

**2008**

**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 2008**

**Appendices 9.1, 9.3, 9.4, 9.6**



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**Statement of solvency - long-term insurance business**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	<b>985480</b>	<b>GL</b>				<b>£000</b>
			<b>As at end of this financial year</b>			<b>As at end of the previous year</b>
			<b>1</b>			<b>2</b>

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	6041	6180
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	1579	4138
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	7620	10318

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	2518	2231
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	5102	8087

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	5076	5858
Resilience capital requirement	<b>32</b>	500	
Base capital resources requirement	<b>33</b>	2518	2231
Individual minimum capital requirement	<b>34</b>	5576	5858
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	5576	5858
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	4832	7389
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	3438	5924

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	5576	5858

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	5576	5858
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	2044	4460

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
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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 2008**

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**O. THORESEN**      Chief Executive

.....

**J.M. LAIDLAW**      Director

.....

**F. MACKLE**      Director

**Edinburgh, 25 March 2009**

**Components of capital resources**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		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	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		22714	22714	22714
Profit and loss account and other reserves	<b>12</b>		4530	4530	38740
Share premium account	<b>13</b>		68386	68386	68386
Positive valuation differences	<b>14</b>		36623	36623	21580
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		132253	132253	151420

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		132253	132253	151420
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		31313	31313	53465
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		31313	31313	53465
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		100940	100940	97955

## Components of capital resources

Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		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	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

## Tier two capital

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

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

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

**Components of capital resources**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		<b>1</b>			<b>3</b>	<b>4</b>

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>			100940	100940	97955
Inadmissible assets other than intangibles and own shares	<b>73</b>					
Assets in excess of market risk and counterparty limits	<b>74</b>			93320	93320	87637
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>			7620	7620	10318

**Available capital resources for GENPRU/INSPRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>			7620	7620	10318
Available capital resources for 50% MCR requirement	<b>82</b>			7620	7620	10318
Available capital resources for 75% MCR requirement	<b>83</b>			7620	7620	10318

**Financial engineering adjustments**

Implicit items	<b>91</b>					
Financial reinsurance - ceded	<b>92</b>					
Financial reinsurance - accepted	<b>93</b>					
Outstanding contingent loans	<b>94</b>			17828	17828	22459
Any other charges on future profits	<b>95</b>					
Sum of financial engineering adjustments (91+92-93+94+95)	<b>96</b>			17828	17828	22459

**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 2008**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units
	R11	985480	GL	31	12	2008
			This financial year 1			Previous year 2
Gross premiums written		11	1840			(636)
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13	1840			(636)
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15				
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>		16	1840			(636)
Gross premiums earned		21	1840			(636)
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	1840			(636)
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25				
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>		26	1840			(636)
<b>Sub-total I (higher of sub-total A and sub-total H)</b>		30	1840			(636)
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>		31	1840			(636)
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	331			(115)
	Excess (if any) over 53.1M EURO x 0.02	33				
<b>Sub-total J (32-33)</b>		34	331			(115)
Claims paid in period of 3 financial years		41	15124			15918
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	24420			28666
	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	46434			54489
	For insurance business accounted for on an accident year basis	45				
<b>Sub-total C (41+42+43-44-45)</b>		46	(6890)			(9904)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	(4038)			(3971)
<b>Sub-total D (46-47)</b>		48	(2852)			(5933)
<b>Reinsurance Ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)</b>		49	0.50			0.60
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>		50	166			(69)
Provision for claims outstanding (before discounting and net of reinsurance)		51	14304			16346
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52				
<b>Brought forward amount (See instruction 4)</b>		53	1520			1737
Greater of lines 50 and 53		54	1520			1737

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

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R		<b>11</b>					36	36
Claims paid in reference period		<b>21</b>					15124	15918
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	<b>22</b>					24420	28666
	For insurance business accounted for on an accident year basis	<b>23</b>						
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	<b>24</b>					46434	54489
	For insurance business accounted for on an accident year basis	<b>25</b>						
Claims incurred in reference period (21+22+23-24-25)		<b>26</b>					(6890)	(9904)
Claims incurred for classes 11, 12 or 13 (included in 26)		<b>27</b>						
Claims incurred for "actuarial health insurance" (included in 26)		<b>28</b>						
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>		<b>29</b>					(6890)	(9904)
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>		<b>31</b>					(2297)	(3301)
Division of sub-total F (gross adjusted claims amount)	x 0.26	<b>32</b>					(597)	(858)
	Excess (if any) over 37.2M EURO x 0.03	<b>33</b>						
<b>Sub-total G (32-33)</b>		<b>39</b>					(597)	(858)
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>		<b>41</b>					(299)	(514)
Higher of premiums amount and brought forward amount (11.54)		<b>42</b>					1520	1737
<b>General insurance capital requirement (higher of lines 41 and 42)</b>		<b>43</b>					1520	1737

**Analysis of admissible assets**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares		<b>41</b>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>		
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>		
	Other	<b>46</b>		
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>		
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	6799	15106
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	827	1019
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	1265	182
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	7	
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		
Deductions from the aggregate value of assets	<b>87</b>		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	8898	16307

**Analysis of admissible assets**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**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)	<b>91</b>	8898	16307
Admissible assets in excess of market and counterparty limits	<b>92</b>	87291	81974
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>		
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)	<b>102</b>	96189	98281
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	827	1019

**Analysis of admissible assets**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>		
Rights under derivative contracts	<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	5340
	Other	<b>46</b>	55429
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	1984
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	

**Analysis of admissible assets**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	167	299
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	1268	1888
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	264	178
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	1721	1565
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		
Deductions from the aggregate value of assets	<b>87</b>		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	64189	75936

**Analysis of admissible assets**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**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)	<b>91</b>	64189	75936
Admissible assets in excess of market and counterparty limits	<b>92</b>	6029	5662
Inadmissible assets directly held	<b>93</b>	31313	53465
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	169654	241605
Other asset adjustments (may be negative)	<b>101</b>	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)	<b>102</b>	271674	376668
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	1276	178

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

Global business

Financial year ended **31 December 2008**Total business/Sub fund **10 Long Term Business**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	56813	67781	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	6041	6180	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	62854	73961	
Claims outstanding	Gross	<b>15</b>	208	309
	Reinsurers' share	<b>16</b>	489	1222
	Net (15-16)	<b>17</b>	(281)	(913)
Provisions	Taxation	<b>21</b>	90	181
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>		256
	Reinsurance accepted	<b>32</b>	158	151
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	924	859
	Other	<b>38</b>	444	1441
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1335	1975	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	64189	75936	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	286	421
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	84	

Total liabilities (11+12+49)	<b>71</b>	58148	69756
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	169654	241605
Other adjustments to liabilities (may be negative)	<b>74</b>	19284	(879)
Capital and reserves and fund for future appropriations	<b>75</b>	24588	66186
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	271674	376668

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

Global business

Financial year ended **31 December 2008**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R15</b>	<b>985480</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	964	702
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	6355	11467
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	7319	12169
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	7319	12169

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	17828	22458
Capital and reserves	<b>84</b>	71042	63654
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)	<b>85</b>	96189	98281

**Profit and loss account (non-technical account)**

Name of insurer

**Guardian Pensions Management Limited**

Global business

Financial year ended

**31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		<b>R16</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>				
	Equalisation provisions		<b>12</b>				
Transfer from the long term insurance business revenue account			<b>13</b>			6500	9000
Investment income	Income		<b>14</b>			5347	4902
	Value re-adjustments on investments		<b>15</b>				
	Gains on the realisation of investments		<b>16</b>				
Investment charges	Investment management charges, including interest		<b>17</b>			1726	2563
	Value re-adjustments on investments		<b>18</b>				
	Loss on the realisation of investments		<b>19</b>				
Allocated investment return transferred to the general insurance business technical account			<b>20</b>				
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			10121	11339
Tax on profit or loss on ordinary activities			<b>31</b>			1032	702
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			9089	10637
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>				
Tax on extraordinary profit or loss			<b>42</b>				
Other taxes not shown under the preceding items			<b>43</b>				
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			9089	10637
Dividends (paid or foreseeable)			<b>51</b>			1700	1000
Profit or loss retained for the financial year (49-51)			<b>59</b>			7389	9637

**Long-term insurance business : Revenue account**

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

Financial year	Previous year
1	2

**Income**

Earned premiums	11	17373	16909
Investment income receivable before deduction of tax	12	5097	5224
Increase (decrease) in the value of non-linked assets brought into account	13	(12019)	(5144)
Increase (decrease) in the value of linked assets	14		
Other income	15	1038	1321
<b>Total income</b>	<b>19</b>	<b>11489</b>	<b>18310</b>

**Expenditure**

Claims incurred	21	8267	7306
Expenses payable	22	5101	4811
Interest payable before the deduction of tax	23	28	47
Taxation	24	2700	3457
Other expenditure	25		
Transfer to (from) non technical account	26	6500	9000
<b>Total expenditure</b>	<b>29</b>	<b>22596</b>	<b>24621</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(11107)	(6311)
Fund brought forward	49	73961	80272
Fund carried forward (39+49)	59	62854	73961

**Long-term insurance business : Analysis of premiums**

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

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

Regular premiums	11	1894	18635		20529	22104
Single premiums	12		1233		1233	4528

**Reinsurance - external**

Regular premiums	13	922	270		1192	3504
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		2926		2926	4392
Single premiums	16		271		271	1827

**Net of reinsurance**

Regular premiums	17	972	15439		16411	14208
Single premiums	18		962		962	2701

**Total**

Gross	19	1894	19868		21762	26632
Reinsurance	20	922	3467		4389	9723
Net	21	972	16401		17373	16909

**Long-term insurance business : Analysis of claims**

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

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

**Gross**

Death or disability lump sums	11		604		604	964
Disability periodic payments	12	4750	20		4770	5085
Surrender or partial surrender	13		36744		36744	75762
Annuity payments	14		4179		4179	3052
Lump sums on maturity	15					
<b>Total</b>	<b>16</b>	<b>4750</b>	<b>41547</b>		<b>46297</b>	<b>84863</b>

**Reinsurance - external**

Death or disability lump sums	21		(366)		(366)	349
Disability periodic payments	22	1564			1564	1810
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>1564</b>	<b>(366)</b>		<b>1198</b>	<b>2159</b>

**Reinsurance - intra-group**

Death or disability lump sums	31		613		613	485
Disability periodic payments	32		1		1	8
Surrender or partial surrender	33		35529		35529	74240
Annuity payments	34		689		689	665
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>36832</b>		<b>36832</b>	<b>75398</b>

**Net of reinsurance**

Death or disability lump sums	41		357		357	130
Disability periodic payments	42	3186	19		3205	3267
Surrender or partial surrender	43		1215		1215	1522
Annuity payments	44		3490		3490	2387
Lump sums on maturity	45					
<b>Total</b>	<b>46</b>	<b>3186</b>	<b>5081</b>		<b>8267</b>	<b>7306</b>

**Long-term insurance business : Analysis of expenses**

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

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

**Gross**

Commission - acquisition	11		352		352	327
Commission - other	12	312	20		332	136
Management - acquisition	13		4		4	4
Management - maintenance	14	106	1473		1579	2075
Management - other	15					
<b>Total</b>	<b>16</b>	<b>418</b>	<b>1849</b>		<b>2267</b>	<b>2542</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33		(68)		(68)	(81)
Management - maintenance	34		(2766)		(2766)	(2188)
Management - other	35					
<b>Total</b>	<b>36</b>		<b>(2834)</b>		<b>(2834)</b>	<b>(2269)</b>

**Net of reinsurance**

Commission - acquisition	41		352		352	327
Commission - other	42	312	20		332	136
Management - acquisition	43		72		72	85
Management - maintenance	44	106	4239		4345	4263
Management - other	45					
<b>Total</b>	<b>46</b>	<b>418</b>	<b>4683</b>		<b>5101</b>	<b>4811</b>

**Long-term insurance business : Linked funds balance sheet**

Name of insurer **Guardian Pensions Management Limited**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
<b>Total net assets (14-15-16-17)</b>	<b>18</b>		

**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		(77)
Deficit units	33	84	
<b>Net unit liability (31-32+33)</b>	<b>34</b>	84	77

**Long-term insurance business : Summary of new business**

Name of insurer **Guardian Pensions Management Limited**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

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

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

Regular premium business	11					
Single premium business	12					
<b>Total</b>	<b>13</b>					

**Amount of new regular  
premiums**

Direct insurance business	21		19		19	35
External reinsurance	22					
Intra-group reinsurance	23		980		980	721
<b>Total</b>	<b>24</b>		<b>999</b>		<b>999</b>	<b>756</b>

**Amount of new single  
premiums**

Direct insurance business	25		1174		1174	2865
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>		<b>1174</b>		<b>1174</b>	<b>2865</b>





**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 2008**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	5388	5388	244	1.67	
Other fixed interest securities	13	57102	57102	4095	8.10	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1699	1699			
<b>Total</b>	<b>19</b>	<b>64189</b>	<b>64189</b>	<b>4339</b>	<b>7.35</b>	

**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					
<b>Total</b>	<b>29</b>					

**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 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	5388	2.17	1.67	1.67
<b>Other approved fixed interest securities</b>	<b>21</b>				
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	3411	11.72	7.46	6.74
AA/Aa	<b>32</b>	7427	10.90	7.34	6.63
A/A	<b>33</b>	40411	8.22	8.17	7.17
BBB/Baa	<b>34</b>	5854	10.26	8.96	7.93
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>				
<b>Total other fixed interest securities</b>	<b>39</b>	57103	8.99	8.10	7.15
<b>Approved variable interest securities</b>	<b>41</b>				
<b>Other variable interest securities</b>	<b>51</b>				
<b>Total (11+21+39+41+51)</b>	<b>61</b>	62491	8.40	7.55	6.68

## Long-term insurance business : Summary of mathematical reserves

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

Units

£000

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

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12	24421	43493	67914	81398
Form 52	13				
Form 53 - linked	14		151495	151495	219968
Form 53 - non-linked	15		6579	6579	6809
Form 54 - linked	16				
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	24421	201567	225988	308175

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	9937		9937	11791
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	9937		9937	11791

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		7822	7822	8700
Form 52	33				
Form 53 - linked	34		151411	151411	219891
Form 53 - non-linked	35		5	5	11
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>		159238	159238	228602

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	14484	35672	50156	60907
Form 52	43				
Form 53 - linked	44		84	84	77
Form 53 - non-linked	45		6573	6573	6798
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	14484	42329	56813	67782

**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 **10 Long Term Business**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
410	Group life		699	1				1
420	Group income protection							7
425	Group income protection claims in payment							23862
430	Group critical illness		28793	161				159
440	Additional reserves non-profit OB							392

**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 **10 Long Term Business**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
410	Group life		161					
425	Group income protection claims in payment							9813
430	Group critical illness		21781	126				124



**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 **10 Long Term Business**  
 Financial year ended **31 December 2008**  
 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
380	Miscellaneous protection rider - Reassured to GA		19	2				6
400	Annuity non-profit (CPA) - Reassured to GA		736					7816

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

Name of insurer **Guardian Pensions Management Limited**  
Total business / subfund **10 Long Term Business**  
Financial year ended **31 December 2008**  
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			10940			2877	2877
725	Individual pensions property linked - Pension Builder	6742	69324	755	69324	67784	504	68287
725	Individual pensions property linked - SSIP	29	2756		2756	2756		2756
725	Individual pensions property linked - VIP	2223	18519	131	18519	17830	784	18614
735	Group money purchase pensions property linked		11565		11565	11565	21	11586
735	Group money purchase pensions property linked - reassurance from GA			1			240	240
765	Group managed fund			485	51560	51560	2028	53588
770	Term assurance rider		43415					
790	Miscellaneous protection rider		5	2			124	124

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

Name of insurer **Guardian Pensions Management Limited**  
 Total business / subfund **10 Long Term Business**  
 Financial year ended **31 December 2008**  
 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		88381		88381	88381		88381
735	Group money purchase pensions property linked - units to GA		11447		11447	11447		11447
765	Group managed fund - units to SE				51583	51583		51583
790	Miscellaneous protection rider			2			5	5

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Guardian Pensions Management Limited**Total business **10 Long Term Business**Financial year ended **31 December 2008**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP F53 discounted	4426	n/a	3.00	3.29
UKP F51 and F53 non-discounted	2378	n/a		1.03
UKP F51 annuities in payment	35441	n/a	7.75	8.06
UKL F51 discounted - direct written income protection	13308	n/a	6.25	6.50
UKL F51 discounted - reinsurance accepted income protection	741	n/a	6.25	6.50
UKL F51 non-discounted	434	n/a		
<b>Total</b>	56729			

**Long-term insurance business : Distribution of surplus**

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

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	62854	73961
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	6500	9000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	69354	82961
Mathematical reserves	21	56813	67781
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	12541	15180

**Composition of surplus**

Balance brought forward	31	6180	6713
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6361	8467
Total	39	12541	15180

**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	6500	9000
Total distributed surplus (46+47)	48	6500	9000
Surplus carried forward	49	6041	6180
Total (48+49)	59	12541	15180

**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 requirement**Name of insurer **Guardian Pensions Management Limited**

Global business

Financial year ended **31 December 2008**Units **£000**

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%	710	537	0.76	1	9
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%	44457	44146	0.99	132	149
<b>Total</b>	<b>16</b>		45168	44683		133	158

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					1520	1737
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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%	43494	35672	0.85	370	448
Classes III, VII and VIII (investment risk)	33	1%	11826	379	0.85	101	117
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	5722	82	0.85	49	69
Classes III, VII and VIII (other)	35	25%				659	655
Class IV (other)	36	1%	24544	14602	0.85	209	245
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					1387	1534

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	43494	35672	0.85	1109	1345
Classes III, VII and VIII (investment risk)	43	3%	11826	379	0.85	302	350
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	5722	82			
Classes III, VII and VIII (other)	45	0%	140402	6079			
Class IV (other)	46	3%	24544	14602	0.85	626	735
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		225988	56813		2037	2429

<b>Long term insurance capital requirement</b>	<b>51</b>					5076	5858
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**Supplementary Notes to the Return****GUARDIAN PENSIONS MANAGEMENT LIMITED****Financial year ended 31 December 2008****APPENDIX 9.1****\*0301\* Net Admissible Asset Reconciliation**

		<b>2008</b>	2007
		£'000	£'000
F13 L89	Grand total of admissible assets	8,898	16,307
OLTB			
F13 L89 LTB	Grand total of admissible assets	64,189	75,936
F14 L11	Mathematical reserves, after distributions of surplus	(56,813)	(67,781)
F14 L12	Cash bonus which has not been paid to policyholders prior to end of the financial year	-	-
F14 L49	Total other insurance and non insurance liabilities	(1,335)	(1,975)
F15 L69	Total	<u>(7,319)</u>	<u>(12,169)</u>
	Sub total	<u><b>7,620</b></u>	<u>10,318</u>
<b>F3 L79</b>	<b>Total Capital resources after deductions</b>	<u><b>7,620</b></u>	<u>10,318</u>

\*0308\* Within Line 94 of Form 3 is a contingent amount owing to Barclays Bank plc of £17,827,547 (2007: £22,459,159). 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**

	<b>2008</b>	2007
	£'000	£'000
Surplus (as detailed in Note 0308 above)	17,828	22,459
Deferred tax relating to assets which are currently inadmissible	1,365	1,365
IFRS GAAP adjustment (2007: UK GAAP adjustment)	<u>17,430</u>	<u>(2,244)</u>
<b>Form 3 Line 14</b>	<u><b>36,623</b></u>	<u>21,580</u>

**\*0313\* Reconciliation of Profit and Loss Account and Other Reserves**

	<b>2008</b>
	£'000
Form 3 Line 12: 2008	4,530
Less Form 3 Line 12: 2007	<u>(38,740)</u>
	(34,210)
Adjustment to Shareholder Equity as at Dec 07	32,817
Transfer to LTB revenue account	6,500
LTB profit in IFRS financial statements	(6,096)
Movement in revaluation reserve in IFRS financial statements	<u>8,378</u>
<b>Form 16 Line 59</b>	<u><b>7,389</b></u>

**Supplementary Notes to the Return****GUARDIAN PENSIONS MANAGEMENT LIMITED****Financial year ended 31 December 2008**

	2007 £'000
Form 3 Line 12: 2007 (Profit & loss account and other reserves)	38,740
Form 3 Line 12: 2006 (Profit & loss account and other reserves)	(32,577)
Movement in the year	6,163
Transfer to LTB revenue account	9,000
Balance on the long term technical account	(5,526)
Form 16 Line 59	<u>9,637</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 <u>and</u> 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 £5,236,413 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, when shareholders and policyholders are taken together, there was a large exposure to an approved credit institution. The value involved was £5,258,000 and the assets giving rise to this exposure was cash on deposit. There was also an exposure of £7,425,000 with the AEGON NV counterparty. The majority of this asset related to a loan issued by the company to AEGON UK plc.	
*1318* LTB: Other Asset Adjustments Within Form 13 Line 101 there is a categorisation difference in respect of claims reassured of £489 (2007: nil).	

**Supplementary Notes to the Return**

**GUARDIAN PENSIONS MANAGEMENT LIMITED**

**Financial year ended 31 December 2008**

\*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

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

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

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

\*1401\* Provision for reasonably foreseeable adverse variations (Form 14 Line 41)

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

\*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 2008****\*1405\* Other Adjustments To Liabilities**

	<b>2008</b>
	£'000
Deferred tax on inadmissible assets	1,365
Net technical provisions – difference between IFRS and regulatory bases (difference between F14-11 and stats)	9,808
Deferred revenue liability	2,311
Deferred Tax Asset on technical provisions	(3,457)
Deferred Tax Liability on Value of Business Acquired	8,768
Categorisation difference iro claims reassured	489

**Form 14 Line 74****19,284**

	2007
	£'000
Deferred tax on inadmissible assets	1,365
UK GAAP Adjustment	(2,244)
Form 14 Line 74	(879)

\*1501\* Provision for reasonably foreseeable adverse variations (Form 15 Line 61)  
The Insurer has no obligations or potential obligations to which GENPRU 1.3.26R to GENPRU 1.3.29R or INSPRU 3.2.17R to INSPRU 3.2.18R apply.

**\*1502\* OLTB Liabilities**

- (a) There 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 (£000's)**

Within Line 83 of Form 15 there is a contingent liability of £17,828. Further details are given above in Note 0308.

**\*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 asset 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 2008

#### APPENDIX 9.3

**\*4002\* Other income and expenditure**

Other Income of £1,038,157 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 accepted reinsurance premium business of £13.0 from Guardian Assurance plc, a fellow subsidiary of AEGON UK plc. The total aggregate reinsurance transaction, after inclusion of claims, commissions and interest between the Company and Guardian Assurance plc resulted in a receipt of £12.5m to the Company.

The aggregate of the management service charge, as detailed in supplementary note 4008, and associated interest charges amounted to £4.2m.

The company ceded reinsurance premium business of £3.2m to Scottish Equitable plc (SE plc), a fellow subsidiary of AEGON NV, the ultimate parent undertaking. The company also received reinsurance claims of £36m 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 £33m from SE plc.

**\*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.

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

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

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

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

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

Product	UKL	UKP
410 Group life	1	
430 Group critical illness	6	

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

**\*5103\* There are no miscellaneous product codes where the gross annual premium or the gross reserve exceeds £2,259,880 (the total gross reserve being £225,988,000).**

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

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

**Supplementary Notes to the Return**

**GUARDIAN PENSIONS MANAGEMENT LIMITED**

**Financial year ended 31 December 2008**

\*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		16

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

\*5303\* There are no miscellaneous product codes where the gross annual premium or the gross reserve exceeds £2,259,880 (the total gross reserve being £225,988,000).

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

\*5400\* Form 54 has been omitted as there are no index linked contracts.

\*5500\* There are no net property linked assets as relevant liabilities are reassured to Scottish Equitable plc.

\*5600\* Form 56 has been omitted as there is no index linked business.

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

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

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

**GUARDIAN PENSIONS MANAGEMENT LIMITED**

**Financial year ended 31 December 2008**

- (a) The Investment Guidelines operated during the year to 31 December 2008 were as follows:
- (i) Exchange traded Index Futures may be used in the equity and fixed interest sectors of the long term business fund for efficient portfolio management and reduction of risk up to a level of 25% of the relevant "sector" fund.
  - (ii) Margin requirements on Futures positions may only be deposited with suitable counterparties who have a Moody's long term credit rating of A1 or better. Overall exposure is limited to 25% of the relevant "sector" fund.
  - (iii) Stock options are rarely used, but occasionally exchange traded puts or calls on individual shares may be bought or sold. Appropriate shares actually owned by the Company must cover sold options. Overall exposure is limited to 10% of the equity "sector" fund.
  - (iv) Currency forward contracts may be used to hedge overseas currency exposure. Currency options may be used as an alternative to currency forwards. Currency hedging may be occasionally achieved by using borrowings. Hedging can only be applied against currencies actually held by the Company. The maximum level is 10% of the equity "sector" fund or 25% for those "sector" funds which have, from time to time, more than 50% of the value of their investments held overseas.
  - (v) Over the Counter (OTC) derivatives may normally be used only for very specific purposes and for relatively small amounts of money. The Board must approve any individual OTC Derivative over £50m; the aggregate exposure of such derivatives cannot exceed 5% of the equity "sector" fund. In the case of products where investment guarantees are given to the policyholders, the guarantees may be achieved by entering into an OTC contract with an investment bank.
  - (vi) Derivatives may be utilised within structured documented programmes that do not comply with (a)(i)–(v) above. These programmes specifically detail the way in which derivatives may be used and the funds to which they apply. The limits on the use of derivatives within such programmes are capped at 100% of the value of the fund and the use of derivatives must be in compliance with regulation.
- (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 2008.
- (h) No derivative contract was held at any time during the financial year which required a significant provision to be made for it under INSPRU 3.2.17R, or did not fall within the definition of a permitted derivative contract.
- (i) During 2008 within the linked long-term insurance fund, the insurer received a fixed consideration of £nil in return for granting rights under derivative contracts. The derivative contracts in question were put and call options written against both individual company holdings and standard indices.

Returns under the Accounts and Statements Rules

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

**GUARDIAN PENSIONS MANAGEMENT LIMITED**

**Financial year ended 31 December 2008**

Controllers

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

The ultimate parent undertaking of Guardian 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**

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**Introduction**

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

**Product range**

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

**Discretionary charges and benefits**

3. (1) There are no contracts where there is an option to apply a market value reduction (or equivalent).
- (2) 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 increased by an average 2.49% during 2008, with the maximum increase being 2.64% (£4.55 increased to £4.67) and the minimum increase being 1.79%. Group Managed Fund had increases of 3.95% applied during 2008.
- (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 together with an allowance for future 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 2008 valuation and those used in the 2007 investigation are as follows:

Product Type	31 December 2008	31 December 2007
Annuity In Payment (retained)	7.75%	5.50%
Annuity In Payment (ceded)	4.30%	4.15%
PHI Claims in Payment	6.25%	5.50%
PHI Claims in Payment (Reassurance accepted)	6.25%	5.50%
Deferred Annuities	3.00%	3.75%

- (3) The yield on non-Gilt fixed interest securities (bonds) is calculated by reference to market prices. This yield is reduced by reference to the spread over a Gilt rate of comparable term. The reduction in yield is calculated as 20% of the spread over the Gilt rate. All yields were capped at a maximum risk-adjusted yield of 13%.

## (4) Mortality Bases

Product Range	31 December 2008		31 December 2007	
<b>Annuities In Payment</b>				
<b>Males</b>				
Mortality	99% IML00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 72%		95% PMA00 (medium cohort improvements with 1% underpin)	
Expectation of life	Age 65 = 22.0 Age 75 = 13.5		Age 65 = 22.5 Age 75 = 13.9	
<b>Females</b>				
Mortality	105% RFV00 (long cohort improvements with 1% underpin) with 3 year select period multiple of 72%		100% PFA00 (medium cohort improvements with 1% underpin)	
Expectation of life	Age 65 = 24.9 Age 75 = 15.9		Age 65 = 24.5 Age 75 = 15.5	
<b>Annuities In Deferment – Choices Range of Contracts</b>				
	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
<b>Annuities In Deferment – Other Linked Contracts</b>				
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 2008 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 2007 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 2008	31 December 2007
Renewal Expenses:		
Annuity (400)	2.75% of benefit amount p.a.	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 2008	31 December 2007
Unit growth rate, before management charges	5.00%	5.00%
Expense Inflation	3.00%	4.00%
Inflation rate for Monthly Service Charges	3.00%	4.00%
Investment Expenses	0.075%	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.

(9) 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 £4,284,854 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. £4,121,756 is from explicit allowances and £163,098 from implicit allowances. Allowances for investment and maintenance expenses are £163,098 and £4,121,756 respectively.
- (2) Implicit allowances for expenses arise from the deduction to the available yields for investment expenses.
- (3) Form 43 Line 14 includes £174,637 of investment expenses, leaving £1,404,239 of maintenance expenses. The £4,121,756 maintenance expenses contained in the valuation also cover the reinsurance expenses of £2,766,165 from Form 43 Line 32.
- (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 £	£56,729,000	£56,729,000

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

- (4) The most onerous scenario under INSPRU 3.1.16R for assets invested in the UK for the purposes of calculating the resilience capital requirement in INSPRU 3.1.10R is a combination of a fall in the value of equities of 10% and a rise in the fixed interest yields of 0.749% (20% of the long-term gilt yield).
- (5) The Company has no non-linked assets invested outside the United Kingdom.
- (6) In respect of the scenario described under (4) above:
  - (a) A resilience capital requirement of **£500,000** is required,
  - (b) the aggregate amount of the non-linked long term insurance liabilities decreased by at least £2,955,549,
  - (c) the aggregate amount of the assets allocated to match such liabilities decreased by £3,450,385.
- (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:  
£623,000            Reinsurance risk reserve for adverse deviation on reinsurance exposures.

**Reinsurance**

- 9. (1) No premiums were payable under facultative reinsurance arrangements in the reporting period to companies not permitted to carry on insurance business in the United Kingdom.
- (2) Reinsurance Treaties:  
(see 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 2008	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.	£843,162	Closed to New Business	£19,274,246	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% }	£(273)	(i) and (ii) are closed to New Business, (iii) is open to New Business only in respect of existing schemes	£247	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.	£31,875	(i) is closed to New Business  (ii) Open to New Business only in respect of existing schemes	£9,936,842	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.	£3,136,334	Open to New Business only in respect of existing contracts or schemes	£139,963,567	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 2008**

We certify that :

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

**O. THORESEN**, Chief Executive

**J.M. LAIDLAW**, Director

**F. MACKLE**, Director

Edinburgh, 25 March 2009

Returns under the Accounts and Statements Rules

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

**Guardian Pensions Management Ltd**

**Global business**

**Financial year ended 31 December 2008**

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

- Forms 2, 3, 11 to 16, 40 to 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 proper accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rules

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

**Guardian Pensions Management Ltd**

**Global business**

**Financial year ended 31 December 2008**

**Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 25 March 2009. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

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

**Opinion**

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU (INS) rule 9.31(a) appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Registered Auditor

Edinburgh

25 March 2009