NPI LIMITED

Annual FSA Insurance Returns for the year ended

31 December 2010

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

Contents

Form 2

Statement of solvency - long-term insurance business

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3725037	GL	31	12	2010	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	10000	10000
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	154129	101338
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	164129	111338
Guarantee fund			
Guarantee fund requirement	21	18538	17694
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	145591	93644
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	55615	53083
Resilience capital requirement	32	4555	5150
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	60170	58233
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	60170	58233
Excess (deficiency) of available capital resources to cover 50% of MCR	37	134044	82222
Excess (deficiency) of available capital resources to cover 75% of MCR	38	119002	67663
Enhanced capital requirement			
With-profits insurance capital component	39		
Enhanced capital requirement	40	60170	58233
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	60170	58233
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	103959	53105
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Covering Sheet to Form 2 **Form 2**

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

....	**M J Merrick**	**Chief Executive**
....	**A Moss**	**Director**
....	**J J Yates**	**Director**

Date 22 March 2011

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	GL	31	12	2010	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	11		250000	250000	250000
Profit and loss account and other reserves	12		106335	106335	78726
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		356335	356335	328726
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		356335	356335	328726
Investments in own shares	32				
Intangible assets	33		16086	16086	12567
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		15485	15485	15392
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		31571	31571	27959
Total tier one capital after deductions (31-37)	39		324764	324764	300767

Form 3
(Sheet 2)

Components of capital resources

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	GL	31	12	2010	£000

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

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	GL	31	12	2010	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		324764	324764	300767
Inadmissible assets other than intangibles and own shares	73		9839	9839	13287
Assets in excess of market risk and counterparty limits	74		150796	150796	176142
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		164129	164129	111338
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		164129	164129	111338
Available capital resources for 50% MCR requirement	82		164129	164129	111338
Available capital resources for 75% MCR requirement	83		164129	164129	111338
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2010	£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	44206	14559
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	112609	88507
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2010**
Category of assets	**Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2010	£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		
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81		123
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84		
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	42	27
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	156856	103216

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2010	£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	156856	103216
Admissible assets in excess of market and counterparty limits	92	150795	176142
Inadmissible assets directly held	93	16086	12566
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(7)	(178)
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	323730	291746

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	44206	

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2010	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	140537	149137
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		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	235592	264886
Rights under derivative contracts		44	55235	41575
Fixed interest securities	Approved	45	419200	315635
	Other	46	429485	384645
Variable interest securities	Approved	47	33209	16627
	Other	48	6411	20406
Participation in investment pools		49		
Loans secured by mortgages		50	175	184
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	29	30
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3025	6844
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	10648	10832
	Property linked	59	2956484	2841575

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2010**
Category of assets	**Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2010	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		3000
	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	17526	26548
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	11162	4917
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	19309	16138
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	321	265
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	4338347	4103244

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3725037	GL	31	12	2010	£000	10

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4338347	4103244
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		1
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	9839	13287
Reinsurers' share of technical provisions excluded from line 89	100	844930	844098
Other asset adjustments (may be negative)	101	3925	
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	5197041	4960630

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		2226

Form 14

Long term insurance business liabilities and margins

Name of insurer	**NPI LIMITED**
Global business	
Financial year ended	**31 December 2010**
Total business/Sub fund	**Total long term insurance business assets**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	3552461	3350599
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	10000	10000
Long term insurance business fund carried forward (11 to 13)		14	3562461	3360599
Claims outstanding	Gross	15	6189	5666
	Reinsurers' share	16		
	Net (15-16)	17	6189	5666
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23	535609	513702
Creditors	Direct insurance business	31	28	388
	Reinsurance accepted	32		
	Reinsurance ceded	33	26419	3000
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	141854	155540
Creditors	Taxation	37	262	681
	Other	38	55197	54781
Accruals and deferred income		39	2713	1912
Provision for "reasonably foreseeable adverse variations"		41	7616	6975
Total other insurance and non-insurance liabilities (17 to 41)		49	775886	742645
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	4338347	4103244

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	79	7783
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2956484	2841575

Total liabilities (11+12+49)	71	4328347	4093244
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	844930	844098
Other adjustments to liabilities (may be negative)	74	(15079)	(15392)
Capital and reserves and fund for future appropriations	75	38843	38680
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	5197041	4960630

Form 15

Liabilities (other than long term insurance business)

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	3725037	GL	31	12	2010	£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	2720	1700
	Foreseeable dividend	48		
	Other	49	7	178
Accruals and deferred income		51		
Total (19 to 51)		59	2727	1878
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	2727	1878

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		178

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	3512	(178)
Capital and reserves	84	317491	290046
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	323730	291746

Form 16

Profit and loss account (non-technical account)

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/UK/CM	day	month	year	Units
R16	3725037	GL	31	12	2010	£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	23921	22699
Investment income	Income	14	4864	9223
	Value re-adjustments on investments	15		
	Gains on the realisation of investments	16		
Investment charges	Investment management charges, including interest	17		43
	Value re-adjustments on investments	18		
	Loss on the realisation of investments	19		
Allocated investment return transferred to the general insurance business technical account		20		
Other income and charges (particulars to be specified by way of supplementary note)		21	30	(364)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	28815	31515
Tax on profit or loss on ordinary activities		31	1370	2500
Profit or loss on ordinary activities after tax (29-31)		39	27445	29015
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	27445	29015
Dividends (paid or foreseeable)		51		65000
Profit or loss retained for the financial year (49-51)		59	27445	(35985)

Form 17

Analysis of derivative contracts

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	3725037	GL	31	12	2010	£000	10

Derivative contracts			Value as at the end of this financial year		Notional amount as at the end of this financial year	
			Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	11	44			17565
	Interest rates	12	52155	17568	483050	373892
	Inflation	13	1282	57		54327
	Credit index / basket	14				
	Credit single name	15	136		10426	
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	1618	2077	64947	184689
	Mortality	20				
	Other	21		972	29000	
In the money options	Swaptions	31				
	Equity index calls	32				
	Equity stock calls	33				
	Equity index puts	34				
	Equity stock puts	35				
	Other	36				
Out of the money options	Swaptions	41				
	Equity index calls	42				
	Equity stock calls	43				
	Equity index puts	44				
	Equity stock puts	45				
	Other	46				
Total (11 to 46)		51	55235	20674	587423	630473
Adjustment for variation margin		52				
Total (51 + 52)		53	55235	20674		

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

Form 40

Long-term insurance business : Revenue account

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**

Income

		Financial year 1	Previous year 2
Earned premiums	11	99558	151277
Investment income receivable before deduction of tax	12	120532	122401
Increase (decrease) in the value of non-linked assets brought into account	13	59172	29899
Increase (decrease) in the value of linked assets	14	283100	404613
Other income	15	765	272
Total income	19	563126	708462

Expenditure

		Financial year 1	Previous year 2
Claims incurred	21	258269	252266
Expenses payable	22	13662	14098
Interest payable before the deduction of tax	23	306	663
Taxation	24	(4300)	(21199)
Other expenditure	25	69407	46835
Transfer to (from) non technical account	26	23921	22699
Total expenditure	29	361265	315362

		Financial year 1	Previous year 2
Business transfers - in	31	11504	11601
Business transfers - out	32	11504	11601
Increase (decrease) in fund in financial year (19-29+31-32)	39	201862	393100
Fund brought forward	49	3360599	2967499
Fund carried forward (39+49)	59	3562461	3360599

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	7151	24591		31742	37705
Single premiums	12	747	73816		74563	124557
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	37	393		431	602
Single premiums	16		6317		6317	10383
Net of reinsurance						
Regular premiums	17	7114	24198		31311	37103
Single premiums	18	747	67499		68246	114174
Total						
Gross	19	7898	98407		106305	162262
Reinsurance	20	37	6710		6747	10985
Net	21	7861	91697		99558	151277

Form 42

Long-term insurance business : Analysis of claims

Name of insurer: **NPI LIMITED**
Total business / subfund: **Total long term insurance business assets**
Financial year ended: **31 December 2010**
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	16102	6161		22263	18570
Disability periodic payments	12	27			27	5
Surrender or partial surrender	13	39999	113088		153087	153291
Annuity payments	14	4416	68515		72931	65982
Lump sums on maturity	15	14257	62058		76315	83550
Total	16	74801	249822		324623	321398
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	2067	586		2653	2526
Disability periodic payments	32					
Surrender or partial surrender	33	13453	2696		16149	16746
Annuity payments	34		42816		42816	43618
Lump sums on maturity	35		4736		4736	6242
Total	36	15520	50834		66354	69132
Net of reinsurance						
Death or disability lump sums	41	14035	5575		19610	16044
Disability periodic payments	42	27			27	5
Surrender or partial surrender	43	26546	110392		136938	136545
Annuity payments	44	4416	25699		30115	22364
Lump sums on maturity	45	14257	57322		71579	77308
Total	46	59281	198988		258269	252266

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
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	158	467		625	(667)
Management - acquisition	13					
Management - maintenance	14	3868	10022		13890	15015
Management - other	15					704
Total	16	4026	10489		14515	15052
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	292	561		853	954
Management - other	35					
Total	36	292	561		853	954
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42	158	467		625	(667)
Management - acquisition	43					
Management - maintenance	44	3576	9461		13037	14061
Management - other	45					704
Total	46	3734	9928		13662	14098

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer NPI LIMITED

Total business

Financial year ended 31 December 2010

Units £000

		Financial year 1	Previous year 2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11	1734	207726
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	2961754	2636055
Total assets (excluding cross investment) (11+12+13)	14	2963488	2843781
Provision for tax on unrealised capital gains	15	18	18
Secured and unsecured loans	16		
Other liabilities	17	6356	1060
Total net assets (14-15-16-17)	18	2957114	2842703
Directly held linked assets			
Value of directly held linked assets	21		
Total			
Value of directly held linked assets and units held (18+21)	31	2957114	2842703
Surplus units	32	630	1128
Deficit units	33		
Net unit liability (31-32+33)	34	2956484	2841575

Form 45

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

Name of insurer **NPI LIMITED**

Total business

Financial year ended **31 December 2010**

Units **£000**

		Financial year 1	Previous year 2
Income			
Value of total creation of units	11	109611	188723
Investment income attributable to the funds before deduction of tax	12	61153	70072
Increase (decrease) in the value of investments in the financial year	13	283100	404613
Other income	14		614
Total income	19	453864	664022
Expenditure			
Value of total cancellation of units	21	304776	381381
Charges for management	22	25728	21513
Charges in respect of tax on investment income	23	7390	7171
Taxation on realised capital gains	24	303	205
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	1040	(25)
Other expenditure	26	216	275
Total expenditure	29	339453	410520
Increase (decrease) in funds in financial year (19-29)	39	114411	253502
Internal linked fund brought forward	49	2842703	2589201
Internal linked funds carried forward (39+49)	59	2957114	2842703

Form 46

Long-term insurance business : Summary of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2010**
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					
Single premium business	12					
Total	13					
Amount of new regular premiums						
Direct insurance business	21	6	4		9	350
External reinsurance	22					
Intra-group reinsurance	23	1	22		23	10
Total	24	6	26		32	360
Amount of new single premiums						
Direct insurance business	25	626	1145		1771	1593
External reinsurance	26					
Intra-group reinsurance	27	91	72382		72473	122964
Total	28	717	73527		74244	124556

Form 47

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2010**
Units	**£000**
UK Life / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				626
715	Life property linked endowment regular premium - savings		6		

Form 47

Long-term insurance business : Analysis of new business

Name of insurer — **NPI LIMITED**

Total business

Financial year ended — **31 December 2010**

Units — **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				91
720	Life property linked endowment regular premium – target cash		1		

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2010**
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
400	Annuity non-profit (CPA)				667
530	Individual pensions UWP - increments				13
725	Individual pensions property linked		3		30
730	Individual pensions property linked - increments		1		435

Long-term insurance business : Analysis of new business

Name of insurer	**NPI LIMITED**
Total business	
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Reinsurance accepted intra-group	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)				71897
730	Individual pensions property linked - increments		17		486
735	Group money purchase pensions property linked		5		

Form 48

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

Name of insurer	**NPI LIMITED**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**

		Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	11	140537	140537		4.35	
Approved fixed interest securities	12	427145	427183	19551	3.98	
Other fixed interest securities	13	440593	440637	23331	4.81	
Variable interest securities	14	39866	39872	1180	3.92	
UK listed equity shares	15		333	10	2.90	
Non-UK listed equity shares	16		166	4	2.30	
Unlisted equity shares	17					
Other assets	18	323075	322486	9354	3.50	
Total	19	1371215	1371215	53429	4.17	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					
Overall return on with-profits assets						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**NPI LIMITED**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	94448	12.25	3.57	3.57
Other approved fixed interest securities	21	332736	10.94	4.09	4.07
Other fixed interest securities					
AAA/Aaa	31	4219	18.04	4.45	4.29
AA/Aa	32	57416	12.95	4.95	4.50
A/A	33	219053	9.09	4.68	4.09
BBB/Baa	34	153884	6.81	4.83	3.74
BB/Ba	35	6066	9.78	7.98	5.16
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	440637	8.89	4.81	4.04
Approved variable interest securities	41	33366	14.72	3.29	3.29
Other variable interest securities	51	6507	9.16	7.13	6.22
Total (11+21+39+41+51)	61	907693	10.21	4.38	3.99

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12	42745	1092114		1134858	1034924
Form 52	13	106875	68383		175258	192724
Form 53 - linked	14	409776	2546708		2956484	2841575
Form 53 - non-linked	15	4719	86369		91087	91062
Form 54 - linked	16	1356	31046		32402	32775
Form 54 - non-linked	17	807	1494		2301	1637
Total	18	566277	3826114		4392390	4194697
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32		595315		595315	581385
Form 52	33	104616	68383		172999	190472
Form 53 - linked	34					
Form 53 - non-linked	35	1	49856		49857	50298
Form 54 - linked	36		21753		21753	21943
Form 54 - non-linked	37		6		6	
Total	38	104617	735313		839929	844098
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	42745	496799		539544	453539
Form 52	43	2259	0		2259	2252
Form 53 - linked	44	409776	2546708		2956484	2841575
Form 53 - non-linked	45	4717	36513		41230	40764
Form 54 - linked	46	1356	9293		10648	10832
Form 54 - non-linked	47	807	1488		2295	1637
Total	48	461660	3090801		3552461	3350599

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity non-profit (PLA)	5768	4282					42302
435	Miscellaneous non-profit	70	3265	15				82
440	Additional reserves non-profit OB							360

Form 51

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit		320					6082
400	Annuity non-profit (CPA)	13284	77824					1079064
435	Miscellaneous non-profit	14	876	3				30
440	Additional reserves non-profit OB							6938

Form 51

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
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
390	Deferred annuity non-profit		320					5956
400	Annuity non-profit (CPA)		46807					589358

Form 52

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	4173	112413		112238	96013	10700	106713
610	Additional reserves UWP						162	162

Form 52

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
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		112413		112238	96013	8603	104616

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	994	19040	166	19040	16886	2197	19083
535	Group money purchase pensions UWP	4265	36926	1317	36926	36182	2771	38953
570	Income drawdown UWP	64	11855		11855	10234	112	10347
605	Miscellaneous protection rider		11	0			0	0

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP		19040	166	19040	16886	2197	19083
535	Group money purchase pensions UWP		36926	1317	36926	36182	2771	38953
570	Income drawdown UWP		11855		11855	10234	112	10347

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	12967	270617		269486	269486	2319	271805
710	Life property linked whole life regular premium	3394	102569	1401	39583	38917	307	39223
715	Life property linked endowment regular premium - savings	13133	229822	6659	98105	98300	2081	100381
720	Life property linked endowment regular premium - target cash		6926	195	3074	3074	6	3080
770	Term assurance rider		995	14			1	1
790	Miscellaneous protection rider			38			4	4

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
770	Term assurance rider		995	14			1	1

Form 53

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	73400	2082344	25125	2081836	2059548	79156	2138703
735	Group money purchase pensions property linked	17554	420828	17134	420828	417623	5388	423011
750	Income drawdown property linked	416	57737		57737	57737	(77)	57660
755	Trustee investment plan	11	2030		2030	2030		2030
790	Miscellaneous protection rider		763	27			33	33
795	Miscellaneous property linked	3	9770		9770	9770		9770
800	Additional reserves property linked						1869	1869

Form 53

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked						49856	49856

Form 54

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
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	75	164		1356	1356	807	2163

Form 54

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	124	2015		32291	31046	1494	32540

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

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
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		1548		22998	21753	6	21759

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

Name of insurer **NPI LIMITED**

Total business

Financial year ended **31 December 2010**

Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
NPI - Pension Managed	12 - Individual Pension - Balanced Managed Fund	1436157	Ordinary Series 1 & 2	1.01	15.8450	17.7860	12.25
NPI - Pension UK Equity	15 - Individual Pension - UK Equity	199277	Ordinary Series 1 & 2	1.01	20.2460	23.2250	14.71
PAULP - Retirement Managed	14 - Individual Pension - Other Managed Fund	313376	Mixed Accumulation	1.00	3.9620	4.4360	11.96
PAUF - Balanced Managed	02 - Life - Balanced Managed Fund	124636	Mixed Accumulation	1.00	3.0650	3.4080	11.19

Form 57

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **NPI LIMITED**

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

Financial year ended **31 December 2010**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL NP Code 395/440/905	43469	3.95	3.95	4.24
UKP NP Code 390/400/440/905	498257	3.95	3.95	4.24
UKL NP Code 700/710/715/720	4564	2.70	3.40	3.49
UKL WP Code 500/575	2259	3.40	3.40	3.66
UKP WP Code 725/735	0	3.40	3.40	3.66
UKP NP Code 725	7454	3.40	3.40	3.49
UKP NP Code 725	20285	3.40	3.40	3.49
UKP NP Code 735	5388	4.10	4.10	3.66
Misc	3653	n/a	n/a	3.66
Total	585329			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**NPI LIMITED**
Total business / subfund	**Total long term insurance business assets**
Financial year ended	**31 December 2010**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	3562461	3360599
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	23921	22699
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3586382	3383298
Mathematical reserves	21	3552461	3350599
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	33921	32699
Composition of surplus			
Balance brought forward	31	10000	10000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	23921	22699
Total	39	33921	32699
Distribution of surplus			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	23921	22699
Total distributed surplus (46+47)	48	23921	22699
Surplus carried forward	49	10000	10000
Total (48+49)	59	33921	32699
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Form 59A

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

Name of insurer **NPI LIMITED**

Original insurer **NPI LIMITED**

Date of maturity value / open market option **01 March 2011**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	24152	938		UWP	N	24152
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	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	12388			UWP	N	12388
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

Form 59B

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

Name of insurer NPI LIMITED

Original insurer NPI LIMITED

Date of surrender value 01 March 2011

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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
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	10176		(1938)	UWP	Y	12126
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	10158		(2230)	UWP	Y	12388

Form 60

Long-term insurance capital requirement

Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2010**

Units **£000**

		LTICR factor 1	Gross reserves / capital at risk 2	Net reserves / capital at risk 3	Reinsurance factor 4	LTICR Financial year 5	LTICR Previous year 6
Insurance death risk capital component							
Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	18775	3811		28	36
Classes III, VII and VIII	15	0.3%	198377	198377	1.00	595	709
Total	16		217152	202188		623	745
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	1310545	541803	0.85	11140	10436
Classes III, VII and VIII (investment risk)	33	1%	184665	111968	0.85	1570	1657
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	306452	306452	1.00	3065	2921
Classes III, VII and VIII (other)	35	25%				1090	1043
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					16864	16057
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	1310545	541803	0.85	33419	31309
Classes III, VII and VIII (investment risk)	43	3%	184665	111968	0.85	4709	4972
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	306452	306452			
Classes III, VII and VIII (other)	45	0%	2592244	2592238			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		4393906	3552461		38128	36281
Long term insurance capital requirement	51					55615	53083

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.1

***0201* Modification to the Return**

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

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

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in April 2009. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R (1) if control is exercised by, or on behalf of, HM Treasury.

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

	2010 £000	2009 £000
Net admissible assets:		
Total other than long term insurance business assets - Form 13 line 89	156,856	103,216
Total long term insurance business assets - Form 13 line 89	4,338,347	4,103,244
Less Liabilities - Form 14 line 71	(4,328,347)	(4,093,244)
Less Liabilities - Form 15 line 69	(2,727)	(1,878)
Total capital resources after deductions	164,129	111,338

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

	2010 £000	2009 £000
Valuation differences included within Form 3 line 35		
Positive valuation differences in respect of liabilities		
Deferred tax liability	10,548	-
Onerous contracts provisions in respect of unitised contracts	-	5,748
Provisions for Guaranteed minimum pensions	-	869
Provision for Solvency II costs	-	1,509
Miscellaneous reserves	-	1,448
Negative valuation differences in respect of liabilities		
Provision for reasonably foreseeable adverse variations	(7,616)	(6,975)
FSA prudent reserves	(18,417)	(17,991)
Net valuation difference	(15,485)	(15,392)

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

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

	2010 £000
Profit and loss account and other reserves - Form 3 line 12 at 1 January 2010	78,726
Profit or loss retained for the financial year - Form 16 line 59	27,445
Movement in inadmissible assets	(3,448)
Movement in intangible assets	3,519
Movement in net valuation difference (Note 0310)	93
Profit and loss account and other reserves - Form 3 line 12 at 31 December 2010	106,335

***1305* & *1319* Counterparty limits**

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

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

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

***1306* & *1312* Counterparty exposure at the end of the financial year**

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

This exposure is a loan to the insurer's parent undertaking, Phoenix Life Limited with a value of £195.0 million.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

***1308* Unlisted and listed investments**

Included within Form 13 are the following amounts:

	2010 £000	2009 £000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	-	-
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable.	-	-
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	-	146,469
Total	-	146,469

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

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

***1318* Other asset adjustments**

Included within line 101 of Form 13, for 2010 are the following amounts:

	Long Term £000	Other than long term £000
Reclassification of other creditors	3,925	(7)
	3,925	(7)

Included within line 101 of Form 13, for 2009 are the following amounts:

	Long Term £000	Other than long term £000
Reclassification of other creditors	-	(178)
	-	(178)

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

***1401* & *1501* Provision for reasonably foreseeable adverse variations**

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

The key assumptions used to calculate the reversion amounts were:

- Mortality: 80% IML92/IFL92 with CMI17 improvements together with a surrender assumption (50% increase) to allow for sale before death without immediate repurchase.
- Future specific house price inflation 0.06% p.a.

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

- Mortality: 100% IML92 with 100% average medium and long cohort improvements with a 1.5% floor (C2012); 100% IFL92 with 75% average medium and long cohort improvements with a 1.25% floor (C2012).
- Future specific house price inflation -0.19% p.a. below the growth in the Halifax house price index (assumed to be 0.31% p.a.) is assumed.
- A future LIBOR rate of 2.81% p.a. plus an additional 1.125% and a discount rate of 2.71% p.a. were assumed in calculating the provision.

The total provision was £7.6 million.

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

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid (with a lock up period of greater than one year) or is valued using an internal model.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R, which are applied to all identified assets. In assessing the need for a provision the following assumptions have been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times. A provision is established for less liquid positions.

- Opal assets are collateralised and the assets and liabilities are matched. Opal assets are regularly assessed to ensure that there is sufficient liquidity within the funds to meet its obligations therefore no further adjustments are considered necessary for Opal assets.

No additional provisions have been identified.

***1402* & *1502* Liabilities**

(a) A reassurance treaty between the insurer and Opal Reassurance Limited ("Opal") was signed during 2007. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to Opal, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and Opal has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £535.6 million (2009: £513.7 million) (see table below).

Assets which are subject to the charge	2010 £000	2009 £000
Form 13		
Line 43 – Holdings in collective investment schemes	173,374	207,913
Line 44 – Rights under derivative contracts	48,079	36,380
Line 45 – Approved fixed interest securities	159,614	111,900
Line 46 – Other fixed interest securities	172,500	146,725
Line 47 – Approved variable interest securities	15,895	14,758
Line 48 – Other variable interest securities	-	16,906
Line 74 - Reinsurance accepted	-	3,000
Line 78 – Other debtors	-	367
Line 81 – Deposits not subject to time restriction on withdrawal with approved institution	1,052	2,157
Line 84 – Accrued interest and rent	6,869	5,269
Less Form 14		
Line 38 – Creditors other	41,774	31,673
Total	535,609	513,702

(b) There is no potential liability to taxation on capital gains, which could arise if the insurer were to dispose of its long term insurance business assets.

Appendix 9.1 (continued)

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

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision for possible redress included in the mathematical reserves for Phase 1 is £20.2 million (2009: £22.6 million). The provision for possible redress included in the mathematical reserves for Phase 2 cases is £0.1 million (2009: £0.1 million).

Included in the mathematical reserves are also provisions for additional associated costs of £0.4 million (2009: £0.4 million).

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

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

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

***1405* Other adjustments to liabilities**

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

	2010 £000	2009 £000
Positive valuation differences in respect of liabilities		
Deferred taxation liability	7,029	-
Onerous contracts provisions in respect of unitised contracts	-	5,748
Provisions for Guaranteed minimum pensions	-	869
Provision for Solvency II costs	-	1,509
Miscellaneous reserves	-	1,448
Reclassification of other creditors	3,925	-
Negative valuation differences in respect of liabilities		
Provision for reasonably foreseeable adverse variations	(7,616)	(6,975)
FSA prudent reserves	(18,417)	(17,991)
Other creditor reclassification	-	-
Total	(15,079)	(15,392)

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

***1507* Other adjustments to liabilities**

Included within line 83 of Form 15 are the following amounts

	2010 £000	2009 £000
Deferred tax liability	3,519	-
Reclassification of other creditors	(7)	(178)
Form 15 line 83	3,512	(178)

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

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

***1603* Other income and charges**

Other income and charges comprise professional indemnity insurance and custody fee expenses, and a refund of consultancy service fees.

***1700* Analysis of derivative contracts**

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

***1701* Variation margin**

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received of £nil (2009: £0.50 million) is included in Form 13 line 81.

***1703* Derivative collateral**

Our practice is to seek collateral for derivative asset positions from our counterparties as part of managing our overall credit risk. In line with IFRS accounting standards, the cash held as collateral is reported on Form 13 line 43 and an equal liability in Form 14 line 38 rather than reducing the value shown on Form 13 line 44. This balance of £33m has in consequence not been reflected as 'Variation margin' in Form 17 Line 52.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3

***4002* Other income and expenditure**

	2010 £000	2009 £000
Other income		
Annual management charges	402	10
Administration fees and charges	363	262
Total	765	272
Other expenditure		
Annual management charges payable	13,935	12,132
Change in deposits received from reinsurers	55,472	34,703
Total	69,407	46,835

Annual management charges are payable to National Provident Life Limited and Pearl Assurance Limited. The change in deposits received from reinsurers represents the change in the collateral value of assets.

***4004* Business transfers**

During the year £11.5m (2009: £11.6m) of vesting annuities have remained within the Fund. These amounts have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively but as "business transfers – in" and "business transfers – out". As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47.

***4008* Provision of management services**

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

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

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

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

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

Appendix 9.3 (continued)

***4502* Other expenditure**

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

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

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

***4803* Coupon Rates**

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

***4901* Credit rating agency**

Ratings shown are the weaker of ratings provided by Moody's Investors Services and Standard & Poor's Corporation, otherwise the credit ratings used were provided by Ignis Investment Management Limited.

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

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

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

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

Product Group	Risk adjusted yield
UKL NP Code 395/440/905	4.24%
UKP NP Code 390/400/440/905	4.24%
UKL WP Code 500/575	3.66%
UKP NP Code 735	3.66%
UKP WP Code 725/735	3.66%
Misc	3.66%

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

NPI Limited

Global Business

Financial year ended 31 December 2010

(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 cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

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

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

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

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

(c) The company was not a party to any such contracts of the kind described in (b) at any time during the financial year.

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

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI Limited

Global Business

Financial year ended 31 December 2010

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

a) Phoenix Life Limited (became a controller on 31 March 2010);
b) Pearl Life Holdings Limited (became a controller on 31 March 2010);
c) Impala Holdings Limited (became a controller on 31 March 2010);
d) Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited);
e) Phoenix Life Holdings Limited;
f) PGH (LCA) Limited;
g) PGH (LCB) Limited;
h) PGH (LC1) Limited (became a controller on 31 March 2010);
i) PGH (LC2) Limited (became a controller on 31 March 2010);
j) PGH (MC1) Limited (became a controller on 31 March 2010);
k) PGH (MC2) Limited (became a controller on 31 March 2010);
l) PGH (TC1) Limited (became a controller on 31 March 2010);
m) PGH (TC2) Limited (became a controller on 31 March 2010);
n) Phoenix Group Holdings (formerly Pearl Group);
o) Xercise Limited;
p) Xercise2 Limited;
q) Jambright Limited;
r) TDR Capital Nominees Limited; and
s) TDR Capital LLP

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

1. **Phoenix Life Limited**

   As at 31 December 2010, Phoenix Life Limited owned 100% of the shares of NPI Limited and was able to exercise 100% of the voting power at any general meeting.

2. **Pearl Life Holdings Limited**

   As at 31 December 2010, Pearl Life Holdings Limited owned 100% of the shares of Phoenix Life Limited, a company of which NPI Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

3. **Impala Holdings Limited**

   As at 31 December 2010, Impala Holdings Limited owned 100% of the shares of Pearl Life Holdings Limited, a company of which NPI Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

4. **Pearl Group Holdings (No. 2) Limited**

   As at 31 December 2010, Pearl Group Holdings (No. 2) Limited owned 75% of the shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 75% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI Limited

Global Business

Financial year ended 31 December 2010

(continued)

5. **Phoenix Life Holdings Limited**

   As at 31 December 2010, Phoenix Life Holdings Limited owned 100% of the ordinary shares of Pearl Group Holdings (No. 2) Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

6. **PGH (LCA) Limited**

   As at 31 December 2010, PGH (LCA) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

7. **PGH (LCB) Limited**

   As at 31 December 2010, PGH (LCB) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

8. **PGH (LC1) Limited**

   As at 31 December 2010, PGH (LC1) Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

9. **PGH (LC2) Limited**

   As at 31 December 2010, PGH (LC2) Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

10. **PGH (MC1) Limited**

    As at 31 December 2010, PGH (MC1) Limited owned 100% of the ordinary shares of PGH (LC1) Limited, which in turn owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power of Impala Holdings Limited at any general meeting.

11. **PGH (MC2) Limited**

    As at 31 December 2010, PGH (MC2) Limited owned 100% of the ordinary shares of PGH (LC2) Limited, which in turn owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power of Impala Holdings Limited at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI Limited

Global Business

Financial year ended 31 December 2010

(continued)

12. PGH (TC1) Limited

As at 31 December 2010, PGH (TC1) Limited owned 100% of the ordinary shares of PGH (MC1) Limited, which in turn owned 100% of the ordinary shares of PGH (LC1) Limited, which in turn owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power of Impala Holdings Limited at any general meeting.

13. PGH (TC2) Limited

As at 31 December 2010, PGH (TC2) Limited owned 100% of the ordinary shares of PGH (MC2) Limited, which in turn owned 100% of the ordinary shares of PGH (LC2) Limited, which in turn owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power of Impala Holdings Limited at any general meeting.

14. Phoenix Group Holdings (formerly Pearl Group)

As at 31 December 2010, Phoenix Group Holdings owned 100% of the ordinary shares of PGH (LCA) Limited, 100% of the ordinary shares of PGH (LCB) Limited, 100% of the ordinary shares of PGH (TC1) Limited and 100% of the ordinary shares of PGH (TC2) Limited which between themselves own 100% of the ordinary shares of Impala Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power of PGH (LCA) Limited, PGH (LCB) Limited, PGH (TC1) Limited and PGH (TC2) Limited at any general meeting.

15. Xercise Limited

As at 31 December 2010, Xercise Limited owned the legal title to 13.2% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 13.2% of the voting power at any general meeting.

The beneficial interest in the Phoenix Group Holdings shares was transferred to Xercise2 Limited and its wholly owned subsidiaries on 4 October 2010.

16. Xercise2 Limited

On 4 October 2010, Xercise2 Limited, and its wholly owned subsidiaries acquired the beneficial interest in the Phoenix Group Holdings shares previously held by Xercise Limited.

As at the date of the submission of this return, it is understood that approval from the FSA for the application by Xercise2 Limited and its wholly owned subsidiaries to become a controller of NPI Limited is pending.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI Limited

Global Business

Financial year ended 31 December 2010

(continued)

17. Jambright Limited

As at 31 December 2010, Jambright 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, owned 2.6% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 2.6% of the voting power at any general meeting.

18. TDR Capital Nominees Limited

As at 31 December 2010, TDR Capital Nominees Limited owned 14.1% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 14.1% of the voting power at any general meeting.

19. TDR Capital LLP

As at 31 December 2010, TDR Capital Nominees Limited and Jambright Limited, which are associates of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being subsidiary undertakings of TDR Capital LLP, together owned 16.7% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and were able to exercise 16.7% of the voting power at any general meeting.

NPI Limited

Appendix 9.4

Abstract of Valuation Report

Introduction

1. (1) The date of the actuarial investigation (the valuation date) is 31 December 2010.

   (2) The date of the previous actuarial investigation under rule 9.4 was 31 December 2009.

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

Product range

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

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

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

Discretionary charges and benefits

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

Product	Premium Investment Date	Period applied
Portfolio Bond Series 1	Jan 2000 to Jun 2002	Throughout 2010
	Apr 2005 to Jun 2005	30 Jun 2010 to 29 Sep 2010
	Jul 2005 to Sep 2005	31 Mar 2010 to 29 Sep 2010
	Oct 2005 to Mar 2008	Throughout 2010
	Apr 2008 to Jun 2008	Until 29 Sep 2010
	Jul 2008 to Sep 2008	31 Mar 2010 to 29 Sep 2010
Portfolio Bond Series 2	Jan 2000 to Jun 2002	Throughout 2010
	Apr 2005 to Jun 2005	30Jun 2010 to 29 Sep 2010
	Jul 2005 to Sep 2005	31 Mar 2010 to 29 Sep 2010
	Oct 2005 to Mar 2008	Throughout 2010
	Apr 2008 to Jun 2008	Until 29 Sep 2010
	Jul 2008 to Sep 2008	31 Mar 2010 to 29 Sep 2010

Investment Bond	Oct 2000 to Jun 2002	Throughout 2010
	Oct 2004 to Jun 2005	31 Mar 2010 to 29 Sep 2010
	Jul 2005 to Jun 2008	Throughout 2010
	Jul 2008 to Sep 2008	31 Mar 2010 to 29 Sep 2010
	Oct 2009 to Dec 2009	30Jun 2010 to 29 Sep 2010
Socially Responsible Investment Bond	Oct 2000 to 16 Sep 2001	Throughout 2010
	Jan 2006 to Sep 2006	Until 30 Mar 2010 & from 30 Sep 2010
	Oct 2006 to Dec 2007	Throughout 2010
	Jan 2008 to Mar 2008	Until 30 Mar 2010 & from 30 Jun 2010
	Apr 2008 to Jun 2008	Until 30 Mar 2010 & from 30 Sep 2010
	Apr 2010 to Jun 2010	From 30 Sep 2010
Pensions business (excluding Capital Account)	Jan 2000 to Jun 2002	Throughout 2010
	Jan 2005 to Mar 2005	31 Mar 2010 to 29 Jun 2010
	Apr 2005 to Sep 2005	31 Mar 2010 to 29 Sep 2010
	Oct 2005 to Sep 2008	Throughout 2010
	Oct 2009 to Dec 2009	31 Mar 2010 to 29 Sep 2010
Socially Responsible With-profit Pensions business	Feb 2001 to 16 Sep 2001	Throughout 2010
	Jan 2006 to Sep 2006	Until 30 Mar 2010 & from 30 Sep 2010
	Oct 2006 to Jun 2008	Throughout 2010
	Jul 2008 to Sep 2008	Until 30 Mar 2010
	Jan 2010 to Jun 2010	From 30 Sep 2010

(2) There are no such policies.

(3) There are no such policies.

(4) Policy fees on NPIL linked policies were not changed during 2010 year because the change in the Retail Prices Index from September 2008 to September 2009 was less than zero.

Policy fees on PAULP Prosperity Personal Pension Version 1 policies increased by 0.9% on 1 January 2010 in line with the July 2008 to July 2009 increase in the National Average Earnings Index.

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

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

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

(i) The creation or cancellation of units in the internal linked funds is performed at un-rounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction

(ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the "offer price". The "bid price" is the base price rounded to the lower tenth of a penny, except on certain PAUF and PAULP policies whose bid prices are rounded to the higher tenth of a penny. Units are allocated to policies at the offer price and cancelled at the bid price. Units are allocated to Stakeholder policies at bid price. Switches in and out of units within a policy are processed at bid prices.

(iii) The asset values of the internal linked funds are calculated on a "bid" basis, as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.

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

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

(c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued (except for the NPIL Multi Manager Pension Fund, whose unit price is based on the previous pricing day's prices of the underlying funds).

(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 (PAUF & NPIL)	20%	19%	20%	19%

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

Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2010 was 19%.

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

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

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

(9) See (8) above.

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

Valuation basis (other than for special reserves)

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

Non-Linked Business

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

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

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

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

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

A provision for the immediate payment of claims is made.

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

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

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

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

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

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

Index Linked Business

Mathematical reserves have been determined using a gross premium method.

Property Linked Business

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

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

(2) The valuation rates of interest are:

Product Group	2010	2009	Product Code
NPIL Life non profit	3.40%	3.00%	435, 440, 790, 800
NPIL Life sterling reserves	3.40%	3.00%	700, 715
NPIL Pension non profit	3.95%	4.40%	390, 400, 435, 440, 790, 800
NPIL Pension sterling reserves	3.40%	3.70%	725, 735, 750, 755, 790, 795, 800
NPIL Life unitised with profit	3.40%	3.00%	500, 610
NPIL Pension unitised with profit	4.10%	4.30%	525, 535, 570, 605
NPIL level annuities	3.95%	4.40%	395, 400
NPIL index linked annuities	3.35%	3.60%	905
PAUF sterling reserves	3.40%	3.00%	700, 710, 715, 720
PAULP sterling reserves	3.40%	3.70%	725
PAULP level annuities	4.15%	4.55%	400
PAULP index linked annuities	3.95%	4.55%	905
LLLA sterling reserves	3.40%	3.00%	700, 710

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

For corporate bonds, a deduction was applied to the yield on a stock by stock basis to allow for default risk. The risk margins were calculated as long-term average default rates plus allowances for short-term factors and expected deviations from the historic average.

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

Rating	5yr bps	10yr bps	20yr bps
AAASSR	-	-	-
AAA	-	12.3	15.2
AA	-	32.1	48.2
A	25.4	53.9	66.6
BAA	82.8	104.1	116.4
BA	-	277.3	-
B	-	-	-
BB	-	-	287.2
BBB	82.8	104.1	122.4

A number of different techniques were then employed to produce further adjustments:

- For bank subordinated debt, a higher risk is recognised by imposing nil recovery rates on the above default rates. For banks receiving state aid, there is some additional deduction depending on whether the coupons can be missed or deferred without interest.
- Subordinated debt attracts deductions based on the seniority rating of the issuer rather than the ratings of the bonds themselves.
- Stocks were then 'notched' downwards if the credit ratings were considered inappropriate (after analysis of the current market spread and other factors).

Additional prudence was applied to all but the "already defaulted" stocks by holding an additional provision equivalent in value to increasing the risk margin deduction by 10%.

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

(4) The mortality bases[1] are:

Product Group	2010		2009		Product Code
	Males	Females	Males	Females	
NPIL Pre-vesting					
All business	100% AM92	100% AF92	100% AM92	100% AF92	All
NPIL Post-vesting/In payment					
Pension annuities	85% RMV00[2]	101% RFV00[2]	85% RMV00[2]	104% RFV00[2]	390, 400, 905
Pensions deferred annuities	85% RMV00[2]	101% RFV00[2]	85% RMV00[2]	104% RFV00[2]	390
Group GAF annuities	85% RMV00[2]	101% RFV00[2]	85% RMV00[2]	104% RFV00[2]	395
Life/IRS/Individual GAF annuities	100% IML92[3]	100% IFL92[4]	100% IML92[3]	100% IFL92[4]	395,905
Life deferred annuities	100% IML92[3]	100% IFL92[4]	100% IML92[3]	100% IFL92[4]	390
PAUF Single Premium	95% AMC00	95% AFC00	95% AMC00	95% AFC00	700
PAUF Regular Premium	116% AMC00	116% AFC00	116% AMC00	116% AFC00	710, 715, 720
PAULP linked products	79% AMC00	79% AFC00	79% AMC00	79% AFC00	725
PAULP immediate annuities	106% RMV00[2]	118% RFV00[2]	104% RMV00[2]	118% RFV00[2]	400, 905
LLLA all business	100% A67/70	100% A67/70 rated down 4 years	100% A67/70	100% A67/70 rated down 4 years	700, 710

Notes:

1. Ultimate mortality has been used in all cases.
2. CMI 2009 improvements: 3.25% for ages up to age 60, reducing linearly to 0% at age 120.
3. Annual improvements: average of Medium and Long cohort improvements, with 1.5% floor.
4. Annual improvements: 75% of average of Medium and Long cohort improvements, with minimum of the CMI17 floor and 1.25%.

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners annuities	24.9	15.6		
Group GAF annuities	24.9	15.6		
Life/IRS/Ind GAF annuities	23.9	14.8		
Life deferred annuities			26.7	25.3
Pensions deferred annuities			28.0	26.4
PAULP				
Immediate annuities	23.0	14.0		

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners annuities	26.4	16.5		
Group GAF annuities	26.4	16.5		
Life/IRS/Ind GAF annuities	25.3	15.9		
Life deferred annuities			27.6	26.4
Pensions deferred annuities			29.2	27.9
PAULP				
Immediate annuities	25.2	15.4		

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

(6) The expense bases are:

Product Group	£ Per Policy (p.a.)		% of Assets under Management (p.a.)		Product Code
	2010	2009	2010	2009	
NPIL					
UWP Life Bonds	52.98	49.98	n/a	n/a	500
UWP Pension Sing Prem	63.48	59.89	0.43	0.53	525
UWP Pension Reg Prem	34.63	32.67	0.43	0.53	535
UL Life Bonds	19.69	18.57	0.86	0.86	700
UL Life increments	19.69	18.57	0.55	0.60	700
UL Pension Sing Prem	25.48	24.05	0.53	0.44	725
UL Pension Reg Prem	25.48	24.05	0.53	0.44	725
UL Grp Pension Sing Prem	25.48	24.05	0.53	0.44	735
UL Grp Pension Reg Prem	25.48	24.05	0.53	0.44	735
UL Pensions increments	25.48	24.05	0.25	0.25	735
Immediate Annuities	27.74	26.17	0.095	0.08	400, 905
PAUF					
UL Life Reg Prem	21.82	20.84	0.78	0.85	710, 715, 720
UL Life Sing Prem	21.82	20.84	0.78	0.85	700
PAULP					
UL Pension Reg Prem	27.17	25.95	0.43	0.48	725
UL Pension Sing Prem	27.17	25.95	0.43	0.48	725
Immediate Annuities (up to March 2018)	25.20	24.01	0.10	0.14	400, 905
Immediate Annuities (after March 2018)	47.54	45.00	0.10	0.14	400, 905
LLLA					
Unit Linked	42.37	40.48	0.43	0.51	700, 710

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

No tax relief is applied to any of the figures in the table above.

(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
	2010	2009	2010	2009	2010	2009	
NPIL							
UWP	n/a	n/a	4.4	4.6	3.0	3.2	500, 525, 535, 570
Unit Linked	4.7	4.9	4.4	4.6	3.0	3.2	700, 715, 725, 735, 750, 755, 795
Immediate Annuities	n/a	n/a	4.4	4.6	n/a	n/a	400, 905
PAUF							
Unit Linked	4.7	4.9	3.4	3.6	n/a	n/a	700, 710, 715, 720
PAULP							
Unit Linked	4.7	4.9	3.4	3.6	3.5	3.7	725
Immediate Annuities	n/a	n/a	4.0	3.9	n/a	n/a	400, 905
LLLA							
Unit Linked	4.7	4.9	3.4	3.6	n/a	n/a	700, 710

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

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

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

Product Group	Decrement Type	Average lapse/ surrender/ paid-up rate for the policy years (% p.a) 1-5	6-10	11-15	16-20
NPIL					
Life					
• All business	Surrender	0	0	0	0
• All business	Automatic withdrawals	1.00	1.00	1.00	1.00
Pension					
• UWP indiv regular premium	Paid-Up	15.0	15.0	15.0	15.0
• UWP indiv regular premium	Surrender	0.0	0.0	0.0	0.0
• UWP indiv single premium	Surrender	0.0	0.0	0.0	0.0
• UL indiv regular premium	Paid-Up	15.0	15.0	15.0	15.0
• UL indiv regular premium	Surrender	3.0	3.0	3.0	3.0
• UL group regular premium	Paid-Up	33.0	33.0	33.0	33.0
• UL group regular premium	Surrender	4.2	4.2	4.2	4.2
• UL indiv single prem (ALIS)	Surrender	4.0	4.0	4.0	4.0
PAUF (all Life)					
UL savings endowment	Surrender	4.0	4.0	4.0	4.0
UL target cash endowment	Surrender	4.0	4.0	4.0	4.0
UL bond	Surrender	4.0	4.0	4.0	4.0
UL bond	Automatic withdrawals	2.2	2.2	2.2	2.2
PAULP (all Pension)					
UL indiv regular premium	Paid-Up	10.5	10.5	10.5	10.5
UL indiv regular premium	Surrender	1.5	1.5	1.5	1.5
UL indiv single premium	Surrender	1.0	1.0	1.0	1.0
LLLA (all Life)					
UL bond	Surrender	3.75	3.75	3.75	3.75
UL bond	Automatic withdrawals	0	0	0	0

(10)Other material basis assumptions:

(i) Tax rates on investment income are:

Type of business	2009	2008
UK Life – UK dividend income	0%	0%
UK Life – income from assets backing life annuities	0%	0%
UK Life – other income	20%	20%
UK Pensions – all income	0%	0%

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

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

When deriving the valuation rate of interest an adjustment for swaps has been calculated as the difference in IRR on the assets excluding the swaps and their cashflows, and the IRR on the assets including the swaps and their cashflows.

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

(12)Changes were shown at 31 December 2007.

Options and guarantees

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

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

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

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

Assumption	2010	2009
Surrender Rate	2% single premium 0.88% regular premium	2% single premium 0.88% regular premium
Take up Rate	100%	100%
Rate of interest	Min (Gilts, LIBOR)	Min (Gilts, LIBOR)
Mortality in payment	104.0% RMV00[1] 118.0% RFV00[1]	104.0% RMV00[1] 118.0% RFV00[1]
Expected annuity guarantee periods	0 years 55% 5 years 10% 10 years 35%	0 years 55% 5 years 10% 10 years 35%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years	10% decreasing at 0.25% p.a. to 5% after 20 years
Retirement Rates	See below	See below

Notes:

1.CMI 2009 improvements: 3.25% up to age 60, declining to nil at age 120.

Retirement Rates

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

Age Attained	2010	2009
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

Note:
1. Or current age, if older

Details of the products concerned are summarised below:

Product Names	Retirement Bonds, Retirement Plans
Product Code	725
Basic Reserve	£59.9 million
Spread of outstanding durations	Gradual run-off, mean term of 11 years
Guarantee Reserve	£29.6 million
GAR (% of fund for 65 year old male)	10%
Increments Allowed?	No
Form of Annuity	Single life, monthly in advance, level annuity, 0, 5 or 10 year guarantee period
Retirement Ages	60-75

(2) The only unit linked investment performance guarantee is that the value of units invested in any of the NPIL or LLLA Deposit funds is guaranteed not to fall. An additional provision of £0.25 million has been established for the cost of the guarantee.

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

(3) There are no guaranteed insurability options.

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

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

The following method is used to determine the reserve:

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

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

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

Assumption	**2010**	**2009**
Real rate of interest	-0.20% p.a.	-0.60% p.a.
Real rate of salary inflation (including an allowance for salary progression)	1.5% p.a.	1.85% p.a.
Expense loading for annuity in payment	15.0%.	15.0%.
Mortality in deferment	79% AM/AFC00 ultimate	79% AM/AFC00 ultimate
Mortality in payment	104.0% RMV00[1] 118.0% RFV00[1]	104.0% RMV00[1] 118.0% RFV00[1]
Percentage assumed married	100%	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme	Up to 14 years for those unable to rejoin their pension scheme

Notes:

1. CMI 2009 improvements: 3.25% for ages up to 60, declining linearly to nil at age 120.

50% of the cost of this reserve is reinsured to Pearl Assurance Limited. The liability (net of reinsurance) is £20.3 million, including an allowance for future expenses and policies where the compensation process is yet to be completed. The basic reserve to which this additional amount applies is £203 million.

Expense reserves

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

Homogeneous Risk Group	Implicit Allowances £M	Explicit Allowances (Investment) £M	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
NPIL					
Non-unitised business	1.028	0.000	3.020	0.333	4.381
Unitised business	0.006	5.961	2.766	0.315	9.048
PAUF					
Direct business	0.093	0.935	1.050	0.078	2.156
Reinsured In business	0.004	0.036	0.038	0.003	0.081
PAULP					
Direct business	0.181	1.413	1.644	0.151	3.389
LLLA					
Direct business	0.054	0.462	0.182	0.045	0.743
Reinsured In business	0.007	0.056	0.013	0.005	0.081
Total	1.373	8.863	8.713	0.930	19.879

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

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

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

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

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

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

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

Accordingly, except for LLLA business (for which a total reserve of £0.129 million has been established), the reserve for non-attributable expenses for each homogenous risk group in the table in 6(1) above is nil.

Mismatching reserves

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

   (3) No currency mismatch reserve is held.

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

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

   This resulted in a fall of 10.0%.

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

   This resulted in a fall of 16.62%.

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

   This resulted in a fall of 80 basis points.

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

   (6) (a) The amount of the resilience capital requirement is £4.6 million.

   (b) Under the more onerous scenario the long term insurance liabilities rose by £55.2 million.

   (c) Under this scenario, the value of assets allocated to match these liabilities rose by £50.6 million.

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

Other significant special reserves

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

This provision is for "shared reversion" assets refinanced to a subsidiary of Santander UK plc (formerly Abbey National Group plc) ("Santander"). NPI Limited has undertaken to indemnify Santander against losses arising from mortality or surrender experience which differs from the basis used to determine the terms of the refinancing. NPIL is also liable for the first 7% of any underperformance relative to the regional Halifax house price indices on property sales. The best estimate mortality basis has changed since the refinancing began, and so an accounting provision is first calculated using surrender and mortality assumptions which are intended to be slightly more prudent than the best estimate assumptions. The amount of this accounting provision is £21.6 million.

The provision is then recalculated using the regulatory valuation assumptions together with a more prudent (higher) projection rate and greater assumed underperformance compared with the Halifax regional price index. The difference between the recalculated provision and the accounting provision described above is shown in Form 14 as a provision for reasonably foreseeable adverse deviation. The amount of this additional provision is £7.6 million.

Strengthening annuitant mortality assumptions

A reserve of £5.0 million has been made to cover the risk of having to pay Opal Reassurance Limited a portion of any increase in best estimate reserves resulting from mortality improvements on annuities in payment.

Reinsurance

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

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

Reinsurer	Nature and Extent of the Cover	Premium £M	Premium Withheld £M	Closed to New Business?	Amount of any Un-discharged Obligation	Math-ematical Reserves Ceded £M	Retention by the Insurer
Pearl Assurance Limited	NPIL Life unitised with profit fully reinsured on original terms except for MVRs on Portfolio Bond 1 switches from unitised with profit to unit-linked	Nil	Nil	Yes	Nil	104.6	Nil
Pearl Assurance Limited	NPIL Pensions unitised with-profit and capital account fully reinsured on original terms	0.4	Nil	Yes	Nil	68.4	Nil
Pearl Assurance Limited	PAULP Personal Pensions Guarantees	Nil	Nil	No	Nil	20.3	Nil
Pearl Assurance Limited	PAULP Immediate Annuities in payment and Guaranteed Annuity Rates	7.0	Nil	No	Nil	99.4	Nil
Opal Reassurance Limited	NPIL Pension Immediate Annuities in payment	Nil	535.6	Yes	Nil	547.3	Nil

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

Reversionary (or annual) bonus

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

Bonus Series	31 Dec 2010 Basic mathematical reserve £000	31 Dec 2010 Reversionary bonus %	31 Dec 2009 Reversionary bonus %	31 Dec 2010 Total guaranteed bonus %	Product Code
WP09L, WP10L (Portfolio Bond 1b & 2)	7,968	1.00%	1.00%	-	500
WP11L EWP1L Series 1 (Investment Bond)	96,647	1.00%	1.00%	-	500
WP05P, CA05P, EWP1P Series 2 (PPP (Series 2), Flexible PPP FSAVC, FIP, FIP (nil bid-offer spread version), PRA and PTP)	22,866	1.50%(1) 3.25%(2)	1.50%(1) 3.25%(2)	-	525, 570
WP07P, CA07P, EWP1P Series 4 (FIP and Flexible PPP (AMC only versions))	272	1.76%(1) 3.51%(2)	1.76%(1) 3.51%(2)	-	525, 570
WP06P, CA06P, EWP1P Series 3 (New Approach PPP, FSAVC and EPP)	788	2.37%(1) 4.14%(2)	2.37%(1) 4.14%(2)	-	525
Funds 19, 20 and 35 (with underlying AMC of 1%) (GMP, VGPP, GAVC and TTP)	43,196	1.50%(1) 3.25%(2)	1.50%(1) 3.25%(2)	-	535

Notes:

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

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

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

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

Returns under the Accounts and Statements Rules

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

NPI LIMITED

Global Business

Financial year ended 31 December 2010

The with-profits actuary throughout the period was D Addison. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr D Addison is in respect of the year 2010:

1. a) Mr Addison held no shares or share options in 2010.

   b) Mr Addison had no transactions with the insurer throughout 2010.

   c) The aggregate of the remuneration and value of other benefits receivable by Towers Watson Limited (formerly Watson Wyatt Limited), (the employer of Mr Addison), from the insurer during the period specified was £5,904,988 exclusive of VAT.

   d) Mr Addison was not a member of any PGL Pension Scheme (NPI Limited being a subsidiary of Pearl Group Holdings (No.2) Limited from 1 January 2010 to 31 March 2010, and a subsidiary of Phoenix Life Limited from 1 April to 31 December 2010) in 2010 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 2010.

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

<u>Note 1</u>

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.

<u>Note 2</u>

Regarding Section 1(c) the remuneration details supplied relate to the contractual sums paid to Watson Wyatt Limited (Towers Watson Limited with effect from 31 March 2010) for the provision of actuarial services. These services include the performance of the with-profits actuary function by Mr D Addison.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

NPI LIMITED

Global Business

Financial year ended 31 December 2010

We certify that: -

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

   (b) we are satisfied that:

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

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

2. (a) in our opinion, premiums for contracts 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; and

   (d) we 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.

M J Merrick Chief Executive	A Moss Director	J J Yates Director

Date: 22 March 2011

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

NPI LIMITED

Global Business

Financial year ended 31 December 2010

Note to the Directors' Certificate

1. Principles and Practices of Financial Management

   Paragraph 2(c) which relates to the management of the with-profits fund in accordance with the Principles and Practices of Financial Management ("PPFM"), has been omitted from the Return due to certain minor instances where the management of the fund differed from the PPFM but these have not resulted in the unfair treatment of policyholders

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

NPI Limited

Global business

Financial year ended 31 December 2010

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

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

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

- Forms 46, 47, 50 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 required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act, referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

NPI Limited

Global business

Financial year ended 31 December 2010

Respective responsibilities of the insurer and its auditors (continued)

- the Forms, the statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

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

Opinion

In our opinion:

(a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules, as modified, and have been properly prepared in accordance with the provisions of those Rules; and

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

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
London
Date 23 March 2011