

2009

**Guardian Pensions Management
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 Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R2	985480	GL	31	12	2009	£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	5698	6041
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1891	1579
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	7589	7620

Guarantee fund

Guarantee fund requirement	21	3128	2518
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	4461	5102

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	5464	5076
Resilience capital requirement	32	150	500
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	5614	5576
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	5614	5576
Excess (deficiency) of available capital resources to cover 50% of MCR	37	4782	4832
Excess (deficiency) of available capital resources to cover 75% of MCR	38	3378	3438

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	5614	5576

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	5614	5576
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1975	2044

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 Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

.....

O. THORESEN Chief Executive

.....

J.M. LAIDLAW Director

.....

W.J. ROBERTSON Director

Edinburgh, 23 March 2010

Components of capital resourcesName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	985480	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		22714	22714	22714
Profit and loss account and other reserves	12		15967	15967	4530
Share premium account	13		68386	68386	68386
Positive valuation differences	14		24313	24313	36623
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		131380	131380	132253

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		131380	131380	132253
Investments in own shares	32				
Intangible assets	33		28586	28586	31313
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		28586	28586	31313
Total tier one capital after deductions (31-37)	39		102794	102794	100940

Components of capital resourcesName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	985480	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 Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	985480	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		102794	102794	100940	
Inadmissible assets other than intangibles and own shares	73					
Assets in excess of market risk and counterparty limits	74		95205	95205	93320	
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		7589	7589	7620	

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		7589	7589	7620
Available capital resources for 50% MCR requirement	82		7589	7589	7620
Available capital resources for 75% MCR requirement	83		7589	7589	7620

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		15482	15482	17828
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		15482	15482	17828

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	985480	GL	31	12	2009	£000
				This financial year		Previous year	
				1	2		
Gross premiums written			11	74		1840	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13	74		1840	
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	74		1840	
Gross premiums earned			21	74		1840	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23	74		1840	
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	74		1840	
Sub-total I (higher of sub-total A and sub-total H)			30	74		1840	
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31	74		1840	
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32	13		331	
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34	13		331	
Claims paid in period of 3 financial years			41	13332		15124	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42	24179		24420	
	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	35997		46434	
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46	1513		(6890)	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	(742)		(4038)	
Sub-total D (46-47)			48	2255		(2852)	
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49	1.00		0.50	
Premiums amount (Sub-total J x reinsurance ratio)			50	13		166	
Provision for claims outstanding (before discounting and net of reinsurance)			51	14760		14304	
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	1520		1520	
Greater of lines 50 and 53			54	1520		1520	

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	985480	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	13332			15124
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	24179			24420
	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	35997			46434
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	1513			(6890)
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	1513			(6890)
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	504			(2297)
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	131			(597)
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	131			(597)
Claims amount Sub-total G x reinsurance ratio (11.49)				41	131			(299)
Higher of premiums amount and brought forward amount (11.54)				42	1520			1520
General insurance capital requirement (higher of lines 41 and 42)				43	1520			1520

Analysis of admissible assetsName of insurer **Guardian Pensions Management 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	985480	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	
	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	4734
	More than one month withdrawal	55	6799
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 Pensions Management 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	985480	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	975	827
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		1265
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2	7
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	5711	8898
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Analysis of admissible assetsName of insurer **Guardian Pensions Management 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	985480	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	5711	8898
Admissible assets in excess of market and counterparty limits	92	89054	87291
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	(163)	
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	94602	96189
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	975	827

Analysis of admissible assetsName of insurer **Guardian Pensions Management 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	985480	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	5230	5340
	Other	46	60064	55429
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	13306	
	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 Pensions Management 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	985480	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	162	167
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	98	1268
	Ceded	75	217	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	1125	264
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	26	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1580	1721
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	81808	64189
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Analysis of admissible assetsName of insurer **Guardian Pensions Management 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	985480	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	81808	64189
Admissible assets in excess of market and counterparty limits	92	6151	6029
Inadmissible assets directly held	93	28586	31313
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	173531	169654
Other asset adjustments (may be negative)	101		489
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	290076	271674
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	175	1276

Long term insurance business liabilities and marginsName of insurer **Guardian Pensions Management 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	67922	56813	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5697	6041	
Long term insurance business fund carried forward (11 to 13)	14	73619	62854	
Claims outstanding	Gross	15	68	208
	Reinsurers' share	16		489
	Net (15-16)	17	68	(281)
Provisions	Taxation	21		90
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32	7614	158
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		924
	Other	38	507	444
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	8189	1335	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	81808	64189	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	370	286
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	(1401)	84

Total liabilities (11+12+49)	71	76111	58148
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	173531	169654
Other adjustments to liabilities (may be negative)	74	8831	19284
Capital and reserves and fund for future appropriations	75	31603	24588
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	290076	271674

Liabilities (other than long term insurance business)Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

R15	Company registration number	GL/UK/CM	day month year			Units
	985480	GL	31	12	2009	£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		
Creditors	Taxation	47	163	964
	Foreseeable dividend	48		
	Other	49	3657	6355
Accruals and deferred income		51		
Total (19 to 51)		59	3820	7319
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	3820	7319

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	15319	17828
Capital and reserves	84	75463	71042
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	94602	96189

Profit and loss account (non-technical account)Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	985480	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			4000	6500	
Investment income	Income		14			1902	5347	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17			1319	1726	
	Value re-adjustments on investments		18					
	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			4583	10121	
Tax on profit or loss on ordinary activities			31			163	1032	
Profit or loss on ordinary activities after tax (29-31)			39			4420	9089	
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			4420	9089	
Dividends (paid or foreseeable)			51				1700	
Profit or loss retained for the financial year (49-51)			59			4420	7389	

Long-term insurance business : Revenue account

Name of insurer **Guardian Pensions Management 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	15369	17373
Investment income receivable before deduction of tax	12	4847	5097
Increase (decrease) in the value of non-linked assets brought into account	13	6566	(12019)
Increase (decrease) in the value of linked assets	14		
Other income	15	845	1038
Total income	19	27627	11489

Expenditure

Claims incurred	21	7509	8267
Expenses payable	22	4208	5101
Interest payable before the deduction of tax	23	7	28
Taxation	24	1138	2700
Other expenditure	25		
Transfer to (from) non technical account	26	4000	6500
Total expenditure	29	16862	22596

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	10765	(11107)
Fund brought forward	49	62854	73961
Fund carried forward (39+49)	59	73619	62854

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Pensions Management 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	59	16686		16745	20529
Single premiums	12		906		906	1233

Reinsurance - external

Regular premiums	13	(48)	103		55	1192
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15		2179		2179	2926
Single premiums	16		48		48	271

Net of reinsurance

Regular premiums	17	107	14404		14511	16411
Single premiums	18		858		858	962

Total

Gross	19	59	17592		17651	21762
Reinsurance	20	(48)	2330		2282	4389
Net	21	107	15262		15369	17373

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Pensions Management 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		248		248	604
Disability periodic payments	12	3436	15		3451	4770
Surrender or partial surrender	13		19687		19687	36744
Annuity payments	14		3729		3729	4179
Lump sums on maturity	15					
Total	16	3436	23679		27115	46297

Reinsurance - external

Death or disability lump sums	21		(262)		(262)	(366)
Disability periodic payments	22	1242			1242	1564
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1242	(262)		980	1198

Reinsurance - intra-group

Death or disability lump sums	31		177		177	613
Disability periodic payments	32		1		1	1
Surrender or partial surrender	33		17768		17768	35529
Annuity payments	34		680		680	689
Lump sums on maturity	35					
Total	36		18626		18626	36832

Net of reinsurance

Death or disability lump sums	41		333		333	357
Disability periodic payments	42	2194	14		2208	3205
Surrender or partial surrender	43		1919		1919	1215
Annuity payments	44		3049		3049	3490
Lump sums on maturity	45					
Total	46	2194	5315		7509	8267

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Pensions Management 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		321		321	352
Commission - other	12	(48)	(10)		(58)	332
Management - acquisition	13		5		5	4
Management - maintenance	14	93	1498		1591	1579
Management - other	15					
Total	16	45	1814		1859	2267

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		(36)		(36)	(68)
Management - maintenance	34		(2313)		(2313)	(2766)
Management - other	35					
Total	36		(2349)		(2349)	(2834)

Net of reinsurance

Commission - acquisition	41		321		321	352
Commission - other	42	(48)	(10)		(58)	332
Management - acquisition	43		41		41	72
Management - maintenance	44	93	3811		3904	4345
Management - other	45					
Total	46	45	4163		4208	5101

Long-term insurance business : Linked funds balance sheet

Name of insurer **Guardian Pensions Management 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		
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		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18		

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		
Surplus units	32	1401	
Deficit units	33		84
Net unit liability (31-32+33)	34	(1401)	84

Long-term insurance business : Summary of new businessName of insurer **Guardian Pensions Management 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				
Single premium business	12				
Total	13				

**Amount of new regular
premiums**

Direct insurance business	21		2	2	19
External reinsurance	22				
Intra-group reinsurance	23		586	586	980
Total	24		589	589	999

**Amount of new single
premiums**

Direct insurance business	25		632	632	1174
External reinsurance	26				
Intra-group reinsurance	27				
Total	28		632	632	1174

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Pensions Management Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Pension / 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
725	Individual pensions property linked				30
735	Group money purchase pensions property linked				602
765	Group managed fund		2		

Long-term insurance business : Analysis of new business

Name of insurer

Guardian Pensions Management Limited

Total business

Financial year ended

31 December 2009

Units

£000

UK Pension / Reinsurance accepted intra-group

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
725	Individual pensions property linked		586		

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

Name of insurer **Guardian Pensions Management 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	5277	5277	244	1.05	
Other fixed interest securities	13	61596	61596	3870	6.61	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	14935	14935	67	0.46	
Total	19	81808	81808	4181	5.13	

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 Pensions Management Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	5277	1.27	1.05	1.05

Other approved fixed interest securities	21				
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Other fixed interest securities

AAA/Aaa	31	3959	12.80	6.22	6.06
AA/Aa	32	5365	11.66	5.71	5.22
A/A	33	41209	9.00	6.05	5.11
BBB/Baa	34	8397	10.05	8.06	6.36
BB/Ba	35	2122	6.74	13.27	9.47
B/B	36	544	8.39	12.17	8.27
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	61596	9.54	6.61	5.53

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	66873	8.89	6.17	5.18
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Long-term insurance business : Summary of mathematical reservesName of insurer **Guardian Pensions Management 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	24179	55569	79748	67914
Form 52	13				
Form 53 - linked	14		155865	155865	151495
Form 53 - non-linked	15		7261	7261	6579
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	24179	218695	242875	225988

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	9202		9202	9937
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	9202		9202	9937

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		8479	8479	7822
Form 52	33				
Form 53 - linked	34		157266	157266	151411
Form 53 - non-linked	35		5	5	5
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		165750	165750	159238

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	14977	47090	62067	50156
Form 52	43				
Form 53 - linked	44		(1401)	(1401)	84
Form 53 - non-linked	45		7256	7256	6573
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	14977	52946	67922	56813

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

Name of insurer **Guardian Pensions Management 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
410	Group life							1
425	Group income protection claims in payment							23177
430	Group critical illness		25366	129				121
440	Additional reserves non-profit OB							881

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

Name of insurer **Guardian Pensions Management 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
410	Group life							0
425	Group income protection claims in payment							9111
430	Group critical illness		19807	97				91

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

Name of insurer **Guardian Pensions Management Limited**
Total business / subfund **Long Term Business**
Financial year ended **31 December 2009**
Units **£000**
UK Pension / 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
400	Annuity non-profit (CPA)	5314	3000					46962
400	Annuity non-profit (CPA) - Reassured to GA	2991	732					8479
440	Additional reserves non-profit OB							128

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

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / 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
400	Annuity non-profit (CPA) - Reassured to GA		732					8479

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

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / 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
725	Individual pensions property linked - Choices reassurance from GA			11778			3434	3434
725	Individual pensions property linked - Pension Builder	6199	71876	606	71876	70435	526	70961
725	Individual pensions property linked - SSIP	28	3032		3032	3032		3032
725	Individual pensions property linked - VIP	2043	19452	105	19452	18770	963	19733
735	Group money purchase pensions property linked		12891		12891	12891	25	12916
735	Group money purchase pensions property linked - reassurance from GA			1			175	175
765	Group managed fund			360	50737	50737	2022	52759
770	Term assurance rider		39917					
790	Miscellaneous protection rider		5	2			116	116

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

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Long Term Business**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / 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
725	Individual pensions property linked - units to SE		92236		92236	92236		92236
735	Group money purchase pensions property linked - units to GA		12889		12889	12889		12889
765	Group managed fund - units to SE				52140	52140		52140
790	Miscellaneous protection rider			2			5	5

Long-term insurance business: Analysis of valuation interest rateName of insurer **Guardian Pensions Management 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
UKP F53 discounted	5124	n/a	1.00	1.32
UKP F51 and F53 non-discounted	2261	n/a		0.50
UKP F51 annuities in payment	46962	n/a	5.50	5.87
UKL F51 discounted - direct written income protection	13283	n/a	4.25	4.47
UKL F51 discounted - reinsurance accepted income protection	782	n/a	4.25	4.46
UKL F51 non-discounted	911	n/a		0.50
Total	69323			

Long-term insurance business : Distribution of surplus

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

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

Valuation result

Fund carried forward	11	73620	62854
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	4000	6500
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	77620	69354
Mathematical reserves	21	67922	56813
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	9697	12541

Composition of surplus

Balance brought forward	31	6041	6180
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	3656	6361
Total	39	9697	12541

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	4000	6500
Total distributed surplus (46+47)	48	4000	6500
Surplus carried forward	49	5697	6041
Total (48+49)	59	9697	12541

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 Pensions Management 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%				1
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%	40941	40515	0.99	122
Total	16		40941	40515		122

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1520
						1520

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	55570	47090	0.85	472
Classes III, VII and VIII (investment risk)	33	1%	13091	202	0.85	111
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	5690	90	0.85	48
Classes III, VII and VIII (other)	35	25%				614
Class IV (other)	36	1%	24295	15087	0.85	207
Class V	37	1%				
Class VI	38	1%				
Total	39					1452

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	55570	47090	0.85	1417
Classes III, VII and VIII (investment risk)	43	3%	13091	202	0.85	334
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	5690	90		
Classes III, VII and VIII (other)	45	0%	144230	5453		
Class IV (other)	46	3%	24295	15087	0.85	620
Class V	47	0%				
Class VI	48	3%				
Total	49		242875	67922		2370

Long term insurance capital requirement	51					5464
						5076

Supplementary Notes to the Return**GUARDIAN PENSIONS MANAGEMENT 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	5,711	8,898
OLTB			
F13 L89 LTB	Grand total of admissible assets	81,808	64,189
F14 L11	Mathematical reserves, after distributions of surplus	(67,922)	(56,813)
F14 L49	Total other insurance and non insurance liabilities	(8,189)	(1,335)
F15 L69	Total	(3,820)	(7,319)
	Sub total	<u>7,588</u>	<u>7,620</u>
	Rounding	<u>1</u>	<u>-</u>
F3 L79	Total Capital resources after deductions	<u><u>7,589</u></u>	<u><u>7,620</u></u>

0308 Within Line 94 of Form 3 is a contingent amount owing to Barclays Bank plc of £15,482,000 (2008: £17,828,000). On 18 January 2007 the Company entered into a £44m 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 is retained by Guardian Pensions Management Limited. The agreement has a maturity date of 20 April 2021.

0310 Net Valuation Differences

	2009	2008
	£'000	£'000
Contingent Loan (as detailed in Note 0308 above)	15,482	17,828
Deferred tax relating to assets which are currently inadmissible	1,365	1,365
Valuation difference	(538)	8,662
IFRS GAAP adjustment	<u>8,004</u>	<u>8,768</u>
Form 3 Line 14	<u><u>24,313</u></u>	<u><u>36,623</u></u>

Supplementary Notes to the Return**GUARDIAN PENSIONS MANAGEMENT LIMITED****Financial year ended 31 December 2009*****0313* Reconciliation of Profit and Loss Account and Other Reserves**

	2009	2008
	£'000	£'000
Form 3 Line 12	15,967	4,530
Less Form 3 Line 12 prior year	(4,530)	(38,740)
	<u>11,437</u>	<u>(34,210)</u>
Adjustment to Shareholder Equity as at Dec 07	-	32,817
Transfer from LTB revenue account	4,000	6,500
LTB profit in IFRS financial statements	(4,889)	(6,096)
Movement in revaluation reserve in IFRS financial statements	(6,128)	8,378
	<u><u>4,420</u></u>	<u><u>7,389</u></u>

***1301* OLTB: Aggregate value of certain investments**

The Company held no unlisted investments, listed investments which were not readily realisable, holdings in unregulated collective investment schemes or reversionary interests or remainders.

***1302* OLTB: Aggregate value of Hybrid Securities**

The Company held no hybrid securities.

***1304* OLTB: Amounts set off**

Amounts due to and from any one person have been offset, where appropriate in accordance with Generally Accepted Accounting Principles.

***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.

***1306* OLTB: Exposure at Year End to large Counterparties**

At the valuation date, when taken together with policyholder assets, there were two large exposures to individual counterparties (see supplementary note 1312).

***1307* OLTB: 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.

***1308* LTB: Aggregate value of certain investments**

The Company held no unlisted investments, listed investments which were not readily realisable, holdings in unregulated collective investment schemes or reversionary interests or remainders.

***1309* LTB: Aggregate value of Hybrid Securities**

The Company held £7,683,721 in hybrid securities.

***1310* LTB: Amounts Set Off**

Amounts due to and from any one person have been offset, where appropriate in accordance with Generally Accepted Accounting Principles.

Supplementary Notes to the Return

GUARDIAN PENSIONS MANAGEMENT LIMITED

Financial year ended 31 December 2009

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 to an approved credit Institution. The value involved was £7,301,000 and the assets giving rise to this exposure was cash on deposit. There was also an exposure of £96,247,000 relating to a loan with AEGON UK Plc, a fellow subsidiary of AEGON NV.

1318 LTB and OLTB: Other Asset Adjustments

Within Form 13 Line 101 LTB there is a categorisation difference in respect of claims reassured of £nil (2008: £489,000). Within Form 13 Line 101 OLTB there is a categorisation difference in respect of Taxation of £163,000 (2008:£nil).

1319 LTB: Maximum Counterparty limit

The Company's Investment Guidelines as they relate to exposure limits are as follows. All percentages refer to the Business Amount (non-linked business). There are no 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.

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 £7.5m per counterparty in each fund range.

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

Supplementary Notes to the Return**GUARDIAN PENSIONS MANAGEMENT LIMITED****Financial year ended 31 December 2009**

1401 Provision for reasonably foreseeable adverse variations (Form 14 Line 41)
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) Deferred taxation on unrealised gains has been provided where it is considered that a liability will arise in the future. For long term business this provision within Form 14 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.

1405 Other Adjustments To Liabilities

	2009	2008
	£'000	£'000
Deferred tax on inadmissible assets	1,365	1,365
Valuation difference	(538)	8,662
Deferred Tax Liability on Value of Business Acquired	8004	8,768
Categorisation difference: claims reassured	-	489
	<hr/>	<hr/>
Form 14 Line 74	8,831	19,284
	<hr/> <hr/>	<hr/> <hr/>

1501 Provision for reasonably foreseeable adverse variations (Form 15 Line 61)
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 are 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) Details of a contingent liability are given in Note 0308. The Company has no other 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 Adjustments to Liabilities

Within Line 83 of Form 15 there is a contingent loan of £15,482,000. Further details are given above in Note 0308. Also, within Form 13 Line 101 OLTB there is a categorisation difference in respect of Taxation of £163,000.

Supplementary Notes to the Return

GUARDIAN PENSIONS MANAGEMENT LIMITED

Financial year ended 31 December 2009

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 contracts

In respect of Form 17 Total other than long term insurance business assets and Form 17 Total long term insurance business assets, all amounts required to be shown would be zero and these Forms have not been included in the return.

Supplementary Notes to the Return

GUARDIAN PENSIONS MANAGEMENT LIMITED

Financial year ended 31 December 2009

APPENDIX 9.3

***4002* Other income and expenditure**

Other Income of £844,784 relates to the receipt of annual management charges on linked pension business reassured to Scottish Equitable plc, a fellow subsidiary of AEGON UK plc.

***4008* Management Services**

An agreement is in force whereby AEGON UK Services Limited administers the expense payments on behalf of the Company. There is 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 received premiums of £11.8m under inward contracts of reinsurance with 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 £11.2m to the Company.

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

The Company ceded reinsurance premium business of £2.2m to Scottish Equitable plc (SE plc), a fellow subsidiary of AEGON NV, the ultimate parent undertaking. The company also received reinsurance claims of £18m from SE plc. The total aggregate reinsurance transaction, after inclusion of claims, commissions and interest between the Company and SE plc resulted in a receipt of £16m from SE plc. The Company also has a loan of £96.2m 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

***4500* Revenue account for internal linked funds**

Form 45 has been omitted as the Company has reassured all of its linked business to Scottish Equitable plc, a fellow subsidiary of AEGON NV. The fund brought forward and carried forward are both nil and therefore the Company has no information to report on this Form.

***4901* Disclosure of rating agency used**

The split by credit rating is taken from Bloomberg, which reflects the average credit rating of all available independent ratings (e.g. S&P, Moody's).

***5101* The number of direct written group schemes is as follows**

Product	UKL	UKP
430 Group critical illness	5	

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

***5301* The number of direct written group schemes is as follows**

Product	UK L	UK P
735 Group money purchase pension property linked		8
765 Group managed fund		15

***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 PENSIONS MANAGEMENT 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 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 money out of the contract, potentially in combination with other contracts, has the effect of reducing investment risk as defined in the regulations. 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 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 did not receive any fixed consideration in return for granting rights under derivative contracts.

Returns under the Accounts and Statements Rules

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

GUARDIAN PENSIONS MANAGEMENT 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 Pensions Management 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) There are no reviewable protection policies offered.
- (3) There are no contracts with non-profit deposit administration benefits.
- (4) During 2009 service charges on the Choices range of contracts increased by 3.7%, and on Group Managed Fund by 3.36%.
- (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) The internal linked funds are wholly reinsured to Scottish Equitable plc [SEplc] and an appropriate description of unit pricing principles and processes for the funds appear in the returns of SEplc.
 - (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) None of the funds are subject to tax on capital gains.
- (9) None of the funds are subject to tax on capital gains.
- (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 annuities in payment were valued prospectively, the liability being taken as the present value of the benefits and expenses.
 - Group risk reserves are calculated prospectively taking allowance for unearned premiums and incurred but not reported claims.
 - Group 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):
- i) On the assumption that premiums continue to be paid until maturity or surrender.
 - ii) On the assumption that all policies are immediately paid up at the valuation date.
- Expense reserves are held for both the Group Managed Fund and Group Money Purchase contracts. The reserves are based on a multiple of the current expenses incurred less charges received.
- (2) 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
Annuity In Payment (retained)	5.50%	7.75%
Annuity In Payment (ceded)	4.70%	4.30%
PHI Claims in Payment	4.25%	6.25%
PHI Claims in Payment (Reassurance accepted)	4.25%	6.25%
Deferred Annuities	1.00%	3.00%

- (3) The yield is adjusted by reference to the assessed credit rating of the bond. The reduction in yield is calculated according to the following table:

Credit Rating	Yield Reduction
Approved Securities	nil
AAA	0.16%
AA	0.49%
A	0.92%
BBB	1.70%
BB	2.69%
B	3.90%

Risk adjusted yields were capped at a maximum risk adjusted yield of 11.00%.

Bond ratings are generally based on the ratings of one or more rating agencies. In some cases imputed ratings or internally calculated ratings have been used.

(4) Mortality Bases

Product Range	31 December 2009		31 December 2008	
Annuities In Payment				
Males				
Mortality	96% IML00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 58%		99% IML00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 72%	
Expectation of life	Age 65 = 22.6 Age 75 = 14.1		Age 65 = 22.0 Age 75 = 13.5	
Females				
Mortality	107% RFV00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 58%		105% RFV00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 72%	
Expectation of life	Age 65 = 25.1 Age 75 = 16.1		Age 65 = 24.9 Age 75 = 15.9	
Annuities In Deferment – Choices Range of Contracts				
	Smokers	Non-Smokers	Smokers	Non-Smokers
Mortality	105% A67/70	85% A67/70	105% A67/70	85% A67/70
Aids	+ 0.0005	+0.0005	+0.0005	+0.0005
Annuities In Deferment – Other Linked Contracts				
Mortality				
Males	45% AM92		45% AM92	
Females	45% AF92		45% AF92	

- (5) For Group Income Protection claims in payment the termination rates are of a modified CMIR12 table and modified AM/AF92 ult. Combined. The 2009 assumptions, using a deferred period of twenty six weeks are as follows:

Modified CMIR12 & Modified AM/AF92 combined Termination Rates				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.2240	0.2243	0.0599	0.0602
35	0.1847	0.1849	0.0516	0.0518
45	0.1442	0.1445	0.0444	0.0446
55	0.1036	0.1050	0.0391	0.0405

The equivalent assumptions for 2008 are as follows:

Modified CMIR12 & Modified AM/AF92 combined Termination Rates				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.2240	0.2243	0.0599	0.0602
35	0.1847	0.1849	0.0516	0.0518
45	0.1442	0.1445	0.0444	0.0446
55	0.1036	0.1050	0.0391	0.0405

(6) Expense Bases

	31 December 2009	31 December 2008
Renewal Expenses:		
Annuity (400)	£15.00 per annuity.	2.75% of benefit amount p.a.
Income Protection claims in payment (385)	5.0% of benefit amount p.a.	5.0% of benefit amount p.a.
UL regular premium pension (725) – Choices	£38	£38
UL single premium pension (725) – Choices	£38	£38

(7) Unit Growth Rates and Expense Inflation

	31 December 2009	31 December 2008
Unit growth rate, before management charges	5.50%	5.00%
Expense Inflation	4.00%	3.00%
Inflation rate for Monthly Service Charges	4.00%	3.00%
Investment Expenses	0.15%	0.075%

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

(11) Lapse, Surrender and Paid-up Assumptions

Product		Average surrender/paid-up rate for the policy years (%)			
		1-5	6-10	11-15	16-20
UL indiv pension regular Premium – Choices	PUP	0	0	0	0
UL indiv pension regular Premium – Choices	Surrender	3.5%	3.5%	3.5%	3.5%
UL indiv pension single Premium – Choices	Surrender	3.5%	3.5%	3.5%	3.5%

- (10) Contracts or benefits were valued individually and any negative values were eliminated as they arose.
- (11) There were no contracts that held derivative liabilities in force at the valuation date.
- (12) Not applicable.

Options and guarantees

- 5. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.

Expense reserves

- 6. (1) An aggregate amount of £4,533,276 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. £4,246,061 is from explicit allowances and £287,215 from implicit allowances. Allowances for investment and maintenance expenses are £287,215 and £4,246,061 respectively.
- (2) Implicit allowances for expenses arise from the deduction to the available yields for investment expenses.
- (3) Form 43 Line 14 includes £252,603 of investment expenses, leaving £1,338,856 of maintenance expenses. The £4,246,061 maintenance expenses contained in the valuation also cover the reinsurance expenses of £2,312,509 from Form 43 Line 34.
- (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 £	£69,323,000	£69,323,000

- (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 fall 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 £150,000 is required,
 - (b) the aggregate amount of the non-linked long term insurance liabilities increased by no more than £5,714,607,
 - (c) the aggregate amount of the assets allocated to match such liabilities increased by £5,564,607.
- (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:
£974,000 Reassurance 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 Table overleaf)

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 (paragraph 9.2)

Treaty No	Name of Reinsurer	Nature and extent of cover	Premiums payable in 2009	New Business	Amount of Mathematical Reserves ceded	Retention by the Insurer
1	Guardian Assurance plc	Waiver of Premium benefits under Pension Builder and VIPP contracts on a risk premium basis and covers the total benefit available.	£713,744	Closed to New Business	£21,373,670	NIL
		Annuities in Payment. The total benefit of all annuities in payment prior to 1 January 1999, on an original terms basis.		Closed to New Business		NIL
		All deferred annuities payable in respect of unit allocations to policyholders on the Group Money Purchase schemes on an original terms basis.		Open to New Business only in respect of existing schemes		NIL
2	Swiss Re Life & Health Ltd	Group Life cover on original terms (i) 80% } Quota shares of £750,000 then (ii) 50% } £1,750,000 in excess of £750,000 (iii) 20% }	£49,139	(i) and (ii) are closed to New Business, (iii) is open to New Business only in respect of existing schemes	£124	Renewals of Group life cover are 80% retained up to a maximum retention of £600,000 and £80,000 respectively.

3	GE Frankona Reassurance Ltd	Group Income Protection cover on Risk premium rates (i) 90% quota share of first £100,000 per annum then £250,000 in excess of £100,000. (ii) 45% quota share of first £100,000 per annum then £250,000 in excess of £100,000.	£4,992	(i) is closed to New Business (ii) Open to New Business only in respect of existing schemes	£9,202,330	Renewals of Group Income Protection cover are 55% retained up to a maximum retention of £55,000 per annum.
		Group Critical Illness cover on Risk Premium rates 80% quota share of first £250,000.		Open to New Business only in respect of existing schemes		Renewals of Group Critical Illness cover are 20% retained up to a maximum retention of £50,000.
4	Scottish Equitable plc	All deferred annuities payable in respect of unit allocations to policyholders on the Pension Builder, VIPP, SSIP and Group Managed Fund contracts on an original terms basis.	£2,181,439	Open to New Business only in respect of existing contracts or schemes	£144,376,187	NIL

Notes to the above table:

- (g) No deposit back arrangements exist.
- (i) There are no undischarged obligations of the insurer.
- (l) All the reinsurers are authorised to carry on insurance business in the United Kingdom.
- (m) There is a connection between the Company and the reinsurer of treaties 1 and 4.
- (n) There are no material contingencies under the treaties.
- (o) There are no liabilities to refund commission in the event of lapse or surrender under the treaties, other than where premiums are refunded to the Company.

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

GUARDIAN PENSIONS MANAGEMENT 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 Pensions Management Ltd

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 44, 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 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 Pensions Management Ltd

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