52	43				
Form 53 - linked	44	743808		743808	976682
Form 53 - non-linked	45	26627		26627	26517
Form 54 - linked	46				
Form 54 - non-linked	47	684		684	621
Total	48	773365		773365	1005953

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 **10 Long Term Business**
 Financial year ended **31 December 2008**
 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	3063	473913	910				1134
330	Decreasing term assurance	707	71552	324				(137)
345	Accelerated critical illness (reviewable premiums)	655	117063	308				1202
355	Stand-alone critical illness (reviewable premiums)	217	31191	149				608
365	Income protection non-profit (reviewable premiums)	1	350	7				37
380	Miscellaneous protection rider		63997	48				211
440	Additional reserves non-profit OB							34

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 **10 Long Term Business**
 Financial year ended **31 December 2008**
 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		48452	90				3
330	Decreasing term assurance		3178	16				(17)
345	Accelerated critical illness (reviewable premiums)		58796	124				513
355	Stand-alone critical illness (reviewable premiums)		16087	65				257
380	Miscellaneous protection rider		31632	18				89

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

Name of insurer **Guardian Linked Life Assurance Limited**
Total business / subfund **10 Long Term Business**
Financial year ended **31 December 2008**
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	6139	106232		106165	106165	377	106542
710	Life property linked whole life regular premium - Capital Builder	2407	25761	589	25315	25315	3	25318
710	Life property linked whole life regular premium - Freedom	11641	1089158	10126	33818	33818	127	33945
710	Life property linked whole life regular premium - Freedom reinsurance from GA		360391	4048			84	84
710	Life property linked whole life regular premium - HIP	89	2170	7	2170	2170		2170
710	Life property linked whole life regular premium - Lifeplan	398	41354	306	2530	2530	3	2533
715	Life property linked endowment regular premium - savings - HIP	171	4343	49	4323	4323	1	4324
715	Life property linked endowment regular premium - savings - Maximum	40	949	25	905	905		905
720	Life property linked endowment regular premium - target cash - Homebuilder	38140	950927	26739	438258	438258	1840	440098
720	Life property linked endowment regular premium - target cash - Homebuilder Plus	8303	199019	6008	130324	130324	44	130368
785	Income protection rider		25719	88			345	345
785	Income protection rider - claims in payment						4351	4351
790	Miscellaneous protection rider			31			278	278
800	Additional reserves property linked						115730	115730

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

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 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		540770	1446			144	144
785	Income protection rider		16090	408			249	249
785	Income protection rider - claims in payment						2663	2663
790	Miscellaneous protection rider			9				
800	Additional reserves property linked						93500	93500

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

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 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
901	Index linked income protection claims in payment						2443	2443

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

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 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
901	Index linked income protection claims in payment						1760	1760

Long-term insurance business: Analysis of valuation interest rateName of insurer **Guardian Linked Life Assurance Limited**Total business **10 Long Term Business**Financial year ended **31 December 2008**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	4118	1.50	n/a	2.29
F51 and F53 life non-discounted	22387		n/a	1.40
F51 critical illness, income protection	567	n/a	2.00	2.29
F51 and F53 income protection non-discounted	113	n/a		2.29
F53 and F54 income protection claims in payment	2372	n/a	3.50	3.93
Total	29557			

Long-term insurance business : Distribution of surplus

Name of insurer **Guardian Linked Life Assurance Limited**
 Total business / subfund **10 Long Term Business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	783749	1020518
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	20000	18000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	803749	1038518
Mathematical reserves	21	773365	1005953
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	30383	32565

Composition of surplus

Balance brought forward	31	14565	11710
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	15818	20855
Total	39	30383	32565

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	20000	18000
Total distributed surplus (46+47)	48	20000	18000
Surplus carried forward	49	10383	14565
Total (48+49)	59	30383	32565

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 2008**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%				
Classes I (other), II and IX	14	0.3%	615107	530572	0.86	1592
Classes III, VII and VIII	15	0.3%	1965676	1394593	0.71	4184
Total	16		2580783	1925165		5775

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					204
						204

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	2100	1662	0.85	18
Classes III, VII and VIII (investment risk)	33	1%	223868	130368	0.85	1903
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	13882	13882	1.00	139
Classes III, VII and VIII (other)	35	25%				660
Class IV (other)	36	1%	8407	3193	0.85	71
Class V	37	1%				
Class VI	38	1%				
Total	39					2791

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	2100	1662	0.85	54
Classes III, VII and VIII (investment risk)	43	3%	223868	130368	0.85	5709
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	13882	13882		
Classes III, VII and VIII (other)	45	0%	624267	624260		
Class IV (other)	46	3%	8407	3193	0.85	214
Class V	47	0%				
Class VI	48	3%				
Total	49		872525	773365		5977

Long term insurance capital requirement	51					14747
						15459

Supplementary Notes to the Return**GUARDIAN LINKED LIFE ASSURANCE LIMITED****Financial year ended 31 December 2008****APPENDIX 9.1**

0301 Net Admissible Asset Reconciliation

		2008	2007
		£'000	£'000
F13 L89	Grand total of admissible assets	31,436	43,194
OLTB			
F13 L89 LTB	Grand total of admissible assets	801,135	1,044,288
F14 L11	Mathematical reserves, after distributions of surplus	(773,365)	(1,005,953)
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	(17,387)	(22,770)
F15 L69	Total	(10,158)	(22,470)
	Sub total	<u>31,661</u>	<u>35,289</u>
F3 L79	Total Capital resources after deductions	<u>31,661</u>	<u>35,289</u>

0308 Within Line 94 of Form 3 is a contingent amount owing to Barclays Bank Plc. of £Nil (2007: £7,319,781). On 18 January 2007 the Company entered into a £48m loan note issue agreement with Barclays Bank plc and AEGON UK plc. The monies received under the Notes were allocated to the shareholder fund of the company. Repayments both of interest and principal under the loan agreement are contingent on payments based on the annual relevant regulatory surplus amount. Once all scheduled interest and principal has been repaid to Barclays Bank plc. the relevant regulatory surplus amount has been retained by Guardian Linked Life Assurance Limited. The agreement has a maturity date of 20th April 2021.

0310 Net Valuation Differences (£'000)

The positives valuation differences in Form 3 Line 14 are in respect of IFRS GAAP adjustments of £13,637,000. (2007: positive valuation difference Form 3 Line 14 £7,320,000 was in respect of contingent amount owing to Barclays Bank plc.)

0313 Reconciliation of Profit and Loss Account and Other Reserves

	2008
	£'000
Form 3 Line 12: 2008	44,645
Less Form 3 Line 12: 2007	(34,294)
	<u>10,351</u>
Adjustment to shareholder equity as at December 2007	(5,883)
Transfer to LTB revenue account	20,000
LTB profit in IFRS financial statements	(8,901)
Movement in revaluation reserve in respect of LTB in IFRS financial statements	(1,183)
Form 16 Line 59	<u>14,384</u>

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 2008**

1306 OLTB: Exposure at Year End to large Counterparties
At the valuation date, when taken together with policyholder assets, there were six large exposures to individual counterparties (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 were large exposures to five approved credit institutions. The values involved were £5,821,228, £5,818,904, £5,000,825, £5,896,411 and £2,911,802. The assets giving rise to this exposure were cash on deposit. There was also an exposure of £123,042,653 with the AEGON NV counterparty. The majority of this asset related to a further loan issued by the company to AEGON UK plc.

1318 LTB: Other asset adjustments in Form 13 Line 101

	2008	2007
	£'000	£'000
Corporation tax categorisation difference	(803)	(422)
Linked secured and unsecured loans per forms (F44.16/F14.36)	(249)	(426)
Linked other liabilities per forms (F44.17)	(11,771)	(3,607)
Linked other liabilities per stats	9,218	(11,733)
Derivatives gross up within financial statements	6,152	-
	<u>2,547</u>	<u>(16,188)</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 2008**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

Moody's Rating (or equivalent)	Approved Credit Institution	Other Institution
Aaa	9.0%	4.5%
Aa1	8.0%	4.0%
Aa2	7.0%	3.5%
Aa3	6.0%	3.0%
A1	5.0%	2.5%

Deposits with institutions which do not meet the above credit criteria are subject to an overall limit of £2.5m per institution 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.

	2008 £000
Form 13 Line 59 Assets held to match linked liabilities – Property Linked	755,828
Form 44 Line 15 Provision for tax on unrealised capital gains	-
Form 44 Line 16 Secured and unsecured loans	(249)
Form 44 Line 17 Other liabilities	(11,771)
	Report and accounts – Linked other liabilities per stats 9,218
Form 44 Line 32 Surplus units	596
	Report and accounts – Derivatives (10,205)
	Report and accounts – Other assets and receivables (17,697)
	Report and accounts – Cash and cash equivalents (13,625)
	Report and accounts – Investments for account of policyholders
	712,095

1401 Provision for reasonably foreseeable adverse variations (F14L41)

The Insurer has no obligations or potential obligations to which GENPRU 1.3.26R to GENPRU 1.3.29R or INSPRU 3.2.17R to INSPRU 3.2.18R apply.

Supplementary Notes to the Return**GUARDIAN LINKED LIFE ASSURANCE LIMITED****Financial year ended 31 December 2008*****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 2008 £NIL (2007: £13.0m) 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 £10.2m.

***1405* Other Adjustments To Liabilities in Form 14 Line 74**

	2008	2007
	£'000	£'000
Corporation tax categorisation difference	(803)	(422)
Linked secured and unsecured loans per forms (F44.16/F14.36)	(249)	(426)
Linked other liabilities per forms (F44.17)	(11,771)	(3,607)
Linked other liabilities per stats	9,218	(11,733)
Derivatives gross up	6,152	-
Net technical provisions – difference between IFRS and regulatory bases (difference between F14-11 and stats)	(5,247)	-
Deferred Tax Asset on technical provisions	526	-
Deferred Tax Asset on Value Of Business Acquired	16,592	-
	<u>14,418</u>	<u>(16,188)</u>

***1501* Provision for reasonably foreseeable adverse variations (F15L61)**

The Insurer has no obligations or potential obligations to which GENPRU 1.3.26R to GENPRU 1.3.29R or 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 (£'000)**

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 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 2008

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 £5.4m 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 £5.2m to the Company. The aggregate of the management service charge, as detailed in supplementary note 4008, and associated interest charges amounted to £3.6m.

***4401* Basis for determining Asset Value**

Assets have been valued on a bid market value basis.

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

The Company held derivatives in the form of futures valued at £10,204,564. The Company did not hold any stock warrants.

***4502* Other Income and Expenditure**

Other expenditure consists of Overdraft Interest (£22,150), Bank Charges (£27), Custodian Fees (£71,232) and Investment Expenses (in respect of futures) (£357,228).

***4701* There are no new group schemes.**

***4702* No approximations have been made to apportion between product codes.**

***4703* No approximations have been made in determining columns 3 and 5.**

***4901* Disclosure of rating used**

The credit ratings used have been provided by the index provider iBoxx.

***5101* There are no group schemes.**

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

***5103* There are no miscellaneous product codes where the gross annual premium or the gross reserve exceeds £8,725,250 (the total gross reserve being £872,525,000).**

***5104* No approximations have been used to apportion between product codes.**

***5200* Form 52 has been omitted as there are no accumulating with-profits contracts.**

***5301* There are no group schemes.**

***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.**

***5303* There are no miscellaneous product codes where the gross annual premium or the gross reserve exceeds £8,725,250 (the total gross reserve being £872,525,000).**

***5304* No approximations have been used to apportion between product codes.**

Returns under the Accounts and Statements Rules

Supplementary Notes to the Return

GUARDIAN LINKED LIFE ASSURANCE LIMITED

Financial year ended 31 December 2008

5401 There are no group schemes.

5402 There are no policies.

5403 No miscellaneous product codes have been used.

5404 No approximations have been used to apportion between product codes.

5600 Form 56 has been omitted as there are no index linked assets.

5802 The entries at lines 14 and 33 do not represent more than 1 transaction.

5900 Forms 59A and 59B have been omitted as there are no with-profits contracts.

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 2008

- (a) The Investment Guidelines operated during the year to 31 December 2008 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 may only be deposited with suitable counterparties who have a Moody's long term credit rating of A1 or better. Overall exposure is limited to 25% of the relevant "sector" fund.
 - (iii) Stock options are rarely used, but occasionally exchange traded puts or calls on individual shares may be bought or sold. Appropriate shares actually owned by the Company must cover sold options. Overall exposure is limited to 10% of the equity "sector" fund.
 - (iv) Currency forward contracts may be used to hedge overseas 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 Company. The maximum level is 10% of the equity "sector" fund or 25% for those "sector" funds which have, from time to time, more than 50% of the value of their investments held overseas.
 - (v) Over the Counter (OTC) derivatives may normally be used only for very specific purposes and for relatively small amounts of money. The Board must approve any individual OTC Derivative over £50m; the aggregate exposure of such derivatives cannot exceed 5% of the equity "sector" fund. In the case of products where investment guarantees are given to the 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 be in compliance with FSA rules.
- (b) The Investment Guidelines do not 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 the contract 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 Company was not a party to any such contracts as described in sub-paragraph (b) above during 2008.
- (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 2008 within the linked long-term insurance fund, the insurer received a fixed consideration of £1.9m 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 2008

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 2008.
- (2) The previous valuation date was 31 December 2007.
- (3) There have been no interim valuations (for the purposes of INSPRU 9.4) carried out since 31 December 2007.

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 3.5% during 2008, 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 18.5% (e.g. £3.08 to £3.65) and 40% (£2.00 to £2.80) 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 the Inland Revenue. 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 2008 valuation and those used in the 2007 investigation are as follows:

Product Type	31 December 2008	31 December 2007
Non-Linked Life, Linked Life	1.50%	3.00%
Critical Illness, Income Protection	2.00%	3.75%
Income Protection Claims in Payment	3.50%	4.25%

- 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 2008		31 December 2007	
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
Aids: Males				
Aids: Females				
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 2008		31 December 2007	
	Smokers	Non-Smokers	Smokers	Non-Smokers
Males	120% TM92	70% TM92	150% TM92	70% TM92
Females	140% TF92	80% TF92	140% TF92	85% 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 2008 basis, using a deferred period of twenty six weeks is as follows:

Modified CMIR12 & AM/AF80-1 combined Termination Rates				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs 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 2007 is as follows:

Modified CMIR12 & AM/AF80-1 combined Termination Rates				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs 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 2008	31 December 2007
Renewal Expenses (Before 20% tax relief):		
Term Assurance (325/330)	£22.00	£20.00
Critical Illness (345/355)	£22.00	£20.00
UL Bond (700)	£55.00	£40.00
UL Savings Endowment (715) - HIP	£32.00	£25.00
UL Target Cash endowment (720) - Homebuilder	£50.00	£55.00

(7) Unit Growth Rates and Expense Inflation

	31 December 2008	31 December 2007
Unit growth rate (Net) - Before Management Charges	4.75%	4.75%
Expense Inflation: (Rate per annum)		
Series A Units	5.00%	6.00%
Series B Units	3.00%	4.00%
Reassurance Accepted	3.50%	4.25%
Inflation rate for Monthly Service Charges (Rate per annum):		
Freedom Direct	3.00%	4.00%
Freedom Reassurance Accepted	3.50%	4.25%
Investment Expenses:	0.075% 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	£129.9m	Average 3 years	£93.5m	£185.9m	None	£ 6.0 m	No

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

Expense reserves

6. (1) An aggregate amount of £4,874,000 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. £4,280,000 is from explicit allowances and £594,000 from implicit allowances. Allowances for investment expenses and maintenance expenses are £594,000 and £4,280,000 respectively.
- (2) Implicit allowances for expenses arise from the deduction to the available yields for investment expenses.
- (3) Form 43 Line 14 includes £673,181 of investment expenses, leaving £2,748,789 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 £	£29,557,000	£29,557,000

- (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 10% and a rise in the fixed interest yields of 0.749% (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 **£1,200,000** is required,
 - (b) the aggregate amount of the non-linked long-term insurance liabilities increased by no more than **£545,495**,
 - (c) the aggregate amount of the assets allocated to match such liabilities decreased by **£589,495**.
- (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:

£10,200,000	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.
£ 6,214,459	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.
£ 3,223,751	Reserve to cover the Gratuity Values under lapsed policies.

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 2008	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)	£1,981,915	£98,316,361	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	£364,062	£843,164	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.	£133,916	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 2008

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

F. MACKLE, Director

Edinburgh, 25 March 2009

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 2008

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 proper 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 2008

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 25 March 2009. 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 prepared in accordance with IPRU (INS) rule 9.31(a) appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Registered Auditor

Edinburgh

25 March 2009