NPI LIMITED

Registered in England - No 3725037
Registered Office
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2008

Appendices 9.1, 9.3, 9.4, 9.6

Form 2

Statement of solvency - long-term insurance business

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3725037	GL	31	12	2008	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	10000	38942
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	145688	159650
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	155688	198592
Guarantee fund			
Guarantee fund requirement	21	16644	16797
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	139044	181795
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	49933	50391
Resilience capital requirement	32	1914	536
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	51847	50927
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	51847	50927
Excess (deficiency) of available capital resources to cover 50% of MCR	37	129765	173129
Excess (deficiency) of available capital resources to cover 75% of MCR	38	116803	160397
Enhanced capital requirement			
With-profits insurance capital component	39		
Enhanced capital requirement	40	51847	50927
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	51847	50927
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	103841	147665
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Covering Sheet to Form 2 **Form 2**

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

....	J S Moss	**Managing Director**
....	J S B Smith	**Director**
....	M J Merrick	**Director**

Date 9 April 2009

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	GL	31	12	2008	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	11		250000	250000	250000
Profit and loss account and other reserves	12		117458	117458	111928
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		367458	367458	361928
Tier one waivers					
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				
Other tier one capital					
Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				
Total tier one capital before deductions (19+24+25+26+27+28)	31		367458	367458	361928
Investments in own shares	32				
Intangible assets	33		12567	12567	12567
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		14437	14437	16439
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		27004	27004	29006
Total tier one capital after deductions (31-37)	39		340454	340454	332922

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	GL	31	12	2008	£000

Tier two capital

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				
Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	GL	31	12	2008	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		340454	340454	332922
Inadmissible assets other than intangibles and own shares	73		16989	16989	26100
Assets in excess of market risk and counterparty limits	74		167777	167777	108230
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		155688	155688	198592
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		155688	155688	198592
Available capital resources for 50% MCR requirement	82		155688	155688	198592
Available capital resources for 75% MCR requirement	83		155688	155688	198592
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2008	£000	1

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11		
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	15006	15303
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	132586	133304
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		11938
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2008	£000	1

Reinsurers' share of technical provisions

			As at end of this financial year 1	As at end of the previous year 2
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		

Debtors and salvage

			1	2
Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78		950
	due in more than 12 months	79		

Other assets

		1	2
Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	122	2802
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	597	207
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	257	459

		1	2
Deductions from the aggregate value of assets	87		

		1	2
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	148568	164963

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2008	£000	1

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

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	148568	164963
Admissible assets in excess of market and counterparty limits	92	167777	108230
Inadmissible assets directly held	93	12567	12567
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	328912	285760

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		950

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2008	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	153534	175530
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	160325	
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	142139	293534
Rights under derivative contracts		44	62042	11574
Fixed interest securities	Approved	45	316410	365209
	Other	46	169120	158588
Variable interest securities	Approved	47	58828	18948
	Other	48	41533	3390
Participation in investment pools		49		
Loans secured by mortgages		50	447	363
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	53	57
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3063	2614
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	7308	5435
	Property linked	59	2585346	3556565

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2008	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	7400	19147
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	31248	24079
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	17672	21123
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	2274	1020
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	3758742	4657176

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2008	£000	10

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

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3758742	4657176
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		5173
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	16989	20927
Reinsurers' share of technical provisions excluded from line 89	100	874951	952042
Other asset adjustments (may be negative)	101	(181)	(998)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	4650501	5634320

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	5547	13238

Form 14

Long term insurance business liabilities and margins

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2008**
Total business/Sub fund	**Total long term insurance business assets**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	2957499	3820571
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	10000	38942
Long term insurance business fund carried forward (11 to 13)		14	2967499	3859513
Claims outstanding	Gross	15	5079	7596
	Reinsurers' share	16		
	Net (15-16)	17	5079	7596
Provisions	Taxation	21	1900	4000
	Other risks and charges	22		300
Deposits received from reinsurers		23	532712	530432
Creditors	Direct insurance business	31	36	37
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	162534	191433
Creditors	Taxation	37	7487	9396
	Other	38	72577	41107
Accruals and deferred income		39	1654	1739
Provision for "reasonably foreseeable adverse variations"		41	7264	11623
Total other insurance and non-insurance liabilities (17 to 41)		49	791243	797663
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	3758742	4657176

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11206	22637
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2585346	3556565

Total liabilities (11+12+49)	71	3748742	4618234
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	874951	952042
Other adjustments to liabilities (may be negative)	74	(14618)	(17437)
Capital and reserves and fund for future appropriations	75	41426	81481
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	4650501	5634320

Liabilities (other than long term insurance business)

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	3725037	GL	31	12	2008	£000

			As at end of this financial year 1	As at end of the previous year 2
Technical provisions (gross amount)				
Provisions for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other technical provisions		16		
Total gross technical provisions (11 to 16)		19		
Provisions and creditors				
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49	2799	5313
Accruals and deferred income		51	81	
Total (19 to 51)		59	2880	5313
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	2880	5313

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	1090	5313

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	326032	280447
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	328912	285760

Form 16

Profit and loss account (non-technical account)

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R16	3725037	GL	31	12	2008	£000

			This financial year 1	Previous year 2
Transfer (to)/from the general insurance business technical account	From Form 20	11		
	Equalisation provisions	12		
Transfer from the long term insurance business revenue account		13	62882	45000
Investment income	Income	14	15881	13304
	Value re-adjustments on investments	15		
	Gains on the realisation of investments	16		
Investment charges	Investment management charges, including interest	17	43	70
	Value re-adjustments on investments	18		
	Loss on the realisation of investments	19	1189	
Allocated investment return transferred to the general insurance business technical account		20		
Other income and charges (particulars to be specified by way of supplementary note)		21	(946)	(431)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	76585	57803
Tax on profit or loss on ordinary activities		31	3900	3900
Profit or loss on ordinary activities after tax (29-31)		39	72685	53903
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41		
Tax on extraordinary profit or loss		42		
Other taxes not shown under the preceding items		43		
Profit or loss for the financial year (39+41-(42+43))		49	72685	53903
Dividends (paid or foreseeable)		51	27100	1300
Profit or loss retained for the financial year (49-51)		59	45585	52603

Form 17

Analysis of derivative contracts

Name of insurer **NPI 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
R17	3725037	GL	31	12	2008	£000	10

Derivative contracts			Value as at the end of this financial year		Notional amount as at the end of this financial year	
			Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	11	3500		528216	
	Interest rates	12	59999	9804	366450	120894
	Inflation	13		2838		486
	Credit index / basket	14				
	Credit single name	15	1240			10426
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	803	10549	426167	36007
	Mortality	20				
	Other	21				
In the money options	Swaptions	31				
	Equity index calls	32				
	Equity stock calls	33				
	Equity index puts	34				
	Equity stock puts	35				
	Other	36				
Out of the money options	Swaptions	41				
	Equity index calls	42				
	Equity stock calls	43				
	Equity index puts	44				
	Equity stock puts	45				
	Other	46				
Total (11 to 46)		51	65542	23191	1320833	167813
Adjustment for variation margin		52	(3500)			
Total (51 + 52)		53	62042	23191		

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Form 40

Long-term insurance business : Revenue account

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	163424	(348109)
Investment income receivable before deduction of tax	12	151554	149038
Increase (decrease) in the value of non-linked assets brought into account	13	22045	(12054)
Increase (decrease) in the value of linked assets	14	(781432)	155299
Other income	15	4089	4701
Total income	19	(440320)	(51125)
Expenditure			
Claims incurred	21	328639	471212
Expenses payable	22	12899	18843
Interest payable before the deduction of tax	23	1724	1211
Taxation	24	(1100)	24162
Other expenditure	25	46650	24748
Transfer to (from) non technical account	26	62882	45000
Total expenditure	29	451694	585176
Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(892014)	(636301)
Fund brought forward	49	3859513	4495814
Fund carried forward (39+49)	59	2967499	3859513

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	11100	33032		44132	50825
Single premiums	12	1043	125894		126937	144653
Reinsurance - external						
Regular premiums	13					
Single premiums	14					559691
Reinsurance - intra-group						
Regular premiums	15	23	599		622	744
Single premiums	16		7023		7023	(16848)
Net of reinsurance						
Regular premiums	17	11077	32433		43510	50081
Single premiums	18	1043	118871		119914	(398190)
Total						
Gross	19	12143	158926		171069	195478
Reinsurance	20	23	7622		7645	543587
Net	21	12120	151304		163424	(348109)

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	14276	7352		21628	23825
Disability periodic payments	12					
Surrender or partial surrender	13	78129	174859		252988	447016
Annuity payments	14	5044	57749		62793	55647
Lump sums on maturity	15	23890	77033		100923	118743
Total	16	121339	316993		438332	645231
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		40952		40952	41410
Lump sums on maturity	25					
Total	26		40952		40952	41410
Reinsurance - intra-group						
Death or disability lump sums	31	3066	411		3477	3480
Disability periodic payments	32					
Surrender or partial surrender	33	47886	6181		54067	123204
Annuity payments	34		3088		3088	2826
Lump sums on maturity	35		8109		8109	3099
Total	36	50952	17789		68741	132609
Net of reinsurance						
Death or disability lump sums	41	11210	6941		18151	20345
Disability periodic payments	42					
Surrender or partial surrender	43	30243	168678		198921	323812
Annuity payments	44	5044	13709		18753	11411
Lump sums on maturity	45	23890	68924		92814	115644
Total	46	70387	258252		328639	471212

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					265
Commission - other	12	224	535		759	715
Management - acquisition	13					
Management - maintenance	14	4918	9953		14871	16725
Management - other	15	458	(2234)		(1776)	1832
Total	16	5600	8254		13854	19537
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	355	600		955	694
Management - other	35					
Total	36	355	600		955	694
Net of reinsurance						
Commission - acquisition	41					265
Commission - other	42	224	535		759	715
Management - acquisition	43					
Management - maintenance	44	4563	9353		13916	16031
Management - other	45	458	(2234)		(1776)	1832
Total	46	5245	7654		12899	18843

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2008**
Units	**£000**

Internal linked funds (excluding cross investment)

		Financial year 1	Previous year 2
Directly held assets (excluding collective investment schemes)	11	348808	270507
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	2243862	3297830
Total assets (excluding cross investment) (11+12+13)	14	2592670	3568337
Provision for tax on unrealised capital gains	15	18	2056
Secured and unsecured loans	16		
Other liabilities	17	3451	4716
Total net assets (14-15-16-17)	18	2589201	3561565

Directly held linked assets

Value of directly held linked assets	21		

Total

Value of directly held linked assets and units held (18+21)	31	2589201	3561565
Surplus units	32	3855	5000
Deficit units	33		
Net unit liability (31-32+33)	34	2585346	3556565

Form 45

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **NPI LIMITED**

Total business

Financial year ended **31 December 2008**

Units **£000**

		Financial year 1	Previous year 2
Income			
Value of total creation of units	**11**	125646	169860
Investment income attributable to the funds before deduction of tax	**12**	100214	89008
Increase (decrease) in the value of investments in the financial year	**13**	(781432)	155299
Other income	**14**	804	1123
Total income	**19**	(554768)	415290
Expenditure			
Value of total cancellation of units	**21**	377016	570281
Charges for management	**22**	30742	30742
Charges in respect of tax on investment income	**23**	7710	10537
Taxation on realised capital gains	**24**	198	198
Increase (decrease) in amount set aside for tax on capital gains not yet realised	**25**	1337	1337
Other expenditure	**26**	593	541
Total expenditure	**29**	417596	613636
Increase (decrease) in funds in financial year (19-29)	**39**	(972364)	(198346)
Internal linked fund brought forward	**49**	3561565	3759911
Internal linked funds carried forward (39+49)	**59**	2589201	3561565

Form 46

Long-term insurance business : Summary of new business

Name of insurer NPI LIMITED

Total 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
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	11		3		3	
Single premium business	12	62			62	1004
Total	13	62	3		65	1004
Amount of new regular premiums						
Direct insurance business	21	332	199		531	533
External reinsurance	22					
Intra-group reinsurance	23		20		20	28
Total	24	332	219		551	561
Amount of new single premiums						
Direct insurance business	25	777	383		1160	13803
External reinsurance	26					
Intra-group reinsurance	27	275	124487		124762	130850
Total	28	1052	124870		125922	144653

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			62	772
710	Life property linked whole life regular premium		32		
715	Life property linked endowment regular premium - savings		300		5

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Reinsurance accepted intra-group	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				252
700	Life property linked single premium				23

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
525	Individual pensions UWP				172
725	Individual pensions property linked		198		(281)
730	Individual pensions property linked - increments		1		200
735	Group money purchase pensions property linked				292
795	Miscellaneous property linked	3			

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Reinsurance accepted intra-group	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)				123198
525	Individual pensions UWP				2
535	Group money purchase pensions UWP				2
730	Individual pensions property linked - increments		10		1045
735	Group money purchase pensions property linked		10		240

Form 48

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

Name of insurer	**NPI LIMITED**
Category of assets	**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	153534	153534		4.24	
Approved fixed interest securities	12	321948	322333	14478	3.88	
Other fixed interest securities	13	172206	172630	11693	7.66	
Variable interest securities	14	102536	102536	4244	4.77	
UK listed equity shares	15	160325	161829	7282	4.50	
Non-UK listed equity shares	16		1041	40	3.83	
Unlisted equity shares	17					
Other assets	18	255539	252185	6655	2.64	
Total	19	1166088	1166088	44392	4.38	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					
Overall return on with-profits assets						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer **NPI LIMITED**

Category of assets **Total long term insurance business assets**

Financial year ended **31 December 2008**

Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	59583	15.85	3.92	3.92
Other approved fixed interest securities	**21**	262750	11.13	3.87	3.86
Other fixed interest securities					
AAA/Aaa	**31**	17721	11.40	4.68	4.35
AA/Aa	**32**	52017	11.86	7.42	6.71
A/A	**33**	79782	9.22	7.58	6.40
BBB/Baa	**34**	23110	6.30	10.74	7.85
BB/Ba	**35**				
B/B	**36**				
CCC/Caa	**37**				
Other (including unrated)	**38**				
Total other fixed interest securities	**39**	172630	9.85	7.66	6.47
Approved variable interest securities	**41**	16472	13.65	1.39	1.39
Other variable interest securities	**51**	86064	14.35	5.42	5.05
Total (11+21+39+41+51)	**61**	597499	11.76	5.12	4.73

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
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	48985	857990		906975	810020
Form 52	13	136191	77385		213576	281085
Form 53 - linked	14	397453	2187893		2585346	3556565
Form 53 - non-linked	15	3040	94088		97128	95458
Form 54 - linked	16	2366	25749		28115	28085
Form 54 - non-linked	17	209	1100		1309	1401
Total	18	588244	3244205		3832449	4772614
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22		523449		523449	535951
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		20695		20695	22511
Form 54 - non-linked	27					
Total	28		544144		544144	558462
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32		56560		56560	54274
Form 52	33	133957	77380		211337	278850
Form 53 - linked	34					
Form 53 - non-linked	35	2	62795		62797	60318
Form 54 - linked	36		112		112	139
Form 54 - non-linked	37					
Total	38	133959	196847		330806	393581
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	48985	277981		326966	219795
Form 52	43	2234	5		2239	2235
Form 53 - linked	44	397453	2187893		2585346	3556565
Form 53 - non-linked	45	3038	31293		34331	35140
Form 54 - linked	46	2366	4942		7308	5435
Form 54 - non-linked	47	209	1100		1309	1401
Total	48	454285	2503214		2957499	3820571

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)	5858	4628					48148
435	Miscellaneous non-profit	89	4136	19				87
440	Additional reserves non-profit OB							750

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit		339					5586
400	Annuity non-profit (CPA)	11559	64876					843440
435	Miscellaneous non-profit	20	1180	7				27
440	Additional reserves non-profit OB							8937

Form 51

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / 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
390	Deferred annuity non-profit		338					5497
400	Annuity non-profit (CPA)		42969					517952

Form 51

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		4309					56560

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	4941	141831		141613	125397	10624	136021
610	Additional reserves UWP						170	170

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **NPI LIMITED**

Total business / subfund **Total long term insurance business assets**

Financial year ended **31 December 2008**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium		141831		141613	125397	8560	133957

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	1127	22955	231	22955	19250	2142	21392
535	Group money purchase pensions UWP	4720	41997	2091	41997	38925	3221	42146
570	Income drawdown UWP	81	17235		17235	13563	279	13842
605	Miscellaneous protection rider		426	5			5	5

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		22955	231	22955	19250	2142	21392
535	Group money purchase pensions UWP		41997	2091	41997	38925	3221	42146
570	Income drawdown UWP		17235		17235	13563	279	13842

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	15215	251873		250520	250520	1193	251713
710	Life property linked whole life regular premium	4003	114718	1509	35137	34452	136	34588
715	Life property linked endowment regular premium - savings	20092	306788	8048	109508	109508	1693	111201
720	Life property linked endowment regular premium - target cash		8824	271	2973	2973	12	2985
770	Term assurance rider		1519	23			2	2
790	Miscellaneous protection rider			52			4	4
800	Additional reserves property linked							

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
770	Term assurance rider		1519	23			2	2

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
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	75626	1711263	30441	1711013	1694721	88911	1783632
735	Group money purchase pensions property linked	23490	416114	34366	416114	412045	3645	415690
750	Income drawdown property linked	578	71893		71893	71893	(395)	71498
755	Trustee investment plan	16	1957		1957	1957		1957
790	Miscellaneous protection rider		1848	53			58	58
795	Miscellaneous property linked	3	7277		7277	7277		7277
800	Additional reserves property linked						1869	1869

Form 53

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

Name of insurer **NPI LIMITED**
Total business / subfund **Total long term insurance business assets**
Financial year ended **31 December 2008**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked						62795	62795

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	76	293		2366	2366	209	2575

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	119	1813		25749	25749	1100	26849

Form 54

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1500		20695	20695		20695

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
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
905	Index linked annuity		5		112	112		112

Long-term insurance business : Unit prices for internal linked funds

Name of insurer **NPI LIMITED**

Total business

Financial year ended **31 December 2008**

Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Pension Global Care Managed	14 - individual pension - other managed fund	83037	Ordinary Series 1 & 2	1.01	2.3599	1.8710	(20.72)
Pension Managed	12 - individual pension - balanced managed fund	1219452	Ordinary Series 1 & 2	1.01	16.4061	13.1960	(19.57)
Pension UK Equity	15 - individual pension - UK equity	157540	Ordinary Series 1 & 2	1.01	22.6431	15.4790	(31.64)
Retirement Managed	14 - individual pension - other managed fund	268615	Mixed Accumulation	1.00	4.3030	3.4030	(20.92)
Balanced Managed	02 - life - balanced managed fund	128634	Mixed Accumulation	1.00	3.3020	2.6500	(19.75)

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer	**NPI LIMITED**
Total business	**Total long term insurance business assets**
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
UKL NP Code 395/440/905	51473	4.30	4.30	4.37
UKP NP Code 390/400/440/905	283996	4.30	4.30	4.37
UKL NP Code 700/710/715/720	3010	2.60	3.30	3.50
UKL WP Code 500/575	2233	2.60	3.25	3.50
UKP WP Code 725/735	5	4.50	4.50	3.50
UKP NP Code 725	4815	3.30	3.30	3.50
UKP NP Code 725	21975	(0.50)	(0.50)	3.50
UKP NP Code 735	3645	3.30	3.30	3.50
Misc	1003	0.00	0.00	3.50
Total	372155			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2008**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	2967499	3859513
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	62882	45000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3030381	3904513
Mathematical reserves	21	2957499	3820571
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	72882	83942
Composition of surplus			
Balance brought forward	31	38942	25000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	33940	58942
Total	39	72882	83942
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	62882	45000
Total distributed surplus (46+47)	48	62882	45000
Surplus carried forward	49	10000	38942
Total (48+49)	59	72882	83942
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Form 60

Long-term insurance capital requirement

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2008**
Units	**£000**

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	27217	4723		41	36
Classes III, VII and VIII	15	0.3%	284545	284544	1.00	854	923
Total	16		311762	289267		895	959
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	1122592	329204	0.85	9542	9255
Classes III, VII and VIII (investment risk)	33	1%	207753	124263	0.85	1766	1840
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	260584	260584	1.00	2606	3651
Classes III, VII and VIII (other)	35	25%				1200	1401
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					15114	16147
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	1122592	329204	0.85	28626	27764
Classes III, VII and VIII (investment risk)	43	3%	207753	124263	0.85	5298	5521
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	260584	260584			
Classes III, VII and VIII (other)	45	0%	2243448	2243448			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		3834377	2957499		33924	33285
Long term insurance capital requirement	51					49933	50391

Returns under the Accounts and Statements Rules

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NPI Limited

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Appendix 9.1

***0201* Modification to the Return**

The FSA, on the application of the insurer made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

The FSA, on the application of the firm, made a direction in December 2008 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to take into account 'reversionary interests in land' for the purposes of determining the yield and internal rate of return on assets in accordance with INSPRU 3.1.34R and 3.1.39R respectively.

***0301* Reconciliation of net admissible assets to total capital resources after deductions**

	2008 £000	2007 £000
Net admissible assets:		
Form 13 line 89 (other than long term business)	148,568	164,963
Form 13 line 89 (long term business)	3,758,742	4,657,176
Less Form 14 line 71	(3,748,742)	(4,618,234)
Less Form 15 line 69	(2,880)	(5,313)
Total capital resources after deductions	155,688	198,592

***0310* Net valuation differences shown in Form 3 line 35**

	2008 £000	2007 £000
Valuation differences included within Form 3 line 35		
Positive valuation differences in respect of liabilities		
Deferred taxation liability	-	1,200
Onerous contracts provisions in respect of unitised contracts	2,891	1,074
Deposit received from reinsurers	-	5,173
Negative valuation differences in respect of liabilities		
Provision for reasonably foreseeable adverse variations	(7,264)	(11,623)
Mathematical reserves	(10,064)	(12,263)
Net valuation difference	(14,437)	(16,439)

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI Limited

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Financial year ended 31 December 2008

Appendix 9.1 (continued)

***0313* Reconciliation of profit and loss account and other reserves**

	2008 £000
Form 3 line 12 at 1 January 2008	111,928
Form 16 line 59	45,585
Decrease in balance of long term insurance business surplus	(28,942)
Movement in inadmissible assets	(9,111)
Movement in net valuation difference (Note 0310)	(2,002)
Form 3 line 12 at 31 December 2008	117,458

***1305* Counterparty limits**

1319

(a) The investment guidelines operated by the insurer limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the Market and Counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.

(b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exception to this is for loans to other companies within the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.

(c) There were no breaches of these limits during the year.

***1306* Counterparty exposure at the end of the financial year**

1312

There was one case where the exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resources requirement and the long-term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

This exposure is a loan to the insurer's parent undertaking, Pearl Group Limited, with a value of £182.8 million.

Returns under the Accounts and Statements Rules

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Appendix 9.1 (continued)

***1308* Unlisted and listed investments**

Included within Form 13 are the following amounts:

	2008 £000	2007 £000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	160,325	-
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable.	19,494	-
Collective Investment Schemes, as specified in instruction 5 to Form 13	-	164,415
Total	179,819	164,415

The above amounts in respect of unlisted investments and listed investments that are not readily realisable, fall within any of lines 41, 42, 46 or 48 of Form 13 Total long term business insurance assets.

There are no units or beneficial interests in collective investment schemes, as specified in instruction 5 to Form 13.

There are no reversionary interests or remainders in property other than land and buildings.

***1318* Other asset adjustments**

Included within line 101 of Form 13 in the long term insurance business assets is an adjustment of £0.2 million in respect of a creditor reclassification.

Returns under the Accounts and Statements Rules

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NPI Limited

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Financial year ended 31 December 2008

Appendix 9.1 (continued)

***1401* Provision for reasonably foreseeable adverse variations**

1501

On 30 September 1999, the insurer entered into a refinancing arrangement with a wholly owned subsidiary of Abbey National Group plc. The insurer has originated a portfolio of residential property investments subject to life tenancies (reversions) against which it has sold Extra Income Plan annuity contracts. The insurer has sold 93% of "shared growth" reversions and entered into an arrangement whereby the Abbey National Subsidiary will commit to acquire future "shared growth" reversions which the insurer originates on pre-agreed terms. As part of the arrangement, the insurer has undertaken to indemnify the Abbey National Subsidiary against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. There is an interest charge of LIBOR plus 1.125% on capital used for the reversion purchases. The insurer will be liable for the first 7% of any losses arising from sales proceeds underperforming the movement of the regional Halifax house price indices. Losses in excess of 7%, together with any loss arising from the movement of the regional Halifax house price indices; will be borne by the Abbey National Subsidiary. On 30 April 2002, Abbey National Group plc ceased to refinance new reversions.

The key assumptions used to calculate the reversion amounts were:

- Mortality: 80% IML92/IFL92 with CMI17 improvements together with a surrender assumption (50% increase) to allow for sale before death without immediate repurchase.
- Future specific house price inflation 0.54% p.a.

A provision for adverse mortality and specific house price inflation experience was calculated based on a cashflow projection assuming:

- Mortality: 100% IML92 with 100% average medium and long cohort improvements with a 1.5% floor (C2012); 100% IFL92 with 75% average medium and long cohort improvements with a 1.25% floor (C2012).
- Future specific house price inflation 0.5% p.a. below the growth in the Halifax house price index (assumed to be 0.79% p.a.) is assumed.
- A future LIBOR rate of 3.29% p.a. plus an additional 1.125% and a discount rate of 3.08% p.a. were assumed in calculating the provision.

The total provision was £7.3 million

No other provision for reasonably foreseeable adverse variations is made as consideration is given to ensure assets of an identical or similar nature are held so that the derivative contracts are effectively covered. All contracts are reasonably covered and any potential provision is considered immaterial.

The assets of the insurer are valued on a mark to market basis. Where this is not possible, mark to model or director valuations are calculated on a prudent basis and incorporate all necessary valuation adjustments pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI Limited

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Financial year ended 31 December 2008

Appendix 9.1 (continued)

***1402* Liabilities**

1502

(a) A reassurance treaty between the insurer and Opal Reassurance Limited ("Opal") was signed during 2007. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to Opal, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and Opal has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £532.7 million (2007: 535.6 million) (see table below).

Assets which are subject to the charge	2008 £000	2007 £000
Form 13		
Line 41 – Equity shares	160,325	-
Line 43 – Holdings in collective investment schemes	50,213	164,415
Line 44 – Rights under derivative contracts	60,256	10,047
Line 45 – Approved fixed interest securities	81,172	233,411
Line 46 – Other fixed interest securities	102,076	79,022
Line 47 – Approved variable interest securities	58,827	18,863
Line 48 – Other variable interest securities	38,761	5,902
Line 54 – Bank and approved credit institution deposits – One month or less	-	750
Line 81 – Cash in hand	28,499	15,945
Line 84 – Accrued interest and rent	4,555	7,260
Less Form 14		
Line 38 – Creditors other	51,972	-
Total	532,712	535,614

(b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is nil (2007: £4.3 million). In accordance with FRS 19, the discounted value of nil (2007: £3.7 million) for this liability has been recognised together with further deferred tax liabilities totalling £1.9 million (2007: £0.3 million) to give the figure of £1.9 million (2007: £4.0 million) shown on line 21 of Form 14.

Appendix 9.1 (continued)

(c) In common with other life companies in the United Kingdom which have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision for possible redress included in the mathematical reserves for Phase 1 is £21.3 million (2007: £18.5 million). The provision for possible redress included in the mathematical reserves for Phase 2 cases is £0.1 million (2007: £0.3 million).

Included in the mathematical reserves are also provisions for additional associated costs of £0.4 million (2007: £0.4 million).

The above cost of the provision has fallen on shareholders so other policyholders' benefits have not been affected in any way.

(d) The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.

(e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

***1405* Other adjustments to liabilities**

Included in line 74 of Form 14 are the following amounts:

	2008 £000	2007 £000
Positive valuation differences in respect of liabilities		
Deferred taxation liability	-	1,200
Onerous contracts provisions in respect of unitised contracts	2,891	1,074
Deposit received from reinsurers	-	5,173
Negative valuation differences in respect of liabilities		
Provision for reasonably foreseeable adverse variations	(7,264)	(11,623)
Mathematical reserves	(10,064)	(12,263)
Other creditor reclassification	(181)	(998)
Total	(14,618)	(17,437)

***1601* Basis of conversion of foreign currency**

Assets and liabilities denominated in foreign currency are translated using the closing rate method. Exchange differences on opening net assets are dealt with on the profit and loss account.

***1603* Other income and charges**

Other charges comprise consultancy services, professional indemnity insurance and administration fees.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

***1700* Analysis of derivative contracts**

In respect of Form 17 Other than long term insurance business, all amounts required to be shown would be zero and this Form has not been included in the Return.

***1701* Variation margin**

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received of £3.5 million (2007 £0.1 million) is included in Form 13 line 81.

Returns under the Accounts and Statements Rules

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NPI Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.3

***4002* Other income and expenditure**

	2008 £000	2007 £000
Other income		
Annual management charges	3,442	3,497
Administration fees and charges	647	1,204
Total	4,089	4,701
Other expenditure		
Annual management charges payable	16,547	16,558
Change in provision for future annuity claims	30,103	8,190
Total	46,650	24,748

Annual management charges are payable to National Provident Life Limited and Pearl Assurance plc. The change in provision for future annuity claims is payable directly by the insurer under the reassurance agreement with Opal Reassurance Limited.

***4008* Provision of management services**

Pearl Group Services Limited has provided management services to the insurer. Axial Investment Management Limited and Henderson Global Investors Limited have provided investment management services during the financial year to the insurer.

State Street Bank and Trust Company have provided custody and accounting, transition management and associated services for the Axial managed assets of the insurer for the whole of the financial year.

***4009* Material connected-party transactions**

Since 1 January 2000, NPI Limited has entered into a number of reinsurance treaties with Pearl Assurance plc, National Provident Life Limited and Opal Reassurance Limited. Details of these reinsurance treaties are to be found in paragraph 9 of the Abstract of Valuation Report.

On 31 October 2008 the insurer made an interest bearing loan of £50 million to its parent company, Pearl Group Limited, maturing on 13 December 2013 and attracting interest at a rate of 6 month LIBOR plus a margin of 1.25%.

***4401* Basis of valuation of assets**

Investments are stated at current value at the end of the financial year, calculated as follows:

- listed investments are stated at the bid market value
- short term deposits are included at cost
- other investments are shown at directors' estimates of market value

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.3 (continued)

***4502* Other income and expenditure**

Other income contains management fee rebates.

Other expenditure consists of distributions paid out of Higher/Classic distribution funds and safe custody fees.

***4702* Hybrid Contracts**
5104
5204
5304

Benefits on hybrid contracts have been included proportionally to the policyholder count in the appropriate forms.

***4803* Coupon Rates**

Where the coupon rate of a sinkable bond exceeds the yield for that bond; it is assumed that the bond will be redeemed at the earliest possible date.

***4901* Credit Agency**

Credit ratings are provided by Axial Investment Management Limited and sourced from Standard and Poor's and Moody's credit rating agencies. The lesser of the ratings are used to provide the split.

***5600* Long term insurance business: Index linked business**

In respect of Form 56 Long term insurance business: index linked business, the form is not included in the return as index linked assets are less than £100 million.

***5702* Analysis of valuation of interest rates**

The risk-adjusted yields on Form 57 determined from the cash flows of assets taken in combination in terms of the waiver specified in Note *0201* are:

Product Group	Risk adjusted yield
UKL NP Code 395/905	4.37%
UKP NP Code 390/400/905	4.37%
UKL WP Code 500/575	3.50%
UKP NP Code 735	3.50%
UKP WP Code 725/735	3.50%
Misc	3.50%

***5900* Long term insurance business: With-profits payouts on maturity and surrender**

In respect of Form 59 Long term insurance business: with-profit payouts on maturity and surrender, the form is not included in the return as there are no policies at present at the durations required.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

NPI Limited

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(a) During the financial year the insurer operated an investment policy for the use and control of derivatives. This policy lists the approved derivative contracts and the approved uses of derivatives, establishes procedures for introducing new contracts or uses, identifies areas of risk, and establishes a control framework for dealing, settlement and independent monitoring and reporting of derivatives.

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management). In addition, the insurer uses derivatives to match liabilities to mitigate the effect of changes in market variables on its capital position.

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by either cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

The insurer controls market risks through the setting of exposure limits which are subject to detailed monitoring and review. Sophisticated risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

The insurer permits the purchase of partly paid shares, subject to the unpaid capital being covered by cash, and also convertible bonds as alternatives to investment in the underlying equities.

(b) Subject to the investment principles described above, the investment policy permits the writing of contracts, under which the insurer has a right or an obligation to acquire or dispose of assets. The portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset, in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of derivatives that cannot be sufficiently well modelled using the Investment Manager's internal risk management systems, without the prior approval of the senior management of the Investment Manager.

(c) There were no options bought or sold during the financial year where the difference at inception between the price of the underlying and the strike price was greater than 5%.

(d) The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R or did not fall within the definition of a permitted derivative contract.

(e) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £nil.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI LIMITED

Global Business

Financial year ended 31 December 2008

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were Pearl Group Limited, Sun Capital Investments Limited, Hera Investments One Limited, Xercise Limited, Jambright Limited, Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas, TDR Capital Nominees Limited and TDR Capital LLP.

The persons who, to the knowledge of the insurer, were controllers at the end of the financial year were:

1. Pearl Group Limited

As at 31 December 2008, Pearl Group Limited owned 100% of the shares of NPI Limited and was able to exercise 100% of the voting power at any general meeting.

2. Sun Capital Investments Limited

As at 31 December 2008, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

3. Hera Investments One Limited

As at 31 December 2008, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

4. Xercise Limited

As at 31 December 2008, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Jambright Limited

As at 31 December 2008, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI LIMITED

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(continued)

6. Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas

As at 31 December 2008, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 81.2% of the ordinary shares of Xercise Limited and were able to exercise 81.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

7. TDR Capital Nominees Limited

As at 31 December 2008, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 91.7% of the ordinary shares of Jambright Limited and were able to exercise 91.7% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

8. TDR Capital LLP

As at 31 December 2008, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 91.7% of the ordinary shares of Jambright Limited and were able to exercise 91.7% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of information on the actuary who has been appointed to perform the with-profits actuary function as required by rule 9.36

NPI LIMITED

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Financial year ended 31 December 2008

The with-profits actuary throughout the period was D Addison. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr D Addison is in respect of the year 2008:

1. a) Mr Addison held no shares or share options in 2008.

   b) Mr Addison had no transactions with the insurer throughout 2008.

   c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt Limited, (the employer of Mr Addison), from the insurer during the period specified was £3,205,057.

   d) Mr Addison was not a member of any Pearl Staff Pension Scheme (NPI Limited being a subsidiary of Pearl Group Limited) in 2008 and was not entitled to any benefits under the rules of such scheme. Mr Addison did not therefore accrue pension benefits in such scheme throughout 2008.

2. The insurer has made a request to Mr Addison to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained with the agreement of Mr Addison.

Note 1

Under rule 9.36(4) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to other subsidiary undertakings of its parent undertaking.

Note 2

Regarding Section 1(c) the remuneration details supplied relate to the contractual sums paid to Watson Wyatt Limited for the provision of actuarial services. These services include the performance of the with-profits actuary function by Mr D Addison.

NPI Limited

Appendix 9.4

Abstract of Valuation Report

Introduction

1. (1) The date of the actuarial investigation (the valuation date) is 31 December 2008.

   (2) The date of the previous actuarial investigation under rule 9.4 was 31 December 2007.

   (3) Since the previous valuation date, there have been no interim valuations (for the purposes of rule 9.4).

Product range

2. On 1 October 2006, under the terms of Part VII of the Financial Services and Markets Act 2000, all the long term insurance business of Pearl Assurance (Unit Funds) Limited, Pearl Assurance (Unit Linked Pensions) Limited, and London Life Linked Assurances Limited was transferred to NPI Limited.

   Throughout the rest of this report, "PAUF" refers to the business transferred from Pearl Assurance (Unit Funds) Limited, "PAULP" refers to the business transferred from Pearl Assurance (Unit Linked Pensions) Limited, "LLLA" refers to the business transferred from London Life Linked Assurances Limited, and "NPIL" refers to the business already being conducted by NPI Limited at the time of the transfer.

   Effective from 31 March 2008, PAUF Gross Priced unit linked policies were converted to Net Priced policies.

   There were no other significant changes to NPIL, PAUF, PAULP, or LLLA products during the financial year.

Discretionary charges and benefits

3. (1) Market value reductions ("MVRs") were applied on NPIL business as follows:

Product	Policy Year of Entry	Period applied
Portfolio Bond Series 1	Jan 2000 to 16 Sep 2001	Throughout 2008
	17 Sep 2001 to Mar 2002	30 Jun 2008 to Dec2008
	Apr 2002 to Jun 2002	27 Oct 2008 to Dec 2008
	Jan 2006 to Jun 2006	27 Oct 2008 to Dec 2008
	Jul 2006 to Mar 2007	30 Jun 2008 to Dec 2008
	Apr 2007 to Sep 2007	Throughout 2008
	Oct 2007 to Dec 2007	30 Jun 2008 to Dec 2008
Portfolio Bond Series 2	Jan 2000 to 16 Sep 2001	Throughout 2008
	17 Sep 2001 to Mar 2002	30 Jun 2008 to Dec 2008
	Apr 2002 to Jun 2002	27 Oct 2008 to Dec 2008
	Jan 2006 to Jun 2006	27 Oct 2008 to Dec 2008
	Jul 2006 to Mar 2007	30 Jun 2008 to Dec 2008
	Apr 2007 to Sep 2007	Throughout 2008
	Oct 2007 to Dec 2007	30 Jun 2008 to Dec 2008

Investment Bond	Oct 2000 to 16 Sep 2001	Throughout 2008
	17 Sep 2001 to Jul 2002	30 Jun 2008 to Dec 2008
	Oct 2005 to Dec 2005	27 Oct 2008 to Dec 2008
	Jan 2006 to Mar 2007	30 Jun 2008 to Dec 2008
	Apr 2007 to Sep 2007	Throughout 2008
	Oct 2007 to Dec 2007	30 Jun 2008 to Dec 2008
Socially Responsible Investment Bond	Oct 2000 to Jun 2001	Throughout 2008
	Jul 2001 to 16 Sep 2001	31 Mar 2008 to Jun 2008
	Jul 2001 to 16 Sep 2001	27 Oct 2008 to Dec 2008
	17 Sep 2001 to Mar 2002	27 Oct 2008 to Dec 2008
	Jan 2006 to Sep 2006	27 Oct 2008 to Dec 2008
	Oct 2006 to Dec 2006	31 Mar 2008 to Jun 2008
	Oct 2006 to Dec 2006	27 Oct 2008 to Dec 2008
	Jan 2007 to Jun 2007	Throughout 2007
	Jul 2007 to Dec 2007	31 Mar 2008 to Dec 2008
Pensions business (excluding Capital Account)	Jan 2000 to 16 Sep 2001	Throughout 2008
	17 Sep 2001 to Jul 2002	30 Jun 2008 to Dec 2008
	Jan 2006 to Dec 2007	30 Jun 2008 to Dec 2008
Socially Responsible With-profit Pensions business	Feb 2001 to Jun 2001	Throughout 2008
	Jul 2001 to 16 Sep 2001	31 Mar 2008 to Dec 2008
	17 Sep 2001 to Mar 2002	27 Oct 2008 to Dec 2008
	Jan 2006 to Sep 2006	27 Oct 2008 to Dec 2008
	Oct 2006 to Mar 2007	31 Mar 2008 to Dec 2008
	Apr 2007 to Sep 2007	Throughout 2008
	Oct 2007 to Dec 2007	31 Mar 2008 to Dec 2008

(2) There are no such policies.

(3) There are no such policies.

(4) Policy fees on NPIL linked policies were increased by 3.9% on 1 January 2008 in line with the September 2006 to September 2007 increase in the Retail Prices Index.

Policy fees on PAULP Prosperity Personal Pension Version 1 policies were increased by 3.6% on 1 January 2008 in line with the July 2006 to July 2007 increase in the National Average Earnings Index.

(5) During the financial year benefit charges on linked business remained unchanged.

(6) During the financial year, unit management charges for accumulating with-profits and linked business remained unchanged.

(7) (a) Units are of two main types. They are called initial and ordinary in NPIL and the corresponding types are capital and accumulation in PAUF and PAULP. LLLA has only accumulation units. The following method applies to all units.

(i) The creation unit price is determined by valuing the assets at the offered dealing price including all costs that would be incurred in buying assets and net of charges and deductions, if any, for tax. This total is divided by the number of units. The cancellation unit price is calculated by valuing the assets at the price at which they could be sold and deducting the dealing costs, management charges and taxes if applicable. This total is divided by the number of units.

(ii) The offer price is determined as the creation or cancellation price divided by 95%, plus any rounding adjustment. Units are cancelled at 95% of the offer price less any rounding adjustment. For the NPIL Pooled Managed Fund, which has a 1.75% bid-offer spread the 95% used in the calculation of the offer and bid prices, is replaced by 98.25%. Similarly, where there is no bid-offer spread the 95% is replaced by 100%.

(iii) Units are allocated to policies at the offer price and cancelled at the bid price.

(iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made. This market adjustment is made automatically every day for LLLA business.

(b) All internal linked funds are valued on a bid basis as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.

(c) Where the funds invest in unit trusts or open-ended investment companies the units are valued at the price at which NPI Limited would have been able to buy the investments. To ensure that unit holders are not subject to two sets of initial charges arrangements are in place to ensure that the unit trust investments are undertaken free of any manager's initial charges.

(8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in Life equity funds are index-adjusted. There are no tax accruals in Pension funds.

The table below summarises the current Life tax rates and the times at which the accruals are cleared.

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Net Priced Equity (PAUF & NPIL)	19.9%	18.9%	19.9%	18.9%

Accruals for realised gains and losses in Net Priced Equity funds are cleared at the end of each month.

Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2008 was 18.9%.

All LLLA Life equity and some NPIL Life equity funds have accumulated capital losses and their tax rates are currently nil.

Net Priced Fixed Interest (PAUF, NPIL, LLLA)	20%	20%	20%	20%

Fixed Interest tax accruals are cleared at the end of each month.

(9) See (8) above.

(10)The internal linked funds receive an initial charge discount and an annual management charge rebate when purchasing, selling or holding units in collective investment funds. This ensures that the policyholder is not subject to two sets of charges.

Valuation basis (other than for special reserves)

4. (1) The general principles and methods adopted in the valuation are:

Non-Linked Business

Mathematical reserves have been determined using a gross premium method except as mentioned below.

Some non-profit assurances have been valued using the net premium method of valuation. It is unmodified, except that:

(i) Policies subject to an extra premium are valued as if effected at the standard premium and a further provision of one year's extra office premium is held.

(ii) If the net premium on the valuation basis exceeds the office premium, the premium valued is the office premium.

(iii) For classes of business where the difference between the office premium and the net premium is considered insufficient to cover future expenses an additional reserve is held.

A provision for the immediate payment of claims is made.

A reserve for policies where premiums are unpaid is held. This reserve is equivalent to the normal net premium reserve assuming premiums are paid to date, less the outstanding office premiums.

All deferred annuities with a return on death are valued ignoring mortality before vesting.

The amount of the gross mathematical reserve for unitised with-profit, unitised Socially Responsible with-profit, and capital accounts is calculated as follows:

(i) The present value of the units is determined by accumulating the existing units at the guaranteed minimum bonus rates to the retirement date for Pensions, or over the expected lifetime of the policyholder for Life, and discounting the resulting sum at the valuation rate of interest. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not yet been reached, any remaining fees dues in the first five years, and the additional bonus payable at the fifth policy anniversary and every five years thereafter are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the number of loyalty bonus units due at the retirement date.

    For regular premium policies the units that will be bought from future premiums are accumulated at the guaranteed minimum bonus rates to the retirement date and discounted at the valuation rate of interest. From this the value of the future premiums less future commission (discounted at the valuation rate of interest) is deducted. Allowance is made for the possibility that the policy is made paid-up, and hence future premiums not paid, in these calculations.

(ii) An expense reserve is calculated by applying an annuity factor for the appropriate term to the expense provision, net of a prudent allowance for charges recoverable. The annuity factor is calculated at a rate of interest that allows for future inflation at an assumed rate. An extra reserve for any future fund based renewal commission is added, if appropriate.

Index Linked Business

Mathematical reserves have been determined using a gross premium method.

Property Linked Business

Mathematical reserves have been determined by valuing the units allocated to policies and adding a non-unit reserve for mortality and expenses.

The non-unit reserve is calculated using a discounted cashflow approach. Where the projected cashflows show no future shortfall in any year there is no recourse to additional finance and no sterling reserve is required. Where the projection produces a shortfall, the discounted value of the cashflows is calculated. This is the sterling reserve required to ensure that no recourse to additional finance is required.

(2) The valuation rates of interest are:

Product Group	2008	2007	Product Code
NPIL Life non profit	3.43%	3.60%	435, 440, 790, 800
NPIL Life sterling reserves	2.60%	3.00%	700, 715
NPIL Pension non profit	4.30%	3.80%	390, 400, 435, 440, 790, 800
NPIL Pension sterling reserves	3.30%	3.80%	725, 735, 750, 755, 790, 795, 800
NPIL Life unitised with profit	2.60%	3.00%	500, 610
NPIL Pension unitised with profit	4.50%	4.78%	525, 535, 570, 605
NPIL level annuities	4.30%	4.50%	395, 400
NPIL index linked annuities	3.15%	4.00%	905
PAUF sterling reserves	2.60%	3.00%	700, 710, 715, 720
PAULP sterling reserves	3.30%	3.80%	725
PAULP level annuities	4.68%	4.78%	400
PAULP index linked annuities	4.68%	4.78%	905
LLLA sterling reserves	2.60%	3.00%	700, 710

(3) Yields on other fixed interest or variable yield securities were reduced to allow for the risk of default while retaining some margin over gilt yields for reduced liquidity of corporate bonds.

The level of the reduction was assessed by reference to long-term average default rates plus an allowance for shorter-term factors and expected deviations from the historic average. The rates assume a doubling of historical default experience, net of an allowance for 37% recovery on default.

The long term average default rates (in basis points) thus obtained were:

Rating	5yr bps	10yr bps	20yr bps
AAASSR	0	0	0
AAA	4.6	13.9	17.1
AA	19.7	35.5	49.4
A	31.2	44.8	59.4
BAA	88	109.1	121
BA	268.4	284.9	288.5
B	599.9	524.4	425.4
CAA	1,053.90	757.1	629.3

A number of different techniques were then employed to arrive at an additional prudential allowance. Firstly, for bank subordinated debt, a higher risk was recognised by imposing a nil recovery rate on the base default rates. Then stocks were downgraded where it was considered that the credit rating was inappropriate (after analysis of the current market spread and other factors). Finally, an additional default risk was applied to around 10% of stocks, based on a stock-by-stock analysis of abnormal default or coupon deferment risk.

Finally, all default rates were further increased by a 25% margin for adverse deviation, except on bonds that had already defaulted.

There are no significant equity or property holdings in NPI Limited other than those held in linked funds. Yields on equities are taken to be the same as those on the unit trust holdings.

(4) The mortality bases[1] are:

Product Group	2008		2007		Product Code
	Males	Females	Males	Females	
NPIL Pre-vesting					
All business	100% AM92	100% AF92	100% AM92	100% AF92	All
NPIL Post-vesting/In payment					
Pension annuities	107.5% RMV92[2]	107.5% RFV92[2]	107.5% RMV92[2]	107.5% RFV92[2]	390, 400, 905
Pensions deferred annuities	107.5% RMV92[2]	107.5% RFV92[2]	107.5% RMV92[2]	107.5% RFV92[2]	390
Group GAF annuities	107.5% RMV92[2]	107.5% RFV92[2]	107.5% RMV92[2]	107.5% RFV92[2]	395
Life/IRS/Individual GAF annuities	100% IML92[3]	100% IFL92[4]	72% IML92[5]	72% IFL92[5]	395,905
Life deferred annuities	100% IML92[3]	100% IFL92[4]	72% IML92[5]	72% IFL92[5]	390
PAUF Single Premium	95% AMC00	95% AFC00	65% AM80	65% AF80	700
PAUF Regular Premium	116% AMC00	116% AFC00	85% AM80	85% AF80	710, 715, 720
PAULP linked products	79% AMC00	79% AFC00	65% AM80	65% AF80	725
PAULP immediate annuities	102.5% RMV00[2]	115% RFV00[2]	97.5% RMV00[6]	100% RFV00[6]	400, 905
LLLA all business	100% A67/70	100% A67/70 rated down 4 years	100% A67/70	100% A67/70 rated down 4 years	700, 710

Notes:

1. Ultimate mortality has been used in all cases.
2. Annual improvements: average of Medium and Long cohort improvements, with 3% floor declining from age 60 to nil at age 110.
3. Annual improvements: average of Medium and Long cohort improvements, with 1.5% floor.
4. Annual improvements: 75% of average of Medium and Long cohort improvements, with minimum of the CMI17 floor and 1.25%.

5. Annual improvements: CMI17 improvements
6. Annual improvements: Maximum of 85% of the average of (Medium and Long cohort) improvements, with 3% floor declining from age 60 to nil at age 110.

For annuity contracts, life expectations in years for males are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners annuities	23.5	14.9		
Group GAF annuities	23.5	14.9		
Life/IRS/Ind GAF annuities	23.6	14.6		
Life deferred annuities			26.4	25.0
Pensions deferred annuities			26.2	24.9
PAULP				
Immediate annuities	22.5	15.0		

For annuity contracts, life expectations in years for females are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners annuities	26.1	16.8		
Group GAF annuities	26.1	16.8		
Life/IRS/Ind GAF annuities	25.1	15.7		
Life deferred annuities			27.3	26.2
Pensions deferred annuities			28.3	27.3
PAULP				
Immediate annuities	25.2	15.8		

(5) There are no products representing a significant amount of business that require a morbidity basis.

(6) The expense bases (before allowance for 20% tax relief on Life business) are:

Product Group	£ Per Policy (p.a.)		% of Assets under Management (p.a.)		Product Code
	2008	2007	2008	2007	
NPIL					
UWP Life Bonds	49.50	46.87	n/a	n/a	500
UWP Pension Sing Prem	59.30	56.15	0.59	0.69	525
UWP Pension Reg Prem	32.34	30.63	0.59	0.69	535
UL Life Bonds	18.39	17.41	0.75	0.75	700
UL Life increments	18.39	17.41	0.50	0.48	700
UL Pension Sing Prem	23.80	22.55	0.44	0.45	725
UL Pension Reg Prem	23.80	22.55	0.44	0.45	725
UL Grp Pension Sing Prem	23.80	22.55	0.44	0.45	735
UL Grp Pension Reg Prem	23.80	22.55	0.44	0.45	735
UL Pensions increments	23.80	22.55	0.28	0.28	735
Immediate Annuities	25.91	24.54	0.08	0.07	400, 905
PAUF					
UL Life Reg Prem	20.30	19.54	0.77	0.75	710, 715, 720
UL Life Sing Prem	20.30	19.54	0.77	0.75	700
PAULP					
UL Pension Reg Prem	25.26	24.32	0.44	0.44	725
UL Pension Sing Prem	25.26	24.32	0.44	0.44	725
Immediate Annuities	24.73	45.72	0.14	0.08	400, 905
LLLA					
Unit Linked	39.42	37.94	0.46	044	700, 710

The "% of Assets under Management" figures above include investment management expenses.

The figures in the table above are before any tax relief, which is is applied at 20% for non-annuity Life business. There is no tax relief applied to Life annuity business or Pension business.

(7) Unit Growth, Expense Inflation, and Policy Fee inflation rates are:

Product Group	Gross Unit Growth Rate (% p.a.)		Expense Inflation Rate (% p.a)		Policy Fee Inflation Rate (% p.a.)		Product Code
	2008	2007	2008	2007	2008	2007	
NPIL							
UWP	n/a	n/a	3.0	4.4	2.1	3.2	500, 525, 535, 570
Unit Linked	4.1	5.4	3.0	4.4	2.1	3.2	700, 715, 725, 735, 750, 755, 795
Immediate Annuities	n/a	n/a	3.0	4.4	n/a	n/a	400, 905
PAUF							
Unit Linked	4.1	5.4	2.0	3.4	n/a	n/a	700, 710, 715, 720
PAULP							
Unit Linked	4.1	5.4	2.0	3.4	2.1	3.7	725
Immediate Annuities	n/a	n/a	3.1	3.6	n/a	n/a	400, 905
LLLA							
Unit Linked	4.1	5.4	2.0	3.4	n/a	n/a	700, 710

The unit growth rates for Life business are reduced to allow for tax at the nominal rate of 20%, adjusted to allow for franking of UK dividends and indexation relief on equity capital gains.

(8) All with-profits business is reinsured, so the future bonus assumptions are not relevant. In calculating the gross and reinsurance ceded reserves the assumption is that existing unit values are accumulated at any guaranteed minimum bonus rates. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not been reached, and the additional bonus payable at each fifth policy anniversary are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the loyalty bonus units due at retirement date.

(9) A summary of the lapse, surrender, and paid-up assumptions is:

Product Group	Decrement Type	Average lapse/ surrender/ paid-up rate for the policy years (% p.a) 1-5	6-10	11-15	16-20
NPIL					
Life					
• All business	Surrender	0	0	0	0
• All business	Automatic withdrawals	1.00	1.00	1.00	1.00
Pension					
• UWP indiv regular premium	Paid-Up	15.0	15.0	15.0	15.0
• UWP indiv regular premium	Surrender	0.0	0.0	0.0	0.0
• UWP indiv single premium	Surrender	0.0	0.0	0.0	0.0
• UL indiv regular premium	Paid-Up	15.0	15.0	15.0	15.0
• UL indiv regular premium	Surrender	5.5	5.5	5.5	5.5
• UL group regular premium	Paid-Up	33.0	33.0	33.0	33.0
• UL group regular premium	Surrender	8.3	8.3	8.3	8.3
• UL indiv single premium	Surrender	5.5	5.5	5.5	5.5
PAUF (all Life)					
UL savings endowment	Surrender	4.25	4.25	4.25	4.25
UL target cash endowment	Surrender	4.25	4.25	4.25	4.25
UL bond	Surrender	6.0	6.0	6.0	6.0
UL bond	Automatic withdrawals	2.2	2.2	2.2	2.2
PAULP (all Pension)					
UL indiv regular premium	Paid-Up	10.5	10.5	10.5	10.5
UL indiv regular premium	Surrender	2.5	2.5	2.5	2.5
UL indiv single premium	Surrender	2.5	2.5	2.5	2.5
LLLA (all Life)					
UL bond	Surrender	5.0	5.0	5.0	5.0
UL bond	Automatic withdrawals	0	0	0	0

(10)Other material basis assumptions:

(i) Tax rates on investment income are:

Type of business	2008	2007
UK Life – UK dividend income	0%	0%
UK Life – income from assets backing life annuities	0%	0%
UK Life – other income	20%	20%
UK Pensions – all income	0%	0%

(11)Derivative contracts may be held within some of the collective investment schemes in which the unit-linked funds invest. Their market value is reflected within the unit liabilities.

NPI Limited has purchased an inflation hedge to protect its realistic per policy expense cash flows (defined in terms of its Management Services Agreement with Pearl Group Services Limited). The derivation of the expense inflation assumptions allows for this hedge.

Derivatives were allowed for in determining the liability for guaranteed annuity options, as described below.

(12)Changes were shown at 31 December 2007.

Options and guarantees

5. (1) (a) The guaranteed annuity option reserve (which applies only to PAULP business written before 25 October 1985) is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option.

The expected annuity rate takes into account the annuity pricing basis and choices of retirement age, tax free cash percentages, escalation rate and guarantee period; it is also calculated using interest rates derived from a properly calibrated model of future risk free yields from the gilts market.

The valuation is calculated at individual policy level and allows for the take up rate of the guarantee and the terms of the guarantee.

(b) The reserve for the annuity rate guarantee reinsured into Pearl Assurance plc has been determined in accordance with the basis set out below:

Assumption	2008		2007	
Surrender Rate	2% single premium 0.9% regular premium		2% single premium 0.9% regular premium	
Take up Rate	100%		100%	
Rate of interest	Min (Gilts, LIBOR)		BoE Gilts spot curve	
Mortality in payment	102.5% RMV00[1] 115.0% RFV00[1]		97.5% RMV00[2] 100% RFV00[2]	
Expected annuity guarantee periods	0 years 5 years 10 years	50% 15% 35%	0 years 5 years 10 years	40% 15% 45%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years		10% decreasing at 0.25% p.a. to 5% after 20 years	
Retirement Rates	See below		See below	

Notes:

1. Annual improvements: of average of Medium and Long cohort improvements, with 3% floor declining from age 60 to nil at age 110.
2. Annual improvements: 85% of average of Medium and Long cohort improvements, with 3% floor declining from age 60 to nil at age 110.

Retirement Rates

The following proportions of policyholders retiring at each possible retirement age have been assumed:

Age Attained	2008	2007
60	15%	15%
61	2%	2%
62	2%	2%
63	2%	2%
64	2%	2%
65	40%	40%
66	10%	10%
67	2%	2%
68	2%	2%
69	2%	2%
70	5%	5%
71	5%	5%
72	2%	2%
73	2%	2%
74	2%	2%
75	100%	100%

Note:
1. Or current age, if older

Details of the products concerned are summarised below:

Product Names	Retirement Bonds, Retirement Plans
Product Code	725
Basic Reserve	£56.0 million
Spread of outstanding durations	Gradual run-off, mean term of 12 years
Guarantee Reserve	£40.8 million
GAR (% of fund for 65 year old male)	10%
Increments Allowed?	No
Form of Annuity	Single life, monthly in advance, level annuity, 0, 5 or 10 year guarantee period
Retirement Ages	60-75

(2) The only unit linked investment performance guarantee is that the value of units invested in any of the NPIL or LLLA Deposit funds is guaranteed not to fall. No explicit additional provision has been established as the cost of the guarantee has been assessed as immaterial.

There are no other guaranteed surrender or maturity unit-linked values.

(3) There are no guaranteed insurability options.

(4) (a) Additional provision has been made of £1.9 million for guaranteed minimum pension (GMP) guarantees in respect of transfers from contracted out schemes.

(b) A reserve has been made for guaranteeing benefits in respect of certain PAULP Personal Pension policyholders where failure to adhere to the best advice rules may have occurred.

The following method is used to determine the reserve:

(1) For cases that have been given a guarantee: on a case by case basis using the actual information available to calculate or estimate the liability period, current salary, policy value offsets and thus calculate the overall liability. All the calculations assume a model pension scheme benefit rather than the actual scheme benefits of the fund of which the policyholder was or could have been a member.

(2) For other cases which have not been given a guarantee, or where the guarantee has been satisfied but where the internal accounting on the case is not yet finally complete: by allocating a notional settlement cost as necessary to each case on the basis of a potential liability period, or if this is unknown, an appropriate average liability period. The notional settlement cost per year of liability period is appropriately determined from recent settlement statistics.

This reserve has been determined in accordance with the basis set out below:

Assumption	2008	2007
Real rate of interest	-0.50% p.a.	-0.30% p.a.
Real rate of salary inflation (including an allowance for salary progression)	1.85% p.a.	1.5% p.a.
Expense loading for annuity in payment	15.0%.	11.1%.
Mortality in deferment	79% AM/AF80 ultimate	65% AM/AF80 ultimate
Mortality in payment	102.5% RMV00[1] 115.0% RFV00[1]	97.5% RMV00[2] 100% RFV00[2]
Percentage assumed married	100%	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme	Up to 14 years for those unable to rejoin their pension scheme

Notes:

1. Annual improvements: average of Medium and Long cohort improvements, with 3% floor declining from age 60 to nil at age 110.
2. Annual improvements: 85% of average of Medium and Long cohort improvements, with 3% floor declining from age 60 to nil at age 110.

50% of the cost of this reserve is reinsured to Pearl Assurance plc. The liability (net of reinsurance) is £22 million, including an allowance for future expenses and policies where the compensation process is yet to be completed. The basic reserve to which this additional amount applies is £173 million.

Expense reserves

6. (1) The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the "valuation date" are:

Homogeneous Risk Group	Implicit Allowances £M	Explicit Allowances (Investment) £M	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
NPIL					
Non-unitised business	0.700	0.000	2.528	0.367	3.595
Unitised business	0.002	5.540	2.640	0.276	8.458
PAUF					
Direct business	0.185	0.905	1.181	0.154	2.425
Reinsured In business	0.007	0.034	0.041	0.006	0.088
PAULP					
Direct business	0.306	1.222	1.634	0.255	3.417
LLLA					
Direct business	0.099	0.454	0.197	0.082	0.832
Reinsured In business	0.012	0.055	0.014	0.010	0.091
Total	1.311	8.210	8.235	1.150	18.906

(2) Non-linked, non-profit business has been valued using the net premium method of valuation. The implicit allowance for expenses has been taken as the difference between the office premium and the net premium calculated on the valuation basis. Where the net premium on the valuation basis is greater than the actual office premium, the premium valued is the office premium. For classes of business where the difference between the office premium and the net premium is considered insufficient to cover future expenses an additional reserve has been established. Investment expense allowances are implicitly calculated by a margin in the valuation interest rate.

(3) There is no significant difference between the allowance for maintenance expenses shown above and those shown in Form 43.

(4) NPI Limited has ceased to write new business, except for annuities arising from maturing policies and annuity business and incremental linked business reassured from National Provident Life Limited, Pearl Assurance plc, and London Life Limited. No new business expense overrun reserve is held owing to the management services agreement in place with Pearl Group Services Limited.

(5) The company is largely closed to new business and the future volume of business will be significantly less than that assumed when the expense charges were agreed with Pearl Group Services Limited. There is a risk the unit costs will be higher than that expected and this cost could be passed on to NPI Limited. A 5% prudent margin is applied to the contractual per policy expenses agreed with Pearl Group Services Limited to cover this risk.

(6) The reserve for non-attributable expenses was determined by expressing a prudent estimate of future non-attributable expenses as a percentage of funds under management for each homogeneous risk group and verifying, for each homogenous risk group, that:

- if negative reserves were permitted, and
- the non-unit reserve with allowance for non-attributable expenses for each homogeneous risk group was negative;

and therefore the non-attributable expenses need not be explicitly allowed for in setting the reserves for that homogeneous risk group.

Accordingly, the reserve for non-attributable expenses for each homogenous risk group in the table in 6(1) above is nil.

Mismatching reserves

7. (1) All liabilities and assets are denominated in sterling.

(3) No currency mismatch reserve is held.

(4) The more onerous scenario under INSPRU 3.1.16R for assets invested in the United Kingdom and other assets that fall under this rule for the purposes of calculating the resilience capital requirement is described below:

(i) a fall in the market value of equities of at least 10% or, if greater, the lower of:
(a) a percentage fall in the market value of equities which would produce an earnings yield on the FTSE Actuaries All Share Index equal to 4/3rds of the long-term gilt yield; and
(b) a fall in the market value of equities of 25% less the equity market adjustment ratio;

This resulted in a fall of 10%.

(ii) a fall in real estate values of 20% less the real estate market adjustment ratio for an appropriate real estate index;

This resulted in a fall of 10%.

(iii) a rise in yields on all fixed interest securities by a percentage point amount equal to 20% of the long-term gilt yield.

This resulted in a rise of 75 basis points.

(5) All assets invested outside the UK were fixed-interest securities denominated in sterling so the United Kingdom fall in fixed interest yields was used as the nearest equivalent.

(6) (a) The amount of the resilience capital requirement is £1.9 million.

(b) Under the more onerous scenario the long term insurance liabilities fell by £23.7 million.

(c) Under this scenario, the value of assets allocated to match these liabilities fell by £25.6 million.

(7) No further reserve is held as a result of the test on assets in INSPRU 1.1.34R(2).

Other significant special reserves

8. **Provision for reasonably foreseeable adverse variations**

This provision is for "shared reversion" assets refinanced to a subsidiary of Abbey National Group plc ("Abbey National"). NPI Limited has undertaken to indemnify Abbey National against losses arising from mortality or surrender experience which differs from the basis used to determine the terms of the refinancing. NPIL is also liable for the first 7% of any underperformance relative to the regional Halifax house price indices on property sales. The best estimate mortality basis has changed since the refinancing began, and so an accounting provision is first calculated using surrender and mortality assumptions which are intended to be slightly more prudent than the best estimate assumptions. The amount of this accounting provision is £28.7 million.

The provision is then recalculated using the regulatory valuation assumptions together with a more prudent (higher) projection rate and greater assumed underperformance compared with the Halifax regional price index. The difference between the recalculated provision and the accounting provision described above is shown in Form 14 as a provision for reasonably foreseeable adverse deviation. The amount of this additional provision is £7.3 million.

Reinsurance counterparty risk

A reserve of £7.0 million has been made to cover the counterparty risk associated with Opal Reassurance Limited.

INSPRU 1.2.80G requires a margin to be held against the risk of default by a reinsurer, i.e. the risk that Opal Reassurance Limited will be unable to make its reinsurance payments. Peak 1 rules also require us to show that we can meet payments under a more prudent view of future mortality; we are allowing for a 7.5% prudent mortality margin.

Reinsurance

9. (1) There were no reinsurance arrangements on a facultative basis in force at any time during the period of the report with any company not authorised to carry on insurance business in the United Kingdom.

(2) (a) – (k) The material treaty reinsurances in force at the valuation date are summarised below.

Reinsurer	Nature and Extent of the Cover	Premium	Premium Withheld	Closed to New Business?	Amount of any Un-discharged Obligation	Math-ematical Reserves Ceded	Retention by the Insurer
		£M	£M			£M	
Pearl Assurance plc	NPIL Life unitised with profit fully reinsured on original terms except for MVRs on Portfolio Bond 1 switches from unitised with profit to unit-linked	Nil	Nil	Yes	Nil	134.0	Nil
Pearl Assurance plc	NPIL Pensions unitised with-profit and capital account fully reinsured on original terms	4.0	Nil	Yes	Nil	77.4	Nil
Pearl Assurance plc	PAULP Personal Pensions Guarantees	Nil	Nil	No	Nil	22.0	Nil
Pearl Assurance plc	PAULP Immediate Annuities in payment and Guaranteed Annuity Rates	4.0	Nil	No	Nil	97.5	Nil
Opal Reassurance Limited	NPIL Pension Immediate Annuities in payment	Nil	532.7	Yes	Nil	544.1	Nil

(l) Pearl Assurance plc is authorised to carry on insurance business in the United Kingdom. Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom.
(m) Both NPI Limited and Pearl Assurance plc are part of the Pearl Group of companies. Opal Reassurance Limited is not a connected company of the insurer.
(n) No treaty is subject to any material contingencies such as credit or legal risk.
(o) No reinsurance commission is payable on any of the treaties above.
(p) No treaty is a "financing arrangement".

Reversionary (or annual) bonus

10. (1) The following table sets out the annual bonus rates for each class of business:

Bonus Series	**31 Dec 2008** Basic mathematical reserve **£000**	**31 Dec 2008** Reversionary bonus **%**	**31 Dec 2007** Reversionary bonus **%**	**31 Dec 2008** Total guaranteed bonus **%**	**Product Code**
WP09L, WP10L (Portfolio Bond 1b & 2)	10,216	1.00%	1.00%	-	500
WP11L EWP1L Series 1 (Investment Bond)	123,741	1.00%	1.00%	-	500
WP05P, CA05P, EWP1P Series 2 (PPP (Series 2), Flexible PPP FSAVC, FIP, FIP (nil bid-offer spread version), PRA and PTP)	28,087	1.50%[(1)] 3.25%[(2)]	1.50%[(1)] 3.25%[(2)]	-	525, 570
WP07P, CA07P, EWP1P Series 4 (FIP and Flexible PPP (AMC only versions))	260	1.76%[(1)] 3.51%[(2)]	1.76%[(1)] 3.51%[(2)]	-	525, 570
WP06P, CA06P, EWP1P Series 3 (New Approach PPP, FSAVC and EPP)	679	2.37%[(1)] 4.14%[(2)]	2.37%[(1)] 4.14%[(2)]	-	525
Funds 19, 20 and 35 (with underlying AMC of 1%) (GMP, VGPP, GAVC and TTP)	47,238	1.50%[(1)] 3.25%[(2)]	1.50%[(1)] 3.25%[(2)]	-	535

Notes:

1. Bonus rates suffixed with (1) applied to units invested in the unitised with-profit account (e.g. WP05P) and the socially responsible with-profit account (e.g. EWP1P) where applicable.
2. Bonus rates suffixed by (2) applied to units invested in the unitised capital account (e.g. CA05P).
3. All bonus rates are the compound increases in unit price during the year.
4. For GMP, VGPPP, GAVC, TTP, and PTP unitised with-profit accounts and capital accounts with other rates of underlying annual management charge (AMC), the bonus rate was determined by the following formulae:

   $(1.015 / 0.99) \times (1 - a) - 1$ for unitised with-profit accounts
   $(1.0325 / 0.99) \times (1 - a) - 1$ for capital accounts

   where "a" was the level of AMC and the result was rounded to a percentage with two decimal places.

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

NPI Limited

Global Business

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, save as disclosed in note 1 to the directors' certificate 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 of long-term business entered into during the financial year and the resulting income earned 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 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;

   (c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and

   (d) the directors have, in preparing the return, taken and paid due regard to-

      (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and

      (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

J S Moss	J S B Smith	M J Merrick
Managing Director	Director	Director

Date: 9 April 2009

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

NPI Limited

Global Business

Financial year ended 31 December 2008

(continued)

Note 1 to the Directors' Certificate required by Rule 9.34(1)

Compliance with the provisions of INSPRU

Paragraph (1b) requires that the insurer has complied in all material respects with the requirements in INSPRU. In November 2008 the insurer notified the FSA that it was in technical breach of its Group Capital Adequacy ("GCA") obligations.

To rectify the situation, Impala Holdings Limited (IHL), a fellow subsidiary, carried out a capital restructuring in which £2,598m was repaid to Sun Capital Investments 2 Limited and Hera Investments 2 Limited in settlement of existing subordinated debt obligations, together with accrued interest. This was settled by IHL through the issue of 2 new ordinary "C" shares for consideration of £1,600m and £998m of new subordinated debt. In addition to this, the insurer applied for a waiver, which was granted by the FSA and which provides relief in respect of one of the capital restrictions within the GCA calculation and enables the insurer to meet its GCA requirements. The insurer has continued to meet its GCA requirements since that date.

The waiver expires on 30 April 2009. Regular dialogue is continuing with the FSA regarding the capital position of the Pearl Group Limited Group and a waiver extension has been requested. In the event that the waiver is not extended the Pearl Group Limited Group is able to restructure the term of the "C" shares referred to above such that there is no requirement for the waiver.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

NPI Limited

Global business

Financial year ended 31 December 2008

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

- Forms 2, 3, 13 to 17, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the report required by IPRU(INS) rule 9.31(a) ("the valuation report");

We are not required to examine and do not express an opinion on the following:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (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 valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the directions referred to in the supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement, and the valuation report are required to be prepared in the manner set out in 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

NPI Limited

Global business

Financial year ended 31 December 2008

(continued)

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 statements 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 9 April 2009. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements 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 statements 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 as modified and have been properly prepared in accordance with the provisions of those Rules; and

(b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP
Registered Auditor
London

Date: 9 April 2009