

Ac. 1439.

GUARANTEED PENSION FUND VALUATION RESULTS
persuant to section 68/78 Order issued 9 April 1998

Valuation Data as at: 31 May 1998

1. Statement of assets and liabilities

<u>Category of Asset</u>	<u>Notes</u>	<u>Market Value</u>
Land & Buildings		£
		-
Equity Shares		-
Holdings in Collective Schemes		202,258
Rights under Derivative Contracts		-
Fixed Interest Securities		78,595
Index Linked Securities		-
Deposits		163,393
Debtors		928
Creditors		(50,706)
Net Assets		<u>394,468</u>
<u>Category of Liability (pre bonus declaration)</u>		£
Minimum Guaranteed Liability		81,636
Resilience Reserve		11,131
Other reserves - pending issue of units		245,873
Other reserves - reserve for future bonuses		55,314
		<u>393,954</u>
Amount available for distribution		<u>514</u>

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Returns under Insurance Companies Legislation
Skandia Life Assurance Company Limited

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2. Revenue Account

		£
Premium Income	1	394,780
Investment Income		136
Increase (decrease) in the value of non-linked assets		(316)
Other Income		-
Total Income		<u>394,600</u>
Claims Incurred		-
Expenses		83
Interest Payable		-
Taxation		-
Other Expenditure		49
Total Expenditure		<u>132</u>
Increase (decrease) in fund in the period		<u><u>394,468</u></u>
Fund Brought Forward		-
Fund Carried Forward		<u><u>394,468</u></u>

Returns under Insurance Companies Legislation
Skandia Life Assurance Company Limited

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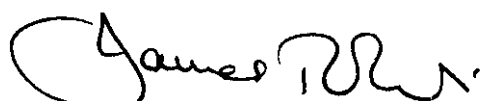
3. Distribution of Surplus

	£
Surplus brought forward	-
Surplus arising in period	514
Allocated to policyholders by way of:	
Cash Bonus	-
Reversionary Bonuses	(514)
Other Bonuses	-
	<hr/>
	(514)
Balance of surplus carried forward unappropriated	<hr/>
	-
	<hr/>

Notes

1. Premium income represents the value of gross units created in the period.


A A Wilson (Managing Director)


J Roberts (Director)


N Poyntz-Wright (Appointed Actuary)

26 June 1998

SCHEDULE 4

Valuation Report on the Guaranteed Pension Fund of Skandia Life Assurance Company Limited

- 1 The investigation relates to 31 May 1998 (the "valuation date").
- 2 There has been no previous investigation.
- 3 The valuation has been made in conformity with Regulation 64 of the Insurance Companies Regulations 1994.
- 4 **Product Descriptions - Non Linked Contracts**
No such products may invest in the Guaranteed Pension Fund.
- 5 **Linked contracts**
Product Descriptions
United Kingdom Business - Property Linked
 - 5.1 **WHOLE LIFE ASSURANCE**
No such products may invest in the Guaranteed Pension Fund.
 - 5.2 **ENDOWMENT ASSURANCE**
No such products may invest in the Guaranteed Pension Fund.
 - 5.3 **DEFERRED ANNUITY**
The following products may invest in the Guaranteed Pension Fund. For descriptions of these products please refer to the returns to Her Majesty's Treasury dated 31 December 1997.
 - 5.3.7 **Pension Trustee Bond (TI1)**
 - 5.3.8 **Pension Trustee Bond (TI2)**
 - 5.3.18 **Personal Pension (PP1)**

- 5.3.19 Executive Pension (EP1)
- 5.3.20 Free Standing Pension (FS1)
- 5.3.21 Personal Pension (PP2)
- 5.3.22 Executive Pension (EP2)
- 5.3.23 Free Standing Pension (FS2)
- 5.3.24 Personal Pension (PP3)
- 5.3.25 Executive Pension (EP3)
- 5.3.26 Free Standing Pension (FS3)
- 5.3.27 Pension Trustee Bond (TI3)

United Kingdom Business - Index Linked

5.4 WHOLE LIFE ASSURANCE

No such products may invest in the Guaranteed Pension Fund.

Overseas Business - Property Linked

5.5 WHOLE LIFE ASSURANCE

No such products may invest in the Guaranteed Pension Fund.

5.6 ENDOWMENT ASSURANCE

No such products may invest in the Guaranteed Pension Fund.

5.7 NOTES AND DEFINITIONS

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997. In addition:

Guaranteed Pension Fund

This is a with profits fund available to investors who contribute to any of the products as detailed in section 5.3 above.

Contributions to the fund will secure contribution units at a fixed price of £1 per unit and each month all the available investment profits of the fund will be distributed to participating policyholders through the addition of bonus units.

Each unit is guaranteed to be redeemable at a minimum price of £1 at the policyholder's Selected Guarantee Date (SGD), or upon earlier death.

Should the policyholder draw benefits from or switch out of the fund before his/her SGD the encashment value is not guaranteed to be equal to £1 per unit. The extent to which the

encashment value is above or below £1 per unit depends on the amount (if any) by which the value of the assets of the fund exceeds or falls short of the number of units in issue. If the value of the assets in the fund is less than the number of units in issue, any discount is allocated between policyholders in proportion to the term remaining between the encashment date and their respective SGD's.

5.8 UNIT PRICING METHODOLOGY

Since units in the Guaranteed Pension Fund are created at a fixed price of £1 and the same price is guaranteed to apply on cancellation of units at the policyholder's SGD or upon earlier death, the only circumstances where unit pricing is relevant for this fund are for the purpose of determining:

- a) The amount of investment profits which have arisen during a month which in turn determines the monthly distribution of bonus;
- b) The discount (if any) applying to a policyholder who draws benefits from or switches out of the fund prior to SGD;
- c) The extent (if any) to which the unit price applying to a policyholder who draws benefits from or switches out of the fund at SGD exceeds £1.

In each case, the maximum Net Asset Value (NAV) unit price is determined by dividing the sum of:

- (i) the value of the investments of that fund calculated by reference to the amounts for which the investments might then be purchased (allowing for buying costs); plus
- (ii) an allowance for income accrued but not yet added to the fund; minus
- (iii) any liabilities in respect of the investments and an allowance for any actual, prospective or other liability which has not yet been paid,

by the number of units in the fund.

The minimum NAV unit price is determined by dividing the sum of:

- (iv) the value of the investments of that fund calculated by reference to the amounts for which the investments might then be sold (allowing for selling costs); plus
- (v) an allowance for income accrued but not yet added to the fund; minus
- (vi) any liabilities in respect of the investments and an allowance for any actual, prospective or other liability which has not yet been paid,

by the number of units in the fund.

The degree to which the price used for any of the above circumstances falls short of the maximum or exceeds the minimum is determined by the Actuary based on the direction and level of cashflow into or out of the fund.

The NAV "offer price" of the Skandia Pension Deposit Fund is also used in the calculation of the bonus rate on contribution units (see paragraph 15). This is calculated according to the

method described in paragraph 5.8.1 of the returns to Her Majesty's Treasury dated 31 December 1997.

5.9 ALLOWANCE FOR TAX ON CAPITAL GAINS IN UNIT PRICING

Not applicable to the Guaranteed Pension Fund.

5.10 AUTHORISED UNIT TRUST DISCOUNTS

From time to time the Guaranteed Pension Fund may invest in authorised unit trusts, in which case certain discounts apply. For details please refer to the returns to Her Majesty's Treasury dated 31 December 1997.

6. Valuation Principles

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997. In addition:

Guaranteed Pension Fund

Minimum Guaranteed Liability

The guarantee provided by the fund is that, for every unit allocated to a given policyholder, the unit will have a value of £1 on the policyholder's SGD, or upon earlier death. For each individual policyholder the present value of the amount guaranteed to apply at SGD, or earlier death, is calculated by discounting them at the valuation rate of interest (see section 7 below). The present values so obtained are then summed over all policyholders to calculate the Minimum Guaranteed Liability (MGL).

Resilience Reserve

A Resilience Reserve is calculated based on the following tests:

- i) Fixed Interest Yields + 3%
Equity Market Values x 75%
Property Market Values x 80%
- ii) Fixed Interest Yields x 90%
Equity Market Values x 75%
Property Market Values x 80%
- iii) Fixed Interest Yields x 80%
Equity Market Values x 90%
Property Market Values x 90%

The test that results in the highest Resilience Reserve is adopted.

Other Reserves – pending issue of units

This reserve relates to the transfer of assets from the GPF Deposit Fund to the GPF Main Fund at the end of the month in respect of which units have not yet been issued.

Other Reserves – reserve for future bonuses

This relates to reserves for future bonuses yet to be declared. Since all of the available investment profits are distributed monthly as they are earned, this reserve is equal to the total value of assets in the fund less the Minimum Guaranteed Liability, the Resilience Reserve and the Other Reserve – pending issue of units..

7. Valuation Assumptions

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997. In addition:

Guaranteed Pension Fund

100% A67/70 ultimate mortality has been used for both male and female lives. There is no adjustment to age for female lives.

The dividend yield for equities was assumed to be 4%, with a reduction for risk of 0.5%. Deposit interest rates were assumed to be 7% and the gross redemption yield for gilts was assumed to be 5.81%.

The valuation rate of interest assumed in the calculation of the Minimum Guaranteed Liability was 4.82%.

8. Valuation assumptions for Non Linked Contracts - Expenses

No such contracts may invest in the Guaranteed Pension Fund.

9. Valuation assumptions for Linked Contracts - Expenses

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997.

10 Further information regarding the valuation bases

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997.

11 Reinsurance Deposits

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997.

12 Reinsurance

Please refer to the returns to Her Majesty's Treasury dated 31 December 1997.

13 With-profit policyholders are entitled to participate in the profits arising from the Guaranteed Pension Fund only. A separate revenue account in respect of the Guaranteed Pension Fund is attached.

The apportionment of items to the Guaranteed Pension Fund has been determined as follows:

Investment Income

The Guaranteed Pension Fund consists of a basket of segregated assets. Consequently, all investment income from these assets is allocated to the fund.

Increase or decrease in the value of assets brought into account

All capital gains/(losses) from the basket of segregated assets are fully brought into account.

Expenses

An annual management charge of 0.75% p.a. of the value of the assets of the fund is deducted to contribute to the costs of administration of the associated contracts. The level of this charge may not be increased in the future.

Administration costs directly associated with the management of the fund, plus any fees charged by external fund managers, are deducted from the fund by means of a fund management charge of 0.45% p.a. of the value of the assets of the fund.

Taxation

Any tax attributable to the fund is computed on the basis of the assets of the fund in accordance with taxation regulations applicable to pensions business.

- 14 (1) The amount available for distribution amongst with-profits policyholders and shareholders is determined by means of a pre-determined formula as stated in a Board Resolution dated 3 April 1998. The formula is described in all relevant product literature including technical guides and the Company's With Profits Guide. 100% of all distributable profits arising from the Guaranteed Pension Fund are allocated to with-profit policyholders.

(2) All available profits are distributed monthly and there are no terminal bonuses. No smoothing is employed. Policyholders who draw benefits from or switch out of the fund at their Selected Guarantee Date (SGD), or on prior death, are guaranteed to receive a minimum of £1 for each unit allocated at that date.

Policyholders who leave the fund prior to their SGD may receive a reduced value dependant on the unexpired term and the extent to which the value of the assets of the fund falls short of the aggregate number of units allocated.

(3) All profits are distributed monthly by means of formulae as described in paragraph 15 below.

- 15 All the available investment growth of the Guaranteed Pension Fund is distributed each month by means of two bonus rates: the bonus on contribution rate and the bonus on bonus rate. These are calculated as follows:

Each policyholder will have two types of units in issue: contribution and bonus units.

The minimum rate of bonus on contribution units is normally equal to the return that would have been received if the assets of the Guaranteed Pension Fund had been invested in a deposit fund.

If, at the end of the month, the value of the assets is less than the total number of units in issue then this bonus rate will be increased to half of the performance of the assets over that month if this is greater than the minimum as described above.

If, after distributing the bonus on contribution units, the value of assets is less than the total number of units in issue, then there is no investment growth available for distribution and the bonus rate on bonus units will be zero.

If, after distributing the bonus on contribution units, the value of assets is greater than the total number of units in issue, then the excess is available for distribution by way of the bonus rate on bonus units. A proportion of contribution units (known as 'B' units) will qualify for the bonus on bonus rate if this exceeds the bonus on contribution rate as described above. This proportion will depend on the term to Selected Guarantee Date at the time the contribution is invested in the fund – the proportion is therefore different for each investor. The bonus on bonus rate is initially calculated as:

Excess Assets divided by the total number of bonus and contribution 'B' units in issue..... (1)


If the bonus on bonus rate, as calculated in (1) above, exceeds the bonus on contribution rate by more than a multiple of three, then both bonus rates are re-calculated, and the bonus on contribution rate increased, to ensure that the bonus on bonus rate is equal to three times the bonus on contribution rate, subject to the proviso that all the available investment growth is distributed fully.

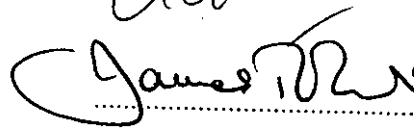
The above approach (including the minimum rate of bonus on contribution units), may need to be modified in light of abnormal or extreme investment conditions in order to protect the solvency of the fund. Nevertheless, the guarantees and the requirement to distribute all the available investment growth each month will always apply.

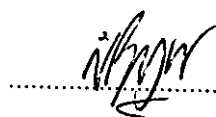
- 16 No interim bonuses are declared during the month. Instead, to the extent that, on encashment during the month, the value of the assets of the fund exceeds the aggregate number of units allocated, the units will be cancelled at a price greater than £1. However, this does not apply to the cancellation of units to meet policy charges which is carried out at the fixed price of £1 per unit.

17 to 23 Not applicable.

No supplementary Accident or Sickness Insurance business is transacted.

..... A A Wilson
Managing Director

..... J Roberts
Director

..... N Poyntz-Wright
Appointed Actuary