

2010

**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 2010**

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 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	985480	GL	31	12	2010	£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	5692	5698
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1977	1891
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	7669	7589

Guarantee fund

Guarantee fund requirement	21	3040	3128
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	4629	4461

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	5517	5464
Resilience capital requirement	32		150
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	5517	5614
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	5517	5614
Excess (deficiency) of available capital resources to cover 50% of MCR	37	4911	4782
Excess (deficiency) of available capital resources to cover 75% of MCR	38	3532	3378

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	5517	5614

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	5517	5614
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	2152	1975

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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Components of capital resources

Name of insurer

Guardian Pensions Management Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units
R3	985480	GL	31	12	2010	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		22714	22714	22714
Profit and loss account and other reserves	12		25618	25618	15967
Share premium account	13		68386	68386	68386
Positive valuation differences	14		13070	13070	24313
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		129788	129788	131380

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		129788	129788	131380
Investments in own shares	32				
Intangible assets	33		26016	26016	28586
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		26016	26016	28586
Total tier one capital after deductions (31-37)	39		103772	103772	102794

Components of capital resources

Name of insurer

Guardian Pensions Management Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units
R3	985480	GL	31	12	2010	£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 Pensions Management Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	985480	GL	31	12	2010	£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		103772	103772	102794
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74		96103	96103	95205
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		7669	7669	7589

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		7669	7669	7589
Available capital resources for 50% MCR requirement	82		7669	7669	7589
Available capital resources for 75% MCR requirement	83		7669	7669	7589

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		8989	8989	15482
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		8989	8989	15482

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

Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/UK/CM	day month year			Units
R11		985480	GL	31	12	2010	£000
				This financial year		Previous year	
				1		2	
Gross premiums written			11	4		74	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13	4		74	
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	4		74	
Gross premiums earned			21	4		74	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23	4		74	
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	4		74	
Sub-total I (higher of sub-total A and sub-total H)			30	4		74	
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31	4		74	
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32	1		13	
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34	1		13	
Claims paid in period of 3 financial years			41	11684		13332	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42	21980		24179	
	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	28666		35997	
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46	4999		1513	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	2		(742)	
Sub-total D (46-47)			48	4997		2255	
Reinsurance Ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)			49	1.00		1.00	
Premiums amount (Sub-total J x reinsurance ratio)			50	1		13	
Provision for claims outstanding (before discounting and net of reinsurance)			51	14094		14760	
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	1451		1520	
Greater of lines 50 and 53			54	1451		1520	

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	985480	GL	31	12	2010	£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	11684			13332
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	21980			24179
	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	28666			35997
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	4999			1513
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	4999			1513
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	1666			504
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	433			131
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	433			131
Claims amount Sub-total G x reinsurance ratio (11.49)				41	433			131
Higher of premiums amount and brought forward amount (11.54)				42	1451			1520
General insurance capital requirement (higher of lines 41 and 42)				43	1451			1520

Analysis of admissible assetsName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	975	
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	8525
	More than one month withdrawal	55	4734
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 2010**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	2010	£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	71	975
	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	1	2
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	9572	5711
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Analysis of admissible assetsName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	9572	5711
Admissible assets in excess of market and counterparty limits	92	89894	89054
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	(71)	(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	99395	94602

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	975	975
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Analysis of admissible assetsName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	67	
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	4998	5230
	Other	46	66501	60064
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	4766	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 2010**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	2010	£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
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	1019	98
	Ceded	75	73	217
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	231	1125
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	227	26
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1680	1580
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	79562	81808
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Analysis of admissible assetsName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	79562	81808
Admissible assets in excess of market and counterparty limits	92	6209	6151
Inadmissible assets directly held	93	26016	28586
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	174693	173531
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	286480	290076
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1302	175

Long term insurance business liabilities and marginsName of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Total long term insurance business assets**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	72339	67922	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5693	5697	
Long term insurance business fund carried forward (11 to 13)	14	78032	73619	
Claims outstanding	Gross	15	69	68
	Reinsurers' share	16		
	Net (15-16)	17	69	68
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		7614
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	1208	
	Other	38	253	507
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	1530	8189	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	79562	81808	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		370
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	(858)	(1401)

Total liabilities (11+12+49)	71	73869	76111
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	174693	173531
Other adjustments to liabilities (may be negative)	74	4081	8831
Capital and reserves and fund for future appropriations	75	33837	31603
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	286480	290076

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/UK/CM	day	month	year	Units
R15	985480	GL	31	12	2010	£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47			163
	Foreseeable dividend	48			
	Other	49		7595	3657
Accruals and deferred income		51			
Total (19 to 51)		59		7595	3820
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		7595	3820

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		8918		15319
Capital and reserves	84		82882		75463
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		99395		94602

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	985480	GL	31	12	2010	£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			7600	4000	
Investment income	Income		14			849	1902	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17			1102	1319	
	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			7347	4583	
Tax on profit or loss on ordinary activities			31			(71)	163	
Profit or loss on ordinary activities after tax (29-31)			39			7418	4420	
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			7418	4420	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			7418	4420	

Long-term insurance business : Revenue account

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	16211	15369
Investment income receivable before deduction of tax	12	4288	4847
Increase (decrease) in the value of non-linked assets brought into account	13	3059	6566
Increase (decrease) in the value of linked assets	14		
Other income	15	901	845
Total income	19	24459	27627

Expenditure

Claims incurred	21	3631	7509
Expenses payable	22	5368	4208
Interest payable before the deduction of tax	23	2	7
Taxation	24	3446	1138
Other expenditure	25		
Transfer to (from) non technical account	26	7600	4000
Total expenditure	29	20047	16862

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	4412	10765
Fund brought forward	49	73619	62854
Fund carried forward (39+49)	59	78031	73619

Long-term insurance business : Analysis of premiums

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	(5)	17901		17896	16745
Single premiums	12		1301		1301	906

Reinsurance - external

Regular premiums	13	(40)	(1)		(41)	55
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15		2356		2356	2179
Single premiums	16		671		671	48

Net of reinsurance

Regular premiums	17	35	15546		15581	14511
Single premiums	18		630		630	858

Total

Gross	19	(5)	19202		19197	17651
Reinsurance	20	(40)	3026		2986	2282
Net	21	35	16176		16211	15369

Long-term insurance business : Analysis of claims

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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		426		426	248
Disability periodic payments	12	3385	23		3408	3451
Surrender or partial surrender	13		17460		17460	19687
Annuity payments	14		4047		4047	3729
Lump sums on maturity	15					
Total	16	3385	21956		25341	27115

Reinsurance - external

Death or disability lump sums	21					(262)
Disability periodic payments	22	1608			1608	1242
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1608			1608	980

Reinsurance - intra-group

Death or disability lump sums	31		426		426	177
Disability periodic payments	32					1
Surrender or partial surrender	33		19020		19020	17768
Annuity payments	34		656		656	680
Lump sums on maturity	35					
Total	36		20102		20102	18626

Net of reinsurance

Death or disability lump sums	41					333
Disability periodic payments	42	1777	23		1800	2208
Surrender or partial surrender	43		(1560)		(1560)	1919
Annuity payments	44		3391		3391	3049
Lump sums on maturity	45					
Total	46	1777	1854		3631	7509

Long-term insurance business : Analysis of expenses

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	(6)	267		261	321
Commission - other	12	3	63		66	(58)
Management - acquisition	13		5		5	5
Management - maintenance	14	87	2716		2803	1591
Management - other	15					
Total	16	84	3051		3135	1859

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		(31)		(31)	(36)
Management - maintenance	34		(2202)		(2202)	(2313)
Management - other	35					
Total	36		(2233)		(2233)	(2349)

Net of reinsurance

Commission - acquisition	41	(6)	267		261	321
Commission - other	42	3	63		66	(58)
Management - acquisition	43		36		36	41
Management - maintenance	44	87	4918		5005	3904
Management - other	45					
Total	46	84	5284		5368	4208

Long-term insurance business : Linked funds balance sheet

Name of insurer **Guardian Pensions Management Limited**
 Total business
 Financial year ended **31 December 2010**
 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	858	1401
Deficit units	33		
Net unit liability (31-32+33)	34	(858)	(1401)

Long-term insurance business : Summary of new businessName of insurer **Guardian Pensions Management Limited**

Total business

Financial year ended **31 December 2010**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		26		26	2
External reinsurance	22					
Intra-group reinsurance	23		540		540	586
Total	24		566		566	589

**Amount of new single
premiums**

Direct insurance business	25		939		939	632
External reinsurance	26					
Intra-group reinsurance	27					
Total	28		939		939	632

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 2010**
 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	5066	5066	213	1.58	
Other fixed interest securities	13	68113	68113	4065	6.25	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	6383	6383	25	0.39	
Total	19	79562	79562	4303	5.48	

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 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	5066	2.99	1.58	1.58

Other approved fixed interest securities	21				
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Other fixed interest securities

AAA/Aaa	31	5365	9.28	5.07	4.94
AA/Aa	32	8329	12.16	5.42	5.01
A/A	33	38684	10.38	5.72	4.99
BBB/Baa	34	12832	9.95	7.29	5.69
BB/Ba	35	1872	9.91	8.94	5.64
B/B	36	790	4.24	12.46	6.05
CCC/Caa	37	242	1.66	49.28	11.00
Other (including unrated)	38				
Total other fixed interest securities	39	68114	10.31	6.25	5.17

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	73180	9.80	5.93	4.92
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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	21980	61399	83379	79748
Form 52	13				
Form 53 - linked	14		160044	160044	155865
Form 53 - non-linked	15		6283	6283	7261
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	21980	227725	249706	242875

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	7813		7813	9202
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	7813		7813	9202

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		8649	8649	8479
Form 52	33				
Form 53 - linked	34		160902	160902	157266
Form 53 - non-linked	35		3	3	5
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		169553	169553	165750

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	14167	52750	66917	62067
Form 52	43				
Form 53 - linked	44		(858)	(858)	(1401)
Form 53 - non-linked	45		6280	6280	7256
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	14167	58172	72339	67922

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 **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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
425	Group income protection claims in payment							21326
430	Group critical illness		7855	43				43
440	Additional reserves non-profit OB							612

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

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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			11593			2865	2865
725	Individual pensions property linked - Pension Builder	5681	70924	480	70924	69603	448	70051
725	Individual pensions property linked - SSIP	28	3391		3391	3391		3391
725	Individual pensions property linked - VIP	1913	19950	78	19950	19298	824	20122
735	Group money purchase pensions property linked		14191		14191	14191	30	14221
735	Group money purchase pensions property linked - reassurance from GA						100	100
765	Group managed fund			791	53561	53561	1900	55461
770	Term assurance rider		36162					
790	Miscellaneous protection rider		4	2			116	116

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

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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		92234		92234	92234		92234
735	Group money purchase pensions property linked - units to GA		14992		14992	14992		14992
765	Group managed fund - units to SE				53675	53675		53675
790	Miscellaneous protection rider			2			3	3

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Guardian Pensions Management Limited**

Total business **Total long term insurance business assets**

Financial year ended **31 December 2010**

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	4267	n/a	1.00	1.40
UKP F51 and F53 non-discounted	2204	n/a		1.23
UKP F51 annuities in payment	52559	n/a	4.75	5.30
UKL F51 discounted - direct written income protection	12778	n/a	4.00	4.31
UKL F51 discounted - reinsurance accepted income protection	768	n/a	4.00	4.34
UKL F51 non-discounted	621	n/a		0.50
Total	73197			

Long-term insurance business : Distribution of surplus

Name of insurer **Guardian Pensions Management Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	78031	73620
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	7600	4000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	85631	77620
Mathematical reserves	21	72339	67922
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	13293	9697

Composition of surplus

Balance brought forward	31	5697	6041
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	7595	3656
Total	39	13293	9697

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	7600	4000
Total distributed surplus (46+47)	48	7600	4000
Surplus carried forward	49	5693	5697
Total (48+49)	59	13293	9697

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 2010**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%					
Classes III, VII and VIII	15	0.3%	37112	36771	0.99	110	122
Total	16		37112	36771		110	122

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1451	1520
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	61399	52750	0.86	528	472
Classes III, VII and VIII (investment risk)	33	1%	14321	(671)	0.85	122	111
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	5413	77	0.85	46	48
Classes III, VII and VIII (other)	35	25%				561	614
Class IV (other)	36	1%	22096	14279	0.85	188	207
Class V	37	1%					
Class VI	38	1%					
Total	39					1444	1452

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	61399	52750	0.86	1583	1417
Classes III, VII and VIII (investment risk)	43	3%	14321	(671)	0.85	365	334
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	5413	77			
Classes III, VII and VIII (other)	45	0%	146477	5904			
Class IV (other)	46	3%	22096	14279	0.85	563	620
Class V	47	0%					
Class VI	48	3%					
Total	49		249706	72339		2511	2370

Long term insurance capital requirement	51					5517	5464
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Supplementary Notes to the Return**Guardian Pensions Management Limited****Financial year ended 31 December 2010****APPENDIX 9.1*****0301* Net Admissible Asset Reconciliation**

		2010	2009
		£'000	£'000
F13 L89	Grand total of admissible assets	9,572	5,711
OLTB			
F13 L89 LTB	Grand total of admissible assets	79,562	81,808
F14 L11	Mathematical reserves, after distributions of surplus	(72,339)	(67,922)
F14 L49	Total other insurance and non insurance liabilities	(1,530)	(8,189)
F15 L69	Total	(7,595)	(3,820)
	Sub total	7,670	7,588
	Rounding	-1	1
F3 L79	Total Capital resources after deductions	7,669	7,589

0308 Within Line 94 of Form 3 is a contingent amount owing to Barclays Bank plc of £8,989,000 (2009: £15,482,000). 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**

	2010	2009
	£'000	£'000
Contingent Loan (as detailed in Note 0308 above)	8,989	15,482
Deferred tax relating to assets which are currently inadmissible	1,317	1,365
Valuation difference	(4,260)	(538)
IFRS GAAP adjustment	7,024	8,004
Form 3 Line 14	13,070	24,313

Supplementary Notes to the Return**Guardian Pensions Management Limited****Financial year ended 31 December 2010*****0313* Reconciliation of Profit and Loss Account and Other Reserves**

	2010	2009
	£'000	£'000
Form 3 Line 12	25,618	15,967
Less Form 3 Line 12 prior year	(15,967)	(4,530)
	<u>9,651</u>	<u>11,437</u>
Transfer from LTB revenue account	7,600	4,000
LTB profit in IFRS financial statements	(6,539)	(4,889)
Movement in revaluation reserve in IFRS financial statements	(3,294)	(6,128)
	<u><u>7,418</u></u>	<u>4,420</u>

***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).

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

The Company held listed investments, deemed not readily realisable due to the size of difference between the bid and mid market prices, valued at £2,049,206 the majority of which were fixed interest bonds. The Company held no unlisted investments, holdings in unregulated collective investment schemes or reversionary interests or remainders.

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

The Company held £6,556,994 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.

***1312* LTB: Exposure at Year End to large Counterparties**

At the valuation date, there was an exposure of £97,144,000 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 OLTB there is a categorisation difference in respect of taxation of £71,000 (2009: £163,000)

Supplementary Notes to the Return

Guardian Pensions Management Limited

Financial year ended 31 December 2010

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.

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.

Supplementary Notes to the Return**Guardian Pensions Management Limited****Financial year ended 31 December 2010*****1405* Other Adjustments To Liabilities**

	2010	2009
	£'000	£'000
Deferred tax on inadmissible assets	1,317	1,365
Valuation difference	(4,260)	(538)
Deferred Tax Liability on Value of Business Acquired	7,024	8,004
	<hr/>	<hr/>
Form 14 Line 74	4,081	8,831
	<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 £8,989,000. Further details are given above in Note 0308. Also, within Line 83 of Form 15 there is a categorisation difference in respect of taxation of -£71,000.

***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 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 2010

APPENDIX 9.3

4002 Other income and expenditure

Other Income of £900,896 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 £13.3m 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 £13.5m to the Company.

The company received reinsurance claims of £19.2m from Scottish Equitable plc (SE plc), a fellow subsidiary of AEGON NV, the ultimate parent undertaking. The total aggregate reinsurance transaction, after inclusion of claims, commissions and interest between the Company and SE plc resulted in a receipt of £17m from SE plc. The Company also has a loan of £97.1m 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	2	

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

5301 The number of direct written group schemes is as follows

Product	UKL	UKP
735 Group money purchase pension property linked		8
765 Group managed fund		13

5302 It has been assumed that the number of individual policyholders is the number of individual policies 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 2010

- (a) The Investment Guidelines operated during the year to 31 December 2010 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 insurer did not enter any such contracts as described in sub-paragraph (b) above during 2010
- (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 2010, 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 2010

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 2010.
- (2) The previous valuation date was 31 December 2009.
- (3) There have been no interim valuations (for the purposes of rule 9.4 of IPRU(INS)) carried out since 31 December 2009.

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) Service charges on the Choices range of contracts have increased by 1.7%, and on Group Managed Fund by 1.15%, since the previous valuation.
- (5) There have been no changes to benefit charges on linked policies since the previous valuation.
- (6) There have been no changes to unit management charges since the previous valuation.
- (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.
 - Expense reserves are held for both the Group Managed Fund and Group Money Purchase contracts. The reserves are the difference between projected expenses and charges.
- (2) The interest rates used in the current and previous valuations are as follows:

Product Type	31 December 2010	31 December 2009
Annuity In Payment (retained)	4.75%	5.50%
Annuity In Payment (ceded)	3.90%	4.70%
PHI Claims in Payment	4.00%	4.25%
PHI Claims in Payment (reinsurance accepted)	4.00%	4.25%
Deferred Annuities	1.00%	1.00%

- (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	0.13% p.a.
AA	0.41% p.a.
A	0.73% p.a.
BBB	1.60% p.a.
BB	3.30% p.a.
B	6.41% p.a.
CCC	10.06% p.a.

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

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	31 December 2010		31 December 2009	
Annuities In Payment				
Males				
Mortality	92% IML00 (long cohort improvements with 0.75% underpin) with 3 year select period multiple of 84%		96% IML00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 58%	
Expectation of life	Age 65 = 22.7 Age 75 = 14.3		Age 65 = 22.6 Age 75 = 14.1	
Females				
Mortality	100% RFV00 (long cohort improvements with 0.75% underpin) with 3 year select period multiple of 84%		107% RFV00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 58%	
Expectation of life	Age 65 = 25.4 Age 75 = 16.5		Age 65 = 25.1 Age 75 = 16.1	
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 a modified CMIR12 table and modified AM/AF92 combined.

The 2010 assumptions, using a deferred period of twenty six weeks and covering all occupation classes, are as follows:

Modified CMIR12 &AM/AF92 combined termination rates				
Age	Duration 2 yrs female	Duration 2 yrs male	Duration 5 yrs female	Duration 5 yrs male
25	0.2823	0.2826	0.0599	0.0602
35	0.2325	0.2327	0.0516	0.0518
45	0.1810	0.1813	0.0444	0.0446
55	0.1291	0.1304	0.0391	0.0405

The equivalent assumptions for 2009 are as follows:

Modified CMIR12 &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 - Renewal Expenses

	31 December 2010	31 December 2009
Income Protection claims in payment (385)	5.0% of benefit amount p.a.	5.0% of benefit amount p.a.
Annuity (400)	£15.00 per annuity	£15.00 per annuity
UL regular premium pension (725) – Choices	£38	£38
UL single premium pension (725) – Choices	£38	£38

(7) Unit growth rates and Expense inflation – unit linked pensions

	31 December 2010	31 December 2009
Unit growth rate, before management charges	5.50%	5.50%
Expense inflation	4.00%	4.00%
Inflation rate for monthly service charges	4.00%	4.00%
Investment expenses	0.15%	0.15%

(8) Reinsurance 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.

(9) Lapse, Surrender and Paid-up Assumptions

Average surrender/paid-up rate for the policy years (%)					
Product	Event	1-5	6-10	11-15	16-20
UL individual pension regular Premium – Choices	PUP	0	0	0	0
UL individual pension regular Premium – Choices	Surrender	3.5%	3.5%	3.5%	3.5%
UL individual 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 £5,604,583 is contained in the valuation arising during the 12 months after the valuation date to meet expenses in fulfilling contracts in force at the valuation date. £3,642,041 is from explicit allowances and £1,962,542 from implicit allowances. Allowances for investment and maintenance expenses are £1,962,542 and £3,642,041 respectively. The Maintenance expenses cover internal and reinsured maintenance expenses.
- (2) Implicit allowances for expenses arise from the deduction to the available yields for investment expenses.
- (3) Form 43 Line 14 includes £1,671,999 of investment expenses, leaving £1,131,522 of maintenance expenses. Form 43 Line 34 includes reinsurance maintenance expenses of £2,202,014. This gives a total maintenance expense of £3,333,536.
- (4) The Company is only writing new business where it is legally obliged to in respect of increments and options under existing policies. As this new business is minimal no additional reserve is required.
- (5) The Company 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.

Currency	Liabilities	Assets
UK £	£73,196,000	£73,196,000

- (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 10.0% and a rise in the fixed interest yields of 0.798% (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 **NIL** is required,
- (b) the aggregate amount of the non-linked long term insurance liabilities decreased by at least **£6,705,457**,
- (c) the aggregate amount of the assets allocated to match such liabilities decreased by **£5,220,326**.
- (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 gross mathematical reserves are:

£768,000	Reinsurance risk reserve for adverse deviation on reinsurance exposures. The majority is in respect of the group income protection claims where a default risk of 73bp, consistent with an A rated bond, and a 10 year duration, is applied to the mathematical reserves ceded.
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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 Company and bonuses are not declared.

Reinsurance Treaties where the Company is the Cedant (paragraph 9.2)

Treaty No.	Name of reinsurer (d)	Nature of cover (e)	Extent of cover (e)	Premiums payable in 2010 (f)	New business (h)	Amount of mathematical reserves ceded (j)	Retention by the insurer (k)
1	Guardian Assurance plc	Risk premium basis	Total Waiver of Premium benefits under Pension Builder and VIPP contracts.	£1,533,039	Closed to new business	£23,644,234	NIL
		Original terms basis	Total benefit of all annuities in payment prior to 1 January 1999.		Closed to new business		NIL
		Original terms basis	All deferred annuities payable in respect of unit allocations to policyholders on the Group Money Purchase schemes.		Open to new business only in respect of existing schemes		NIL
2	GE Frankona Reassurance Ltd	Risk premium rates	Group Income Protection covering: (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.	NIL	Closed to new business	£7,813,367	NIL
		Risk premium rates	Group Critical Illness covering 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 of £50,000
3	Scottish Equitable plc	Original terms basis	All deferred annuities payable in respect of unit allocations to policyholders on the Pension Builder, VIPP, SSIP and Group Managed Fund contracts.	£2,359,820	Open to new business only in respect of existing contracts or schemes	£145,909,096	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) 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 Pensions Management Limited

Financial year ended 31 December 2010

We certify that :

- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU and INSPRU; and
 - (b) we 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 our 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) we 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

A.T. GRACE, Director

C.J. BOUSFIELD, Director

Edinburgh, 25 March 2011

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 Limited

Global business

Financial year ended 31 December 2010

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to 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 valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report").

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50, 51, 53, 57 (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30; and
- the certificate required by 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 audit work 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 auditor's 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 audit work, 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 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or
- the Forms, the statements and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

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 2010

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 2011. 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

Statutory Auditor

Edinburgh

25 March 2011