NATIONAL PROVIDENT LIFE LIMITED

Registered in England - No 3641947

Registered Office

The Pearl Centre

Lynchwood

Peterborough

PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2007

Appendices 9.1, 9.3, 9.4, 9.4A, 9.6

Form 2

Statement of solvency - long-term insurance business

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3641947	GL	31	12	2007	£000

		As at end of this financial year	As at end of the previous year
		1	2
Capital resources			
Capital resources arising within the long-term insurance fund	11	62069	124506
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	226586	208097
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	288655	332603
Guarantee fund			
Guarantee fund requirement	21	73565	79907
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	215090	252696
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	220696	239722
Resilience capital requirement	32		
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	220696	239722
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	220696	239722
Excess (deficiency) of available capital resources to cover 50% of MCR	37	115153	121866
Excess (deficiency) of available capital resources to cover 75% of MCR	38	59979	94702
Enhanced capital requirement			
With-profits insurance capital component	39		
Enhanced capital requirement	40	220696	239722
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	220696	239722
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	67959	92881
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 NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

	J S Moss	Managing Director
	J R Cusins	Director
	J S B Smith	Director

Date 20 March 2008

Form 3
(Sheet 1)

Components of capital resources

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3641947	GL	31	12	2007	£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		10000	10000	10000
Profit and loss account and other reserves	12		244786	244786	229907
Share premium account	13				
Positive valuation differences	14		39181	39181	75464
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		293967	293967	315371
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		293967	293967	315371
Investments in own shares	32				
Intangible assets	33		68466	68466	73644
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		68466	68466	73644
Total tier one capital after deductions (31-37)	39		225501	225501	241727

Form 3
(Sheet 2)

Components of capital resources

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

	Company registration number	GL/UK/CM	day	month	year	Units
R3	3641947	GL	31	12	2007	£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
Tier two capital					
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				32766
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				32766
Fixed term preference shares	51				
Other tier two instruments	52		65000	65000	59930
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		65000	65000	59930
Total tier two capital before restrictions (49+59)	61		65000	65000	92696
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		65000	65000	92696

Form 3
(Sheet 3)

Components of capital resources

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

	Company registration number	GL/UK/CM	day	month	year	Units
R3	3641947	GL	31	12	2007	£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		290501	290501	334423
Inadmissible assets other than intangibles and own shares	73		1846	1846	1820
Assets in excess of market risk and counterparty limits	74				
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		288655	288655	332603
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		288655	288655	332603
Available capital resources for 50% MCR requirement	82		225501	225501	241727
Available capital resources for 75% MCR requirement	83		225501	225501	274493
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		134554	134554	183306
Any other charges on future profits	95		64018	64018	88482
Sum of financial engineering adjustments (91+92-93+94+95)	96		198572	198572	271788

Form 13
(Sheet 1)

Analysis of admissible assets

Name of Insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

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	3641947	GL	31	12	2007	£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	33713	33713
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	11832	9470
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	63889	83925
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	50657	75459
	Other	46	3059	3064
Variable interest securities	Approved	47		
	Other	48	61771	
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	2	35
	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 NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

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	3641947	GL	31	12	2007	£000	1

			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		14431
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	4509	1152
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	8713	937
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	456	400
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	238601	222586

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

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	3641947	GL	31	12	2007	£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	238601	222586
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	25000	25000
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	68200	60117
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	331801	307703

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	33713	33713

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

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

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	3641947	GL	31	12	2007	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	170884	164906
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	30870	39134
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	496477	595164
Rights under derivative contracts		44	274756	184172
Fixed interest securities	Approved	45	2125311	2191498
	Other	46	1675334	2213048
Variable interest securities	Approved	47	2130	2831
	Other	48	89504	94714
Participation in investment pools		49		
Loans secured by mortgages		50	50	45
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	654	704
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55	25173	40005
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	812	927
	Property linked	59	3345	4213

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

Category of assets Total long term insurance business assets

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	3641947	GL	31	12	2007	£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	1846	1820
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	6	1
	Ceded	75	3583	4537
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	29769	38824
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	192615	156172
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	60962	76001
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	26160	23933
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	5210241	5832649

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

Category of assets Total long term insurance business assets

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3641947	GL	31	12	2007	£000	10

		As at end of this financial year	As at end of the previous year
		1	2
Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting			
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	5210241	5832649
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	70312	
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	(25000)	(25000)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3617718	3700408
Other asset adjustments (may be negative)	101	(71028)	(2375)
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	8802243	9505682
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	8302	9565

Form 14

Long term insurance business liabilities and margins

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

Total business/Sub fund Long Term Insurance Business

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	4819292	5386909
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	62069	90000
Long term insurance business fund carried forward (11 to 13)		14	4881361	5476909
Claims outstanding	Gross	15	16665	17110
	Reinsurers' share	16		
	Net (15-16)	17	16665	17110
Provisions	Taxation	21	1200	4200
	Other risks and charges	22	4476	6020
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		32768
Amounts owed to credit institutions		36	136612	123478
Creditors	Taxation	37		11120
	Other	38	165292	154874
Accruals and deferred income		39	4635	4632
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	328880	354000
Excess of the value of net admissible assets		51		1740
Total liabilities and margins		59	5210241	5832649

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11860	1383
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3345	4213

Total liabilities (11+12+49)	71	5148172	5740909
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	3617718	3700408
Other adjustments to liabilities (may be negative)	74	36353	64365
Capital and reserves and fund for future appropriations	75	-	
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	8802243	9505682

Liabilities (other than long term insurance business)

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

	Company registration number	GL/UK/CM	day	month	year	Units
R15	3641947	GL	31	12	2007	£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	9171	6576
Accruals and deferred income		51	2844	2844
Total (19 to 51)		59	12015	9420
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	65000	65000
Total (59 to 63)		69	77015	74420

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	68644	65071

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		(6624)
Capital and reserves	84	254786	239907
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	331801	307703

Form 16

Profit and loss account (non-technical account)

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

	Company registration number	GL/UK/CM	day	month	year	Units
R16	3641947	GL	31	12	2007	£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		(65000)
Investment income	Income	14	16998	11925
	Value re-adjustments on investments	15	5637	
	Gains on the realisation of investments	16		
Investment charges	Investment management charges, including interest	17	8155	3226
	Value re-adjustments on investments	18		1397
	Loss on the realisation of investments	19	1659	1095
Allocated investment return transferred to the general insurance business technical account		20		
Other income and charges (particulars to be specified by way of supplementary note)		21		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	12821	(58793)
Tax on profit or loss on ordinary activities		31	(600)	(2494)
Profit or loss on ordinary activities after tax (29-31)		39	13421	(56299)
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	13421	(56299)
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	13421	(56299)

Analysis of derivative contracts

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

Category of assets Total other than long term insurance business assets

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R17	3641947	GL	31	12	2007	£000	1

Derivative contracts			As at the end of this financial year Assets 1	As at the end of this financial year Liabilities 2	As at the end of the previous year Assets 3	As at the end of the previous year Liabilities 4
Futures contracts	Fixed-interest securities	11				
	Equity shares	12				
	Land	13				
	Currencies	14		2153		
	Other	15				
Options	Fixed-interest securities	21				
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35				
Adjustment for variation margin		41				
Total (11 to 41)		49		2153		

Form 17

Analysis of derivative contracts

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

Category of assets Total long term insurance business assets

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R17	3641947	GL	31	12	2007	£000	10

Derivative contracts			As at the end of this financial year Assets 1	As at the end of this financial year Liabilities 2	As at the end of the previous year Assets 3	As at the end of the previous year Liabilities 4
Futures contracts	Fixed-interest securities	11	26			1424
	Equity shares	12				
	Land	13				
	Currencies	14				
	Other	15				
Options	Fixed-interest securities	21	101074			
	Equity shares	22				
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32				
	Land	33				
	Currencies	34				
	Other	35	173682	106895	184172	56027
Adjustment for variation margin		41	(26)			(1424)
Total (11 to 41)		49	274756	106895	184172	56027

With-profits insurance capital component for the fund

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
With-profits fund	**Long Term Insurance Business**
Financial year ended	**31 December 2007**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	11	5210240	5832649
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	198158	210156
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	5012082	5622493
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4621134	5176752
	Regulatory current liabilities of the fund	22	328880	354000
	Total (21+22)	29	4950014	5530752
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	166459	185863
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	5116473	5716615
Regulatory excess capital (19-39)		49	(104391)	(94122)

Realistic excess capital

Realistic excess capital	51	(42785)	7940

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(61606)	(102062)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62	65000	65000
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63	81869	72211
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

With-profits fund Long Term Insurance Business

Financial year ende 31 December 2007

Units £000

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		11	5012082	5622493
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	100934	112813
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	5113016	5735306
Support arrangement assets		27		
Assets available to the fund (26+27)		29	5113016	5735306
Realistic value of liabilities of fund				
With-profits benefit reserve		31	3505713	4115766
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	22983	16863
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	295002	354153
	Future costs of contractual guarantees (other than financial options)	41	1158230	1133412
	Future costs of non-contractual commitments	42	3062	3090
	Future costs of financial options	43	9275	9894
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	335716	422118
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	24128	37186
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1212426	1234684
Realistic current liabilities of the fund		51	324905	317241
Realistic value of liabilities of fund (31+49+51)		59	5043044	5667691

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

With-profits fund Long Term Insurance Business

Financial year ende 31 December 2007

Units £000

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	5155801	5727366
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	5155801	5727366
Risk capital margin for fund (62-59)	65	112757	59675
Realistic excess capital for fund (26-(59+65))	66	(42785)	7940
Realistic excess available capital for fund (29-(59+65))	67	(42785)	7940
Working capital for fund (29-59)	68	69972	67615
Working capital ratio for fund (68/29)	69	1.37	1.18

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	64563	102248
Additional amount potentially available for inclusion in line 63	82		

Form 40

Long-term insurance business : Revenue account

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000

		Financial year 1	Previous year 2
Income			
Earned premiums	11	26328	51861
Investment income receivable before deduction of tax	12	256685	276938
Increase (decrease) in the value of non-linked assets brought into account	13	(196512)	(205842)
Increase (decrease) in the value of linked assets	14	(591)	276
Other income	15	16711	16969
Total income	19	102619	140202
Expenditure			
Claims incurred	21	647006	666086
Expenses payable	22	35600	44760
Interest payable before the deduction of tax	23	24494	26330
Taxation	24	(8933)	2600
Other expenditure	25		
Transfer to (from) non technical account	26		(65000)
Total expenditure	29	698167	674776
Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(595548)	(534574)
Fund brought forward	49	5476909	6011483
Fund carried forward (39+49)	59	4881361	5476909

Long-term insurance business : Analysis of premiums

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	2507	50800		53307	63374
Single premiums	12	436	123672		124108	133714
Reinsurance - external						
Regular premiums	13	34			34	
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	111	18141		18252	23678
Single premiums	16	436	132367		132803	121549
Net of reinsurance						
Regular premiums	17	2362	32659		35021	39696
Single premiums	18		(8695)		(8695)	12165
Total						
Gross	19	2943	174472		177415	197088
Reinsurance	20	581	150508		151089	145227
Net	21	2362	23964		26326	51861

Long-term Insurance business : Analysis of claims

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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	13672	19441		33113	38009
Disability periodic payments	12					
Surrender or partial surrender	13	101568	571481		673049	713658
Annuity payments	14	2869	118540		121409	121575
Lump sums on maturity	15	16892	212687		229579	235572
Total	16	135001	922149		1057150	1108812
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					
Reinsurance - intra-group						
Death or disability lump sums	31		8041		8041	9619
Disability periodic payments	32					
Surrender or partial surrender	33	5341	245129		250470	287421
Annuity payments	34	201	118540		118741	119430
Lump sums on maturity	35	312	32580		32892	26256
Total	36	5854	404290		410144	442726
Net of reinsurance						
Death or disability lump sums	41	13672	11400		25072	28390
Disability periodic payments	42					
Surrender or partial surrender	43	96227	326352		422579	426235
Annuity payments	44	2668			2668	2145
Lump sums on maturity	45	16580	180107		196687	209316
Total	46	129147	517859		647006	666086

Long-term insurance business : Analysis of expenses

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business / subfund	**Long Term Insurance Business**
Financial year ended	**31 December 2007**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year. 4	Total Previous year 5
Gross						
Commission - acquisition	11					
Commission - other	12	241	966		1207	1849
Management - acquisition	13					
Management - maintenance	14	6865	27528		34393	42911
Management - other	15					
Total	16	7106	28494		35600	44760
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					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42	241	966		1207	1849
Management - acquisition	43					
Management - maintenance	44	6865	27528		34393	42911
Management - other	45					
Total	46	7106	28494		35600	44760

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business	
Financial year ended	31 December 2007
Units	£000

Internal linked funds (excluding cross investment)

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

Directly held linked assets

Value of directly held linked assets	21	3345	4213

Total

Value of directly held linked assets and units held (18+21)	31	3345	4213
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	3345	4213

Form 46

Long-term insurance business : Summary of new business

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Total business

Financial year ended 31 December 2007

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		34		34	
Single premium business	12	11	6560		6571	6765
Total	13	11	6594		6605	6765
Amount of new regular premiums						
Direct insurance business	21		28		28	729
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		28		28	729
Amount of new single premiums						
Direct insurance business	25	436	123672		124108	133714
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	436	123672		124108	133714

Form 47

Long-term insurance business : Analysis of new business

Name of Insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business	
Financial year ended	31 December 2007
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
120	Conventional endowment with-profits OB savings				
325	Level term assurance				
390	Deferred annuity non-profit				
410	Group life			11	436

Form 47

Long-term insurance business : Analysis of new business

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business	
Financial year ended	31 December 2007
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
170	Conventional deferred annuity with-profits - Increments				
325	Level term assurance				
400	Annuity non-profit (CPA)			6491	117786
530	Individual pensions UWP - Increments				329
535	Group money purchase pensions UWP				
540	Group money purchase pensions UWP - Increments				210
550	Individual deposit administration with-profits - Increments				35
565	DWP National Insurance rebates UWP				1711
730	Individual pensions property linked - Increments		20		837
735	Group money purchase pensions property linked	34	7	8	230
745	DWP National Insurance rebates property linked				1084
795	Miscellaneous property linked		1		
905	Index linked annuity (CPA)			61	1450

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

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Category of assets	**Total long term insurance business assets**
Financial year ended	**31 December 2007**
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	4954	15495	730	4.71	
Approved fixed interest securities	12	84219	87574	4132	4.61	
Other fixed interest securities	13	69139	87512	3891	5.75	
Variable interest securities	14	3009	650	36	6.40	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	818				
Other assets	18	31857	2765	112	4.03	
Total	19	193996	193996	8901	5.13	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	165930	488115	17315	3.55	(7.10)
Approved fixed interest securities	22	2065213	2147485	101781	4.61	1.03
Other fixed interest securities	23	1641171	2075520	92293	5.75	(1.23)
Variable interest securities	24	90105	15409	857	6.40	(10.31)
UK listed equity shares	25	575	7171			(8.00)
Non-UK listed equity shares	26	54	54			(1.68)
Unlisted equity shares	27	29424	3669			55.76
Other assets	28	1019615	274664	7933	2.89	16.14
Total	29	5012087	5012087	220179	4.88	0.12
Overall return on with-profits assets						
Post investment costs but pre-tax	31					(0.22)
Return allocated to non taxable 'asset shares'	32					(0.41)
Return allocated to taxable 'asset shares'	33					(0.41)

Long-term insurance business : Fixed and variable interest assets

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Category of assets	Total long term insurance business assets
Financial year ended	31 December 2007
Units	£000

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK Government approved fixed interest securities	11	1274306	13.51	4.45	4.45
Other approved fixed interest securities	21	960753	14.07	4.81	4.78
Other fixed interest securities					
AAA/Aaa	31	687293	13.77	5.37	5.22
AA/Aa	32	805253	12.95	5.80	5.63
A/A	33	643702	11.44	6.11	5.40
BBB/Baa	34	26782	10.30	5.74	4.89
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	2163030	12.73	5.75	5.42
Approved variable interest securities	41	2192	5.18	1.62	1.62
Other variable interest securities	51	13867	10.19	6.68	5.90
Total (11+21+39+41+51)	61	4414148	13.23	5.17	5.00

Form 50

Long-term Insurance business : Summary of mathematical reserves

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Total business / subfund Long Term Insurance Business

Financial year ended 31 December 2007

Units £000

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	72046	2006431		2078477	2329244
Form 51 - non-profit	12	33476	1500791		1534267	1497389
Form 52	13	402020	2168665		2570685	2886555
Form 53 - linked	14	119032	2051888		2170920	2283461
Form 53 - non-linked	15	549	44194		44743	50932
Form 54 - linked	16	759	31555		32314	33498
Form 54 - non-linked	17	49	1812		1861	1826
Total	18	627931	7805336		8433267	9082906
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22	12	2		14	354
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	12	2		14	354
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32	318	1383838		1384156	1342149
Form 52	33	31399			31399	42944
Form 53 - linked	34	115687	2051888		2167575	2279248
Form 53 - non-linked	35	1	1459		1460	1500
Form 54 - linked	36		31502		31502	32571
Form 54 - non-linked	37		1245		1245	1129
Total	38	147405	3469932		3617337	3699540
Net of reinsurance						
Form 51 - with-profits	41	72046	2006431		2078477	2329244
Form 51 - non-profit	42	33146	116951		150097	154886
Form 52	43	370621	2168665		2539286	2843612
Form 53 - linked	44	3345			3345	4213
Form 53 - non-linked	45	548	42735		43283	49433
Form 54 - linked	46	759	53		812	927
Form 54 - non-linked	47	49	567		616	698
Total	48	480514	4335402		4815916	5383012

Form 51

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

Name of Insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	1128	17291	115				14079
120	Conventional endowment with-profits OB savings	8497	86053	1658				57012
165	Conventional deferred annuity with-profits	26	14					132
205	Miscellaneous conventional with-profits	97	217	2				75
210	Additional reserves with-profits							748
390	Deferred annuity non-profit	28	19					216
395	Annuity non-profit (PLA)	2998	3393					24702
435	Miscellaneous non-profit	5464	157459	579				8558

Form 51

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

Name of Insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000
UK Life / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity non-profit (PLA)							2
435	Miscellaneous non-profit							10

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Form 51

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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
395	Annuity non-profit (PLA)		25					318

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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
155	Conventional pensions endowment with-profits	11398	452968	1706				513658
165	Conventional deferred annuity with-profits	70261	155556	11797				1492764
205	Miscellaneous conventional with-profits		173	3				9
390	Deferred annuity non-profit	2123	5374					62024
400	Annuity non-profit (CPA)	90585	130435					1404519
435	Miscellaneous non-profit	7291	269175	1007				14601
440	Additional reserves non-profit OB							19647

Form 51

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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
435	Miscellaneous non-profit		6474	2				2

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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
390	Deferred annuity non-profit		339					4993
400	Annuity non-profit (CPA)		130435					1378845

Form 52

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	18488	417481		414177	389865	7201	377066
810	Additional Reserves						24954	24954

Form 52

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

Name of Insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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	.	36877		36839	31129	270	31399

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

Form 52

Name of insurer: NATIONAL PROVIDENT LIFE LIMITED

Total business / subfund: Long Term Insurance Business

Financial year ended: 31 December 2007

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
525	Individual pensions UWP	126350	1937166	12565	1937167	1740801	88712	1829513
535	Group money purchase pensions UWP	12257	176927	1113	176927	156074	12266	168340
545	Individual deposit administration with-profits	707	8017		8017	8017	245	8262
555	Group deposit administration with-profits	1705	35000	1607	35000	35000	12017	47017
570	Income drawdown UWP	85	18821		18821	17468	80	17548
605	Miscellaneous protection rider		6182	10			5	5
610	Additional reserves UWP						97980	97980

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	7817	105124		104132	104132	514	104646
715	Life property linked endowment regular premium - savings	434	11555	156	11555	11555	31	11586
790	Miscellaneous protection rider			9			1	1
795	Miscellaneous property linked	99	3345	8	3345	3345	3	3348

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

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Total business / subfund Long Term Insurance Business

Financial year ended 31 December 2007

Units £000

UK Life / 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
700	Life property linked single premium		105124		104132	104132	1	104133
715	Life property linked endowment regular premium - savings		11555	156	11555	11555		11555

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

Form 53

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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	142292	1722930	15299	1722930	1709821	31480	1741301
735	Group money purchase pensions property linked	21272	296882	3461	296862	290217	12057	302274
750	Income drawdown property linked	500	42629		42629	42629	(363)	42266
790	Miscellaneous protection rider		45563	353			683	683
795	Miscellaneous property linked		9221		9221	9221	337	9558

Form 53

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

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business / subfund	**Long Term Insurance Business**
Financial year ended	**31 December 2007**
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
790	Miscellaneous protection rider		4214	9				

Form 53

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000
UK Pension / Reinsurance ceded intra-group	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		1722930	15299	1722930	1709820	(1219)	1708601
735	Group money purchase pensions property linked		296862	3461	296862	290217	2704	292921
750	Income drawdown property linked		42629		42629	42629	(26)	42603
795	Miscellaneous property linked		9221		9221	9221		9221

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

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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	48	104		759	759	49	808

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

Form 54

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	Long Term Insurance Business
Financial year ended	31 December 2007
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
905	Index linked annuity	955	2477		31502	31502	1703	33205
910	Miscellaneous index linked	38	14		53	53	109	162

Form 54

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

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Total business / subfund Long Term Insurance Business

Financial year ended 31 December 2007

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
905	Index linked annuity (CPE)		2477		31502	31502	1245	32747

Form 56

Long-term insurance business : Index linked business

Name of Insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business	
Financial year ended	31 December 2007
Units	£000

Type of assets and liabilities	Name of index link 1	Value of assets or liabilities 2	Gross derivative value 3
UK Treasury 2.5% Index-Linked 23/08/11	RPI	406	
UK Treasury 2.5% Index-Linked 26/08/16	RPI	406	
Total assets		812	
Total liabilities			
Net total assets		812	

Form 57

Long-term insurance business: analysis of valuation interest rate

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Total business Long Term Insurance Business

Financial year ended 31 December 2007

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
UK Life With Profit	33743	3.68	4.60	4.63
UK Life Non Profit	442821	3.68	4.60	4.63
UK Pension With Profit	160127	4.60	4.60	4.63
UK Pension Non Profit	4158349	4.60	4.60	4.63
Misc	20095			1.10
Total	4815135			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	NATIONAL PROVIDENT LIFE LIMITED
Total business / subfund	10 Long Term Insurance Business
Financial year ended	31 December 2007
Units	£000

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	4881361	5476909
Bonus payments in anticipation of a surplus	12	7972	5505
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4889333	5482414
Mathematical reserves	21	4815916	5383012
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	73417	99402
Composition of surplus			
Balance brought forward	31	90000	25000
Transfer from non-technical account	32		65000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(16583)	9402
Total	39	73417	99402
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	7972	5505
Cash bonuses	42		
Reversionary bonuses	43	3376	3897
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	11348	9402
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	11348	9402
Surplus carried forward	49	62069	90000
Total (48+49)	59	73417	99402
Percentage of distributed surplus allocated to policyholders			
Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

Form 59A

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of Insurer NATIONAL PROVIDENT LIFE LIMITED

Original Insurer NATIONAL PROVIDENT LIFE LIMITED

Date of maturity value / open market option 01 March 2008

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10167			CWP	N	10167
Endowment assurance	20	16623			CWP	N	16623
Endowment assurance	25	26266			CWP	N	26266
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	25564	1128		UWP	N	25564
Regular premium pension	15	47573			UWP	N	47573
Regular premium pension	20	98508			CWP	N	98508
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	12464			UWP	N	12484
Single premium pension	15	21322			UWP	N	21322
Single premium pension	20	59140			CWP	N	59140

Long-term insurance business : With-profits payouts on surrender

Form 59B

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Original insurer NATIONAL PROVIDENT LIFE LIMITED

Date of surrender value 01 March 2008

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	8843			CWP	N	17198
Endowment assurance	20	15459			CWP	N	20930
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	11297		(1,541)	UWP	Y	12966
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	12177		(287)	UWP	Y	12631

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Form 60

Long-term insurance capital requirement

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2007

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%			0.98		
Classes I (other), II and IX	14	0.3%	1032983	1016452		3049	3199
Classes III, VII and VIII	15	0.3%	27007	24277	0.90	73	89
Total	16		1059990	1040729		3122	3288
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					4	4
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	6219939	4771266	0.85	52869	57381
Classes III, VII and VIII (investment risk)	33	1%	97973	43282	0.85	833	867
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				2706	3349
Class IV (other)	36	1%	1409	1399	0.99	14	22
Class V	37	1%					
Class VI	38	1%					
Total	39					56422	61619
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	6219939	4771266	0.85	158608	172142
Classes III, VII and VIII (investment risk)	43	3%	97973	43282	0.85	2498	2601
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	2117689	3345			
Class IV (other)	46	3%	1409	1399	0.99	42	67
Class V	47	0%					
Class VI	48	3%					
Total	49		8437010	4819292		161148	174810
Long term insurance capital requirement	51					220696	239722

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.1

***0201* Modification to the provisions of the Accounts and Statements Rules**

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in June 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 may be used for its assets taken in combination.

The Financial Services Authority, on the application of the firm, made a direction in January 2007, effective from 31 December 2006, under section 148 of the Act. The effect of this direction is to modify INSPRU 2.1.22(3) to enable the firm to apply a business amount of 2% to investments in Henderson Central London Office Fund, in aggregate. £72 million in line 43 of Form 13 relates to the firm's investment in those assets.

***0301* Reconciliation of admissible assets to capital resources after deductions.**

	2007 £'000	2006 £'000
Form 13 Line 89 (Other than long term business)	238,601	222,586
Form 13 Line 89 (Long term business)	5,210,240	5,832,649
Less Form 14 Lines 11, 12 and 49	(5,148,172)	(5,740,909)
Less Form 15 Line 69	(77,015)	(74,420)
Net admissible assets	223,654	239,906
Subordinated debt	65,000	59,930
Contingent loan	-	32,766
Rounding difference	1	1
Total capital resources after deductions	288,655	332,603

***0308* Outstanding contingent loans**

At the financial year ended 31 December 2007, the total amount of contingent loan drawn down is £671,679,000. As at the end of the financial year the statutory valuation of the loan was £134,554,000, the amount included in Form 14 line 35 was nil. The difference of £134,554,000 is reported in Form 3 line 94 which represents a potential charge against future profits not recognised in Form 14.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

0309 Any other charges on future profits

In April 1998 the insurer entered into a securitised loan agreement which raised £260 million (£140 million of 7.39169% Class A1 Limited Recourse Bonds due 2012 and £120 million of 7.5873% due 2022). The block of business securitised consists of portfolio of unit linked, unitised with profit and capital account policies. Under the securitised loan agreement interest and principal payments are made out of surplus emerging (as defined in the agreement).

As at the end of the financial year, the undischarged liability is £186,658,000 (£260,000,000 less £71,235,000 capital repayment). Of this amount £64,018,000 is reported in Form 3 Line 95, which represents a potential charge against future profits not recognised in Form 14.

Further details are disclosed in paragraph 8 of the "Abstract of valuation report" and Note 21 of the Report and Accounts.

0310 Net valuation differences in Form 3

	2007 £'000	2006 £'000
Securitised loan valuation difference	64,018	88,482
Contingent loan valuation difference	134,553	183,306
Liability valuation difference	(161,169)	(197,314)
Difference in provision for investment contracts	1,779	990
Net valuation difference	39,181	75,464

0313 Reconciliation of Profit and loss and other reserves in Form 3

	£'000
Form 3 line 12 at 1 January 2007	229,907
Form 16 line 59	13,421
Return on 'Earmarked Asset' (see below)	1,458
Form 3 line 12 at 31 December 2007	244,786

The return on the 'Earmarked Asset' refers to £25m of regulatory support received by the long term fund from the other than long term fund.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

1305
1319 Counterparty limits

(a) The investment guidelines operated by the Company 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 exceptions to this are for strategic investment opportunities where, in order to achieve a target asset mix or diversification, excess exposures may be permitted for a short duration. Where these excess exposures persist for the long term, modifications may be sought.

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

1301
1308 Unlisted and Listed Investments

Included within Form 13 are the following amounts:

	2007 £'000	2006 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	3,700	3,300
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable.	100	100
Collective Investment Schemes, as specified in Instruction 5 to Form 13	228,174	312,902
Total	231,974	316,302

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. Units or other beneficial interest in collective investment schemes, as specified in Instruction 5 to Form 13, are reported within Form 13 line 43 alongside other collective investment schemes.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

Included within Collective Investment Schemes are the following assets:

	2007	2006
	£'000	£'000
Henderson Retail Warehouse Fund	27,392	40,689
Henderson Central London Office Fund	72,473	89,778
Henderson Shopping Centre Fund	28,197	42,822
Henderson Shop Unit Fund	27,074	28,408
Henderson CASPAR Fund	47,756	60,902
Industrial Property Investment Fund	25,282	50,303
Total	228,174	312,902

1309 Hybrid Securities

Included within line 46 and line 48 of Form 13 Total long term insurance business assets are hybrid securities of £nil (2006: £261.8m).

1318 Other asset adjustments

Included within line 101 of Form 13, for 2007, are the following amounts:

	Long term	Other than long term
	£'000	£'000
Subordinated loan	(65,000)	65,000
Reclassification of tax creditor	3,472	-
Return on 'Earmarked Asset' (see below)	(3,200)	3,200
Net return on subordinated loan	(6,300)	-
	(71,028)	68,200

Appendix 9.1 (continued)

Included within line 101 of Form 13, for 2006, are the following amounts:

	Long term £'000	Other than long term £'000
Present value of future profits on non-participating business written in the with profits fund	73,644	-
Subordinated loan	(65,000)	65,000
Outstanding premiums	1,820	-
Reclassification of tax creditor	(11,099)	(4,134)
Net return on subordinated loan	-	(2,490)
Return on 'Earmarked Asset' (see below)	(1,740)	1,740
Rounding difference	-	1
	(2,375)	60,117

The return on the 'Earmarked Asset' refers to £25m of regulatory support received by the long term fund from the other than long term fund. The net return on the subordinated loan is the amount receivable by long term fund or other than long term fund in respect of the £65m subordinated loan between the funds. This receivable is excluded within the Report and Accounts.

1405 Other adjustment to liabilities

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

	2007 £'000	2006 £'000
Positive valuation difference (see note '0310')	39,181	75,464
Taxation reclassification	3,472	(11,099)
Net return on subordinated loan	(6,300)	-
Total	36,353	64,365

1401
1501 Provision for reasonably foreseeable adverse variations

No other provision for adverse changes 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.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.1 (continued)

***1402* Additional liability details**
1502

(a) No charge has been made on the assets of the insurer.

(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 £1.6million (2006: £4.7million). In accordance with FRS 19, the discounted value of £1.2 million (2006: £4.2 million) has been recognised and included within Form 14 line 21 for taxation on capital gains.

(c) The insurer has a £nil (2006 £32.8 million) contingent loan from the immediate parent undertaking. The loan is repayable at the shareholders' discretion if and to the extent that the actuarial function holder determines that a deficit will not arise. A deficit arises where in the actuarial function holder's opinion there would otherwise be insufficient assets to cover either statutory reserving requirements or to meet policyholder reasonable expectations. The loan bears interest at a rate equal to the earnings on the underlying assets together with an additional amount of 1.75%pa from the date of advance. On this occasion the contingent loan was not repayable at the year end due to the latter contingency.

(d) There are no guarantees, indemnities or other contractual commitments, other than in the ordinary course of its insurance business, in respect of the existing or future liabilities of any related companies.

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

***1507* Other adjustments to liabilities**

Included within line 83 of Form 15 are the following amounts:

	2007 £'000	2006 £'000
Reclassification of tax creditor	-	(4,134)
Net return on subordinated loan	-	(2,490)
Total	-	(6,624)

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

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

***1701* Variation margin**

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received of £26,000 is included in Form 13 Line 44.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.3

***4002* Other income and other expenditure**

Other Income represents annual management income of £16.7 million (2006: £17.0 million).

***4008* Provision of management services**

Throughout the whole of the financial year Pearl Group Services Limited has provided management services to the insurer. Henderson Global Investors Limited has provided investment management services throughout the whole of the financial year. Axial Investment Management Limited has provided investment management services from the 1 July 2007 through to the end of the financial year.

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

Since 1 January 2000, the insurer has entered into a number of reinsurance treaties with Pearl Assurance plc and NPI Limited. Details of these reinsurance treaties are to be found in paragraph 9 of the Abstract of valuation report required by rule 9.31(a).

***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 bid market value

***4500* &*5500* Internal linked funds**

The insurer's internal linked funds are wholly reinsured to NPI Limited and all amounts required to be shown would be zero. These Forms have, therefore, not been included in the Return.

***4803* Assumptions regarding redemption dates**

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the fund custodian has provided an appropriate redemption date. The value of these assets was £628 million at the valuation date.

***4806* Assets used to calculate investment returns in column 5 Form 48**

The assets used in the calculation of the with profit return are all assets backing asset shares excluding deposit administration, capital account and the estate fund.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

Appendix 9.3 (continued)

4807 Allocation of assets to column 2 of Form 48

A number of reallocations are made between columns 1 and 2 according to instructions 2, 3 and 4.

The following additional reallocation does not have an explicit instruction but has been made to reflect the underlying assets: £78.3 million from 14.1/24.1 is allocated to 11.2/21.2 in respect of variable interest securities that are part of a property collateralisation. The unit trust part of the property vehicle holding is reallocated between 18.1/28.1 to 11.2/21.2 in accordance with instruction 2.

4901 Credit rating agency

The credit rating agency used to provide the split was UBS Warburg.

5104, *5204*, *5304* Number of policyholders / scheme members

Where a policy can have a combination of profit sharing (conventional with profit code 155), capital account/unitised with profit (unitised with profit code 525 or 535) or unit linked (code 725 or 735) elements, it has been counted as a unit linked policy and included in column 3 for Form 53 if there is a unit linked element. Otherwise, it has been included in column 3 for Form 51 if there is a profit sharing element or in column 3 of Form 52 if there is only capital account/unitised with profit.

6001 Estimation of the insurance health risk capital component

The gross annual office premium of Class IV business was £21,000. The insurance health risk capital component was estimated as 18% of this premium amount for consistency with INSPRU 1.1.85R.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

National Provident Life Limited

Global business

Financial year ended 31 December 2007

(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.

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 extent to which Form 13 would be changed if assets which the insurer had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired and disposed of, is as follows:

Returns under the Accounts and Statements Rules

Statement of additional Information on derivative contracts required by rule 9.29

National Provident Life Limited

Global business

Financial year ended 31 December 2007

(continued)

	Actual Holding £m	Exposure due to derivatives £m	Combined Economic Exposure £m
Fixed Interest - Approved	2,125.3	239.5	2,364.8
Deposits	217.8	(217.8)	-
Cash UCITS	496.4	(21.7)	474.7

(e) If options outstanding at the end of the financial year had been exercised so as to change exposures by the maximum amount (allowing for options that either must be exercised together, or the exercise of one precludes the possibility of the other being exercised), the numbers in (d) above would have been as follows:

	Actual Holding £m	Exposure due to derivatives £m	Combined Economic Exposure £m
Fixed Interest - Approved	2,125.3	254.6	2,379.9
Deposits	217.8	(217.8)	-
Cash UCITS	496.4	(36.8)	459.6

(f) The maximum extent to which the information provided in (d) above would have been materially different if (d) had applied to derivative contracts at other points during year is as follows:

	Change due to derivatives £m	Date
Fixed Interest - Approved	489.9	7 September 2007
Deposits	(489.9)	7 September 2007

The maximum extent to which the information supplied in (e) above would have been different if (e) had applied to derivative contracts at other points during the year is not materially different from those quoted in the table above.

(g) The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year under existing market conditions was £6 million.

The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, in the event of other foreseeable market conditions, would not be materially different from the figure quoted above.

The maximum potential loss at any other time during the year due to the failure of a single counterparty to fulfil its obligations under derivative contracts was £61.6 million.

(h) 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.

(i) 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

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2007

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were NP Life Holdings Limited, Pearl Assurance plc, 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. NP Life Holdings Limited

As at 31 December 2007, NP Life Holdings Limited owned 100% of the issued share capital of National Provident Life Limited and was able to exercise 100% of the voting power at any general meeting.

2. Pearl Assurance plc

As at 31 December 2007, Pearl Assurance plc owned 100% of the issued share capital of NP Life Holdings Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

3. Pearl Group Limited

As at 31 December 2007, Pearl Group Limited owned 100% of the shares of Pearl Assurance plc, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

4. Sun Capital Investments Limited

As at 31 December 2007, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Hera Investments One Limited

As at 31 December 2007, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

6. Xercise Limited

As at 31 December 2007, 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 National Provident Life 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

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2007

(continued)

7. Jambright Limited

As at 31 December 2007, 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 National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

As at 31 December 2007, 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 79.2% of the ordinary shares of Xercise Limited and were able to exercise 79.2% 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 National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

9. TDR Capital Nominees Limited

As at 31 December 2007, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% 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 National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

10. TDR Capital LLP

As at 31 December 2007, 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 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% 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 National Provident Life 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

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2007

The with-profits actuary for the period from 1 January 2007 to 28 September 2007 was P Turnbull. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Turnbull is in respect of the year 2007:

1. a) Mr Turnbull holds no shares or share options in 2007.

   b) Mr Turnbull had no transactions with the insurer throughout the year but his spouse held a number of minor polices issued by the insurer.

   c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt Limited, (the employer of Mr Turnbull), from the insurer in respect of 2007 was £3,479,527.

   d) Mr Turnbull was throughout the period a member of the Pearl Staff Pension Scheme (NPI Limited being a subsidiary of Pearl Group Limited) and was entitled to the standard benefits under the rules of the scheme in respect of a prior period of employment by a subsidiary of Pearl Group Limited. Mr Turnbull did not accrue further pension benefits in the scheme throughout the period.

2. The insurer has made a request to Mr Turnbull to furnish to 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 Turnbull.

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 P Turnbull.

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

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2007

The with-profits actuary for the period from 28 September 2007 to 31 December 2007 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 2007:

1. a) Mr Addison holds no shares or share options in 2007.

   b) Mr Addison had no transactions with the insurer throughout 2007.

   c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt Limited, (the employer of Mr Addison), from the insurer in respect of 2007 was £3,479,527.

   d) Mr Addison was not a member of any Pearl Staff Pension Scheme (NPI Limited being a subsidiary of Pearl Group Limited) in 2007 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 2007.

2. The insurer has made a request to Mr Addison to furnish to 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.

NATIONAL PROVIDENT LIFE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31 December 2007.

   (2) The date to which the previous actuarial investigation under rule 9.4 related was 31 December 2006.

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

Product range

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

Discretionary charges and benefits

3. (1) Market value reductions ("MVR") were applied as follows:

Product	Premium Investment Date	Period applied
PPP, FSAVC, PRA & FIP Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2006	Throughout 2007
Ordinary units	Jan 1988 to Dec 1990	Throughout 2007
	Jan 1993 to Dec 2002	Throughout 2007
	Jan 2003 to Dec 2005	From 24 Sep 2007
	Jan 2006 to Dec 2006	Throughout 2007
PPP, FSAVC, PRA, & FIP Unitised With-profit Series 2:		
Initial units		
Ordinary units	Jan 1994 to Dec 2006	Throughout 2007
	Jan 1998 to Dec 2000	Throughout 2007
	Jan 2001 to Dec 2001	From 24 Sep 2007
	Jan 2006 to Dec 2006	From 24 Sep 2007
PPP, FSAVC, PRA & FIP Capital Account:		
Initial units	Jan 1994 to Dec 2006	Throughout 2007
Ordinary units	Jan 1994 to Dec 1994	Throughout 2007
	Jan 1997 to Dec 2000	Throughout 2007
New Approach PPP, FSAVC and EPP Regular Premium Unitised With-profit	Jan 1999 to Dec 2000	From 24 Sep 2007
New Approach PPP, FSAVC and EPP Capital Account	Jan 1998 to Dec 2000	Throughout 2007

Product	Premium Investment Date	Period applied
GMP,VGPPP, GAPP, GIA Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2006	Throughout 2007
Ordinary units	Jan 1988 to Dec 1990	Throughout 2007
	Jan 1993 to Dec 2002	Throughout 2007
	Jan 2003 to Dec 2005	From 24 Sep 2007
	Jan 2006 to Dec 2006	Throughout 2007
Penfund Series 1	Jul 1990 to Dec 1990	Throughout 2007
	Jan 1993 to Dec 2002	Throughout 2007
	Jan 2003 to Dec 2005	From 24 Sep 2007
	Jan 2006 to Dec 2006	Throughout 2007
Trustee With Profit Bond	Jan 1997 to Dec 1999	Throughout 2007
	Jan 2000 to Dec 2000	From 24 Sep 2007
With Profit Bond Series 1	Apr 1991 to Jun 1992	Throughout 2007
	Jul 1992 to Sep 1992	From 24 Sep 2007
	Oct 1992 to Dec 2001	Throughout 2007
With Profit Bond Series 2	Sep 1993 to Sep 1994	Throughout 2007
	Oct 1994 to Dec 1994	From 24 Sep 2007
	Jul 1995 to Sep 1995	From 24 Sep 2007
	Oct 1995 to Dec 2001	Throughout 2007
With Profit Bond Series 3	Oct 1995 to Dec 2001	Throughout 2007
With Profit Bond Series 4	Jan 1997 to Dec 2001	Throughout 2007
With Profit Bond Series 5	Dec 1997 to Dec 2001	Throughout 2007
With Profit Bond Series 6	Sep 1998 to Dec 2001	Throughout 2007
With Profit Bond Series 7	Jan 1999 to Dec 2001	Throughout 2007
Portfolio Bond Series 1	Jul 1999 to Jan 2000	Throughout 2007

Note: MVRs apply by date of each investment in the fund, not by policy date

(2) National Provident Life Limited has not sold any reviewable protection business.

(3) No policies have been sold in this category.

(4) Policy fees on linked policies were increased on 1 January 2007 in line with either the Retail Prices Index, an increase of 3.6%, or National Average Earnings, an increase of 4.1%.

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

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

(7) All National Provident Life Limited's unit-linked liabilities, other than for Unilink policies, are reassured to NPI Limited with effect from 1 January 2000. As a consequence, the information in the following paragraphs relate to NPI Limited's practice.

(a) Units are of two types – Initial and ordinary. The following method is applied to both types of 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 purchasing assets and net of all investment management charges, 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 deallocated at 95% of the offer price plus any rounding adjustment. For the 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 deallocated at the bid price. NPI Limited values the assets on an offer basis where there is a net creation of units and a bid basis where there a net cancellation of units. During 2007 all prices were calculated on an offer basis. NPI Limited retains the right to price on a bid basis.

(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.

(b) During the financial year there were no times at which different pricing bases applied to different policies.

(c) Where the funds invest in unit trusts or open-ended investment companies managed by NPI Limited the units are valued at the price at which NPI Limited would have been able to purchase the investments. To ensure 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
Equity	19.9%	17.6%	19.9%	17.6%

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

Accruals for unrealised gains and losses on Equity funds 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 2007 was 17.6%.

One Life equity fund has accumulated capital losses and its tax rates are currently nil.

Fixed Interest	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:

(i) Where the net premium on the valuation basis is greater than the actual office premium, the premium valued is the office premium.

(ii) 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.

(iii) A provision for immediate payment of claims is made.

(iv) 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.

Policies on below average lives accepted at a premium for an increased age are valued as if effected at that age. Policies subject to an extra premium are valued as if effected at the ordinary premium and a further provision of one year's extra office premium is made. Liens are ignored.

For with-profits business, mathematical reserves have been determined using an individual gross premium method except for those mentioned below. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

Visible Growth Fund, Capital Pension Plan and Cash Accumulation Plan contracts are valued by taking the liability as the amount in the deposit account. In addition there is an allowance for future expenses. For Capital Pension Plan policies an additional reserve has been established to allow for the cost of the annuity guarantees.

Unitised with-profits and capital account policies are valued using the Discounted Value of Future Liability Outgo method. This involves calculating the same cashflows as in the gross premium method. However the method of calculating the reserve is different as the method involves accumulating backwards, starting with the last cashflow, to ensure that the reserve at the start is big enough so that no valuation strains ever occur (if the valuation assumptions are borne out in practice). The reserve for each policy is subject to a minimum of any guaranteed surrender value.

Under with-profit S620 annuities (SERP) issued after April 1971, provision is made for the option that policies may vest prior to the vesting date written in the policy. It is assumed for policyholders under 60 at the valuation date that 40% of policies vest at age 60, 50% at age 65 and 10% at age 70. If the member is between 60 and 65 at the valuation date, it is assumed that 83.3% retire at age 65 and 16.7% at age 70. If the member is between 65 and 70, it is assumed that the benefits are taken at age 70, and if the member is over 70 it is assumed that the benefits are taken at age 75. The benefits discounted are calculated on both the cash sum available at the pension date and the deferred annuity and the higher reserve is taken.

For policyholders older than 59, the reserve is the greater of the reserve calculated using the method mentioned above and that assuming immediate vesting.

If valued as a deferred annuity an additional expense reserve is included to allow for expenses after vesting in line with the present expense assumptions for annuities in payment. Also if valued as a deferred annuity the post retirement mortality is adjusted to make allowance for future mortality improvements between the year end and the vesting date in line with the Pensioner Mortality Improvement model issued by the CMI bureau.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

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 unit-linked business is reassured to NPI Limited on an investment basis and as a result the net liabilities are equal to the non-unit reserves.

The non-unit reserve is calculated using a discounted cash flow 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 following table sets out the rates of interest used for all classes of business:

Product Group	2007	2006	Product Code
Net premium basis			
Deposit administration	4.60%	4.50%	545, 555
Other pensions business	4.60%	4.65%	435
Other life business	3.68%	3.90%	100, 435
Gross premium basis			
Capital account	4.60%	4.50%	525, 535, 570
Life annuities	4.60%	4.65%	390, 395
Pension annuities	4.60%	4.65%	390, 400
SERP	4.60%	4.39%	165
Life with-profit endowments	3.68%	4.20%	120, 205
Life Unitised With-profit guaranteed (Series 1)	3.68%	3.70%	500
Life Unitised With-profit non-guaranteed	3.68%	3.70%	500
Pensions Unitised With-profit guaranteed (Series 1)	4.60%	4.31%	525, 535
Pensions Unitised With-profit non-guaranteed	4.60%	4.74%	525, 535, 570
Profit Sharing Account	4.60%	4.80%	155
Index linked annuities	1.00%	1.00%	905
Unit-linked			
Life sterling reserves	3.68%	3.90%	700, 715, 795
Pensions sterling reserves	4.60%	4.65%	725, 735, 750, 755

Notes:
For index linked annuities a net interest rate is used after allowing for RPI/LPI.

(3) Yields on non-gilt fixed and variable interest securities were reduced to allow for the risk of default whilst retaining the margin over gilt yields in respect of reduced liquidity of corporate bonds and overseas government bonds. The deductions have been calculated in three stages:

1 Base deductions
Credit risk includes the risk of default, either directly or in stages due to downgrades (and upgrades) of a stock's rating. Usually a proportion of the debt is recovered after default. Published historic rates of defaults and rating changes are converted into equivalent deductions from the yield. A base deduction table is produced that varies by rating, term to maturity and level of seniority.

2 Current market conditions

Base default rates are adjusted to allow for current market expectation of credit risk. Current spreads reflect the market's expectation of the future, so we take these into account by comparing them with the stable historic spreads from 2004 to 2006. The base deductions are scaled by proportions of these changes in spreads.

3 Margins for adverse deviation

To avoid excessively low or even negative deductions, a minimum yield deduction of 4 bp has been set for non-approved securities. The resulting best estimate yield deductions were scaled up by between 25% and 50% as a prudent margin for the regulatory valuation.

The table below shows the resulting deductions for default risk in basis points:

	Term < 5 years			Term 5 to 15 years			Term > 15 years		
UBS Rating	Secured	Senior	Subord	Secured	Senior	Subord	Secured	Senior	Subord
AAA SSR	0	0	0	0	0	0	0	0	0
AAA	6	6	6	11	11	11	13	14	14
AA1	17	17	17	25	25	25	27	27	28
AA2	18	18	18	27	27	27	29	29	30
AA3	19	19	19	28	28	28	31	33	34
A1	40	41	41	47	48	49	50	53	55
A2	42	42	43	51	53	55	58	62	66
A3	44	45	46	58	61	64	69	74	80
BBB1	45	48	50	65	71	77	76	85	94
BBB2	50	54	57	78	87	95	93	104	116
BBB3	69	76	83	107	120	133	124	142	159

A further deduction was made to allow for liquidity risk such that the yield adjusted for default was no higher than 150 basis points above that of a gilt of the same term.

Properties were categorised into directly owned and indirectly owned. The yield was determined for each individual property based on rental income within the twelve months before the valuation date and then the aggregated yield was reduced by 73 basis points for directly held properties and 39 basis points for indirectly held properties.

For each equity prudent dividend and earnings yields were calculated as the minimum of the published and consensus yields. An arithmetic average of the prudent dividend and prudent earnings yield was then calculated. The greater of these two values was then compared with the consensus earnings yield and the lower value taken.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in June 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 may be used for its assets taken in combination.

(4) The following table sets out the mortality bases used for all classes of business:

Product Group	2007		2006		Product Code
	Males	Females	Males	Females	
Pre-vesting					
SERP	70% AM92	70% AF92	70% AM92	70% AF92	165
All other business	100% AM92	100% AF92	100% AM92	100% AF92	All others
Post-vesting/In payment					
SERP	113% RMV92	113% RFV92	108% RMV92	108% RFV92	165
Immediate and deferred pension annuities	113% RMV92	113% RFV92	108% RMV92	108% RFV92	390, 400, 905
Group GAF annuities	113% RMV92	113% RFV92	108% RMV92	108% RFV92	395
Life / IRS / Individual GAF annuities	72% IML92	72% IFL92	72% IML92	72% IFL92	395, 905
Life deferred annuities	72% IML92	72% IFL92	72% IML92	72% IFL92	390

Notes:

1. Ultimate mortality has been used in all cases.
2. For post-vesting mortality using the RMV92 and RFV92 tables, future mortality improvements in line with the average of CMI medium cohort and long cohort projections with a 3% floor at age 60 reducing to 0% at age 110 for both males and females have been assumed at 31 December 2007. At 31 December 2006 future mortality improvements in line with the average of CMI medium cohort and long cohort projections with a 1% floor for both males and females were assumed.
3. For post-vesting mortality using the IML92 and IFL92 tables, future mortality improvements in line with CMI17 projections at both 31 December 2007 and 31 December 2006.
4. Where appropriate, additional reserves for the extra mortality that may arise from AIDS have been established. These additional reserves are calculated assuming that the additional mortality will be one-half of basis R6A; this provides a margin over the one-third recommended in the letter dated 29 October 1996 from the Government Actuary's Department. The additional reserves calculated have all been included within the reserves for the relevant individual product lines.

Male life expectations for annuity contracts are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Pension annuities	23.0	14.4		
Group GAF annuities	23.0	14.4		
Life/IRS/Ind GAF annuities	22.5	14.1		
SERP			25.7	24.4
Life deferred annuities			23.8	23.2
Other pension deferred annuities			25.7	24.4

Female life expectations for annuity contracts are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Pension annuities	25.6	16.3		
Group GAF annuities	25.6	16.3		
Life/IRS/Ind GAF annuities	25.4	16.2		
SERP			27.8	26.8
Life deferred annuities			26.3	25.9
Other pension deferred annuities			27.8	26.8

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

(6) The expense bases are as follows:

LINKED AND NON-LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Product Group	Premium paying		Paid up & single premium		Product Code
	2007 £pa	2006 £pa	2007 £pa	2006 £pa	
CWP savings endowments	88.48	83.95	44.17	41.91	120
CWP pensions	52.99	50.27	21.29	20.20	165
Annuity			33.06	31.37	400
UWP bond			44.22	41.95	500
UWP regular premium pension	72.27	70.35	46.81	44.30	525
UWP single premium pension			46.81	44.30	525
UWP group regular premium pension	66.45	61.65	58.63	55.99	535
UWP group single premium pension			58.63	55.99	635
UL bond			44.22	41.95	700
UL savings endowment	118.60	112.52	94.83	89.96	715
UL regular premium pension	72.27	70.35	46.81	44.30	725
UL single premium pension			46.81	44.30	725
UL group regular premium pension	66.45	61.65	58.63	55.99	735
UL group single premium pension			58.63	55.99	735

Notes:
All expenses above are shown as per policy rather than per benefit. The Scheme requires an expense charge per benefit for some products, in which case this is derived by applying the ratio of the benefit count to the policy count.

Under each policy valued on the net premium basis the reserve is increased by an allowance for future expenses for any part of the term where premiums are not payable. If there are no further premiums payable, this will be for the full outstanding term.

An allowance for expenses for the full outstanding term has also been added to other contracts not valued on the net premium basis.

If there is more than one investment fund, including unit-linked unitised with-profits and capital account, attaching to one benefit then the per policy expenses are split in proportion to the premiums payable to each fund for regular premiums and to the unit values for single premium and paid up policies..

For group life insurance provided by a separate contract the reserve of 50% of one year's premium contains a provision for expenses.

Gross Investment Expenses

Investment expenses, after allowance for VAT where appropriate, have been allowed for through a reduction to the projected unit growth rates and valuation interest rates. The table below sets out the basis point ("bp") reductions applied:

Fund	2007 bps	2006 bps
Unit Linked	13.22	13.22
Non-Linked		
Bonds & Derivatives	6.00	13.22
Property	11.25	13.22
Equity	11.25	13.22
Cash	11.25	13.22

Notes:
Where the policy is invested in external funds, for some of these funds the projected unit growth rate is reduced by the fee payable to the external fund manager assuming mid-table performance is achieved

(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
	2007	2006	2007	2006	2007	2006	
Life business	5.23	5.78	4.40	4.40	3.20	3.20	700, 715, 795
Pensions business	5.40	5.93	4.40	4.40	3.20	3.20	725, 735, 750

(8) As a realistic basis life firm, no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for the following:

Product Group	Reversionary bonus rate pa	Product Code
Unitised With-profit Life series 1	3.00%	500
Unitised With-profit Pensions series 1	4.00%	525, 535

Note:
The above rates only apply where the products contain guaranteed bonus rates and are equal to the guaranteed rates. For all other products the future bonus rate is zero.

(9) **Surrender and Paid Up Rates**

Product		Average lapse / surrender / paidup rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	2.7%	2.7%	2.7%	2.7%
CWP target cash endowment	surrender	2.7%	2.7%	2.7%	2.7%
UL savings endowment	surrender	0.0%	0.0%	0.0%	0.0%
UWP bond	surrender	12.2%	12.2%	12.2%	12.2%
UWP bond	automatic withdrawal	100% of current	100% of current	100% of current	100% of current
UL bond	surrender	0%	0%	0%	0%
UL bond	automatic withdrawal	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0.0%	0.0%	0.0%	0.0%
CWP pension regular premium	surrender	1.7%	1.7%	1.7%	1.7%
CWP pension single premium	surrender	1.7%	1.7%	1.7%	1.7%
UWP ind pension regular premium	PUP	15.0%	15.0%	15.0%	15.0%
UWP ind pension regular premium	surrender	5.1%	5.1%	5.1%	5.1%
UWP ind pension single premium	surrender	5.1%	5.1%	5.1%	5.1%
UL ind pension regular premium	PUP	15.0%	15.0%	15.0%	15.0%
UL ind pension regular premium	surrender	0.0%	0.0%	0.0%	0.0%
UL group pension regular premium	PUP	33.0%	33.0%	33.0%	33.0%
UL group pension regular premium	surrender	0.0%	0.0%	0.0%	0.0%
UL ind pension single premium	surrender	0.0%	0.0%	0.0%	0.0%

Notes:

1. There is an additional surrender rate of 100% on With Profit Bond Series 5 policies and some With Profit Bond Series 6 and 7 policies applying on the 10th policy anniversary (the date at which the no-MVR guarantee applies).
2. For CWP pension (SERP) policies, the surrender rate applies to policyholders below age 60. For policyholders aged 60 and above the surrender rate is assumed to be zero.

(10) Other material basis assumptions:

Relief for tax applied to expenses is 20% for UK Life (excluding life annuities) business and 0% for other business. Tax on investment income is set out in the following table:

Type of business	2007	2006
UK Life – dividend income	0%	0%
UK Life – income from assets backing life annuities	0%	0%
UK Life – other income	20%	20%
UK Life – unit linked gains	20%	20%
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

(11) Derivative contracts are held by the company. There are inflation hedge swaps, interest rate swaps, swaptions and futures.

We have treated each swaption as covering a bond maturing at the same time as the swaption with capital redemption amount equal to the nominal of the swaption. Payoffs on the swaptions are calculated assuming no change in the yield curve (in line with the statutory valuation scenario). The valuation yield is then the IRR on the combined asset (bond plus swaption), after making a suitable allowance for credit risk.

(12) No changes were made to the methodology at the valuation date in respect of changes to INSPRU rules effective from 31 December 2006.

Options and guarantees

5. (1) (a) **Capital Pension Plan**
These policies have guaranteed annuity rates available for converting the cash sum available at normal retirement age to an annuity. The reserve for this guarantee is calculated as the uplift required based on the ratio of the value of the annuity on the valuation basis and the value of the annuity on the guaranteed basis.

(b) Table detailing guaranteed annuity rate option reserves:

Product Code	555
Product name	Capital Pension Plan
Basic reserve, £'000	38,211
Spread of outstanding durations	Gradual run-off mean term to vesting date of 2.0 years. Vesting assumed at age 60 or immediately if older.
Guarantee reserve, £'000	9,430
Guaranteed annuity rate (% of cash sum for 65 year old male [1])	10%
Increments allowed	No
Form of the annuity	See note 2
Retirement ages	Normal Retirement age under the scheme is normally between 60 and 70

Notes:
1. The guaranteed annuity rate shown has been based on a single life, monthly in advance, level annuity with a five-year guaranteed period. Other forms of annuity will have different guaranteed rates.
2. Guaranteed annuity rates are available for the following forms of annuity: Single life, monthly in advance, Level, 3%, 4% or 5% escalation, five-year guarantee period.

(2) (a) **With Profit Bond Series 5, 6 and 7**

A guarantee that at the tenth policy anniversary no market value reduction will be applied on surrender applies to all With Profit Bond Series 5 policies and With Profit Bond Series 6 and 7 where an option was selected at outset. The units are accumulated to the tenth policy anniversary at the appropriate reversionary bonus rates and discounted at the valuation interest rate. It is assumed that all policies will surrender at the tenth policy anniversary.

(b) Table detailing guaranteed surrender value reserves

Product Code	500	500
Product name	With Profit Bonds Series 5	With Profit Bonds Series 6 and 7 (with option)
Basic reserve, £'000	84,672	524
Spread of outstanding durations	All future anniversaries in 2008	All anniversaries in 2008 & 2009
Guarantee reserve, £'000	Included in basic reserve shown above	Included in basic reserve shown above
Guaranteed amount, £'000	86,466	554
MVR free conditions	10th policy anniversary	10th policy anniversary
In force premium, £'000	All single premium	All single premium
Increments allowed	No	No

Notes:
The guaranteed amount shown is the full current surrender value without any market value reduction applied.

The only investment performance guarantee is that the value of units invested in any of the Deposit Funds that place money on short-term deposit is guaranteed not to fall. No additional provision is required as the assets backing these funds will not fall in value.

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

(3) (a) There are guaranteed insurability options under a number of products including endowment assurances, group life, life cover attached to Executive Pension Plans and convertible term assurances. The options under endowment assurances life cover attached to Executive Pension Plans allow for increases in amounts assured to be increased whereas the options under group life and convertible term assurances are options to replace existing cover by a cover of longer term (possibly whole of life).

(4) **Pension Transfer Plan**

These policies have a guarantee to pay the Guaranteed Minimum Pension ("GMP") at normal retirement age. The reserve for this guarantee is calculated as the projected shortfall (if any) in the policies' fund-based maturity values compared to the value of the GMP at normal retirement age on the valuation basis.

The projection uses a closed-form stochastic method to calculate a time value in addition to the intrinsic value of the guarantee to reflect future interest rate volatility.

Self Employed Retirement Plan

These policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. The reserve for this Guaranteed Cash Fund ("GCF") is valued stochastically on a market consistent basis using 2,000 simulations. The reserve is the average over 2,000 simulations of the discounted value of the excess of the GCF over the fund using market annuity rates, if positive, for each simulation.

Table detailing other guarantee reserves:

Product Code	155, 525, 725	165
Product name	Pension Transfer Plan	Self Employed Retirement Plan
Basic reserve, £'000	359,033	1,477,721
Spread of outstanding durations	Gradual run-off mean term of 10.3 years	Gradual run-off mean term of 6.0 years to assumed vesting dates.
Guarantee reserve, £'000	63,355	100
Increments allowed	No	No
Form of the annuity	Varies from policy to policy	Consistent with that taken at policy inception
Retirement ages	Normal Retirement Age under the policy, usually between 60 and 70	60, 65, 70 or 75. See section 4(1)

Expense reserves

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

Homogeneous Risk Group	Implicit Allowances £M	Explicit Allowances (Investment) £M	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
Non-unitised business	0.80	1.14	7.16	0.70	9.81
Unitised business	0	2.00	18.92	1.24	22.16
Total	0.80	3.14	26.07	1.95	31.97

(2) Selected 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 not a significant difference between the allowance for maintenance expenses shown above and those shown in Form 43.

(4) National Provident Life Limited has ceased to write new business, except for increments on existing policies, which are reassured to NPI Limited. No new business expense overrun reserve is held due to the management services agreement in place with Pearl Group Services Limited.

(5) The company is largely closed to new business and the expense charges paid to Pearl Group Services Limited are determined by the Schedule 2C scheme from the demutualisation of National Provident Institution. No additional expense reserve is required in respect of these expenses.

(6) The non-attributable expenses includes the reserve held to cover overhead costs (such as audit fees) met by the long term business fund in future years. The reserve assumes costs continue over the next 22.5 years (except the reciprocation costs which we assume run for 13 years), annual growth of 4.7% per annum, and discounted at 4.4% per annum. The term of 22.5 years is consistent with section 33 of the Scheme that allows wind up of the with-profits fund when the with-profit liabilities fall below £500 million subject to increases in RPI since January 2000. However this additional reserve has been reduced to allow for such costs hypothecated to unitised business being, where possible, covered by any remaining margins in the valuation basis. There is an additional reserve to cover continuing Financial Services Compensation Scheme ("FSCS") levies in relation to pensions misselling work and any payments to PASS under the indemnity NPI gave to the banks providing loans to IFAs. This reserve assumes the cost runs down at 5.0% per annum and ends on 1 January 2013.

Homogeneous Product Group	Non-attributable expenses reserve £M
Non-Unitised Business	8.2
Unitised Business	14.3

Mismatching reserves

7. (1) The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	4,815.9	4,815.9
Other	0.0	0.0
Total	4,815.9	4,815.9

(3) No currency mismatch reserve is held.

(4) - (6) National Provident Life Limited is not a regulatory-only basis company and therefore not required to hold resilience capital.

Other special reserves

8. **Securitised loan reserve**

National Provident Life Limited has a securitised loan that is secured on future profits arising on a defined basis from specific unit-linked and unitised with-profits business within National Provident Life Limited. This provision is equal to the discounted value of further interest and capital payments due to bondholders under the securitisation to the extent that payments exceed the value of surpluses that may be expected to arise from the securitised business based on the valuation assumptions. The amount of this reserve is £122.6 million.

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) The following financing arrangement was inforce at the valuation date:

(d) Issuer	Mutual Securitisation plc
(e) Nature and extent	£260 million of debt capital was raised in 1998, securitised against a specified fixed block of unit-linked, unitised with-profit and capital account business. Interest and principal payments are made from surpluses emerging from this block of business as defined in the securitisation agreement.
(f) Premiums paid in 2007, £'000	No premiums are payable. A repayment of interest and principal of 27,344 was made in 2007.
(g) Deposit back	Not applicable

(h) Open or Closed Closed

(i) Undischarged obligations The undischarged obligation was £189 million at the valuation date.

(j) Reserves ceded £'000s Not applicable

(k) Retention for new business Not applicable

(l) Mutual Securitisation plc is not authorised to carry on insurance business in the United Kingdom.

(m) Mutual Securitisation plc is not a connected company of the insurer.

(n) There are certain specified events where the bond trustee may demand immediate repayment of the loan.

(o) Refund of reinsurance commission is not applicable to this arrangement.

(p) (i) National Provident Life is required to make interest and principal payments from surplus emerging as defined under the agreement.
(ii) A reserve is held for the future repayments in excess of emerging surplus under this arrangement as described in Section 8. The existence of the agreement has the impact of improving the regulatory peak solvency position to the extent that the additional capital exceeds the Securitised Loan Reserve.

The following other treaties were inforce at the valuation date:

(d) Reinsurer	Pearl Assurance plc	NPI Limited	NPI Limited	Pearl Assurance plc
(e) Nature and extent	Pensions Annuities written prior to 1/1/2000 are fully reassured except for the expense of administration.	Unit Linked funds on policies written prior to 1/1/2000 are ceded as investment-only reassurance.	All new policies and increments written from 1/1/2000 except conventional with-profit business are fully reassured on original terms.	Portfolio Bond policies written 1 July 1999 to 31 December 1999 are fully reassured on original terms.
(f) Premiums paid in 2007 £'000s	Nil	149,907 in aggregate to NPI Limited		Nil
(g) Deposit Back	Nil	Nil	Nil	Nil
(h) Open or closed	Closed	Open	Open	Closed
(i) Undischarged obligations	Expenses of administration	This is investment-only reinsurance	Nil – this is original terms reinsurance	Nil – this is original terms reinsurance
(j) Reserves ceded £'000s	776,782	1,861,453	947,716	31,767
(k) Retention for new business	Not applicable	Not applicable	Nil	Nil

(l) Both Pearl Assurance plc and NPI Limited are authorised to carry on insurance business in the UK.

(m) Both these companies are connected companies of the insurer, all three of which are since 13 April 2005 members of the Pearl Group Limited, having previously been part of HHG plc.

(n) There are no material contingencies under any of these treaties;

(o) There is no provision to refund any reinsurance commission, except under the reinsurance covering new policies and Increments. Any refund under that arrangement would be matched by a reclaim of commission from the seller of the insurance.

Reversionary (or annual) bonus

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

Simple Bonus

Bonus series	31.12.2007 Basic mathematical reserve	31.12.2007 Reversionary bonus	31.12.2006 Reversionary bonus	31.12.2007 Total guaranteed bonus	Product code
	£000	%	%	%	
Life Conventional With-profit	14,265	0.00%	0.00%	-	100, 120, 205

Compound Bonus

Bonus series	31.12.2007 Basic mathematical reserve	31.12.2007 Reversionary bonus	31.12.2006 Reversionary bonus	31.12.2007 Total guaranteed bonus	Product code
	£000	%	%	%	
Life Unitised With-profit Series 1	97,552	3.00%	3.00%	3.00%	500
Life Unitised With-profit Series 2 to 7	244,893	0.00%	0.00%	-	500
Portfolio Bond 1	31,400	1.00%	1.00%	-	500
Pensions Unitised With-profit Series 1	1,800,340	0.00% (1) 4.00% (2)	0.00% (1) 4.00% (2)	0.00% (1) 4.00% (2)	525, 535
Pensions Unitised With-profit Series 2 (PRA, FIP, PPP & FSAVC)	127,562	0.00% (1) 0.00% (2)	0.00% (1) 0.00% (2)	- -	525, 535, 570
Pension Capital Accounts (EPP & PTP)	52,255	0.00% (1) 3.00% (2)	0.00% (1) 3.00% (2)	- -	525, 535
Pension Capital Accounts (GMP VGPPP, Penfund and TTP)	12,413	0.00% (1) 3.00% (2)	0.00% (1) 3.00% (2)	- -	535
Deposit administration (VGF, CPP and Plan32)	43,798	3.00%	3.00%	-	545 555

Bonus series	31.12.2007 Basic mathematical reserve £000	31.12.2007 Reversionary bonus %	31.12.2006 Reversionary bonus %	31.12.2007 Total guaranteed bonus %	Product code
With-profit S620 deferred annuities (SERP)	1,477,854	0.00%	0.00%	-	165
Life Conventional With-profit	53,943	0.00%	0.00%	-	100, 120, 165, 205
Profit Sharing Account (EPP and PTP)	428,500	0.00%	0.0%	-	155

Notes:

1. Bonus rate applies to Initial units where applicable.
2. Bonus rate applies to ordinary units where applicable.

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.

National Provident Life Limited

Appendix 9.4A

Abstract of valuation report for realistic valuation

1. Introduction

(1) The date to which the actuarial investigation relates is 31 December 2007.

(2) The date of the previous valuation was 31 December 2006.

(3) Since the previous valuation date, an interim valuation was carried out at 30 June 2007.

2. Assets

(1) A market-consistent valuation was used to determine the value of future profits on non-profit insurance contracts written within the National Provident Life Limited Fund. The zero coupon curve used for this valuation as at 31 December 2007 is set out below, together with comparative figures as at 31 December 2006:

Implied zero curve (gilts + 10bp)		
Year	Zero curve	
	31 December 2007	31 December 2006
1	4.55%	5.42%
2	4.50%	5.34%
3	4.54%	5.30%
4	4.59%	5.21%
5	4.63%	5.15%
10	4.69%	4.83%
15	4.65%	4.71%
20	4.57%	4.48%
25	4.47%	4.25%
30	4.39%	4.10%
35	4.31%	3.98%
40	4.24%	3.89%

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

3. **With-profits benefits reserve liabilities**

(1) A retrospective method has been used to calculate the with-profits benefits reserves for all significant classes of with-profits insurance contracts. This method is the calculation of an asset share.

Method 1: For conventional with-profits policies the asset shares are calculated by accumulating the premiums paid at the investment return applicable to the with-profits fund, less the expenses incurred. Deductions are made for tax where applicable. An adjustment is made for the expected death strains or surpluses where applicable. No other "miscellaneous" surpluses are credited to the asset shares as these accrue to the Estate.

Method 2: For unitised with-profits, capital account and deposit administration policies the asset shares are calculated by accumulating the allocated premiums (i.e. after the allocation rate and the bid-offer spread have been applied) at the investment return applicable to the with-profits fund. Deductions are made for the charges that would apply on the unit-linked counterpart of the product.

The following table shows the method used to calculate the with-profits benefits reserve for each class of product and the amount of the with-profits benefits reserve and the future policy related liabilities for each class:

Product class	Method	With-profits benefits reserve, £million	Future policy related liabilities, £million
Conventional with-profit life	1	52	8
Conventional with-profit pensions	1	1,220	787
Accumulating with-profit life	2	325	0
Accumulating with-profit pensions	2	1,790	41
Capital Account/Deposit Administration	2	119	16
Total		3,506	853

(2) The future policy related liabilities shown at line 49 in Form 19 also include allowance for financing costs of £336 million and £24 million of other long-term insurance liabilities.

(3) Not applicable.

4. **With-profits benefits reserve – retrospective method**

(1) (a) 100% of the with-profits benefits reserve that has been calculated using a retrospective method has been calculated on an individual basis.

(b) Not applicable.

(c) Not applicable.

(2) (a) For SERP and conventional endowment products a deduction or credit has been made to the with-profits benefits reserve for the expected death strains or surpluses arising from the difference between the amount payable on death and the with-profits benefits reserve. These deductions/credits are calculated annually using AM/F92 mortality factors. This change brings the calculation of the with-profits benefits reserve into line with the actual asset share calculations to determine payouts in line with the Principles and Practices of Financial Management.

(b) Not applicable.

(3) The Scheme of Transfer effected at the time of the demutualisation, 1 January 2000, specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy or per benefit, with the policy and benefit counts calculated as at 1 July each year. Investment management expenses are expressed as a percentage of funds under management. Expenses that are not deemed to be administration or investment management expenses can only be charged to the fund if deemed appropriate by the National Provident Life Limited Actuarial Function Holder.

(a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2007.

(b) The calculation of the administration expenses chargeable to the fund is performed annually.

(c) (i) No expenses were identified as initial expenses.

(ii) A table of maintenance expenses allocated to the with-profits benefit reserves during 2007:

	Maintenance expenses, £million	Investment management expenses, £million
Conventional with-profit life	0.7	0.1
Conventional with-profit pensions	4.9	1.6
Accumulating with-profit life	0.9	0.4
Accumulating with-profit pensions	14.8	2.4
Capital Account/Deposit Administration	0.8	0.2
Total	22.1	4.7

The maintenance expenses above are in line with Schedule 2C scheme.

(iii) For products where the with-profits benefits reserve is calculated using method 1 above, the expenses charged to individual with-profits benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profits benefits reserves. The maintenance expenses vary by product line, as set out in the Scheme of Transfer.

For products where the with-profits benefits reserve is calculated using method 2 above, an allowance for expenses is made through the annual management charge expressed as a percentage of the with-profits benefits reserves rather than the per policy amount set out in the Schedule 2C scheme.

(iv) The following table shows the expense amounts charged to the fund in addition to the administration expenses and investment management fees. None of these expenses were charged to the with-profits benefits reserves.

	Additional expenses, £m
Audit fees	0.242
Regulatory fees	0.747
Securitised loan/Bank of Ireland administration costs	0.524
Fees for Independent members of the Supervisory Board	0.095
Salary for the AFH plus secretary	0.293
Charges including professional indemnity fee	0.034
Reciprocation costs with Premier Pension Trustees on business within NPLL	0.070
Total	2.005

(4) A charge of 2% was deducted from the with-profits benefits reserves during the financial year and held in an earmarked account in accordance with the management actions described below. Smoothing charges of £7 million (2006: £14 million) were deducted from the with-profits benefits reserves during the financial year.

(5) No charges were deducted from the with-profits benefits reserves in respect of non-insurance risk.

(6) The ratio of the total claims paid on with-profits insurance contracts to the with-profits benefits reserves plus (or minus) any past miscellaneous surplus (or deficit) attributed to those claims were: 112% for 2005, 110% for 2006 and 106% for 2007.

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve (other than Capital Account and Deposit Administration business) in respect of the financial year was -0.09%. The investment return allocated to the with-profits benefits reserve for Capital Account and Deposit Administration business in respect of the financial year was 2.14%. The investment return in respect of Capital Account and Deposit Administration business is calculated from the assets hypothecated to that business.

5. With-profits benefits reserve – prospective method

(1) Not applicable.

(2) Not applicable.

6. Cost of guarantees, options and smoothing

(2) (a) The cost of all guarantees, options and smoothing have been calculated using a full stochastic model approach.

(b) (i) None

(ii) 100% of the with-profits insurance contracts for which costs have been valued have been valued on a grouped basis.

(iii) The individual policies have been grouped in a manner consistent with the methods used in practice to determine reversionary and terminal bonuses and MVAs. There are separate groupings for product lines that have separate bonus series or have separate terminal bonus scales. Product lines where the terminal bonus scales are determined in practice according to the policy year of entry are grouped accordingly.

The following table sets out the grouping criteria used for each product class:

Product class	Grouping criteria
Conventional with-profit life	Entry year and maturity year
Conventional with-profit pensions	Entry year, maturity year, age at maturity and premium payment type
Accumulating with-profit life	Entry year
Accumulating with-profit pensions	Maturity year and age at maturity
Capital Account	Maturity year and age at maturity
Deposit Administration	Maturity year

In total there are 414,884 individual policies and members of group schemes, which have been grouped together into 4,906 model points.

The grouping is validated by comparing a deterministic projection of all cashflows arising from the business using grouped data with an independent projection using the individual data.

(c) Not applicable.

(3) Not applicable.

(4) (a) (i) The main contractual guarantee costs valued are:

Lump sum benefits, where the sum assured and attaching reversionary bonuses, plus any guaranteed or discretionary future reversionary bonuses, payable either at maturity, death or at points where no MVA can be applied. Some of these guarantees are in the money and others are out of the money, depending on the date that the premium was paid.

Deferred annuity benefits, where the contract is written as a basic deferred annuity plus attaching reversionary bonus at vesting. This guarantee applies to the SERP policies. These guarantees are largely in the money.

The Pension Transfer Plan product includes, for a large proportion of cases, a commitment to pay a pension of at least the amount of the attaching Guaranteed Minimum Pension. These guarantees are largely in the money.

The non-contractual guarantee costs valued are:

The Mortgage Endowment Promise where National Provident Life Limited will pay an amount at least equal to the mortgage the policy was originally taken out to cover, subject to certain conditions on the fund's investment performance. These guarantees are largely in the money.

The costs of financial options relate to:

Guaranteed annuity rates applying on Deposit Administration business, where a guaranteed annuity rate specified in the contract can be applied at retirement to convert the cash benefits into annuity benefits. Generally, these annuity rate guarantees are in the money. In addition, the costs of financial options includes the value of the guaranteed cash factors on SERP, where the contracts are written with a guaranteed rate of conversion from annuity to cash. These conversion options are significantly out of the money.

There are no smoothing costs assumed in accordance with National Provident Life Limited's policy of targeting payouts at 100% of asset share.

(ii) The asset model assumes that:

The asset model used was the Barrie & Hibbert market consistent asset model which assumes that:

The interest rate calibration process is as follows:

- Interest rates follow an annual LIBOR market model on gilts + 10 basis points.
- The initial yield curve is a direct input to the LIBOR Market Model. An initial curve is derived by fitting a smooth curve to the available market rates. Secondly, the volatility of forward rates are calibrated using Hull-White's approximation to fit to market 20 year at-the-money swaption volatilities.
- The equity model has been calibrated to implied volatilities on at-the-money FTSE options. As equity returns are calculated in excess of the short-term interest rate, the stochastic interest-rate model introduces a term structure of implied volatility (even though the excess volatility is fixed). In this calibration the 10 year maturity option has been targeted, and adjusted for this stochastic interest rate effect.
- It is not currently possible to observe meaningful option prices for the property market from which implied levels of property volatility can be derived. A best estimate of levels of volatilities has therefore been used in the market-consistent calibration. Ideally, the volatility parameter would be set to reflect the prices of long-term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. As property returns are calculated in excess of the short-term interest rate, the stochastic interest rate model introduces a term structure of implied volatility (even though the excess volatility is fixed).
- The corporate bond process is calibrated using a best-estimate of long term transition probabilities, spread volatilities and corporate bond spreads at 31 December 2007. To fit the model, the fit is targeted to a 7 year A rated bond only.

The following table shows the market data used to calibrate the equity process.

Implied volatility of at the money FTSE-100 put options (%)

Option Term	1 year	2 years	3 years	4 years	5 years
31 December 2007	21.00	21.70	22.50	23.10	23.60

Source: Barrie and Hibbert

The correlation assumptions used are listed in the table below. These assumptions are set based on historic data on the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

Correlation factors between asset classes

	Equity	Property	Government bonds	Nominal short-rate
Equities	100%	15%	17%	-14%
Property		100%	10%	-7%
Government bonds			100%	-97%
Nominal short-rate				100%

Source: Barrie and Hibbert

(iii) The following table shows the annualised compound equivalent of the risk free rate assumed for each duration and values derived from the asset model of specified assets/options:

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	4.63%	4.66%	4.47%	4.29%	x	x	x	X	X	x	x	x
1		Risk-free zero coupon bond	797,321	504,971	334,869	230,243	x	x	x	x	X	x	x	x
2		FTSE All Share Index (p=1)	96,966	219,691	305,146	373,981	226,213	379,326	484,818	563,608	597,347	762,036	886,708	978,809
3		FTSE All Share Index (p=0.8)	83,626	167,160	211,876	244,075	200,565	295,759	343,796	373,361	543,017	610,425	648,298	663,032
4		Property (p=1)	32,615	102,936	162,560	211,561	135,556	235,461	309,737	371,612	522,679	607,521	683,761	755,104
5		Property (p=0.8)	25,042	67,228	94,639	113,918	112,063	162,165	192,661	211,065	463,819	455,362	456,569	459,632
6		15 year risk free zero coupon bonds (p=1)	3,489	7,173	5,251	10,390	58,479	59,827	63,205	105,944	500,676	500,917	500,148	519,894
7		15 year risk free zero coupon bonds (p=0.8)	2,159	2,838	1,098	675	40,137	21,781	9,136	10,262	435,409	312,747	221,811	191,350
8		15 year corporate bonds (p=1)	7,785	19,504	21,928	35,293	74,567	94,553	100,622	135,780	498,800	497,055	498,001	523,679
9		15 year corporate bonds (p=0.8)	5,392	8,557	6,749	8,130	55,033	46,955	32,534	35,082	433,755	314,785	236,223	215,591
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	49,096	135,596	200,487	260,553	161,416	277,259	360,349	431,016	542,505	650,004	745,120	823,571
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	39,820	94,009	124,602	151,401	136,940	201,052	233,723	260,009	485,417	499,744	514,050	522,937
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	41,953	118,147	173,951	231,216	152,656	254,697	327,871	396,595	536,671	628,366	712,313	785,191
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	33,053	79,105	103,094	126,972	128,748	180,264	205,791	230,693	478,848	475,891	479,484	486,106
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon	17,103	59,259	96,041	139,648	107,556	176,834	228,126	284,268	509,615	554,030	607,695	662,932

		bonds and 22.5% 15 year corporate bonds (p=1)												
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	12,001	32,676	45,015	59,955	84,928	109,789	121,149	139,215	448,581	396,280	374,070	369,472
			L=15				L=20				L=25			
16		Receiver swaptions	10.59%	6.51%	4.39%	3.05%	13.15%	8.07%	5.47%	3.79%	15.31%	9.41%	6.39%	4.42%

Note: The values in the above table were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception; the corporate bond scenarios used to derive the values in the table are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine the realistic balance sheet reflect the average credit quality of the corporate bond portfolio.

(iv) For the purposes of calculating a net of tax return, the equity dividend yield has been set to 3.78% and the property rental yield to 3.78%.

(v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.

(vi) The average outstanding durations of significant guarantees by main product type are shown in the table below:

Product type	Outstanding duration of guarantees (years)
Endowments	3
SERP	17
UWP Bonds	4
UWP Pensions	10
Profit Sharing Account	6
Capital Account/Deposit Administration	6

The fit of the asset model to specimen swaptions and put options is demonstrated below:

Ratio of simulated swaption values to pseudo swaption prices		
Option maturity	Swap length	
	10 years	15 years
10 years	104.2%	103.8%
15 years	101.6%	100.2%

Note: The figures are based on swaptions consistent with the gilts + 10bp risk free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

The table above demonstrates that the scenarios can be used to reproduce market prices of swaptions at the average outstanding durations of significant guarantees.

(vii) It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. In a market-consistent model, the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (the "one=one" test). The observed error was small and the scenarios are considered to have passed the no-arbitrage test.

(viii) Simulations were performed using all 2,000 scenarios from the scenario file. This will allow reasonable convergence of the results as can be gauged from the validation test described in (a) (vii) above.

In addition the validation process performed a further test to check that the market prices of relevant traded instruments can be replicated. This validation test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for swaptions, equity options and the initial yield curve. The observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. It is not possible to illustrate the fit of the property scenarios to market data; however, the fit of the property volatility assumption has also been validated.

(b) Not applicable.

(c) Not applicable.

(5) (a) The management actions implemented within the model as at 31 December 2007 stipulate that any asset share charge in each year would be equal to any realistic basis deficit assuming no management actions were to be applied. For the purpose of realistic balance sheet, we have assumed a maximum charge of 2.5% of asset shares. No other management actions were assumed.

Any charges to asset shares will be accumulated in a separate account, the "management action account", which will not be used to pay for guarantees unless the overcoat has been exhausted. The management action charge account could also be used to pay for the financing costs, but only if the cash estate is exhausted.

This treatment of charges means that the balance of the management action account would be rebated to asset shares if it later became apparent that the prior year's charges had been too large. The management action account is considered as a contingent liability; effectively an amount payable to asset shares and hence to policyholder benefit.

(b) The estimated proportions of equities (both UK and non-UK) backing the with-profits benefits reserves are as follows:

	31 December 2006	31 December 2011	31 December 2016
Proportion of equities backing with-profits benefits reserves	0%	0%	0%

These proportions apply in each of the three scenarios.

Current reversionary bonus rates on UWP Life business are 3% on Series I units and 0% on Series II to Series VII units. Current reversionary bonus rates are 4% on Pensions UWP Series I ordinary units and 0% on both Pensions UWP Series I initial units and Series II ordinary units. These rates are not expected to change in the future and the modeling assumes that this is the case.

(6) Persistency assumptions used to determine the costs of guarantees, options and smoothing are set out in the table below:

Product		Average lapse / surrender / paid up rate for the policy years
		All Durations
CWP savings endowment	surrender	4.00%
CWP target cash endowment	surrender	4.00%
UWP bond	surrender	18.07%
UWP bond	automatic withdrawal	100% of current
CWP pension regular premium	PUP	0.00%
CWP pension regular premium	surrender	2.52%
CWP pension single premium	surrender	2.52%
UWP indiv pension regular premium	PUP	22.22%
UWP indiv pension regular premium	surrender	7.56%
UWP Indiv pension single premium	surrender	7.56%

The stochastic model uses the simplified assumption for SERP business that all retirements are assumed to occur at age 65, or if the policyholder is already aged over 65 at the valuation date, then retirement is assumed to take place at age 70. Above age 60 no surrenders are assumed.

For other products retirements are assumed to take place at the no-MVA date (normally 65) unless the policyholder has specified a particular retirement date.

100% take up rate is assumed on all guaranteed annuity options or guaranteed conversion options.

For With Profit Bond Series 5, where a no-MVA guarantee applies on the 10th policy anniversary, an additional 70% of the policyholders are assumed to surrender their policies at that date.

The annuitant mortality assumptions used are:

Male lives: 120% RMV92 with an average of medium and long cohort improvement factors with a floor of 3% per annum at age 60 reducing to a floor of 0% per annum at age 110.

Female lives: 120% RFV92 with an average of medium and long cohort improvement factors with a floor of 3% per annum at age 60 reducing to a floor of 0% per annum at age 110.

(7) For most product lines the guarantees are currently in the money, and have been so for a number of years. Therefore the persistency assumptions in (6) are appropriate and no additional policyholder actions are warranted.

7. **Financing costs**

The future policy related liabilities also include allowance for two financing arrangements:

Securitised loan:

Future profits from a particular block of accumulating with-profits and unit linked business have been securitised. The repayments follow a fixed payments schedule until 2023 and are met from the surplus arising on the securitised block of business. The nominal amount outstanding currently stands at £189 million, which includes interest payments calculated at 7.39169% and 7.5873% for the Class A1 and A2 bonds respectively. The stochastic model tests whether the surplus on the appropriate classes of business is sufficient to meet the scheduled payment, and the cashflows are then discounted using the scenario specific discount rates. The expected market consistent value of the amounts to be repaid is £212million.

Contingent loan:

At the time of the demutualisation in December 2000, £800 million of capital support, was provided by Pearl to the National Provident Life Limited Fund.

Repayments of capital and of the accumulated investment return are made according to a formula in the Scheme, but only to the extent that a "deficit" has not arisen. A deficit in this context exists when, and to the extent that, in the opinion of the Actuarial Function Holder, the admissible value of the assets in the long-term fund falls short of the greater of:

(a) The liabilities in the long term fund; and

(b) Amounts determined by the Actuarial Function Holder as necessary to be held in the long term fund to meet Policyholders Reasonable Expectations (PRE) and to manage the fund in accordance with the Principles of Financial Management (as described in the Scheme).

Support charges of up to 1.75% per annum are payable provided there is a Form 58 surplus arising or there would be a surplus arising but for the payment of the support charge.

The total amount of the contingent loan drawn down as at 31 December 2007 was £671,679,000.

Currently no repayments of capital or of accumulated investment returns are being made.

The stochastic model assumes that repayment occurs in accordance with the rules governing the repayment as set out in the Scheme. The expected amount to be repaid is £21 million, this amount excludes the support charges.

There is a further financing arrangement within the long term fund, which does not form part of the future policy related liabilities.

Earmarked portfolio:

The earmarked portfolio is a pool of assets provided by the shareholder which have been placed in the long-term fund. This portfolio is not available for distribution to the with-profits policyholders as distributable estate. £65 million of this earmarked portfolio is subject to a financing charge of 4.25% per annum.

8. **Other long-term insurance liabilities**

The amount in Form 19 Line 47 represents liabilities in respect of:

- potential FSCS levies;
- the reserve in respect of outstanding premiums;
- the reserve in respect of MVAs on Portfolio Bond 1 switches on business reassured to Pearl Assurance plc where the National Provident Life Fund cannot pass this cost onto the policyholders; and
- the potential amount of future tax and investment expenses charged to the estate.

9. **Realistic current liabilities**

The amount in Form 19 Line 51 is the figure in Form 14 line 49 adjusted for the following items:

- reduced by the figure in Form 14 line 34 in respect of the subordinated debt which is modelled in the stochastic model;
- reduced by the accruals in respect of the financing arrangements, to the extent that these are included in the stochastic model.

10. **Risk capital margin**

(a) The risk capital margin for National Provident Life Limited at 31 December 2006 was £112.8 million.

The most onerous scenario for National Provident Life Limited is that which combines:

(i) The percentage changes in the market value of equities and real estate for the purposes of the market risk scenario for UK assets were 20% and 12.5% respectively. A fall in the market value of these assets was the more onerous in each case.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

(ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.80%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 4.55%. A fall in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

(iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the with-profits sub fund's assets was 52 basis points.

(a) The change in value for the with-profits sub fund bond assets was a 4.3% fall in asset value.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

(e) The change in value for the with-profits sub fund other assets was a 4.6 % fall in asset value.

(iv) The persistency risk scenario resulted in a 1.5% increase in the realistic value of liabilities.

(v) Not applicable.

(b) (i) No additional management actions other than those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.

(ii) Not applicable.

(iii) Not applicable.

(iv) Not applicable.

(c) (i) Assets within the long-term fund cover £70 million of the risk capital margin.

(ii) The assets of the Shareholder Fund are available to support the solvency of the long-term fund. Should the working capital become negative, shareholder assets would be transferred into the long-term fund, in an Earmarked Portfolio subject to an undertaking given by National Provident Life Limited to the FSA. As at 31 December 2007 the Earmarked Portfolio stood at £90 million.

11. Tax

(i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on an "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rate assumed was 20% on savings income, rental income and indexed capital gains. Tax relief on expenses has been assumed to be at 20%. No tax is assumed on pensions business.

(ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the other long term insurance liabilities shown in Form 19 line 47.

(iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

The fund holds a number of sterling receiver swaptions executed with Goldman Sachs International and UBS AG. The table below contains a summary of the trades.

Company	Notional amount, £000s	Strike level	Maturity date	Expiry date
UBS	105,320	5.05% - 5.10%	2008	2023
UBS	16,000	4.99% - 5.03%	2009	2024
GSI	114,000	6.00%	2009	2024
UBS	53,120	4.93% - 4.98%	2010	2025
GSI	81,900	6.00%	2010	2025
UBS	52,800	4.88% - 4.92%	2011	2026
GSI	96,240	6.00%	2011	2026
UBS	53,000	4.83% - 4.87%	2012	2027
GSI	121,540	6.00%	2012	2027
UBS	32,800	4.79% - 4.82%	2013	2028
GSI	86,320	6.00%	2013	2028
UBS	26,000	4.74% - 4.77%	2014	2029
UBS	70,000	6.00%	2014	2029
UBS	22,200	4.70% - 4.73%	2015	2030
UBS	80,000	6.00%	2015	2030
UBS	108,000	6.00%	2016	2031

The fund also holds a number of interest rate receiver and payer swaps executed with UBS, Deutsche Bank and Morgan Stanley. The table below contains a summary of the trades.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity Date
DB Swaps	310,000,000	Receive	6.31	23/06/2008
UBS Swaps	141,500,000	Receive	4.7050	17/12/2008
DB Swaps	39,000,000	Receive	6.282	22/06/2009
UBS Swaps	130,100,000	Receive	4.6930	16/12/2009
UBS Swaps	147,200,000	Receive	4.6720	15/12/2010
DB Swaps	93,000,000	Receive	6.255	21/06/2011
UBS Swaps	152,100,000	Receive	4.6550	21/12/2011
DB Swaps	53,000,000	Receive	6.21	21/06/2012
UBS Swaps	119,300,000	Receive	4.6380	19/12/2012
UBS Swaps	840,000,000	Receive	5.0070	19/06/2013
DB Swaps	(777,000,000)	Pay	6.16	21/06/2013
UBS Swaps	110,600,000	Receive	4.6210	18/12/2013
DB Swaps	132,000,000	Receive	6.102	23/06/2014
UBS Swaps	(55,600,000)	Pay	4.6180	17/12/2014
DB Swaps	155,000,000	Receive	6.047	22/06/2015
UBS Swaps	(130,600,000)	Pay	4.5960	16/12/2015
UBS Swaps	315,000,000	Receive	4.9400	15/06/2016
DB Swaps	(178,000,000)	Pay	5.9925	21/06/2016
DB Swaps	(267,000,000)	Pay	5.9375	21/06/2017
UBS Swaps	117,100,000	Receive	4.5400	20/12/2017
UBS Swaps	437,000,000	Receive	4.7820	19/12/2018
UBS Swaps	(348,700,000)	Pay	4.4940	16/12/2020
UBS Swaps	22,505,000	Receive	4.9150	15/12/2021
UBS Swaps	21,250,000	Receive	5.0240	16/03/2022
UBS Swaps	5,000,000	Receive	5.6750	15/06/2022
DB Swaps	208,000,000	Receive	5.693	21/06/2022
MS Swaps	(191,700,000)	Pay	4.407	18/06/2025
UBS Swaps	(80,300,000)	Pay	4.4130	17/12/2025
UBS Swaps	(190,000,000)	Pay	4.7080	17/06/2026
UBS Swaps	(380,000,000)	Pay	4.7080	17/06/2026
DB Swaps	69,000,000	Receive	5.493	21/06/2027
DB Swaps	50,000,000	Receive	5.398	08/06/2032
UBS Swaps	(265,900,000)	Pay	4.3490	18/12/2030
UBS Swaps	(395,000,000)	Pay	4.6190	18/06/2031
DB Swaps	68,000,000	Receive	5.335	21/06/2032

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity Date
DB Swaps	55,000,000	Receive	5.251	08/06/2032
UBS Swaps	(164,000,000)	Pay	4.3380	17/12/2036
DB Swaps	54,000,000	Receive	5.208	22/06/2037
DB Swaps	160,000,000	Receive	5.131	08/06/2032
UBS Swaps	205,600,000	Receive	4.1770	20/12/2045
UBS Swaps	(61,000,000)	Pay	4.1040	20/12/2056
DB Swaps	42,000,000	Receive	4.883	21/06/2057

The fund also holds a number of RPI swaps executed with Deutsche Bank. These are summarised in the table below:

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
Deutsche Bank Break	2,943,000	Receive	3.07%pa	20/06/2008
Deutsche Bank Break	2,401,000	Receive	3.07%pa	20/06/2009
Deutsche Bank Break	1,964,000	Receive	3.07%pa	20/06/2010
Deutsche Bank Break	1,615,000	Receive	3.07%pa	20/06/2011
Deutsche Bank Break	3,463,000	Receive	3.093%pa	20/06/2026
Deutsche Bank Break	3,056,000	Receive	3.093%pa	20/06/2027
Deutsche Bank Break	2,678,000	Receive	3.093%pa	20/06/2028
Deutsche Bank Break	2,326,000	Receive	3.093%pa	20/06/2029
Deutsche Bank Break	2,001,000	Receive	3.093%pa	20/06/2030
Deutsche Bank Break	1,440,000	Receive	3.093%pa	20/06/2032
Deutsche Bank Break	1,199,000	Receive	3.093%pa	20/06/2033
Deutsche Bank Break	984,000	Receive	3.093%pa	20/06/2034
Deutsche Bank Break	800,000	Receive	3.093%pa	20/06/2035
Deutsche Bank Break	646,000	Receive	3.093%pa	20/06/2036
Deutsche Bank Break	522,000	Receive	3.093%pa	20/06/2037
Deutsche Bank Break	426,000	Receive	3.093%pa	20/06/2038
Deutsche Bank Break	1,323,000	Receive	3.07%pa	20/06/2012
Deutsche Bank Break	1,077,000	Receive	3.07%pa	20/06/2013
Deutsche Bank Break	875,000	Receive	3.07%pa	20/06/2014
Deutsche Bank Break	710,000	Receive	3.07%pa	20/06/2015

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
Deutsche Bank Break	573,000	Receive	3.07%pa	20/06/2016
Deutsche Bank Break	459,000	Receive	3.07%pa	20/06/2017
Deutsche Bank Break	364,000	Receive	3.07%pa	20/06/2018
Deutsche Bank Break	287,000	Receive	3.07%pa	20/06/2019
Deutsche Bank Break	224,000	Receive	3.07%pa	20/06/2020
Deutsche Bank Break	173,000	Receive	3.07%pa	20/06/2021
Deutsche Bank Break	131,000	Receive	3.07%pa	20/06/2022
Deutsche Bank Break	99,000	Receive	3.07%pa	20/06/2023
Deutsche Bank Break	73,000	Receive	3.07%pa	20/06/2024
Deutsche Bank Break	52,000	Receive	3.07%pa	20/06/2025
Deutsche Bank Break	37,000	Receive	3.07%pa	20/06/2026
Deutsche Bank Break	26,000	Receive	3.07%pa	20/06/2027
Deutsche Bank Break	18,000	Receive	3.07%pa	20/06/2028
Deutsche Bank Break	12,000	Receive	3.07%pa	20/06/2029
Deutsche Bank Break	8,000	Receive	3.07%pa	20/06/2030
Deutsche Bank Break	5,000	Receive	3.07%pa	20/06/2031
Deutsche Bank Break	3,000	Receive	3.07%pa	20/06/2032
Deutsche Bank Break	2,000	Receive	3.07%pa	20/06/2033
Deutsche Bank Break	1,000	Receive	3.07%pa	20/06/2034
Deutsche Bank Break	20,709,000	Receive	3.093%pa	20/06/2008
Deutsche Bank Break	18,785,000	Receive	3.093%pa	20/06/2009
Deutsche Bank Break	17,056,000	Receive	3.093%pa	20/06/2010
Deutsche Bank Break	15,498,000	Receive	3.093%pa	20/06/2011
Deutsche Bank Break	14,080,000	Receive	3.093%pa	20/06/2012
Deutsche Bank Break	12,793,000	Receive	3.093%pa	20/06/2013
Deutsche Bank Break	11,634,000	Receive	3.093%pa	20/06/2014
Deutsche Bank Break	10,603,000	Receive	3.093%pa	20/06/2015
Deutsche Bank Break	9,687,000	Receive	3.093%pa	20/06/2016
Deutsche Bank Break	8,846,000	Receive	3.093%pa	20/06/2017
Deutsche Bank Break	8,060,000	Receive	3.093%pa	20/06/2018
Deutsche Bank Break	7,330,000	Receive	3.093%pa	20/06/2019
Deutsche Bank Break	6,650,000	Receive	3.093%pa	20/06/2020
Deutsche Bank Break	6,022,000	Receive	3.093%pa	20/06/2021
Deutsche Bank Break	5,441,000	Receive	3.093%pa	20/06/2022
Deutsche Bank Break	4,900,000	Receive	3.093%pa	20/06/2023

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
Deutsche Bank Break	4,390,000	Receive	3.093%pa	20/06/2024
Deutsche Bank Break	3,908,000	Receive	3.093%pa	20/06/2025
Deutsche Bank Break	353,000	Receive	3.093%pa	20/06/2039
Deutsche Bank Break	293,000	Receive	3.093%pa	20/06/2040
Deutsche Bank Break	245,000	Receive	3.093%pa	20/06/2041
Deutsche Bank Break	206,000	Receive	3.093%pa	20/06/2042
Deutsche Bank Break	173,000	Receive	3.093%pa	20/06/2043
Deutsche Bank Break	146,000	Receive	3.093%pa	20/06/2044
Deutsche Bank Break	123,000	Receive	3.093%pa	20/06/2045
Deutsche Bank Break	1,706,000	Receive	3.093%pa	20/06/2031

13. **Analysis of working capital**

The following table sets out the significant movements in the working capital, shown in Form 19 line 68, from 31 December 2006 to 31 December 2007.

	£million
Working capital at 31 December 2006	68
Roll forward	
Expected investment return on the value of the overcoat	4
Increase in earmarked assets	2
Methodology changes:	
Change of management actions	(40)
New economic scenario generator & other modelling changes	39
Basis change:	
Change in long term asset mix	(20)
Revised persistency assumptions	(9)
Revised longevity assumptions	(1)
Investment returns variance:	
Property variance	(10)
Variance due to change in credit spreads	(49)
Variance on other asset classes	6
Miscellaneous	
Actual policy movements differing from expected	3
Reduction in investment management fees	5
Change in benefit of management actions	38
Impact of 2007 Asset Share charge	8
Adjustment to value of securitised loan liability	8
Correction to December 2006 expense inflation	6
Miscellaneous movements in the cash estate	8
Unexplained	4
Working capital at 31 December 2007	70

14. **Optional disclosure**

Not applicable.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

National Provident Life Limited

Global Business

Financial year ended 31 December 2007

We certify that: -

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

   (b) the directors are satisfied that :

   (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and

   (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

2. (a) in the directors' opinion, premiums for contracts 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	J R Cusins
Managing Director	Director	Director

Date: 20 March 2008

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

National Provident Life Limited

Global business

Financial year ended 31 December 2007

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 19, 40 to 44, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the reports required by IPRU(INS) rule 9.31("the valuation reports");

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 reports) under the provisions of the Rules. The requirements of the rules have been modified by the directions referred to in Supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement, and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports 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.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. 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 20 March 2008. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports 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 reports 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 reports prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP
Registered Auditor
London

Date: 20 March 2008