

NATIONAL PROVIDENT INSTITUTION
- and -
NATIONAL PROVIDENT LIFE LIMITED

SCHEME

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS
Tel: 0171 374-8000
Fax: 0171 374-0888
Ref: 2067/30796655

IN THE MATTER OF NATIONAL PROVIDENT INSTITUTION

- and -

IN THE MATTER OF NATIONAL PROVIDENT LIFE LIMITED

- and -

IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

SCHEME

PART A - DEFINITIONS AND INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless inconsistent with the subject or context, the following expressions bear the meanings respectively set opposite them:

“Act”	the Insurance Companies Act 1982;
“Admissible Value”	a value determined in accordance with Part VIII of the Regulations;
“AMP”	AMP (UK) PLC, a company incorporated in England and Wales with registered number 2072534;
“AMP Parties”	either or both of AMP and Pearl, as the context requires;
“Appointed Actuary”	the actuary from time to time appointed by, as the context requires, NPI or National Provident Life pursuant to Section 19 of the Act;
“Asset Shares”	asset shares determined in relation to National Provident Life by the Appointed Actuary and maintained in accordance with the Principles of Financial Management;

“Average Value”

the average value of the National Provident Life Capital Account, either Capital Fund or the With Profits Amount, as the case may be, calculated as at a Reference Date, such average value to be calculated as:

where V_0 is the Admissible Value of the National Provident Life Capital Account or the relevant Capital Fund or, as the case may be, the With Profits Amount (the "**Relevant Amount**") on the Reference Date falling twelve months prior to the Reference Date as at which such calculation falls to be made;

V_1 , V_2 and V_3 are, respectively, the Relevant Amount on the Reference Dates falling nine, six and three months prior to the Reference Date as at which such calculation falls to be made; and

V_4 is the Relevant Amount on the Reference Date as at which such calculation falls to be made,

Provided that:

- (A) in the case of the calculations made as at the Reference Date falling on 31st December 1999 and each of the first four Reference Dates following the Effective Date:
- (1) the calculation shall utilise such as may be necessary of the figures which would have been the With Profits Amount if the National Provident Life Fund had existed and if the entire property and liabilities of NPI had been attributed to it as at the Reference Dates falling on 31st December 1998, 31st March 1999, 30th June 1999, 30th September 1999 and 31st December 1999;
 - (2) the Admissible Value of the National Provident Life Capital Account as at 31st December 1998, 31st March 1999, 30th June 1999, 30th September 1999 and 31st December 1999 shall be taken to be £800 million; and
 - (3) the Admissible Value of each Capital Fund as at 31st December 1998, 31st March 1999, 30th June 1999, 30th September 1999 and 31st December 1999 shall be taken to be nil; and

- (B) where pursuant to paragraph 38:
- (1) an amount is transferred between the National Provident Life Capital Account and the Transfer Capital Fund;
 - (2) an amount is transferred from the National Provident Life Capital Account to the remainder of the Shareholders' Fund and/or distributed from the National Provident Life Capital Account and an equal amount is allocated by means of a Contingent Loan to the Loan Capital Fund; or
 - (3) an amount is repaid in respect of a Contingent Loan,

in any such case otherwise than as at a Reference Date, the Appointed Actuary shall have power to make such adjustments to the application of the foregoing provisions of this definition as, having regard to the date on which any such amount is transferred, distributed or repaid, he considers reasonably necessary to reflect as nearly as possible the intention of such provisions;

"Calculation Date"	31st December in each calendar year, or such other date in each calendar year as represents the accounting reference date (as such term is defined by the Companies Act 1985) of National Provident Life;
"Capital Funds"	the Loan Capital Fund and the Transfer Capital Fund, and "Capital Fund" shall mean either the Loan Capital Fund or the Transfer Capital Fund, as the context may require;
"Circular"	the circular to be sent to members and policyholders of NPI in connection with this Scheme and the transfer of its business to National Provident Life;
<u>"COBS"</u>	<u>the Conduct of Business Sourcebook issued by the Insurance Regulator;</u>
"Contingent Loan"	a loan which may be advanced to National Provident Life pursuant to paragraph 38 under an agreement in the form agreed between NPI, National Provident Life, AMP and Pearl;
"Contingent Loan Amount"	the meaning given in paragraph 38.5;

“Contribution”	an amount equal to £110 million less the aggregate of the following: <ul style="list-style-type: none"> (A) the amount (if any) that is paid to National Provident Life (for the account of the National Provident Life Fund) in respect of the transfer of the Shareholder Subsidiaries on exercise of the option contained in any Reorganisation Agreement within seven days following the Effective Date, or, if less, £10 million; (B) the amount (if any) that is paid to National Provident Life (for the account of the National Provident Life Fund) in respect of the transfer of the Infrastructure on exercise of the option contained in any Reorganisation Agreement within seven days following the Effective Date, or, if less, £25 million; (C) one fifth of the aggregate of the Additional Payments as defined in, and determined in accordance with, Schedule 2; and (D) the amount of any reduction of the Contribution made pursuant to paragraph 11.4;
“Contribution Escrow Account”	the separate account having that name to be established in accordance with paragraph 10;
“Court”	the High Court of Justice in England;
“Deficit”	the meaning given in paragraph 38.2;
“Deficit Amount”	the meaning given in paragraph 38.3;
“Effective Date”	the time and date on which this Scheme shall become operative in accordance with paragraph 50;
“Encumbrance”	any mortgage, charge, pledge, security, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including, without limitation, title transfer and retention agreements) having a similar effect;
“Euro”	the single currency introduced by the Participating Member States on 1st January 1999 pursuant to the Treaty and applicable European Community regulations made thereunder;

“Excluded Policies”	<p>Policies under which any liability remains unsatisfied or outstanding at the Effective Date:</p> <p>(A) written by NPI in the course of carrying on insurance business in the United Kingdom or any other member State, in respect of which:</p> <p style="padding-left: 40px;">(1) for the purpose of Part I of Schedule 2C to the Act a member State other than the United Kingdom is the State of the commitment; and</p> <p style="padding-left: 40px;">(2) the Insurance Regulator has not prior to the issue of the Order by which the Court sanctions this Scheme provided the certificate referred to in Paragraph 3(2) of Schedule 2C to the Act with respect to the relevant member State which is the State of the commitment,</p> <p style="padding-left: 40px;">and for these purposes “member State” and “State of the commitment” bear the meanings ascribed thereto by, or for the purposes of, Part I of Schedule 2C to the Act; or</p> <p>(B) written by NPI but which are not otherwise capable of being transferred pursuant to Schedule 2C to the Act on the Effective Date,</p> <p>and any further Policy issued by NPI pursuant to the exercise of any right or option under an Excluded Policy, as described in paragraph 6.5;</p>
“Excluded Policies Reassurance Agreement”	<p>the reassurance agreement to be entered into between NPI and National Provident Life in respect of Excluded Policies pursuant to paragraph 6.2 in the form agreed between NPI, National Provident Life and AMP;</p>
<u>“FSA Return”</u>	<p><u>the return to the Insurance Regulator required to be prepared and deposited with the Insurance Regulator pursuant to Rule 9.6 of IPRU(INS);</u></p>
<u>“FSMA”</u>	<p><u>the Financial Services and Markets Act 2000;</u></p>
“Group”	<p>National Provident Life, any holding company of National Provident Life and any subsidiary of any such holding company from time to time;</p>
“Incremental Business Reassurance Agreement”	<p>the reassurance agreement to be entered into between National Provident Life and NPIL pursuant to paragraph 21.2 in the form agreed between NPI, National Provident Life, AMP and NPIL;</p>

“Independent Actuary”	Mr N.H. Taylor, the actuary appointed to report on the terms of this Scheme pursuant to paragraph 2(1) of Schedule 2C to the Act;
“Infrastructure”	the assets, contracts and rights described in Part A of Schedule 5;
“Insurance Regulator”	HM Treasury or (where relevant) The Financial Services Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to Long Term Business carried on in the United Kingdom as were on 26th March 1999 allocated to HM Treasury under the Act;
“Intellectual Property Rights”	<p>in relation to NPI and each of the Shareholder Subsidiaries:</p> <p>(A) goodwill;</p> <p>(B) trade or business names, service marks and trade marks (whether registered or not), registered and unregistered designs, design rights, copyrights and know-how and the goodwill therein and applications for any of the same and any other forms of protection of a similar nature and having equivalent or similar effect to any of them which may subsist anywhere in the world; and</p> <p>(C) all rights to, and the exclusive ownership of, all client lists and customer databases relating to the Transferred Business;</p>
“Investment Release Percentage”	the meaning given in paragraph 44.2;
<u>“IPRU(INS)”</u>	<u>the Interim Prudential Sourcebook for Insurers issued by the Insurance Regulator;</u>
“LIBOR”	the offered rate (if any) for three month sterling deposits appearing on the Telerate screen page 3750 at 11.00 a.m. on the relevant Calculation Date (or, if such day is not a business day, the immediately succeeding business day) or, if no such offered rate appears on that page, such other equivalent rate as may be agreed by the Shareholder and the National Provident Life Fund Supervisory Board. Failing such agreement within 30 days following a request by either of them to the other to reach such agreement, the matter may be referred by

	either of them for final determination by the Umpire;
“Linked Fund”	an internal linked fund maintained by NPI prior to the Effective Date or by National Provident Life or NPIL following the Effective Date for the purpose of calculating benefits payable under Linked Policies, other than (for the avoidance of doubt) benefits determined by reference to the value of With Profits Units;
“Linked Policies”	Policies under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the Policies) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified);
“Linked Reassurance Agreement”	the reassurance agreement to be entered into between National Provident Life and NPIL in respect of Linked Funds pursuant to paragraph 26.2 in the form agreed between NPI, National Provident Life, AMP and NPIL;
“Loan Capital Fund”	the separate account having that name to be established in accordance with paragraph 10;
“Long Term Business”	the meaning ascribed by Section 1 of the Act;
“Long Term Fund”	the fund established and maintained by National Provident Life pursuant to Section 28 of the Act in respect of Long Term Business;
“Membership Compensation”	the cash amounts to be paid to Qualifying Members and others in accordance with paragraph 18 and Schedule 2;
“Minimum Solvency Margin”	the minimum margin of solvency which would be required at any time for the National Provident Life Fund pursuant to Section 32 of the Act if it comprised a free-standing life assurance company whose liabilities were those allocated at that time to the National Provident Life Fund;
“National Provident Life”	National Provident Life Limited, a company incorporated in England and Wales with registered number 3641947;
“National Provident Life Board”	the board of directors of National Provident Life;
“National Provident Life Capital Account”	the separate account having that name to be established in accordance with paragraph 10;

“National Provident Life Fund”	the separate fund having that name to be established in accordance with paragraph 10;
“National Provident Life Fund Supervisory Board”	the committee of the National Provident Life Board to be established and maintained pursuant to Part G;
“New National Provident Life Articles”	the proposed articles of association of National Provident Life in the form agreed between NPI, National Provident Life and AMP;
“NPI”	National Provident Institution, a company incorporated under the National Provident Institution Act 1987;
“NPIL”	NPI Limited, a company incorporated in England and Wales with registered number 3725037;
“NPI’s Rules”	the rules of NPI set out in the Schedule to the National Provident Institution Act 1987 (as amended pursuant to a special resolution passed on 6th May 1992);
“NP Life Holdings”	NP Life Holdings Limited, a company incorporated in England and Wales with registered number 3725026;
<u>“NPLL Actuary”</u>	<u>the meaning given in the Pearl Scheme;</u>
“Operating Property Leases”	the leases of freehold properties occupied by NPI for the purpose of carrying on its business at the Effective Date to be entered into immediately following the Effective Date pursuant to paragraph 17 in the form agreed between NPI, National Provident Life and AMP;
“Operational Improvement Programme”	the systems development and other projects described in Schedule 6;
“Order”	an order made by the Court pursuant to Part I of Schedule 2C to the Act sanctioning this Scheme and any order (including any subsequent order) in relation to this Scheme made by the Court pursuant to paragraph 5 of Schedule 2C to the Act;
“Other Funds”	National Provident Life’s funds other than the National Provident Life Fund;
“Other Long Term Funds”	National Provident Life’s funds from time to time within the Long Term Fund other than the National Provident Life Fund;
“Outstanding Support Charge”	the meaning given in paragraph 40.5;
“Participating Member”	a member State of the European Community established

State”	by the Treaty which adopts the single currency in accordance with the Treaty;
“Pearl”	Pearl Assurance Public Limited Company, a company incorporated in England and Wales with registered number 1419;
<u>“Pearl Scheme”</u>	<u>the insurance business transfer scheme transferring part of the long term business of National Provident Life to Pearl, which was sanctioned by order of the Court made in February 2010 pursuant to claim number 20030 of 2009;</u>
<u>“Pearl Scheme Effective Date”</u>	<u>the time and date specified in the definition of "Effective Date" in the Pearl Scheme;</u>
“Policy”	the meaning set out in Section 96(1) of the Act and including at any time any constituent part of a Policy which in the opinion of the Appointed Actuary gives rise to any separately identifiable benefit;
<u>“PPFM”</u>	<u>the Principles and Practices of Financial Management prepared and issued by National Provident Life from time to time as required by COBS 20.3;</u>
“Principles of Financial Management”	the principles of financial management set out in Schedule 3;
“Qualifying Member”	a person who was a member of NPI in accordance with NPI’s Rules, as amended by the Resolution, at 11.59 p.m. on 1st October 1998 (or is immediately prior to the Effective Date treated by NPI, whether pursuant to NPI’s Rules as so amended or otherwise, as having been such a member at that time) and remains so continuously (or is immediately prior to the Effective Date treated by NPI, whether pursuant to NPI’s Rules as so amended or otherwise, as having remained so continuously) until the Effective Date;
“Reduction Percentage”	the meaning given in paragraph 42.3;
“Reference Date”	the meaning given in paragraph 39.1;
“Regulations”	the Insurance Companies Regulations 1994;
“Regulatory Body”	Personal Investment Authority Limited (“PIA”) and any other governmental, statutory or other authority as shall from time to time carry out such functions in relation to the business of National Provident Life as were on 26th March 1999 carried out by PIA pursuant to the Financial Services Act 1986 in relation to the business of NPI;

“Regulatory Forms”

those forms as prescribed by the Insurance Companies (Accounts and Statements) Regulations 1996 as at 26th March 1999. In the event of any amendment or replacement of any of such forms after such date the Appointed Actuary and the National Provident Life Fund Supervisory Board may agree appropriate alternative wording for the purposes of this definition. Failing such agreement within 30 days following a request by either of them to the other to reach such agreement, the matter may be referred by either of them for final determination by the Umpire;

“Reorganisation Agreements”

the agreements to be entered into pursuant to paragraph 17 entitling one or more subsidiaries of AMP to require the transfer to it of the Shareholder Subsidiaries or the Infrastructure, in the form agreed between NPI, National Provident Life and AMP;

“Residual Assets”

(A) any property of NPI (including any right, benefit or power of NPI under any Transferred Policy), the transfer of which to National Provident Life pursuant to this Scheme requires, at the Effective Date, either:

- (1) the consent of any person (other than NPI, National Provident Life or the Court); or
- (2) the waiver by any person of any right to acquire, or be offered the right to, or to offer to, acquire or procure the acquisition by some other person of, all or any part of such property, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect,

but to the extent only of that part of the interest of NPI in such property the transfer of which requires such consent and/or waiver and, for the avoidance of doubt, excepting rights, benefits and powers under the Excluded Policies;

(B) any other interest of NPI in any property or any agreement relating to any property which NPI and National Provident Life shall agree prior to the Effective Date is more conveniently to be transferred pursuant to this Scheme in conjunction with any property referred to in paragraph (A) of this definition, which may in particular (but without limitation) include any

insurance contract which would otherwise be a Transferred Policy but in respect of which any related reinsurance contract has not as at the Effective Date have validly transferred to National Provident Life; and

- (C) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received from time to time after the Effective Date in respect of any such property referred to in paragraph (A) or (B) of this definition;

“Residual Liability”

any liability whatsoever of NPI (other than under an Excluded Policy):

- (A) that is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Transfer Date applicable to that Residual Asset; or
- (B) the transfer of which to National Provident Life pursuant to this Scheme requires, as at the Effective Date, the consent of any person (other than NPI, National Provident Life or the Court);

“Resolution”

the resolution of the members of NPI amending NPI’s Rules to include as an object the transfer of NPI’s business pursuant to this Scheme, approving the transfer of NPI’s business to National Provident Life, amending NPI’s Rules with effect from the date that the Court sanctions this Scheme and adopting new rules in substitution therefor with effect from the Effective Date, as set out in the Circular;

“RPI”

the Retail Prices Index maintained by the Central Statistical Office (or such other substantially equivalent index as the Appointed Actuary with the approval of the National Provident Life Fund Supervisory Board (such approval not to be unreasonably withheld or delayed) may substitute therefor);

“this Scheme”

this Scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 53;

“Securitisation Loan”

the rights and liabilities of NPI or, following the Effective Date, National Provident Life pursuant to:

- (A) the Securitisation Loan Agreement; and
- (B) the Relevant Documents (as defined in the Securitisation Loan Agreement), as such

documents may be amended, supplemented or replaced from time to time;

"Securitisation Loan Agreement"	the loan agreement dated 16th April 1998 between, inter alia, NPI (as borrower), Mutual Securitisation p.l.c. (as issuer) and BT Trustees (Jersey) Limited (as bond trustee), as such agreement may be amended, supplemented or replaced from time to time;
"Shareholder"	NP Life Holdings or such other person or persons who are from time to time the legal and/or beneficial owners of the share capital of National Provident Life;
<u>"Shareholder Equalisation Fund"</u>	<u>the separate account having that name established in accordance with paragraph 10A.1 and Schedule 7;</u>
"Shareholders' Fund"	the property and liabilities of National Provident Life other than those attributable to or represented by the Long Term Fund;
"Shareholder Subsidiaries"	the companies listed in Part B of Schedule 5;
"Staff Retention Policy"	the policy referred to in sections 4 and 5 of the Committee Paper 1998/10 approved by the Remuneration Committee of the Board of Directors of NPI on the terms set out in the committee minute 131 dated 22nd October 1998;
"Subordinated Loan"	<p>the rights and liabilities of NPI or, following the Effective Date, National Provident Life pursuant to:</p> <p>(A) the loan agreements dated 18th June 1996 and 9th October 1996 between NPI and NPI Finance plc, as such agreements may be amended, supplemented or replaced from time to time; and</p> <p>(B) guarantees given by NPI pursuant to trust deeds dated 18th June 1996 and 9th October 1996 between NPI Finance plc, NPI and Bankers Trustee Company Limited in respect of the obligations of NPI Finance plc in relation to £130 million 9.625 per cent. Undated Subordinated Guaranteed Bonds issued by NPI Finance plc;</p>
"Subsequent Transfer Date"	<p>in relation to any Residual Asset or Residual Liability, the date (and each date) after the Effective Date on which such Residual Asset or Residual Liability is to be transferred to National Provident Life, namely:</p> <p>(A) in respect of any Residual Asset falling within paragraph (A) of the definition thereof, and of</p>

any Residual Liability which is attributable to or connected with that Residual Asset or which falls within paragraph (B) of the definition of Residual Liability, the date on which the requisite consent or, where applicable, the requisite waiver to enable the same to be transferred to National Provident Life upon the terms of this Scheme is:

- (1) obtained; or
 - (2) no longer required; or
 - (3) dispensed with by Order of the Court;
- (B) in respect of any of any Residual Asset falling within paragraph (B) of the definition thereof and of any Residual Liability which is attributable to or connected with that Residual Asset, the Subsequent Transfer Date applicable to the property in conjunction with which it was agreed to be a Residual Asset;
- (C) in the case of any Residual Asset falling within paragraph (C) of the definition thereof, the date on which such Residual Asset is received or earned by NPI;

“SUP” [the Supervision Manual issued by the Insurance Regulator;](#)

“tax” or “taxation” all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever and by whatever authority imposed and whether of the United Kingdom or elsewhere, including (without limitation) income tax, corporation tax, advance corporation tax, capital gains tax, inheritance tax, value added tax, customs duties, excise duties, stamp duty, stamp duty reserve tax, national insurance and other similar contributions, and any other taxes, duties, rates, levies, charges, imposts or withholdings corresponding to, similar to, replaced by or replacing any of them, together with any interest, penalty or fine in connection with any taxation;

“Transfer Agreement” an agreement dated 18th December 1998 between NPI, AMP and Pearl providing, inter alia, for the carrying out of this Scheme;

“Transfer Capital Fund” the separate account having that name to be established in accordance with paragraph 10;

“Transfer Date” [the meaning given in the Pearl Scheme;](#)

“Transferred Assets”	<p>all property of NPI whatsoever and wheresoever situated as at the Effective Date including without prejudice to the generality of the foregoing:</p> <ul style="list-style-type: none"> (A) the rights, benefits and powers of NPI under or by virtue of the Transferred Policies; and (B) all rights and claims (present or future, actual or contingent) against any third party in relation to the Transferred Business or arising as a result of NPI having carried on the Transferred Business, <p>but excluding the Residual Assets and rights, benefits and powers under the Excluded Policies;</p>
“Transferred Business”	<p>the whole of the Long Term Business of NPI carried on in the United Kingdom at the Effective Date, including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted as at the Effective Date, save to the extent that such business consists of liabilities under Excluded Policies;</p>
“Transferred Liabilities”	<p>all liabilities whatsoever of NPI (other than the Residual Liabilities and liabilities under or relating to the Excluded Policies) and in particular (but without prejudice to the generality of the foregoing) all liabilities under the Transferred Policies and all liability to taxation attributable to the Transferred Business or to the transfer thereof, whensoever incurred;</p>
“Transferred Policies”	<p>every Policy written by NPI under which any liability remains unsatisfied or outstanding at the Effective Date and comprised in the Transferred Business, including:</p> <ul style="list-style-type: none"> (A) Policies written by NPI which have lapsed on or before the Effective Date and which are reinstated by National Provident Life after the Effective Date; and (B) all proposals for insurance received by or on behalf of NPI before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies, <p>but excluding the Excluded Policies;</p>
“Treaty”	<p>the Treaty of Rome of 25th March 1957 establishing the European Community, as amended by the Single European Act 1986 and the treaty on European Union signed at Maastricht on 1st February 1992, and as</p>

further amended from time to time;

“Umpire”

the actuary or firm of consulting actuaries or, as the case may be, chartered accountant or firm of chartered accountants appointed pursuant to Schedule 1;

“With Profits Actuary”

the person appointed by National Provident Life from time to time to perform the "with-profits actuary function", as set out in SUP 4.3.16R;

“With Profits Amount”

in relation to the National Provident Life Fund:

- (A) the aggregate of the long term business admissible and inadmissible assets less the aggregate of the mathematical reserves (including any additional reserves) in respect of non-profit business, unit liabilities and other insurance and non-insurance liabilities, being those items which would be classified under the following lines or columns of the following Regulatory Forms if the National Provident Life Fund were a separate long term fund: the long term business admissible assets (Regulatory Form 9, line 21 plus Regulatory Form 13, line 92 plus Regulatory Form 13, line 93); less insurance and non-insurance liabilities (Regulatory Form 9, line 24); less property linked liabilities (Regulatory Form 53, column 15); less index linked liabilities (Regulatory Form 54, column 15); less non-profit liabilities (Regulatory Form 51, column 12: Non Profit Total); less additional reserves in respect of non-profit business (Regulatory Form 51, column 12: additional reserves in respect of non-profit business) (where each reference to liabilities in this paragraph (A) shall be a reference to such liabilities net of any reinsurance ceded); less
- (B) the aggregate amount (if any) of the Transfer Capital Fund and the Loan Capital Fund, except to the extent (if at all) that any such amount is a liability of the National Provident Life Fund;

“With Profits Policy”

a Policy which confers on the holder a right to share in surplus and for the avoidance of doubt including each category of Policy referred to in paragraph 3 of Schedule 2; and

“With Profits Units”

notional units whose value or number vary by reference to bonuses declared, or surpluses otherwise distributed.

1.2 In this Scheme:

- (1) **“property”** includes (without limitation) property, assets, rights (including, without limitation, contingent rights as to the repayment of tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (2) **“liabilities”** includes (without limitation) duties and obligations of every description (whether present or future, actual or contingent);
- (3) **“transfer”** includes (as the context may require) **“assign”**, **“assignment”** or **“assignment”**, **“dispose”** or **“disposal”** or **“convey”** or **“conveyance”**;
- (4) any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa;
- (5) any reference in this Scheme to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;
- (6) expressions used in this Scheme which have meanings under the Act shall bear those meanings;
- (7) the expressions **“holding company”**, **“subsidiary”** and **“wholly-owned subsidiary”** shall have the same meanings as in the Companies Act 1985;
- (8) any reference to this Scheme shall include the Schedules to it and references to paragraphs, Parts or Schedules are to paragraphs or Parts of or Schedules to this Scheme;
- (9) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (10) any reference to a person shall include a reference to a body corporate, a partnership, an unincorporated association or to a person’s executors or administrators, and for the avoidance of doubt, shall include a trustee;
- (11) if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- (12) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (13) any reference to a document in the form agreed is to the form of the relevant document agreed between the relevant persons in accordance with this Scheme and initialled by or on behalf of each of them for the purpose of identification prior to the date on which the Court sanctions this Scheme;
- (14) the expression **“variation”** shall include any variation, supplement, deletion, replacement or termination, however effected; and

- (15) any reference to an amount shall be exclusive of any applicable value added or other tax.

PART B – INTRODUCTION

- 2.1 NPI is a statutory company incorporated in England and Wales under the National Provident Institution Act 1987. The principal office of NPI is situated at National Provident House, 55 Calverley Road, Tunbridge Wells, Kent TN1 2UE.
- 2.2 National Provident Life is a company registered in England and Wales under number 3641947. The registered office of National Provident Life is situated at National Provident House, 55 Calverley Road, Tunbridge Wells, Kent TN1 2UE.
- 2.3 NPI is an insurance company (as defined in Section 96(1) of the Act) to which Part II of the Act applies and is authorised under Part I of the Act to carry on Long Term Business in Classes I-IV, VI and VII in the United Kingdom.
- 2.4 National Provident Life and NPIL are each proposing to apply to be authorised by the Insurance Regulator under Part I of the Act as an insurance company (as defined in Section 96(1) of the Act) with authority to carry on Long Term Business in Classes I - IV, VI and VII in the United Kingdom with effect on or before the date on which the Court sanctions this Scheme.
- 2.5 It is proposed that, subject as stated in paragraph 50.1, the whole of the Long Term Business carried on by NPI, all of which is carried on in the United Kingdom, other than the Excluded Policies, shall, in accordance with this Scheme, be transferred to National Provident Life (and that an Order be made accordingly for the sanction of this Scheme under paragraph 1(3) of Schedule 2C to the Act) and that by the Order by which this Scheme is sanctioned, provision be made, as hereinafter appearing, for, inter alia, the transfer to National Provident Life of the whole or any part of the undertaking and of the property or liabilities of NPI, pursuant to paragraph 5 of Schedule 2C to the Act.
- 2.6 Each of National Provident Life, Pearl, AMP, NP Life Holdings and NPIL has agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme and to undertake to be bound thereby and to execute all such documents and do all such acts and things as may be necessary or expedient to be executed or done by it for the purposes of giving effect to this Scheme.

PART C - TRANSFER

3. TRANSFER OF BUSINESS

3.1 On and with effect from the Effective Date the Transferred Business shall be transferred to and be vested in National Provident Life in accordance with this Scheme, so that:

- (A) subject to paragraph 8, on and with effect from the Effective Date, the Transferred Assets and all the interest of NPI in them shall, by the Order and without any further act or instrument, be transferred to and be vested in National Provident Life, subject to all Encumbrances (if any) affecting such assets;
- (B) subject to paragraph 8, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all the interest of NPI in it shall, by the Order and without any further act or instrument, be transferred to and be vested in National Provident Life, subject to all Encumbrances (if any) affecting such asset;
- (C) on and with effect from the Effective Date, the Transferred Liabilities shall, by the Order and without any further act or instrument, be transferred to and become liabilities of National Provident Life and shall cease to be liabilities of NPI; and
- (D) on and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to and become a liability of National Provident Life and shall cease to be a liability of NPI.

3.2 National Provident Life shall accept without investigation or requisition such title as NPI shall have at the Effective Date to the Transferred Assets and, at any Subsequent Transfer Date, to the Residual Asset then transferred.

3.3 National Provident Life and NPI shall take all reasonable steps, and execute such documents as may reasonably be required by either of them at any time, to effect or perfect the transfer to National Provident Life of any Transferred Asset or Residual Asset pursuant to this Scheme.

3.4 The Transferred Assets, Residual Assets, Transferred Liabilities and Residual Liabilities shall be allocated in accordance with Part D.

4. CONTINUITY OF PROCEEDINGS

4.1 On and with effect from the Effective Date any proceedings which are pending by or against NPI in connection with the Transferred Policies, the Transferred Assets or the Transferred Liabilities shall be continued by or against National Provident Life and National Provident Life shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to NPI in relation to the Transferred Policies, the Transferred Assets and the Transferred Liabilities.

4.2 On and with effect from the Subsequent Transfer Date applicable thereto any proceedings which are pending by or against NPI in connection with the Residual

Assets or the Residual Liabilities shall be continued by or against National Provident Life and National Provident Life shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to NPI in relation to the Residual Assets and Residual Liabilities.

5. RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES

- 5.1 On and with effect from the Effective Date National Provident Life shall become entitled to all the rights, benefits and powers of NPI whatsoever subsisting on the Effective Date under or by virtue of the Transferred Policies.
- 5.2 Every person who is a holder of any of the Transferred Policies shall on and with effect from the Effective Date become entitled, in succession to, and to the exclusion of, any rights which he may have had against NPI under any of the Transferred Policies, to the same rights against National Provident Life as were available to him against NPI under such Policies (except any membership rights arising under NPI's Rules) and (as regards Transferred Policies under which premiums or other sums attributable or referable thereto continue to be payable) shall on and with effect from the Effective Date account to National Provident Life for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable.
- 5.3 If any person entitled to do so with respect to a Transferred Policy exercises any right or option granted under the terms of that Policy and either:
- (A) the right or option provides for a new, additional or replacement Policy to be issued; or
 - (B) it is appropriate in the opinion of the Appointed Actuary in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by National Provident Life of a Policy which complies with the terms of such right or option, but (without prejudice to the right of such person to have the right or option satisfied by the issue by National Provident Life of such a Policy):

- (C) National Provident Life shall be entitled to procure that NPIL shall offer to such person a Policy which complies with the terms of such right or option provided that the issue of such Policy by NPIL would not, in the opinion of the Appointed Actuary of National Provident Life, result in a liability, or an increase in the liability, to tax of the holder of such Policy which would not have resulted had such Policy been issued by National Provident Life or otherwise fail to satisfy the reasonable expectations of the holder of such Policy; and
- (D) if National Provident Life or NPIL (as the case may be) is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which the right or option refers, National Provident Life shall be entitled to offer or (save as set out in sub-paragraph (C) above) to procure that NPIL offers to such person in lieu thereof the Policy commonly offered by National Provident Life or NPIL (as the case may be) at that time which National Provident Life or NPIL (as the case may be) considers to be the nearest equivalent Policy, in accordance with the terms and conditions applicable to National Provident Life or NPIL (as the case may be) Policies at that time.

5.4 All references in any Transferred Policy to NPI, its board of directors, its Appointed Actuary or any other officers or employees of NPI shall from and after the Effective Date be read as references to National Provident Life, its board of directors, Appointed Actuary or any other officers or employees of National Provident Life or, where appropriate, agents of National Provident Life to which the administration or investment management of the business carried on by National Provident Life has been delegated. In particular, but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by NPI, its board of directors, Appointed Actuary or any other officers or employees of NPI in relation to any of the Transferred Policies shall, from and after the Effective Date, be exercisable or required to be performed by National Provident Life, its board of directors, Appointed Actuary or any other officers, employees or such agents.

6. EXCLUDED POLICIES

- 6.1 The Excluded Policies shall not be transferred to National Provident Life by this Scheme and, subject to paragraph 6.6, the liabilities under the Excluded Policies shall remain liabilities of NPI but shall at all times after the Effective Date be reinsured in their entirety into National Provident Life on terms consistent with those described in paragraph 6.2.
- 6.2 On or prior to the Effective Date NPI and National Provident Life shall enter into the Excluded Policies Reassurance Agreement with National Provident Life pursuant to which, with effect from the Effective Date, all the liabilities of NPI attributable to the Excluded Policies and all other amounts paid or payable by NPI in respect of the Excluded Policies (including amounts paid or payable in connection with the surrender of any Excluded Policy) shall be reinsured in their entirety into National Provident Life.
- 6.3 The premiums payable under the Excluded Policies Reassurance Agreement shall comprise an amount equal to:
- (A) the greater of the mathematical reserves relating to the Excluded Policies as at the Effective Date and such amount deemed appropriate by the Appointed Actuary, which part of the premium shall be deemed to have been satisfied by the transfer to National Provident Life of the appropriate proportion of the Transferred Assets; and
 - (B) all subsequent premium payments and all other amounts received by NPI in respect of such Excluded Policies at any time after the Effective Date.
- 6.4 The liability of National Provident Life in respect of the Excluded Policies Reassurance Agreement, including the obligation to make payments in respect of claims made, annuities in payment and bonuses declared shall be calculated so as to ensure that benefits are provided to holders of Excluded Policies which are the same as the benefits which would have accrued to such policyholders if such Excluded Policies had been Transferred Policies.
- 6.5 If any person entitled to do so with respect to an Excluded Policy exercises any right or option granted under the terms of that Policy and either:

- (A) the right or option provides for a new, additional or replacement Policy to be issued; or
- (B) it is appropriate in the opinion of the Appointed Actuary in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by NPI of a Policy which complies with the terms of such right or option but (without prejudice to the right of such person to have the right or option satisfied by the issue by NPI of such a Policy) National Provident Life shall be entitled to offer in lieu thereof, or to procure that NPIL shall offer in lieu thereof, the Policy commonly offered by National Provident Life or NPIL (as the case may be) at that time which National Provident Life or NPIL (as the case may be) considers to be the nearest equivalent Policy provided that the issue of such Policy by National Provident Life or NPIL (as the case may be) would not, in the opinion of the Appointed Actuary of National Provident Life, result in a liability, or an increase in the liability, to tax of the holder of such Policy which would not have resulted had such Policy been issued by NPI or otherwise fail to satisfy the reasonable expectations of the holder of such Policy.

- 6.6 If National Provident Life procures the novation of any Excluded Policy to National Provident Life, the property and liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to National Provident Life and such Policy shall thereafter be dealt with by National Provident Life under the provisions of this Scheme in all respects as if such Excluded Policy were a Transferred Policy.

7. PREMIUMS AND OTHER PAYMENTS

- 7.1 All premiums attributable or referable to the Transferred Policies shall on and after the Effective Date be payable to National Provident Life and shall be receivable and received by National Provident Life and for the purpose of Part E shall be credited to the account of the National Provident Life Fund.
- 7.2 Any mandate or other instruction in force on the Effective Date (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a banker or other intermediary of premiums payable to NPI under or in respect of any of the Transferred Policies shall thereafter take effect as if it had provided for and authorised such payment to National Provident Life.
- 7.3 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by NPI under any of the Transferred Policies shall, on and from the Effective Date, continue in force as an effective authority to National Provident Life.

8. DECLARATION OF TRUST BY NPI

- 8.1 If:
- (A) any property of NPI is not, or is not capable of being, transferred to and vested in National Provident Life by the Order on the Effective Date by reason of:
 - (1) such property being a Residual Asset; or

- (2) such property being outside the jurisdiction of the Court; or
- (3) any other reason; or
- (B) any Residual Asset is not, or is not capable of being, transferred to and vested in National Provident Life by the Order on the Subsequent Transfer Date applicable thereto; or
- (C) the transfer of any property of NPI attributable to the Transferred Business outside the jurisdiction of the Court is not recognised by the laws of the jurisdiction in which such property is situated; or
- (D) in any circumstances National Provident Life shall decide before the Effective Date (or, in the case of any Residual Asset, before the Subsequent Transfer Date applicable thereto) that it is expedient not to effect a transfer of any property of NPI,

NPI shall, from the Effective Date (but save to the extent that giving effect to such a trust would require a consent or waiver referred to in paragraph (A) of the definition of Residual Asset, which has not been obtained) hold any property referred to in paragraphs (A) to (D) of this paragraph 8.1 as trustee for National Provident Life.

- 8.2 NPI shall be subject to National Provident Life's directions in respect of any property referred to in paragraphs (A) to (D) of paragraph 8.1 from the Effective Date until the relevant property is transferred to or otherwise vested in National Provident Life or is disposed of (whereupon NPI shall account to National Provident Life for the proceeds of sale thereof), and National Provident Life shall have authority to act as the attorney of NPI in respect of such property for all such purposes.
- 8.3 In the event of any payment being made to, property being received by or right being conferred upon NPI after the Effective Date in respect of the Transferred Business, any Transferred Asset or any Residual Asset, NPI shall, as soon as is reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such property or right to, or in accordance with the directions of, National Provident Life and National Provident Life shall indemnify NPI on demand against any costs incurred in making any such payment or transfer.

9. INDEMNITIES IN FAVOUR OF NPI

On and with effect from the Effective Date National Provident Life shall discharge on NPI's behalf or, failing that, shall indemnify NPI against:

- (A) charges, costs and claims arising in respect of all Transferred Liabilities and Residual Liabilities which are not, or are not capable of being, transferred by this Scheme or by a vesting order pursuant to Schedule 2C to the Act (whether made before, on or after the Effective Date) until the relevant liability is transferred to or becomes a liability of National Provident Life; and
- (B) save as otherwise provided in this Scheme, any other liability of NPI whether arising before or after the Effective Date.

PART D - FUND STRUCTURE OF NATIONAL PROVIDENT LIFE

10. ESTABLISHMENT OF FUNDS

On and with effect from the Effective Date National Provident Life shall establish:

- (A) the National Provident Life Fund as a separate sub-fund within the Long Term Fund;
- (B) the Loan Capital Fund and the Transfer Capital Fund as separate accounts within the National Provident Life Fund; and
- (C) the National Provident Life Capital Account and the Contribution Escrow Account as separate accounts within the Shareholders' Fund.

10A. ESTABLISHMENT OF THE SHAREHOLDER EQUALISATION FUND

10A.1 On the Transfer Date but with effect from the Pearl Scheme Effective Date National Provident Life shall establish the Shareholder Equalisation Fund as a separate account within the National Provident Life Fund.

10A.2 The provisions of Schedule 7 shall apply in respect of the Shareholder Equalisation Fund.

11. CONTRIBUTION TO THE NATIONAL PROVIDENT LIFE FUND AND OPERATION OF THE CONTRIBUTION ESCROW ACCOUNT

- 11.1 At all times after the Effective Date until any balance thereof has been finally transferred pursuant to paragraph 11.11, the Contribution Escrow Account shall be maintained as an account within the Shareholders' Fund and National Provident Life shall procure that separate accounting records shall at all such times be maintained which shall be sufficient to enable the separate identification of property allocated to the Contribution Escrow Account and liabilities in respect of the matters set out in paragraph 11.7.
- 11.2 On or before the Effective Date the AMP Parties shall procure that £50 million is received by National Provident Life in cash on account of the Contribution and immediately following the Effective Date National Provident Life shall allocate such amount to the Contribution Escrow Account.
- 11.3 Within seven days after the Effective Date, the AMP Parties shall procure that there shall be paid to National Provident Life in cash the balance (if any) of the Contribution and immediately following such payment National Provident Life shall allocate such balance to the National Provident Life Fund. For the avoidance of doubt the allocations referred to in paragraph 11.2 and this paragraph 11.3 shall respectively be in addition to the property allocated to the Shareholders' Fund pursuant to paragraphs 12 and 15.2 and the property allocated to the National Provident Life Fund pursuant to paragraph 15.1.
- 11.4 The Contribution shall be reduced by amounts not exceeding £50 million in aggregate, which amounts shall be transferred from the Contribution Escrow Account to the remainder of the Shareholders' Fund, if and to the extent that:

- (A) costs and expenses are incurred in implementation of the Operational Improvement Programme during the three years following the Effective Date by any subsidiary of AMP to which any function in relation to the business carried on by National Provident Life and allocated to the National Provident Life Fund or the business carried on by NPIL has been delegated; and
 - (B) the amount of such costs and expenses has been agreed, deemed agreed or finally determined pursuant to paragraph 11.5.
- 11.5 A certificate from AMP detailing such costs and expenses as are referred to in paragraph 11.4 and attaching such evidence as it considers reasonably necessary to enable the National Provident Life Fund Supervisory Board to confirm the amounts of such costs and expenses may be delivered by AMP to the National Provident Life Fund Supervisory Board from time to time. The National Provident Life Fund Supervisory Board shall review such certificate with a view to agreeing its contents with AMP, and shall be deemed to have agreed its contents except to the extent that it has within 45 days of receipt of the certificate from AMP referred its contents for final determination to the Umpire.
- 11.6 At all times after the Effective Date there shall be credited to the Contribution Escrow Account all of the following:
- (A) the amount allocated to the Contribution Escrow Account pursuant to paragraph 11.2;
 - (B) all investment gains, earnings, income and profits arising from the property allocated to the Contribution Escrow Account;
 - (C) all tax reliefs which are properly credited to or deemed to be credited to the Contribution Escrow Account in accordance with this Scheme;
 - (D) such property as is transferred to the Contribution Escrow Account pursuant to paragraph 32.4; and
 - (E) any other amounts which are required by this Scheme to be credited to or received by the Contribution Escrow Account or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the Contribution Escrow Account.
- 11.7 At all times after the Effective Date there shall be debited and charged to the Contribution Escrow Account all of the following:
- (A) such amounts as are transferred from the Contribution Escrow Account pursuant to paragraph 11.4 or 11.11;
 - (B) all liabilities, costs, expenditure, losses and declines in the value of investments arising from the property allocated to the Contribution Escrow Account (including amounts payable in connection with the investment management of the property allocated to the Contribution Escrow Account);
 - (C) all amounts in respect of taxation which are properly debited or charged to the Contribution Escrow Account in accordance with this Scheme;

- (D) such property as is transferred from the Contribution Escrow Account pursuant to paragraph 32.4; and
 - (E) any other amounts which are required by this Scheme to be debited or charged to the Contribution Escrow Account or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the Contribution Escrow Account.
- 11.8 For the purposes of paragraphs 11.6(C) and 11.7(C), tax reliefs shall be credited to, or deemed to be credited to, and taxation shall be debited or charged to the Contribution Escrow Account only to the same extent as would have been the case had the Contribution Escrow Account formed part of the National Provident Life Fund.
- 11.9 Except as provided for in this Scheme, no sum or amount shall be debited or charged to the Contribution Escrow Account on or after the Effective Date.
- 11.10 The National Provident Life Board shall determine the investment policy of the Contribution Escrow Account. Such investment policy shall take account of (but shall not be bound by) the advice of the Appointed Actuary and shall have regard to the need for the property comprised in the Contribution Escrow Account to be suitable for the purpose to which the Contribution Escrow Account is to be put.
- 11.11 On the third anniversary of the Effective Date, the balance remaining in the Contribution Escrow Account shall be transferred from the Contribution Escrow Account to the National Provident Life Fund, provided that if on such date there remain any amounts detailed in one or more certificates given by AMP pursuant to paragraph 11.5 which have not been agreed or determined pursuant to paragraph 11.5 and paid from the Contribution Escrow Account, such amounts shall be retained in the Contribution Escrow Account pending such agreement or determination and payment, whereupon the remaining balance (if any) shall be so transferred.

12. ALLOCATION OF PROPERTY TO THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT

On and with effect from the Effective Date:

- (A) the AMP Parties shall procure that property with an Admissible Value of £800 million is paid to National Provident Life by way of a capital contribution and/or by means of a subscription for shares. On receipt, such property shall be allocated to the Shareholders' Fund; and
- (B) National Provident Life shall allocate such property to the National Provident Life Capital Account.

13. PURPOSE OF ALLOCATIONS

Any allocation of property or attribution of liabilities, and any reallocation or reattribution of the same, which is made under the terms of this Scheme for the purpose of the establishment or maintenance of the National Provident Life Fund or the Other Funds is for the purpose of establishing policyholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of National Provident Life to meet the liabilities which it is obliged by law to meet.

14. ALLOCATION OF POLICIES

On and with effect from the Effective Date, all the Transferred Policies shall be allocated to the National Provident Life Fund.

15. ALLOCATION OF ASSETS

15.1 On and with effect from the Effective Date the following shall be allocated to the National Provident Life Fund:

- (A) all Transferred Assets (including, for the avoidance of doubt, NPI's rights under the Transfer Agreement) apart from those of the Transferred Assets allocated to the Shareholders' Fund pursuant to paragraph 15.2;
- (B) all rights and benefits arising under the Linked Reassurance Agreement, the Excluded Policies Reassurance Agreement, the Incremental Business Reassurance Agreement and the Operating Property Leases; and
- (C) the beneficial interest in all property held on trust pursuant to paragraph 8.1, and the right to receive any payment, property or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such property (or the property to which such payment, property or right relates) would have fallen within the provisions of this paragraph 15.1.

15.2 On and with effect from the Effective Date the following shall be allocated to the Shareholders' Fund:

- (A) all Transferred Assets which comprise rights and benefits arising in respect of the Intellectual Property Rights; and
- (B) the beneficial interest in all property held on trust pursuant to paragraph 8.1 and the right to receive any payment, property or right pursuant to paragraph 8.3, to the extent that such property (or the property to which such payment, property or right relates) relates to, or arises in respect of, the Intellectual Property Rights.

15.3 On and with effect from the applicable Subsequent Transfer Date each Residual Asset shall be allocated to the fund to which it would have been allocated in accordance with the provisions of paragraphs 15.1 and 15.2 had it been a Transferred Asset.

16. ALLOCATION OF LIABILITIES

16.1 On and with effect from the Effective Date, National Provident Life shall allocate to the National Provident Life Fund:

- (A) all Transferred Liabilities (including for the avoidance of doubt NPI's liabilities under the Transfer Agreement) apart from those of the Transferred Liabilities allocated to the Shareholders' Fund pursuant to paragraph 16.2;
- (B) all liabilities attributable to the Linked Reassurance Agreement, the Excluded Policies Reassurance Agreement, the Incremental Business Reassurance Agreement and the Operating Property Leases;

- (C) the liability to indemnify NPI pursuant to paragraph 8.3 to the extent that the payment or property to which such indemnity relates is allocated by paragraph 15.1 to the National Provident Life Fund; and
- (D) the liability to discharge liabilities on NPI's behalf, or failing that to indemnify NPI, pursuant to paragraph 9, to the extent that such liability pursuant to paragraph 9 relates to a Transferred Liability which is allocated to the National Provident Life Fund or to a Residual Liability which would have been allocated to the National Provident Life Fund if it had been a Transferred Liability.

16.2 Subject to paragraphs 19.5 and 19.6, on and with effect from the Effective Date National Provident Life shall allocate to the Shareholders' Fund:

- (A) any Transferred Liability;
- (B) any liability to indemnify NPI pursuant to paragraph 8.3; and
- (C) any liability to discharge any liability on NPI's behalf, or failing that to indemnify NPI, pursuant to paragraph 9,

to the extent that any such liability relates to, or arises in respect of, the Intellectual Property Rights, but excluding, for the avoidance of doubt, any liability whatsoever as at the Effective Date in relation to taxation.

16.3 On and with effect from the applicable Subsequent Transfer Date each Residual Liability shall be allocated to the fund to which it would have been allocated in accordance with the provisions of paragraphs 16.1 and 16.2 had it been a Transferred Liability.

17. OPERATING PROPERTY LEASES AND REORGANISATION AGREEMENTS

Immediately following the Effective Date National Provident Life shall enter into the Operating Property Leases and the Reorganisation Agreements with such wholly-owned subsidiaries of AMP as are nominated by AMP prior to the Effective Date. No amendment, variation or termination of any of the Operating Property Leases or the Reorganisation Agreements may be entered into by National Provident Life, and AMP shall procure that no such amendment, variation or termination shall be entered into by any relevant wholly-owned subsidiary, without the prior approval of the National Provident Life Fund Supervisory Board.

18. MEMBERSHIP COMPENSATION

18.1 AMP shall procure that a payment determined in accordance with Schedule 2 is made to each person entitled thereto in accordance with Schedule 2 in respect of such person's loss of membership rights. AMP shall use reasonable endeavours to procure that such payment is made as soon as practicable after the Effective Date. AMP may satisfy its obligations under this paragraph 18.1 by procuring that cheques are sent, at the risk of the persons to whom they are sent, to such persons at their addresses provided by NPI.

18.2 If there is any doubt as to whether or not a person qualifies for Membership Compensation, the determination of NPI prior to the Effective Date or of the National

Provident Life Fund Supervisory Board on or after the Effective Date shall be final and binding in respect thereof.

- 18.3 Any Membership Compensation which has remained unclaimed for six years from the Effective Date shall be forfeited. AMP shall procure that the aggregate amount of all such unclaimed Membership Compensation shall be paid without interest to National Provident Life on the sixth anniversary of the Effective Date, whereupon National Provident Life shall allocate the same to the National Provident Life Fund.
- 18.4 No amount payable pursuant to paragraph 18.1 shall bear interest.
- 18.5 Any payment due pursuant to paragraph 18.1 to any person in respect of membership of NPI known by NPI to be in respect of one or more Policies held in the capacity of trustee of an occupational pension scheme shall, except where the relevant person elects otherwise in writing delivered to NPI prior to the Effective Date, be paid to National Provident Life and applied by it to enhance benefits under the relevant Policy or Policies.

19. COSTS AND EXPENSES

- 19.1 NPI and AMP shall each bear one half of the costs and expenses charged by the Independent Actuary in relation to his report on the terms of this Scheme required under paragraph 2(1) of Schedule 2C to the Act.
- 19.2 Subject to paragraph 19.1, each of NPI and the AMP Parties shall bear the costs and expenses respectively incurred by them before the Effective Date in relation to the preparation and carrying into effect of this Scheme.
- 19.3 If any costs or expenses referred to in paragraphs 19.1 or 19.2 are incurred before the Effective Date but are unpaid as at the Effective Date:
- (A) insofar as they are incurred by NPI or are required by paragraph 19.1 to be borne by NPI they shall be paid when due by National Provident Life and borne by the National Provident Life Fund; and
 - (B) insofar as they are incurred by the AMP Parties or are required by paragraph 19.1 to be borne by the AMP Parties they shall be paid when due by the AMP Parties.
- 19.4 Costs and expenses which are necessarily incurred by National Provident Life in carrying into effect the transfers provided for by this Scheme and the Reorganisation Agreements shall be borne by the National Provident Life Fund.
- 19.5 Any stamp duty arising on the Order of the Court giving effect to this Scheme or on any other document necessary or desirable to transfer the Transferred Business to National Provident Life on implementation of this Scheme or pursuant to the Scheme and any stamp duty reserve tax arising on any agreement to transfer the Transferred Business arising on implementation of this Scheme or pursuant to this Scheme will be paid by National Provident Life from the National Provident Life Fund.
- 19.6 For the avoidance of doubt, and without prejudice to the generality of paragraph 19.5, there shall also be paid by National Provident Life from the National Provident Life Fund such stamp duty as may arise, otherwise than on the Order of the Court, on

instruments transferring to National Provident Life any of the Transferred Assets, the Residual Assets or the Excluded Policies and any stamp duty reserve tax arising on any agreement to transfer any such items.

PART E - OPERATION OF THE NATIONAL PROVIDENT LIFE FUND

20. MAINTENANCE OF THE NATIONAL PROVIDENT LIFE FUND

At all times after the Effective Date the National Provident Life Fund and the Other Long Term Funds shall be separately maintained and National Provident Life shall procure that separate accounting records for the National Provident Life Fund and the Other Long Term Funds shall at all times be maintained which shall be sufficient to enable the separate identification of the property and liabilities respectively allocated to the National Provident Life Fund and the Other Long Term Funds.

21. NEW BUSINESS

21.1 No new Long Term Business undertaken by National Provident Life after the Effective Date shall be allocated to the National Provident Life Fund other than:

- (A) Policies written by National Provident Life pursuant to paragraph 5.3 or paragraph 6.5;
- (B) additional premiums or increments receivable in respect of, or Policies coming into force as a result of any option or right contained in, any Policy allocated to the National Provident Life Fund which:
 - (1) arise otherwise than at the instigation of the holder of such Policy; or
 - (2) would be allocated to such Policy in accordance with the practices or procedures of NPI applicable to such Policy prior to the Effective Date; or
 - (3) would, in the opinion of the Appointed Actuary, if written by NPIL or allocated to any fund other than the National Provident Life Fund, fail to satisfy the reasonable expectations of the holder of such Policy;
- (C) Excluded Policies which are novated to National Provident Life;
- (D) reinsurance obligations undertaken by National Provident Life pursuant to paragraph 31.1;
- (E) additional premiums or increments receivable, or Policies coming into force, in the circumstances envisaged in paragraph 18.5; and
- (F) such other Policies, premiums or increments as may:
 - (1) be agreed by the National Provident Life Board and the National Provident Life Fund Supervisory Board to be more conveniently written in the National Provident Life Fund than in NPIL, whether for systems or administration reasons or otherwise; and
 - (2) (in the case of new Long Term Business undertaken after the date falling six months after the Effective Date) derive from or otherwise be related to Transferred Policies or Excluded Policies.

21.2 On or prior to the Effective Date National Provident Life and NPIL shall enter into the Incremental Business Reassurance Agreement for the purpose of ensuring that, after meeting policyholders' reasonable expectations, all capital strains and all profit arising from Policies, premiums and increments referred to in paragraph 21.1(A) and (B) and (if so agreed by the National Provident Life Board and the National Provident Life Fund Supervisory Board) paragraph 21.1(F), to the extent that they are subject to the Incremental Business Reassurance Agreement, accrue to NPIL, but without the entry into or performance of such agreement causing any reduction in the surplus arising in the National Provident Life Fund at any time in respect of any Long Term Business which is allocated to the National Provident Life Fund but is not subject to the Incremental Business Reassurance Agreement. No variation of the Incremental Business Reassurance Agreement shall be entered into by National Provident Life or NPIL which might in the opinion of the Appointed Actuary result in any reduction in the surplus arising in the National Provident Life Fund at any time or which has not received the prior approval of the National Provident Life Fund Supervisory Board.

22. PRINCIPLES OF FINANCIAL MANAGEMENT

22.1 National Provident Life shall manage the affairs of the National Provident Life Fund in accordance with the Principles of Financial Management.

22.2 National Provident Life shall use reasonable endeavours to procure that, in the determination from time to time of how the property allocated to the National Provident Life Fund (other than the Capital Funds) should be invested, the National Provident Life Fund (other than the Capital Funds) is not treated unfairly in comparison with the Other Long Term Funds or the Capital Funds or any other company in the Group which carries on Long Term Business in the United Kingdom.

23. ALLOCATION OF SURPLUS

Save as expressly provided by this Scheme, National Provident Life shall procure that the whole of the surplus of the assets over the liabilities of the National Provident Life Fund from time to time (other than the Capital Funds) shall be applied over time in accordance with the Principles of Financial Management solely and exclusively in the provision of benefits to the holders of With Profits Policies allocated to the National Provident Life Fund and Excluded Policies which are With Profits Policies.

24. TAXATION OF THE NATIONAL PROVIDENT LIFE FUND

24.1 The National Provident Life Fund shall be debited or charged in respect of taxation with an amount calculated by National Provident Life, reviewed by the Appointed Actuary, and confirmed by National Provident Life's auditors, on the basis of tax law and practice prevailing at the time, to be, and with the intent that it should be, the amount which would have been the amount of the liability of National Provident Life to taxation in respect of the National Provident Life Fund if the National Provident Life Fund had constituted the whole long term fund of a separate mutual life assurance company resident and carrying on business exclusively in the United Kingdom and if all appropriate allowances and reliefs which would in such circumstances have been available had been claimed and received including any such allowances or reliefs transferred from NPI, in particular any expenses of management, Case VI losses, excess needs amounts, acquisition expenses, spread capital gains under Section 213(5) Taxation of Chargeable Gains Act 1992, loan relationship reliefs, capital redemption

funds, PHI losses and capital allowances. Nevertheless if after the Effective Date a material amount of Long Term Business is undertaken by National Provident Life and not allocated to the National Provident Life Fund then to the extent that a charge to taxation arises at an earlier or later date than the date on which it would have arisen in NPI had this Scheme not taken effect, an amount in respect of that charge shall be debited or charged to the National Provident Life Fund at the time at which it would otherwise have arisen and not at the time at which it actually arises.

- 24.2 In computing taxation to be charged or debited to the National Provident Life Fund under this paragraph 24, where interest is incurred in respect of a Contingent Loan in accordance with paragraph 38.5, the amount of interest treated as deductible and the allocation of that interest between categories of business shall be the same as the amount deductible and allocation actually agreed by the Inland Revenue for National Provident Life for the relevant accounting period.
- 24.3 If after 26th March 1999 there occurs a material change in the basis on which life assurance companies resident and carrying on business exclusively in the United Kingdom are subject to taxation, the provisions of paragraph 24 shall be amended by National Provident Life to the extent necessary or desirable to ensure that paragraph 24.1 continues to have the same effect it had as at 26th March 1999.
- 24.4 The requirement for, and the terms of, any amendment referred to in paragraph 24.3 shall be agreed between the National Provident Life Fund Supervisory Board and the Shareholder and, in default of agreement within 30 days of a proposal for such amendment being notified by one to the other, may be referred by either of them for final determination by the Umpire.

25. ALLOCATION OF EXPENSES AND CHARGES

There shall be allocated to the National Provident Life Fund, excluding the Capital Funds, in respect of the acquisition, set up, maintenance or termination of Transferred Policies, Excluded Policies and new Long Term Business allocated to the National Provident Life Fund pursuant to paragraph 21.1(A), (B), (E) or (to the extent agreed by the National Provident Life Board and the National Provident Life Fund Supervisory Board) (D) or (F) or in respect of investment management only such amounts in respect of expenses and charges as are determined in accordance with Schedule 4.

26. LINKED FUNDS

- 26.1 On and with effect from the Effective Date the property and any associated liabilities comprised in each Linked Fund of NPI shall be allocated to and become comprised in a new corresponding Linked Fund established by National Provident Life within the National Provident Life Fund, comprising the same number and value of units as were comprised within the relevant Linked Fund of NPI immediately prior to the Effective Date.
- 26.2 On and with effect from the Effective Date National Provident Life and NPIL shall enter into the Linked Reassurance Agreement, in relation to the Linked Funds referred to in this paragraph 26, for the purpose of achieving continuity of treatment of the unit liabilities of National Provident Life in respect of Linked Policies in a manner which is intended to ensure that there is no reduction in the surplus arising in the National Provident Life Fund at any time and no reduction in the reasonable expectations of the

holders of such Policies as a result of entry into or performance of such agreement. No variation of the Linked Reassurance Agreement shall be entered into by National Provident Life or NPIL which might in the opinion of the Appointed Actuary result in any reduction in the surplus arising in the National Provident Life Fund at any time or which has not received the prior approval of the National Provident Life Fund Supervisory Board.

26.3 On and with effect from the Effective Date:

- (A) subject always to the provisions of this paragraph 26, in relation to any benefits under Transferred Policies which are linked to a Linked Fund established by National Provident Life pursuant to paragraph 26.1, National Provident Life shall become entitled to the same rights and powers and be subject to the same duties and liabilities as applied to NPI in relation to the corresponding Linked Fund of NPI immediately prior to the Effective Date; and
- (B) benefits under any Transferred Policy which, immediately prior to the Effective Date, were linked to any one or more Linked Fund(s) of NPI shall become linked to the corresponding new Linked Fund(s) of National Provident Life and National Provident Life shall as at the Effective Date allocate to each such Transferred Policy the same number and classes of units in the corresponding new Linked Fund(s) of National Provident Life as the number and classes of units in the relevant Linked Fund(s) of NPI which were allocated to the Transferred Policy immediately prior to the Effective Date.

26.4 If any property comprised in a Linked Fund of NPI falls within the provisions of paragraph 8.1 all interests and rights in relation to such property pursuant to paragraph 15.1(C) or paragraph 15.2(B) shall be allocated to the relevant Linked Fund established by National Provident Life to which such property would, had it been a Transferred Asset, have been allocated. On and with effect from the relevant Subsequent Transfer Date each Residual Asset which is comprised in a Linked Fund of NPI shall be allocated to the Linked Fund of National Provident Life to which it would have been allocated pursuant to this paragraph 26 had it been a Transferred Asset.

26.5 Subject to the Act and the terms of the relevant Policies, National Provident Life shall be at liberty at any time and from time to time to close existing Linked Funds, to amalgamate any Linked Fund or any part or parts thereof with any other Linked Fund or any part or parts thereof or to divide any Linked Fund into one or more Linked Funds, or to effect any combination of the aforesaid.

26.6 Save in relation to the Linked Funds of National Provident Life corresponding to Linked Funds of NPI which are no longer actively marketed immediately prior to the Effective Date, NPIL will hold the Linked Funds established pursuant to the Linked Reassurance Agreement open to new business, provided that, and for so long as, in the opinion of the Appointed Actuary of NPIL, the holding of such Linked Funds open to new business is consistent with the carrying on of its own business in the ordinary course.

27. CREDITS TO THE NATIONAL PROVIDENT LIFE FUND

On and at all times after the Effective Date there shall be credited to the National Provident Life Fund (other than the Capital Funds) all of the following:

- (A) all property allocated or transferred to the National Provident Life Fund in accordance with Part D;
- (B) all amounts paid, and all property or rights transferred, by NPI to National Provident Life pursuant to paragraph 8.3 to the extent that such amounts, property or rights fall within paragraph 15.1(C);
- (C) all premiums received by National Provident Life in respect of Policies allocated to the National Provident Life Fund in accordance with paragraph 14 or 21;
- (D) all amounts received by National Provident Life in respect of the Excluded Policies Reassurance Agreement;
- (E) all amounts paid to National Provident Life and properly transferred to National Provident Life in consideration of or in connection with the transfer or novation to National Provident Life at any time on or after the Effective Date of any Excluded Policy;
- (F) all amounts received under the Linked Reassurance Agreement or Incremental Business Reassurance Agreement or other reinsurance arrangements in respect of liabilities of the National Provident Life Fund which are reassured;
- (G) all amounts received under the Operating Property Leases;
- (H) all amounts received under the Reorganisation Agreements;
- (I) all investment gains, earnings, income and profits arising from the property or business allocated to the National Provident Life Fund (including subsidiaries from time to time);
- (J) all amounts received in respect of unclaimed Membership Compensation pursuant to paragraph 18.3;
- (K) any tax reliefs credited to or deemed to be credited to the National Provident Life Fund in accordance with paragraph 24;
- (L) the amount of any capital support provided pursuant to paragraph 30.5 or 30.6;
- (M) such property as is transferred to the National Provident Life Fund pursuant to any transfer, exchange or re-allocation of property with the Other Funds pursuant to paragraph 32.4;
- (N) the amount or value (in whatever form or manner it is received) of any financial assistance or support given to the National Provident Life Fund by any Other Fund in accordance with paragraph 32.5;
- (O) such amounts as are required to be transferred to the National Provident Life Fund by Court order pursuant to section 112 of FSMA;
- (P) ~~(O)~~ such amounts as are transferred to or otherwise made available to the National Provident Life Fund in accordance with Part F; and

(Q) ~~(P)~~ any other amounts which are required by this Scheme to be credited to or received by the National Provident Life Fund or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to or properly received and arising from the property and business of the National Provident Life Fund.

28. DEBITS TO THE NATIONAL PROVIDENT LIFE FUND

28.1 On and at all times after the Effective Date there shall be debited and charged to the National Provident Life Fund (other than the Capital Funds) all of the following:

- (A) all payments made in respect of those liabilities (including, for the avoidance of doubt, taxation liabilities) which are allocated to the National Provident Life Fund in accordance with Part D;
- (B) any amounts paid to NPI by National Provident Life pursuant to the indemnities contained in paragraph 8.3 to the extent that such payments relate to rights or property which are allocated to the National Provident Life Fund;
- (C) any amounts paid and liabilities incurred by National Provident Life pursuant to paragraph 9 to the extent that such amounts paid and liabilities incurred relate to Transferred Liabilities or Residual Liabilities which, had they been transferred on the Effective Date, would have been allocated to the National Provident Life Fund;
- (D) all amounts payable in respect of Policies which are allocated to the National Provident Life Fund in accordance with paragraph 14 or 21 arising by reason of surrender, death, annuity, disability, maturity or other event giving rise to a claim (including, for the avoidance of doubt, amounts payable as a consequence of any guarantee or option in any such Policy);
- (E) the amount of all payments made by National Provident Life in respect of the Excluded Policies Reassurance Agreement;
- (F) all premiums and other amounts paid by National Provident Life under the Linked Reassurance Agreement, the Incremental Business Reassurance Agreement and other reinsurance arrangements in respect of liabilities allocated to the National Provident Life Fund which are reassured;
- (G) the amount of all payments made by National Provident Life in respect of the Operating Property Leases;
- (H) the amounts of all payments and transfers made by National Provident Life pursuant to the Reorganisation Agreements;
- (I) any costs, liabilities and expenses to be borne by the National Provident Life Fund as a consequence of the allocation to it pursuant to paragraph 16 of liabilities arising in respect of the Transfer Agreement;
- (J) all liabilities, costs, expenditure, losses and declines in the value of investments arising from the property or business allocated to the National Provident Life Fund (including subsidiaries from time to time);

- (K) any amounts chargeable to the National Provident Life Fund under paragraph 19;
- (L) all amounts in respect of taxation which are debited or charged to the National Provident Life Fund in accordance with paragraph 24;
- (M) such property as is transferred from the National Provident Life Fund pursuant to paragraph 32.4;
- (N) the costs, liabilities and expenses incurred in respect of the acquisition, holding or disposal of any property comprised in the National Provident Life Fund, including (without limitation) all commissions, expenses and (subject to paragraph 25 and Schedule 4) investment management or other charges or liabilities properly attributable to the National Provident Life Fund or the business allocated to it, as determined by the Appointed Actuary;
- (O) such charges and expenses as are allocated to the National Provident Life Fund in accordance with paragraph 25 and Parts A to C of Schedule 4;
- (P) the amount or value (in whatever form or manner it is given) of the consideration given by the National Provident Life Fund in respect of any financial assistance or support given to the National Provident Life Fund by any Other Fund in accordance with paragraph 32.5, including any interest on such amount;
- (Q) any amount paid or transferred from the National Provident Life Fund pursuant to Part F;
- (R) the costs of the Appointed Actuary paid pursuant to paragraph 52.3 to the extent that they are required by that provision to be borne by the National Provident Life Fund;
- (S) any fees of the Umpire that are chargeable to the National Provident Life Fund pursuant to paragraph 2(C) of Schedule 1;
- (T) an equitable apportionment, determined in accordance with Part D of Schedule 4, of any long term business levy imposed on National Provident Life by the Policyholders Protection Board (or any successor body carrying out equivalent functions), any levy imposed on National Provident Life in respect of any compensation paid or payable by the Investors Compensation Scheme (or any successor body carrying out equivalent functions) and any fine on National Provident Life by a Regulatory Body;
- (U) such remuneration and expenses (including the costs of any external advice) as are paid in respect of the National Provident Life Fund Supervisory Board;
- (V) commissions paid to intermediaries and other third parties in respect of Policies which are allocated to the National Provident Life Fund;
- (W) payments of principal and interest in respect of any liabilities of the National Provident Life Fund in respect of borrowed monies, including, without limitation, the Securitisation Loan, the Subordinated Loan and any capital support made available pursuant to paragraph 30.5 or 30.6;

(X) an equitable apportionment (having regard to the number of Policies covered) of expenditure to the extent required to make the computer systems on which the business allocated to the National Provident Life Fund is administered compliant with the requirements of the United Kingdom becoming a Participating Member State and sterling being replaced by the Euro as the lawful currency of the United Kingdom in accordance with the Treaty;

(Y) all amounts payable after the Effective Date pursuant to the Staff Retention Policy;

(Z) such amounts as are required to be transferred from the National Provident Life Fund by Court order pursuant to section 112 of FSMA;

(AA) ~~(Z)~~ all costs and expenses incurred by National Provident Life in relation to processing and other administration arising out of questions or disputes with Qualifying Members and others in relation to Membership Compensation, but excluding for the avoidance of doubt the costs and expenses of the payment of Membership Compensation pursuant to paragraph 18.1; and

(BB) ~~(AA)~~ any other amounts which are required by this Scheme to be debited or charged to the National Provident Life Fund or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the National Provident Life Fund.

28.2 Except as provided for in paragraph 28.1, no sum or amount shall be debited or charged to the National Provident Life Fund (other than the Capital Funds) on or after the Effective Date.

29. SERVICE STANDARDS

National Provident Life shall use reasonable endeavours to ensure that:

(A) the overall standard of service provided to holders of Policies allocated to the National Provident Life Fund and Excluded Policies is maintained at the level provided in relation to equivalent business by NPI immediately prior to the Effective Date or, if better, (but except as otherwise agreed by the National Provident Life Fund Supervisory Board) the level provided in relation to equivalent business to holders of Policies written by any other company in the Group which carries on Long Term Business in the United Kingdom; and

(B) the same level of skill and diligence is applied to the investment management of the property allocated to the National Provident Life Fund as to the property allocated to the long term business funds of any other company in the Group which carries on Long Term Business in the United Kingdom.

30. SECURITISATION LOAN AND SUBORDINATED LOAN

30.1 For the avoidance of doubt and without prejudice to the generality of Parts C and D:

(A) National Provident Life shall (and agrees with NPI that it shall) assume all the property and liabilities of NPI in respect of the Securitisation Loan and the Subordinated Loan; and

- (B) National Provident Life shall allocate all such property and liabilities to the National Provident Life Fund.

30.2 In this paragraph 30, **“Adverse Reserving Event”** means the occurrence of one or more of the following:

- (A) a Trigger Event;
- (B) a Breach arising as a result of a breach of Covenant;
- (C) an Adjustment Event arising as a consequence of a change in the Borrower’s policy from that applying at 16th April 1998 in relation to charging (or not charging) and collecting (or not collecting) Early Termination Penalties; or
- (D) a determination, in accordance with the Securitisation Loan Agreement, that a Payment Cover Deficit has arisen,

where **“Trigger Event”**, **“Breach”**, **“Covenant”**, **“Adjustment Event”**, **“Borrower”**, **“Early Termination Penalties”** and **“Payment Cover Deficit”** all bear the meanings ascribed thereto by the Securitisation Loan Agreement.

30.3 In this paragraph 30, an **“Adverse Reserving Consequence”** occurs if and to the extent that, and on each occasion that, at any time after the Effective Date the consequence of one or more Adverse Reserving Events is any of the following:

- (A) that the amount by which the Initial Advance Reserve Account Balance is reduced pursuant to clause 11.5 of the Securitisation Loan Agreement is lower than it would have been in the absence of such Adverse Reserving Event or Events;
- (B) that an Initial Advance Reserve Account Deficit arises or the amount thereof is increased and such consequence would not have occurred in the absence of such Adverse Reserving Event or Events;
- (C) that an amount is required pursuant to the Securitisation Loan Agreement to be credited to, and continues to be credited to, either or both of the Warranty Account and the Adjustment Event Account; or
- (D) that any other requirement arises to maintain higher reserves pursuant to the Regulations in respect of the obligations of National Provident Life under the Securitisation Loan,

where **“Initial Advance Reserve Account Balance”**, **“Initial Advance Reserve Account Deficit”**, **“Warranty Account”** and **“Adjustment Event Account”** all bear the meanings ascribed thereto by the Securitisation Loan Agreement.

30.4 In this paragraph 30, an **“Adverse Prepayment Consequence”** occurs if and to the extent that at any time after the Effective Date any of the actions referred to in clause 16.2(a) to (d) of the Securitisation Loan Agreement is taken by the Issuer, the Bond Trustee or the Collateral Trustee as a result of:

- (A) an Event of Default; or

- (B) the circumstances referred to in clause 16.4.2 of the Securitisation Loan Agreement,

where the **“Issuer”**, **“Bond Trustee”**, **“Collateral Trustee”** and **“Event of Default”** all bear the meanings ascribed to them by the Securitisation Loan Agreement.

- 30.5 If an Adverse Reserving Consequence occurs but would not have done so had the Scheme not taken effect, or the extent of an Adverse Reserving Consequence is greater than that which would have occurred had the Scheme not taken effect, in circumstances which are within the control of National Provident Life but are outside the control of the National Provident Life Fund Supervisory Board, AMP will procure that capital support is provided to the National Provident Life Fund at no cost to the National Provident Life Fund in an amount, and on terms as to repayment and otherwise, as fully to compensate the National Provident Life Fund for the effect of an Adverse Reserving Consequence, or (as the case may be) such increase in extent of an Adverse Reserving Consequence, for so long as it continues and will reimburse National Provident Life (for the account of the National Provident Life Fund) for any other loss arising.
- 30.6 If an Adverse Prepayment Consequence occurs but would not have done so had the Scheme not taken effect, in circumstances which are within the control of National Provident Life but are outside the control of the National Provident Life Fund Supervisory Board, AMP will procure that capital support is provided to the National Provident Life Fund in an amount and on terms as to cost, repayment and otherwise, equivalent (as far as possible) to those applicable to the Securitisation Loan, and will reimburse National Provident Life (for the account of the National Provident Life Fund) for any other loss arising, including (without limitation) any amount by which the Initial Advance Prepayment Amount exceeds the aggregate of:
- (A) the Initial Advance Deferred Amounts as at the relevant Prepayment Date; and
- (B) the Principal Amount Outstanding as at the relevant Prepayment Date together with interest thereon accrued pursuant to the Securitisation Loan Agreement in the Interest Period in which such Prepayment Date falls,

where **“Initial Advance Prepayment Amount”**, **“Initial Advance Deferred Amounts”**, **“Principal Amount Outstanding”** and **“Prepayment Date”** all bear the meanings ascribed thereto by the Securitisation Loan Agreement.

- 30.7 For the purposes of, and without prejudice to the generality of, paragraph 30.5 and 30.6:
- (A) circumstances shall be regarded as within the control of National Provident Life if they are within the control of any member of the Group by which all or any part of the administration or investment management of National Provident Life’s business is for the time being carried on, or any of their respective officers, employees or agents; and
- (B) circumstances may be regarded as outside the control of the National Provident Life Fund Supervisory Board even though authority in respect of the relevant circumstances is by Part G of this Scheme vested in the National Provident Life Fund Supervisory Board if the National Provident Life Fund Supervisory Board could not reasonably have prevented such circumstances arising (including,

without limitation, where instructions from the National Provident Life Fund Supervisory Board are not followed).

- 30.8 For the avoidance of doubt, the mere failure by any holding company of National Provident Life or any other person to subscribe for further shares of, or otherwise contribute capital to, National Provident Life following the Effective Date shall not in itself give rise to any obligation on AMP pursuant to paragraph 30.5 or paragraph 30.6.
- 30.9 With the prior consent of the National Provident Life Fund Supervisory Board (such consent not to be unreasonably withheld or delayed), AMP may at any time be released by National Provident Life from its obligations under this paragraph 30 upon another company (the “**New Obligor**”) which is for the time being a member of the Group undertaking to National Provident Life in a manner reasonably satisfactory to the National Provident Life Fund Supervisory Board to comply with such obligations as if it had originally been named in place of AMP in this paragraph 30. A copy of such undertaking shall be delivered by National Provident Life to the Insurance Regulator not less than 14 days prior to the date on which such undertaking is proposed to become effective. The provisions of this paragraph 30.9 shall apply, mutatis mutandis, to the New Obligor (and any successor New Obligors pursuant to this paragraph 30.9) as they apply to AMP, as if the references to this paragraph 30 were references to the undertaking given to National Provident Life by such New Obligor.
- 30.10 In the event of any disagreement between National Provident Life and the National Provident Life Fund Supervisory Board as to the operation of this paragraph 30, such disagreement shall be referred for final determination to the Umpire.

31. REASSURANCE BY AND OF THE NATIONAL PROVIDENT LIFE FUND

- 31.1 Subject to the Act, National Provident Life may from time to time undertake, and allocate to the National Provident Life Fund the liabilities arising under, reinsurance obligations in respect of Long Term Business, whether in respect of the liabilities of insurance companies which are not members of the Group or in respect of the liabilities of members of the Group or with Other Long Term Funds, provided that the terms of any such reinsurance (and the terms of any amendment or termination thereof) shall first have been approved by the National Provident Life Fund Supervisory Board after having been advised by the Appointed Actuary that such reinsurance on the terms proposed (or, as the case may be, the amendment or termination) is not likely in his opinion to affect adversely the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund or Excluded Policies.
- 31.2 National Provident Life may from time to time on the advice of the Appointed Actuary arrange for the provision of reinsurance in relation to all or any Policies allocated to the National Provident Life Fund or any of the Excluded Policies either with insurance companies which are not members of the Group or with members of the Group or with Other Long Term Funds, provided that the terms of any such reinsurance (and the terms of any amendment or termination thereof) effected with other members of the Group or with Other Long Term Funds shall first have been approved by the National Provident Life Fund Supervisory Board (such approval not to be unreasonably withheld or delayed) after having been advised by the Appointed Actuary that such reinsurance on the terms proposed (or, as the case may be, the amendment or termination thereof) is

not likely in his opinion to affect adversely the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund or Excluded Policies.

32. MISCELLANEOUS PROVISIONS REGARDING THE NATIONAL PROVIDENT LIFE FUND

- 32.1 At no time shall there be debited or charged to the National Provident Life Fund any amount, cost or liability which is at any time incurred in connection with the provision of any finance or financial assistance provided or raised for the purposes of funding or refinancing any costs incurred in connection with the making of the Contribution.
- 32.2 Nothing in this Scheme shall at any time prevent National Provident Life from establishing and maintaining Other Long Term Funds.
- 32.3 If there is, for any reason, any delay (for which provision is not expressly made in this Scheme) in the allocation of any receipt, payment or other item to the National Provident Life Fund or the Shareholders' Fund in accordance with this Scheme, National Provident Life, on the advice of the Appointed Actuary and subject to the Act, may make such adjustment between such funds as it considers appropriate in accordance with the principles underlying this Scheme to take account of such delay.
- 32.4 Save as expressly required or permitted by this Scheme, there shall not at any time on or after the Effective Date be any transfer, exchange or re-allocation of property or liabilities between the National Provident Life Fund and the Other Funds or between any Capital Fund and the remainder of the National Provident Life Fund except for:
- (A) any transfer or exchange of listed securities at mid-market value (after an appropriate allowance, determined by the Appointed Actuary, for deferred tax); and
 - (B) such transfer, exchange or re-allocation of property other than listed securities on such arm's length terms (including, without limitation, terms reflecting an appropriate allowance, determined by the Appointed Actuary, for tax or deferred tax) as may have been approved by the National Provident Life Fund Supervisory Board (such approval not to be unreasonably withheld or delayed).
- 32.5 Without prejudice to Part F, the Shareholder may from time to time procure that financial assistance or support is given to National Provident Life (for the account of the National Provident Life Fund) by any member of the Group or by National Provident Life (for the account of the Other Funds) on such terms as may be determined by the Shareholder, provided that the terms of any such financial assistance or support (and the terms of any amendment or termination thereof) shall first have been approved by the National Provident Life Fund Supervisory Board after having been advised by the Appointed Actuary that such financial assistance or support on the terms proposed (or, as the case may be, the amendment or termination thereof) is not likely in his opinion to affect adversely the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund or of Excluded Policies.

33. PROVISION FOR CESSATION OF THE NATIONAL PROVIDENT LIFE FUND

When the With Profits Amount of the National Provident Life Fund falls below £500 million (such amount to be adjusted annually on 31st December in each calendar year

from and including 31st December 1999 for the full 12 months expiring on that date (or on such other date as the Appointed Actuary and the National Provident Life Fund Supervisory Board may agree) in proportion to the change in RPI in respect of such period) then subject to agreement by, and on terms approved by, the National Provident Life Fund Supervisory Board and the Insurance Regulator, National Provident Life may cease to maintain the National Provident Life Fund as a separate fund in accordance with this Scheme and/or the provisions of this Scheme relating to the National Provident Life Fund Supervisory Board may cease to apply and/or any other provisions of this Scheme may be modified in any other way, provided that in the opinion of the Appointed Actuary the interests and reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies would not be adversely affected by any such cessation or modification.

34. FURTHER TRANSFER TO PEARL

National Provident Life and Pearl may at any time petition the Court for the transfer to Pearl pursuant to Schedule 2C to the Act of the entire Long Term Business carried on by National Provident Life and the National Provident Life Fund Supervisory Board shall co-operate to the extent necessary to obtain the sanction of the Court for and to give effect to such transfer, provided that the interests and reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies would not be adversely affected by any such transfer and the protections afforded to holders of such Policies, whether pursuant to this Scheme or otherwise, would not, in aggregate, be reduced by such transfer.

PART F – OPERATION OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT AND THE CAPITAL FUNDS

35. MAINTENANCE OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT AND THE CAPITAL FUNDS

35.1 At all times after the Effective Date:

- (A) the National Provident Life Capital Account shall be maintained as an account within the Shareholders' Fund and National Provident Life shall procure that separate accounting records shall at all times be maintained which shall be sufficient to enable the separate identification of property allocated to the National Provident Life Capital Account and liabilities in respect of the matters set out in paragraph 36.2; and
- (B) each Capital Fund shall be maintained as an account within the National Provident Life Fund and National Provident Life shall procure that sufficient accounting records shall at all times be maintained to enable the separate attribution of property to each Capital Fund and to identify liabilities in respect of the matters set out in paragraphs 37.3 and 37.5.

35.2 The National Provident Life Capital Account shall initially comprise the property contributed to the Shareholders' Fund pursuant to paragraph 12. Save as provided in this Part, no part of the National Provident Life Capital Account shall be transferred to, or form part of, the Long Term Fund.

36. CREDITS AND DEBITS TO THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT

36.1 At all times after the Effective Date there shall be credited to the National Provident Life Capital Account all of the following:

- (A) all investment gains, earnings, income and profits arising from the property allocated to the National Provident Life Capital Account;
- (B) all tax reliefs which are properly credited to or deemed to be credited to the National Provident Life Capital Account in accordance with this Scheme;
- (C) such property as is transferred to the National Provident Life Capital Account pursuant to paragraph 32.4;
- (D) [such amounts as are required to be transferred to the National Provident Life Capital Account by Court order made pursuant to section 112 of FSMA;](#)
- (E) ~~(D)~~ such amounts as are transferred to or allocated to the National Provident Life Capital Account pursuant to paragraph 38; and
- (F) ~~(E)~~ any other amounts which are required by this Scheme to be credited to or received by the National Provident Life Capital Account or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the National Provident Life Capital Account.

- 36.2 At all times after the Effective Date there shall be debited and charged to the National Provident Life Capital Account all of the following:
- (A) all liabilities, costs, expenditure, losses and declines in the value of investments arising from the property allocated to the National Provident Life Capital Account (including amounts payable in connection with the investment management of the property allocated to the National Provident Life Capital Account);
 - (B) all amounts in respect of taxation which are properly debited or charged to the National Provident Life Capital Account in accordance with this Scheme;
 - (C) such property as may be transferred from the National Provident Life Capital Account pursuant to paragraph 32.4;
 - (D) such amounts as are transferred or distributed from the National Provident Life Capital Account pursuant to paragraph 38;
 - (E) such amounts as are required to be transferred from the National Provident Life Capital Account by Court order made pursuant to section 112 of FSMA;
 - (F) ~~(E)~~ such amounts by which the National Provident Life Capital Account is reduced pursuant to paragraphs 42 or 43 and such amounts as are released from the National Provident Life Capital Account pursuant to paragraph 44; and
 - (G) ~~(F)~~ any other amounts which are required by this Scheme to be debited or charged to the National Provident Life Capital Account or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the National Provident Life Capital Account.
- 36.3 Except as provided for in this Scheme, no sum or amount shall be debited or charged to the National Provident Life Capital Account on or after the Effective Date.

37. OPERATION OF THE CAPITAL FUNDS

- 37.1 The balance from time to time of each Capital Fund shall comprise all amounts credited to it pursuant to paragraphs 37.2 or 37.4 less all amounts debited or charged to it pursuant to paragraphs 37.3 or 37.5.
- 37.2 At all times after the Effective Date there shall be credited to the Transfer Capital Fund all of the following:
- (A) such amounts as are transferred to the Transfer Capital Fund pursuant to paragraph 38;
 - (B) all investment gains, earnings, income and profits arising from the property allocated to the Transfer Capital Fund;
 - (C) all tax reliefs which are properly credited to or deemed to be credited to the Transfer Capital Fund in accordance with this Scheme;
 - (D) such amounts as are required to be transferred to the Transfer Capital Fund by Court order made pursuant to section 112 of FSMA;

- (E) ~~(D)~~ such property as is transferred to the Transfer Capital Fund pursuant to paragraph 32.4; and
- (F) ~~(E)~~ any other amounts which are required by this Scheme to be credited to or received by the Transfer Capital Fund or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the Transfer Capital Fund.

37.3 At all times after the Effective Date there shall be debited and charged to the Transfer Capital Fund all of the following:

- (A) such amounts as are transferred from the Transfer Capital Fund pursuant to paragraph 38;
- (B) all liabilities, costs, expenditure, losses and declines in the value of investments arising from the property allocated to the Transfer Capital Fund (including amounts payable in connection with the investment management of the property allocated to the Transfer Capital Fund);
- (C) all amounts in respect of taxation which are properly debited or charged to the Transfer Capital Fund in accordance with this Scheme;
- (D) such property as may be transferred from the Transfer Capital Fund pursuant to paragraph 32.4;
- (E) such amounts as are required to be transferred from the Transfer Capital Fund by Court order made pursuant to section 112 of FSMA;
- (F) ~~(E)~~ such amounts as may be debited to the Transfer Capital Fund pursuant to paragraph 8 of Schedule 3; and
- (G) ~~(F)~~ any other amounts which are required by this Scheme to be debited or charged to the Transfer Capital Fund or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the Transfer Capital Fund.

37.4 At all times after the Effective Date there shall be credited to the Loan Capital Fund all of the following:

- (A) such amounts as are allocated to the Loan Capital Fund pursuant to paragraph 38;
- (B) all investment gains, earnings, income and profits arising from the property allocated to the Loan Capital Fund;
- (C) all tax reliefs which are properly credited to or deemed to be credited to the Loan Capital Fund in accordance with this Scheme;
- (D) such amounts as are required to be transferred to the Loan Capital Fund by Court order made pursuant to section 112 of FSMA;
- (E) ~~(D)~~ such property as is transferred to the Loan Capital Fund pursuant to paragraph 32.4; and

(F) ~~(E)~~ any other amounts which are required by this Scheme to be credited to or received by the Loan Capital Fund or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the Loan Capital Fund.

37.5 At all times after the Effective Date there shall be debited and charged to the Loan Capital Fund all of the following:

- (A) such amounts as are repaid in respect of a Contingent Loan or are paid by way of interest on a Contingent Loan pursuant to paragraph 41.1(B);
- (B) all liabilities, costs, expenditure, losses and declines in the value of investments arising from the property allocated to the Loan Capital Fund (including amounts payable in connection with the investment management of the property allocated to the Loan Capital Fund);
- (C) all amounts in respect of taxation which are properly debited or charged to the Loan Capital Fund in accordance with this Scheme;
- (D) such property as may be transferred from the Loan Capital Fund pursuant to paragraph 32.4; and
- (E) such amounts as may be debited to the Loan Capital Fund pursuant to paragraph 8 of Schedule 3;

(F) [such amounts as are required to be transferred from the Loan Capital Fund by Court order made pursuant to section 112 of FSMA;](#)

(G) ~~(F)~~ such amounts as may be debited to the Loan Capital Fund pursuant to paragraph 41.1(B); and

(H) ~~(G)~~ any other amounts which are required by this Scheme to be debited or charged to the Loan Capital Fund or which are determined by the Appointed Actuary in accordance with the principles underlying this Scheme to be properly attributable to the Loan Capital Fund.

37.6 Except as provided for in this Scheme, no sum or amount shall be debited or charged to either Capital Fund on or after the Effective Date.

37.7 The property from time to time comprising the Capital Funds shall be used in the manner and for the purposes envisaged by the Principles of Financial Management.

37.8 The balance of each Capital Fund, together (in each case) with any accrued charge or (as the case may be) interest arising in respect thereof pursuant to paragraph 40 or paragraph 41, shall be disclosed (in a form acceptable to the Insurance Regulator) in the annual return made to the Insurance Regulator by National Provident Life in accordance with Section 22 of the Act.

38. USE OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT

38.1 The property from time to time comprising the National Provident Life Capital Account shall be used in the manner and for the purposes envisaged by the Principles of Financial Management.

38.2 For the purposes of this paragraph 38, a Deficit shall exist at any time when, and in the amount by which, in the opinion of the Appointed Actuary:

- (A) the Admissible Value of the property comprised in the National Provident Life Fund or held in trust for National Provident Life and the beneficial ownership in respect of which is allocated to the National Provident Life Fund pursuant to paragraphs 8 and 15.1,

falls short of:

- (B) the greater of:
 - (1) the mathematical reserves and other insurance liabilities attributable to Policies allocated to the National Provident Life Fund and Excluded Policies and the non-insurance liabilities allocated to the National Provident Life Fund, as determined in accordance with Part IX of the Regulations; and
 - (2) the amounts determined by the Appointed Actuary as necessary to be held within the National Provident Life Fund to permit National Provident Life both to continue to meet the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies and to manage the National Provident Life Fund in each case in a manner consistent with the Principles of Financial Management. For the avoidance of doubt, for the purpose of this paragraph 38.2(B)(2) the reasonable expectations of holders of such Policies with regard to the security, but not the amount, of their benefits shall have regard to the existence of property of National Provident Life outside the National Provident Life Fund.

38.3 If a Deficit arises at any time, property selected by the Shareholder with an Admissible Value equal to the Deficit (the “**Deficit Amount**”) shall be transferred, and at any time (whether or not a Deficit has arisen) at the discretion of the National Provident Life Board all or any part of the property from time to time comprised in the National Provident Life Capital Account may be transferred, from the National Provident Life Capital Account to the Transfer Capital Fund on the terms specified in paragraph 38.4, provided that, at the discretion of the Shareholder, all or part of the Deficit Amount may instead be dealt with in accordance with paragraph 38.5.

38.4 The terms on which any amount shall be transferred from the National Provident Life Capital Account to the Transfer Capital Fund shall be as follows:

- (A) a charge shall be calculated and, subject to the Act and paragraph 40.4, paid pursuant to paragraph 40 from the National Provident Life Fund to Pearl or as it may direct in respect of the amount so transferred;
- (B) the amount so transferred shall be a liability of the National Provident Life Fund to the National Provident Life Capital Account only to the extent (if at all) that a Deficit would not thereby arise; and
- (C) any amount in the Transfer Capital Fund may, to the extent ~~that~~ such amount is a liability as referred to in paragraph 38.4(B), at the discretion of the National Provident Life Board be transferred to ~~the Shareholders~~;

- (1) the Shareholders' Fund (and allocated to the National Provident Life Capital Account) ~~as soon as the Appointed;~~ or
- (2) Pearl, pursuant to a Court order made pursuant to section 112 of FSMA,

as soon as the With Profits Actuary determines that it should be so transferred and it can, consistent with ~~the Act~~ FSMA, be so transferred.

38.5 At the Shareholder's discretion, provided that the Appointed Actuary is satisfied that the effect under the Regulations will be no less advantageous for the National Provident Life Fund than the effect of a transfer pursuant to paragraph 38.4, all or part of the Deficit Amount, or (whether or not a Deficit has arisen) all or any part of the property from time to time comprised in the National Provident Life Capital Account, may be dealt with as follows:

- (A) subject to the prior performance of the obligation in paragraph (B) below, the amount in question (the "**Contingent Loan Amount**") shall be transferred by National Provident Life from the National Provident Life Capital Account to the remainder of the Shareholders' Fund and/or distributed to the Shareholder;
- (B) the Shareholder will procure that a Contingent Loan will be made to National Provident Life (for the account of the Loan Capital Fund) in an amount equal to the Contingent Loan Amount;
- (C) subject to the terms of such Contingent Loan, interest on the Contingent Loan will be calculated and paid pursuant to paragraph 41.1;
- (D) subject to the terms of ~~such~~ the Contingent Loan, such Contingent Loan will be repayable at the Shareholder's discretion but subject to the prior performance of the ~~obligations~~ obligation in paragraph (E) below and only if and to the extent that the ~~Appointed~~ With Profits Actuary determines that a Deficit would not thereby arise, with such repayment being limited in recourse to the property comprised in the Loan Capital Fund; and
- (E) the Shareholder will procure that:
 - (1) an amount equal to any amount of the principal of a Contingent Loan which is proposed to be repaid pursuant to paragraph (D) above shall first have been contributed to National Provident Life for the account of the Shareholders' Fund, whereupon National Provident Life shall allocate the same to, and it shall form part of, the National Provident Life Capital Account; and
 - (2) such amount (if any), not exceeding the amount of any interest due and proposed to be paid in respect of the Contingent Loan pursuant to paragraph 41.1(B), as shall be necessary to ensure that as at the most recent Reference Date the aggregate of the amounts referred to in paragraphs 44.1(A) and (B) would (had such contribution been made as at such Reference Date and disregarding all other changes since such date) have equalled the Investment Release Percentage of the Average Value of the With Profits Amount shall first have been contributed to National Provident Life for the account of the Shareholders' Fund,

whereupon National Provident Life shall allocate the same to the National Provident Life Capital Account and it shall be treated for the purposes of this Scheme as if it had arisen as net income and gains in the National Provident Life Capital Account.

38.6 No variation of the terms of any Contingent Loan shall be entered into without the prior approval of the National Provident Life Fund Supervisory Board (such approval not to be unreasonably withheld or delayed).

39. SUBSEQUENT VALUE OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT AND THE CAPITAL FUNDS

39.1 As at 31st March, 30th June, 30th September and 31st December in each calendar year (for the purposes of this paragraph, a “**Reference Date**”) the Admissible Value of the National Provident Life Capital Account and each Capital Fund shall be recalculated by National Provident Life (for the avoidance of doubt, taking account of income received, liabilities incurred by or attributable to such account, such as an appropriate share of tax and investment expenses and reductions made in accordance with this Part F since the previous calculation (or, if there has been no such previous calculation, since the Effective Date)).

39.2 The recalculation referred to in paragraph 39.1 shall be made as soon as practicable and in any event not later than 60 days following the relevant Reference Date and shall be agreed between the National Provident Life Fund Supervisory Board and the Shareholder and, in default of agreement within 30 days of submission of the recalculation to the National Provident Life Fund Supervisory Board and the Shareholder, may be referred by either of them for final determination by the Umpire.

40. SUPPORT CHARGE

40.1 An amount determined in accordance with paragraph 40.2 shall be calculated by National Provident Life as at each Calculation Date (adjusted pro rata in respect of the first Calculation Date after the Effective Date to the extent that the period from the Effective Date to such Calculation Date is not 12 months).

40.2 The amount to be calculated pursuant to paragraph 40.1 shall be 1.75 per cent. per annum (determined on the basis of a 365 day year and the actual number of days elapsed) of the aggregate Average Value of the National Provident Life Capital Account and the Transfer Capital Fund as at the relevant Calculation Date.

40.3 Subject to paragraph 40.4, the amount calculated pursuant to paragraph 40.1, together with any Outstanding Support Charge determined pursuant to paragraph 40.5 as at the previous Calculation Date, shall be paid by National Provident Life from the National Provident Life Fund to Pearl or as it may direct. Such payment shall be made as soon as practicable and in any event not later than 7 days following agreement or determination of the Admissible Value of each of the National Provident Life Capital Account and the Transfer Capital Fund as at the relevant Calculation Date pursuant to paragraph 39.2.

40.4 No amount shall be payable from the National Provident Life Fund pursuant to paragraph 40.3 except to the extent that the investigation made by the Appointed Actuary pursuant to Section 18 of the Act as at the Calculation Date as at which such amount falls to be calculated discloses surplus arising in respect of the National

Provident Life Fund since the previous investigation made pursuant to Section 18 of the Act (as disclosed in Regulatory Form 58, line 35, adjusted to add back any payment made from National Provident Life pursuant to this paragraph 40).

- 40.5 The Outstanding Support Charge as at a Calculation Date shall be determined as the excess (if any) of the amount that would in the absence of the requirement in paragraph 40.4 have been payable from the National Provident Life Fund as at the relevant Calculation Date pursuant to paragraph 40.3 over the amount that is actually payable as at that date together with an additional amount equal to interest on such excess calculated from day to day at three month LIBOR from such relevant Calculation Date to the Calculation Date as at which it is actually paid and compounded with rests as at each Calculation Date.
- 40.6 The Shareholder and National Provident Life shall procure that the Calculation Date shall at all times coincide with a Reference Date.

41. CONTINGENT LOAN INTEREST

- 41.1 Subject to the terms of the Contingent Loans, any Contingent Loan (or, in the event there is outstanding more than one Contingent Loan, all such Contingent Loans together) shall bear interest, determined as at each Calculation Date, which shall be calculated as the sum of:
- (A) 1.75 per cent. per annum (determined on the basis of a 365 day year and the actual number of days elapsed) of the Average Value of the Loan Capital Fund as at the relevant Calculation Date (which amount shall be borne by the National Provident Life Fund (but not for the account of either Capital Fund)); and
 - (B) any amount by which the aggregate of all investment gains, earnings, income and profits arising in the period since the most recent Calculation Date from the property allocated to the Loan Capital Fund exceeds the aggregate of all liabilities, costs, expenditure, losses and declines in the value of investments arising in such period from such property (including amounts payable in connection with the investment management of such property), which amount shall be borne by the Loan Capital Fund.
- 41.2 The calculation of each amount of interest arising pursuant to paragraph 41.1 shall be made by National Provident Life as soon as practicable and in any event not later than 60 days after the relevant Calculation Date and shall be agreed between the National Provident Life Fund Supervisory Board and the Shareholder and, in default of agreement within 30 days of submission of the calculation to the National Provident Life Fund Supervisory Board and the Shareholder, may be referred by either of them for final determination by the Umpire. Subject to the terms of the Contingent Loans, the payment of any such amount shall take place not later than 7 days following agreement or determination of the relevant amount pursuant to this paragraph 41.2.

42. REDUCTION OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT BY REASON OF EXCESS

42.1 The National Provident Life Capital Account shall be reduced (and the relevant amount transferred to the remainder of the Shareholders' Fund) by the amount by which as at any Reference Date the aggregate of:

- (A) the Admissible Value of the National Provident Life Capital Account as agreed or determined in accordance with paragraph 39.2; and
- (B) the Admissible Value of the property comprised in the Capital Funds, (disregarding any liability relating to any amount in respect of which the Shareholder could require repayment pursuant to paragraph 38.5(D) but which has not been repaid) as agreed or determined in accordance with paragraph 39.2,

exceeds the Reduction Percentage of the Average Value of the With Profits Amount, provided that the amount of the National Provident Life Capital Account may not be reduced below zero.

42.2 The determination of the excess referred to in paragraph 42.1 shall be made by the Appointed Actuary as soon as practical and in any event within 7 days following the agreement or determination of the last of the items necessary to determine such excess pursuant to the relevant provisions of this Part F. Forthwith following the determination of the excess, the reduction of the National Provident Life Capital Account (if any) shall occur in accordance with paragraph 42.1.

42.3 The Reduction Percentage shall be the percentage agreed by NPI and AMP as the percentage that £800 million bears to the Average Value of the With Profits Amount (determined as at the Reference Date falling on 31st December 1999). Failing such agreement, either the National Provident Life Fund Supervisory Board or AMP may refer the matter for final determination by the Umpire.

42.4 National Provident Life shall ensure that the first annual return made to the Insurance Regulator by National Provident Life in accordance with Section 22 of the Act after the Effective Date contains details of the duly agreed or determined Reduction Percentage and Investment Release Percentage.

43. REDUCTION OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT BY NOTICE FROM THE NATIONAL PROVIDENT LIFE FUND SUPERVISORY BOARD

43.1 The National Provident Life Capital Account shall be reduced on any Reference Date if the National Provident Life Fund Supervisory Board gives written notice to the Shareholder not less than 30 days prior to such Reference Date specifying the amount of such reduction and accompanied by:

- (A) a certificate dated not earlier than 60 days prior to such Reference Date from the Appointed Actuary confirming that such reduction is not expected to cause the National Provident Life Fund and the National Provident Life Capital Account together to cease to have the Minimum Solvency Margin and such reduction is not expected to have an adverse effect on the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies; and

(B) a copy of the resolution of the National Provident Life Fund Supervisory Board approving such reduction.

43.2 On the relevant Reference Date the National Provident Life Capital Account shall be reduced by the relevant amount specified in the notice, and the relevant amount shall be transferred to the remainder of the Shareholders' Fund.

44. RELEASE OF INVESTMENT RETURN

44.1 An amount equal to the aggregate of all accumulated investment gains, earnings, income and profits arising from property allocated to the National Provident Life Capital Account and the Transfer Capital Fund, less all amounts payable in connection with the investment management of the National Provident Life Capital Account and the Transfer Capital Fund, and less all accumulated liabilities, costs, expenditure, losses and declines in the value of investments arising from the property allocated to the National Provident Life Capital Account and the Transfer Capital Fund, so far as not previously released or transferred from the National Provident Life Capital Account to the remainder of the Shareholders' Fund pursuant to paragraph 42.1 or 43.1 or this paragraph, may be released from the National Provident Life Capital Account to the remainder of the Shareholders' Fund at the discretion of the National Provident Life Board from time to time as it arises if and to the extent that as at the most recent Reference Date the aggregate of:

(A) the Admissible Value of the National Provident Life Capital Account as agreed or determined in accordance with paragraph 39.2; and

(B) the Admissible Value of the property comprised in the Capital Funds (disregarding any liability relating to any amount in respect of which the Shareholder could require repayment pursuant to paragraph 38.5(D) but which has not been repaid), as agreed or determined in accordance with paragraph 39.2,

exceeded the Investment Release Percentage of the Average Value of the With Profits Amount, provided that the amount of the National Provident Life Capital Account may not be reduced below zero.

44.2 The Investment Release Percentage shall be calculated by the Appointed Actuary as follows:

$$\text{Investment Release Percentage} = \frac{7.5 \times \text{Reduction Percentage}}{10.5}$$

45. INVESTMENT POLICY OF THE NATIONAL PROVIDENT LIFE CAPITAL ACCOUNT AND THE CAPITAL FUNDS

The National Provident Life Board shall determine the investment policy of the National Provident Life Capital Account and the Capital Funds. Such investment policy shall take account of (but shall not be bound by) the advice of the Appointed

Actuary and shall have regard to the need for the property comprised in the National Provident Life Capital Account and the Capital Funds to be suitable for the purpose to which the National Provident Life Capital Account and Capital Funds are to be put pursuant to the Principles of Financial Management.

46. MITIGATION OF TAXATION

National Provident Life may take any step which the National Provident Life Board considers necessary or desirable to mitigate the impact of any taxation (including stamp duty and stamp duty reserve tax and whether arising in the United Kingdom or elsewhere) which might arise in relation to the property allocated to the National Provident Life Capital Account or the Capital Funds from time to time. For such purposes, National Provident Life shall have the power to amend, replace or delete any provision of this Part F provided that:

- (A) an independent actuary has certified that in his opinion the proposed amendment, replacement or deletion will not adversely affect the security or reasonable expectations of the holders of Transferred Policies or Excluded Policies;
- (B) the Insurance Regulator has been provided with details of the proposed amendment, replacement or deletion and a copy of the certificate referred to in paragraph (A) above and either the Insurance Regulator has, before the expiration of the period of three months beginning with the date on which it received such details and certificate, notified National Provident Life that it does not object to the amendment, replacement or deletion, or that period has elapsed without the Insurance Regulator having served on National Provident Life a written notice of objection; and
- (C) ~~National Provident Life~~[a](#) copy of the notification to the Insurance Regulator has been supplied to the National Provident Life Fund Supervisory Board on or prior to its supply to the Insurance Regulator.

47. RENEWED AVAILABILITY AND WINDING UP

- 47.1 Neither National Provident Life nor, for the avoidance of doubt, the Shareholder or the AMP Parties, shall be obliged to make available again to the National Provident Life Fund for the purposes set out in this Part F any amount by which the National Provident Life Capital Account has been reduced pursuant to paragraphs 42, 43 or 44.
- 47.2 Following the cessation of the maintenance of the National Provident Life Fund pursuant to paragraph 33, National Provident Life shall no longer maintain the National Provident Life Capital Account in accordance with this Part F.

PART G - GOVERNANCE

48. ADOPTION OF NEW NATIONAL PROVIDENT LIFE ARTICLES

- 48.1 The Shareholder and National Provident Life shall procure that on or before the Effective Date the New National Provident Life Articles are adopted as the articles of association of National Provident Life and, save to the extent that any amendment is made to the New National Provident Life Articles pursuant to paragraph 48.2 below, shall:
- (A) procure that to the extent to which they relate to the existence, appointment, operation, powers, duties and rights of the National Provident Life Fund Supervisory Board the New National Provident Life Articles shall remain in force in the said form at all times;
 - (B) procure that any proposed transferee of shares in National Provident Life or any interest therein shall, prior to any transfer of such shares or any interest therein to him, undertake to National Provident Life to be bound by this paragraph 48; and
 - (C) take all steps reasonably available to enforce any undertaking given pursuant to paragraph (B) above.
- 48.2 The Shareholder shall procure that no amendment shall be made to the New National Provident Life Articles to the extent to which they relate to the existence, appointment, operation, powers, duties and rights of the National Provident Life Fund Supervisory Board unless:
- (A) National Provident Life has ceased to maintain the separate National Provident Life Fund pursuant to paragraph 33; or
 - (B) the Appointed Actuary has certified in writing that in his opinion the proposed amendment does not have an adverse effect on the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies (taking into account the Circular and the provisions of this Scheme) and:
 - (1) a copy of such certificate has been supplied to the Insurance Regulator and either the Insurance Regulator has, before the expiration of the period of three months beginning with the date on which it received such certificate, notified National Provident Life that it does not object to the amendment, or that period has elapsed without the Insurance Regulator having served on National Provident Life a written notice of objection; and
 - (2) a copy of such certificate has been supplied to the National Provident Life Fund Supervisory Board on or prior to its supply to the Insurance Regulator.

49. NATIONAL PROVIDENT LIFE FUND SUPERVISORY BOARD

- 49.1 The Shareholder and National Provident Life shall procure that the National Provident Life Board shall appoint and maintain in accordance with the New National Provident

Life Articles the National Provident Life Fund Supervisory Board as a committee of the National Provident Life Board, which (subject to the New National Provident Life Articles) shall be solely responsible for the management (including, subject to the express terms of this Scheme, investment and bonus policy) of the National Provident Life Fund (except the Capital Funds). The members of the National Provident Life Fund Supervisory Board shall, in carrying out their duties, have regard solely to the interests and reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and of Excluded Policies.

- 49.2 The powers, duties and rights of the National Provident Life Fund Supervisory Board shall be those set out in the New National Provident Life Articles.
- 49.3 Each member of the National Provident Life Fund Supervisory Board and any adviser appointed by the National Provident Life Fund Supervisory Board pursuant to paragraph 49.4 shall be entitled:
- (A) during normal business hours and on reasonable notice to examine the books, records and accounts of National Provident Life or any other member of the Group, other than any such member to the extent it carries on the investment management of the property allocated to the National Provident Life Fund, insofar as they relate to the National Provident Life Fund or to the amount of any cost, charge or expense to be allocated to the National Provident Life Fund;
 - (B) to be promptly supplied with such information including reports, analyses and projections of an actuarial nature from the Appointed Actuary in such form, at such times and with such frequency as each may reasonably require to keep him properly informed about the business of National Provident Life or any member of the Group insofar as it relates to the National Provident Life Fund; and
 - (C) to have reasonable access to the Appointed Actuary and to the auditors of National Provident Life.
- 49.4 The National Provident Life Fund Supervisory Board may take at the cost of the National Provident Life Fund external financial, accounting, actuarial, legal or other advice as it reasonably requires. National Provident Life shall provide such administrative and secretarial support to the National Provident Life Fund Supervisory Board as is reasonably necessary to enable it properly to carry out its functions under this Scheme and the New National Provident Life Articles.
- 49.5 National Provident Life shall procure that details of any complaint, enquiry, investigation or disciplinary proceedings emanating from the Insurance Regulator or any other Regulatory Body having or claiming to have jurisdiction over the National Provident Life Fund relating to any matter which might reasonably be expected to affect adversely the National Provident Life Fund or the interests of any holders of Policies allocated to the National Provident Life Fund or of Excluded Policies shall be promptly submitted to the members of the National Provident Life Fund Supervisory Board.
- 49.6 Any member of the National Provident Life Fund Supervisory Board may discuss the implementation of this Scheme or the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund or Excluded Policies with the Insurance Regulator or any other Regulatory Body, but only after first discussing the matter with

the National Provident Life Fund Supervisory Board, the National Provident Life Board and the Appointed Actuary.

PART H - MISCELLANEOUS PROVISIONS

50. EFFECTIVE DATE

- 50.1 Notwithstanding any other provision of this Scheme, this Scheme shall not become operative and shall have no effect whatever if any transfer effected by this Scheme would result in a breach of the covenant contained in paragraph 2(iii) of Schedule 6 to the Securitisation Loan Agreement.
- 50.2 No modification of, or addition or amendment to, paragraph 50.1 shall be made, whether pursuant to paragraph 53 or otherwise, unless the Bond Trustee (as defined in the Securitisation Loan Agreement) has given its prior consent thereto in writing.
- 50.3 Subject to paragraph 50.1 and to the Transfer Agreement becoming unconditional in accordance with its terms, this Scheme shall become operative at 00.01 a.m. on 1st January 2000 or such other time and date as NPI, National Provident Life and AMP may agree (being a date and time falling after the making of the Order sanctioning this Scheme).
- 50.4 Unless this Scheme shall become operative on or before 31st March 2000 or such later date as the Court may allow upon the application of NPI (with the agreement of National Provident Life and AMP) it shall lapse.

51. CERTIFICATION BY THE NATIONAL PROVIDENT LIFE BOARD AND THE APPOINTED ACTUARY

- 51.1 National Provident Life shall cause to be delivered to the Insurance Regulator, on or before the date in each year on which the annual return is made to the Insurance Regulator by National Provident Life in respect of its United Kingdom business in accordance with Section 22 of the Act:
- (A) a certificate in writing from the National Provident Life Board, having been advised as to actuarial matters by the Appointed Actuary, stating whether the provisions of Parts E, F and G of this Scheme have been complied with since the date of the last such certificate or, in the case of the first such certificate, since the Effective Date (and, if not, detailing the respects in which such provisions have not been complied with);
 - (B) a certificate in writing from the Appointed Actuary stating whether the provisions of this Scheme relating to actuarial matters and any other matters in respect of which consultation with or advice or approval of the Appointed Actuary is required pursuant to this Scheme have been complied with (and, if not, detailing the respects in which such provisions have not been complied with); and
 - (C) a certificate in writing from the Appointed Actuary stating whether the investment and bonus policy of the National Provident Life Fund (excluding the Capital Funds) has since the date of the last such certificate, or in the case of the first such certificate, since the Effective Date, had regard to the provisions of this Scheme (and, if not, detailing the respects in which the Appointed Actuary believes the relevant provisions of this Scheme have not been complied with).

51.2 A copy of each certificate referred to in paragraph 51.1 shall be sent to the National Provident Life Fund Supervisory Board before it is sent to the Insurance Regulator.

52. DUTIES OF THE APPOINTED ACTUARY

52.1 The Appointed Actuary shall advise the National Provident Life Board as to the proper operation of the National Provident Life Fund, the Capital Funds and the National Provident Life Capital Account in accordance with the provisions of this Scheme and, in particular, as to any constraints which he may determine to be necessary in the operation of the National Provident Life Fund, the Capital Funds, the National Provident Life Capital Account or the Other Long Term Funds in order to safeguard the interests (as established by this Scheme) and reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies.

52.2 The Appointed Actuary shall inform the National Provident Life Board if at any time he is of the opinion that the National Provident Life Fund is being operated in a manner such that:

- (A) he may be unable to advise the National Provident Life Board pursuant to paragraph 51.1(A) that, so far as relates to actuarial matters, the relevant provisions of this Scheme have been complied with; or
- (B) he may be required to notify any matters in the next certificate he is required to give the Insurance Regulator in accordance with paragraph 51.1(B) or (C).

If the Appointed Actuary shall determine that the National Provident Life Board is taking or failing to take, or has taken or failed to take any action and that such action, or failure to take action, is or may in his opinion be prejudicial to the proper implementation of this Scheme, and he is dissatisfied with the reasons given by the National Provident Life Board for such action or failure to take action, he shall, having sought such guidance from the Institute or Faculty of Actuaries as he thinks appropriate, be obliged to report his concerns in writing to the Insurance Regulator.

52.3 The costs of the Appointed Actuary will be borne by the National Provident Life Fund, save that if at any time any Long Term Business is comprised in the Other Long Term Funds, only a fair proportion of such costs shall be borne by the National Provident Life Fund.

52.4 The obligations and duties imposed on the Appointed Actuary by this Scheme shall be in addition to his statutory duties under the Act.

53. MODIFICATIONS OR ADDITIONS

53.1 Subject to paragraph 50.2, NPI, National Provident Life and AMP may consent for and on behalf of the parties hereto and all other persons concerned to any modification of or addition to this Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose.

53.2 Subject to paragraph 50.2, if at any time the provisions of this Scheme prove impossible, impracticable or inequitable to implement, National Provident Life shall be at liberty, with the consent of the National Provident Life Fund Supervisory Board, to apply to the Court for consent to amend its terms, provided that in any such case:

- (A) the Insurance Regulator shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered; and
- (B) such application shall be accompanied by a certificate from an independent actuary to the effect that in his opinion the proposed amendment will not adversely affect the reasonable expectations of, or reduce the protections conferred by this Scheme on, the holders of Policies allocated to the National Provident Life Fund or Excluded Policies.

If such consent is granted, National Provident Life may amend the terms of this Scheme in accordance with such consent.

SCHEDULE 1

The Umpire

1. The Umpire shall be:
 - (A) except in the case of paragraphs 11.5 and 24.4, an actuary or firm of consulting actuaries agreed on by the National Provident Life Board and the National Provident Life Fund Supervisory Board or, if they cannot agree on such within seven days of one of them giving notice in writing to the other that an Umpire should be appointed, such actuary or firm of consulting actuaries as may be nominated on the application of either of them by the President of the Institute of Actuaries; and
 - (B) in the case of paragraphs 11.5 and 24.4, a chartered accountant or firm of chartered accountants agreed on by the National Provident Life Board and the National Provident Life Fund Supervisory Board or, if they cannot agree on such within seven days of one of them giving notice in writing to the other that an Umpire should be appointed, such accountant or firm of chartered accountants as may be nominated on the application of either of them by the President of the Institute of Chartered Accountants in England and Wales.
2. If any disagreement or dispute under this Schedule is referred to an Umpire:
 - (A) all relevant parties shall use all reasonable endeavours to co-operate with the Umpire in resolving such disagreement or dispute, and for that purpose shall provide to him all such information and documentation as he may reasonably require;
 - (B) the Umpire shall have the right to seek such professional assistance and advice as he may require in fulfilling his duties; and
 - (C) the fees of the Umpire (and any professional fees incurred by him) shall be paid by National Provident Life and charged equally to the National Provident Life Fund and the Shareholders' Fund.
3. The Umpire shall be appointed to act as an expert and not as an arbitrator and the decision of the Umpire as to any matter referred to the Umpire shall be final and binding for all purposes of this Scheme.

SCHEDULE 2

Membership Compensation

Part A – Definitions

1. DEFINITIONS

In this Schedule the following expressions bear the meanings respectively set opposite them:

“Additional Payment”	a variable payment determined by NPI in accordance with paragraph 8, 9 or 10 of this Schedule;
“Eligible With Profits Policy”	a With Profits Policy written by NPI that was in force continuously from 11.59 p.m. on 1st October 1998 until the Effective Date (or is immediately prior to the Effective Date treated by NPI as having been in force continuously during that period);
“Fixed Payment”	a payment of £300;
“Maturity”	the termination of a Policy written by NPI, or, as the context requires, the termination of any person’s membership of an occupational pension scheme insured under an Eligible With Profits Policy, by virtue of death, retirement, passage of time or any other event outside the control of the holder of the Policy or (as the case may be) of such person at any time after 11.59 p.m. on 1st October 1998 but before the Effective Date;
“Pension Policy”	a With Profits Policy that is properly categorised as a pension policy in the records of NPI as at the Effective Date;
“Principal Compensation”	the sum of £400 million;
“Reinvestment”	any arrangement between NPI and the holder of a Policy written by NPI by virtue of which at any time after 11.59 p.m. on 1st October 1998 but before the Effective Date the value of a Policy written by NPI is transferred into another Policy written by NPI, such Policy thereby replacing the original Policy;

“Reissue”	an arrangement under which at any time after 11.59 p.m. on 1st October 1998 but before the Effective Date any person who is a member of an occupational pension scheme that is insured under an Eligible With Profits Policy ceases in whole or in part to be a member of such scheme on terms that he becomes the holder of a With Profits Policy written by NPI and financed by movement of funds from such scheme;
“Unitised With Profits Policy”	any Policy under which the value of the benefit is measured in whole or in part by reference to the number and value of With Profits Units allocated to that Policy;
“Variable Payment”	a variable payment calculated in accordance with paragraph 4 of this Schedule; and
“With Profits Units”	notional units whose value or number vary by reference to bonuses declared, or surpluses otherwise distributed, as determined by NPI (before the Effective Date) or National Provident Life (after the Effective Date) for the purposes of calculating benefits payable under Policies.

Part B – Calculation of Membership Compensation

2. PRINCIPAL COMPENSATION

The Principal Compensation shall be applied in the payment of:

- (A) Fixed Payments and Variable Payments; and
- (B) four fifths of the Additional Payments.

For the avoidance of doubt, the aggregate of the Fixed Payments, the Variable Payments and four fifths of the Additional Payments shall not in any event exceed £400 million.

3. FIXED PAYMENTS

A single Fixed Payment shall be paid to each Qualifying Member irrespective of the number of Policies held by that Qualifying Member.

4. VARIABLE PAYMENTS

A Variable Payment shall be paid to each Qualifying Member calculated as follows in respect of each Eligible With Profits Policy held by such Qualifying Member as at the Effective Date:

- (A) in respect of each Eligible With Profits Policy other than those described in paragraphs (B) and (C) below, the Variable Payment shall be calculated as a percentage of reversionary bonuses attaching to such Policy after the bonus

declared by NPI in respect of such Policy as at 31st December 1998 and still attaching at least in part as at the Effective Date;

- (B) in respect of each Unitised With Profits Policy (including for the avoidance of doubt any Policy referred to by NPI as a unitised capital account policy) the Variable Payment shall be calculated as a percentage, according to the year in which the units were purchased, of the bid value of With Profits Units allocated by NPI to such Policy as at 11.59 p.m. on 1st October 1998 and still allocated to such Policy as at 31st December 1998, including any reversionary bonus added as at that date, and still allocated at least in part as at the Effective Date. The percentages used shall be such that they produce a payment broadly equivalent to those calculated pursuant to paragraph (A) above in respect of Policies of similar term, duration and premium size; and
- (C) in respect of each deposit administration contract, the Variable Payment shall be a percentage of the deposit account allocated by NPI to such contract as at 31st December 1998 in respect of premiums paid before 11.59 p.m. on 1st October 1998, including any bonus interest added on 31st December 1998, and still allocated at least in part as at the Effective Date.

Part C – Special Arrangements

5. MATURITIES

- 5.1 If any person was a member of NPI in accordance with NPI's Rules, as amended by the Resolution, at 11.59 p.m. on 1st October 1998 (or is immediately prior to the Effective Date treated by NPI, whether pursuant to NPI's Rules as so amended or otherwise, as having been such a member at that time), but ceases to be a member at any time before the Effective Date wholly or partly by virtue of a Maturity, such person shall be treated as a Qualifying Member for the purposes of the payment of Fixed Payments pursuant to paragraph 3 above and, in respect of any With Profits Policy held by such person which falls within the provisions of paragraph 5.2 below, the payment of Variable Payments pursuant to paragraph 4 above.
- 5.2 If any With Profits Policy written by NPI which was in force as at 11.59 p.m. on 1st October 1998 terminates by virtue of a Maturity after 11.59 p.m. on 1st October 1998 but before the Effective Date it shall, so far as practicable, be treated as an Eligible With Profits Policy for the purposes of the payment of Variable Payments pursuant to paragraph 4 above, save that in respect of any such Policy that terminated by virtue of a Maturity on or before 31st December 1998 all references in paragraph 4 above to 31st December 1998 shall be read as references to 31st December 1997.
- 5.3 If any person ceases to be a member of an occupational pension scheme in circumstances that involve a Maturity, but not a Reissue, a Variable Payment shall be made to such person calculated as an appropriate share of the Variable Payment that would have been due to the Qualifying Member in respect of the Eligible With Profits Policy under which the relevant occupational pension scheme is insured if such person had still been a member of that scheme as at the Effective Date.

6. REINVESTMENTS

- 6.1 If any person was a member of NPI in accordance with NPI's Rules, as amended by the Resolution, at 11.59 p.m. on 1st October 1998 (or is immediately prior to the Effective Date treated by NPI, whether pursuant to NPI's Rules as so amended or otherwise, as having been such a member at that time) and, by virtue of a Reinvestment, is a member of NPI as at the Effective Date, such person shall be treated as a Qualifying Member for the purposes of the payment of Fixed Payments pursuant to paragraph 3 above.
- 6.2 If any With Profits Policy is held at the Effective Date by a person who is a member at the Effective Date by virtue of a Reinvestment from a With Profits Policy held by that person at 11.59 p.m. on 1st October 1998, such person shall be treated as a Qualifying Member and such With Profits Policy shall, so far as practicable, be treated as an Eligible With Profits Policy for the purposes of the payment of Variable Payments pursuant to paragraph 4 above save that:
- (A) the calculation of any such Variable Payment shall be made in respect of the With Profits Policy from which the Reinvestment was made (and not by reference to the new With Profits Policy written by NPI on the Reinvestment), as if such With Profits Policy had continued in force until the Effective Date; and
 - (B) if the Reinvestment took place on or before 31st December 1998 all references in paragraph 4 above to 31st December 1998 shall be treated as references to 31st December 1997.
- 6.3 If any With Profits Policy, held by a member, written by NPI on a Reinvestment from a With Profits Policy, held by a member, that was held at 11.59 p.m. on 1st October 1998 is terminated by virtue of a Maturity at any time before the Effective Date the provisions of paragraphs 5.1 and 5.2 above shall apply to such Policy and to such former member, save that:
- (A) the calculation of any Variable Payment pursuant to paragraph 4 above shall be made in respect of the With Profits Policy from which the Reinvestment was made (and not by reference to the new With Profits Policy written by NPI on the Reinvestment) as if such With Profits Policy had continued in force until the Effective Date; and
 - (B) if the Reinvestment took place on or before 31st December 1998 all references in paragraph 4 above to 31st December 1998 shall be treated as references to 31st December 1997.

7. REISSUES

- 7.1 If any person holds a With Profits Policy written by NPI as at the Effective Date as a result of a Reissue such person shall be treated as a Qualifying Member and such With Profits Policy shall, so far as practicable, be treated as an Eligible With Profits Policy for the purposes of the payment of Variable Payments pursuant to paragraph 4 above (but not for the purposes of the payment of Fixed Payments pursuant to paragraph 3 above). A Variable Payment shall be made to such person calculated as an appropriate share of the Variable Payment that would have been due to the Qualifying Member in

respect of the Eligible With Profits Policy under which the relevant occupational pension scheme is insured if such person had still been a member of that scheme as at the Effective Date.

- 7.2 If any With Profits Policy written by NPI on a Reissue in favour of any person is terminated by virtue of a Maturity at any time before the Effective Date such With Profits Policy shall, so far as practicable, be treated as an Eligible With Profits Policy for the purposes of the payment of Variable Payments pursuant to paragraph 4 above, save that the calculation of any Variable Payment shall be calculated as an appropriate share of the Variable Payment that would have been due to the Qualifying Member in respect of the Eligible With Profits Policy under which the relevant occupational pension scheme is insured if such person had still been a member of that scheme as at the Effective Date (and not by reference to the new With Profits Policy written by NPI on the Reissue).

Part D – Additional Payments in respect of Pension Policies

8. An Additional Payment, contingent on the Scheme becoming operative in accordance with paragraph 50, in an amount determined by NPI before the Effective Date, shall be paid in respect of any Pension Policy that terminates by virtue of a Maturity taking place after 11.59 p.m. on 1st October 1998 but on or before 19th May 1999 (or such later date on which the Resolution is passed).
9. An Additional Payment, contingent on the Scheme becoming operative in accordance with paragraph 50, in an amount determined by NPI, shall be paid in respect of any Pension Policy that is in force at the Effective Date by virtue of a Reinvestment taking place after 11.59 p.m. on 1st October 1998 but on or before 19th May 1999 (or such later date on which the Resolution is passed).
10. An Additional Payment, contingent on the Scheme becoming operative in accordance with paragraph 50, in an amount determined by NPI, shall be paid in respect of any With Profits Policy written by NPI that is in force on the Effective Date by virtue of a Reissue taking place after 11.59 p.m. on 1st October 1998 but on or before 19th May 1999 (or such later date on which the Resolution is passed).

Part E - Powers of the Appointed Actuary

11. The Appointed Actuary may, with the approval of the National Provident Life Fund Supervisory Board, in relation to any Policy to which the bases for the calculation of any amount pursuant to this Schedule do not apply, or the application of which would otherwise be inequitable, apply such alternative bases of calculation as the Appointed Actuary considers equitable in relation thereto taking into account the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies.

SCHEDULE 3

Principles of Financial Management

1. The affairs of the National Provident Life Fund shall be conducted in a sound and prudent manner.
2. The investment and bonus policies for the National Provident Life Fund:
 - (A) shall have regard to the interests (as established by this Scheme, having particular regard to the Principles of Financial Management) and reasonable expectations (as modified by this Scheme) of the holders of Policies allocated to the National Provident Life Fund and Excluded Policies (“**Relevant Policies**”);
 - (B) subject to paragraph 5 of this Schedule, shall be determined as if the National Provident Life Capital Account and the Capital Funds represented free assets of the National Provident Life Fund, subject to managing the assets and liabilities of the National Provident Life Fund in a sound and prudent manner such that, in the opinion of the Appointed Actuary, a prudent level of free assets is maintained in the National Provident Life Fund, the National Provident Life Capital Account and the Capital Funds taken together (in excess of the Minimum Solvency Margin), so far as possible without reducing the proportion of assets backing with profit liabilities invested in ordinary shares and real property below the minimum level consistent, in the opinion of the Appointed Actuary, with the reasonable expectations of the holders of Relevant Policies; and
 - (C) shall be determined by reference to, and shall not be constrained in any way other than by, the financial position, performance and experience of the National Provident Life Fund and the National Provident Life Capital Account and in accordance with the principles specified in this Schedule.
3. The investment policy for the National Provident Life Fund shall have regard to the nature of the liabilities of the National Provident Life Fund, and seek to maximise the investment return on the property of the National Provident Life Fund attributable to With Profits Policies, whilst recognising the need to safeguard the financial security of the National Provident Life Fund.
4. The terminal bonus policy for Relevant Policies:
 - (A) shall smooth payouts so as to avoid excessive differences in payouts (per unit of premium) on similar policies over short periods of time consistent with National Provident Life’s smoothing policy from time to time, which itself will have regard to NPI’s smoothing policy at the Effective Date, so far as appropriate;
 - (B) subject to paragraph (A), shall be determined with the intention of distributing equitably all the assets of the National Provident Life Fund (including all future surplus arising in the fund but as far as possible excluding assets in the National

Provident Life Capital Account and any balance from time to time of the Capital Funds) over the remaining life of the Relevant Policies; and

- (C) shall aim to distribute equitably to holders of Eligible With Profits Policies (as such term is defined in Schedule 2) in accordance with paragraph 7 of this Schedule the surplus assets in the National Provident Life Fund in excess of those allocated from time to time to the Asset Shares of Relevant Policies.
5. The policy in respect of reversionary bonuses for Relevant Policies shall disregard the existence of the National Provident Life Capital Account and the Capital Funds.
 6. Asset Share calculations shall be made and records of them shall be maintained and referred to in setting bonus rates in order to ensure equity between different groups of holders of Relevant Policies. Asset Shares shall be determined by the Appointed Actuary as at the Effective Date using NPI's approach at 31st December 1998. Thereafter, and until the Hypothecation Date referred to below, those Asset Shares shall be accumulated by reference to the financial position, performance and experience of the National Provident Life Fund. With effect from the Hypothecation Date referred to below, Asset Shares of different groups of Policies shall accumulate on a basis described in the relevant PPFM and determined by the National Provident Life Fund Supervisory Board following advice from the With Profits Actuary. Without limitation, such basis may include an allocation of investment return as if distinct and different asset mixes had been allocated to identified groups of Policies, whether or not the National Provident Life Fund in fact holds such assets. For this purpose the Hypothecation Date shall be a date or (in the event further changes are to be made to the basis for the future accumulation of Asset Shares after an earlier Hypothecation Date) dates selected by the National Provident Life Fund Supervisory Board. The National Provident Life Supervisory Board shall give written notice to the Insurance Regulator of, and consult with the Insurance Regulator about, such proposed basis for the future accumulation of Asset Shares. National Provident Life shall not be entitled to implement the proposed basis for the future accumulation of Asset Shares until it has received notice in writing of the Insurance Regulator's non-objection to such proposal.
 7. Subject to smoothing as referred to in paragraphs 4(A) and 9 of this Schedule, payouts at maturity shall be targeted on 100 per cent. of Asset Shares with the addition (in the case of Eligible With Profits Policies, as such term is defined in Schedule 2) of an enhancement to reflect an equitable distribution of the surplus assets referred to in paragraph 4(C) between different categories and generations of Relevant Policies which are With Profit Policies on a basis determined by the National Provident Life Fund Supervisory Board upon the advice of the Appointed Actuary.
 8. If the guaranteed benefits paid under a Relevant Policy which is a With Profits Policy exceed the relevant Asset Share, the amount of the excess will be met from the surplus assets referred to in paragraph 4(C) of this Schedule or, if there are no such surplus assets, from one or both of the Capital Funds.
 9. A smoothing account shall be maintained to which shall be credited the difference between claim payments (excluding the enhancement described in paragraph 7 of this Schedule and any excess amounts referred to in paragraph 8 of this Schedule) on Relevant Policies and Asset Shares. Subject to the reasonable expectations of the

holders of Relevant Policies and to paragraph 4(A) of this Schedule, the intention at all times shall be to aim for neither surplus nor deficit in the smoothing account over time.

10. Discretionary charges on Relevant Policies shall be managed from the Effective Date in a manner consistent with the reasonable expectations of the holders of such Policies, having regard, inter alia, to NPI's practice prior to the Effective Date.
11. National Provident Life shall draw this Scheme and the reports of the Appointed Actuary of NPI and Independent Actuary thereon to the attention of any future Appointed Actuary at the time of his appointment.
12. The Shareholder Equalisation Fund forms a component of policyholders' reasonable expectations (as such term is used by the Insurance Regulator) as regards security and will be available to provide assets which will be used to meet guarantees on National Provident Life Policies if required. However, the Shareholder Equalisation Fund does not form part of policyholders' reasonable expectations where Asset Shares exceed guaranteed benefits and it is not available to allow policyholders' reasonable expectations to exceed 100% of Asset Shares at any time.

SCHEDULE 4

Expenses and charges to be borne by the National Provident Life Fund

Part A - Charging Arrangements

1. Amounts in respect of maintenance and termination expenses (excluding investment management fees) allocated to the National Provident Life Fund in respect of Policies allocated to the National Provident Life Fund and Excluded Policies shall for 10 years from the Effective Date be calculated as the aggregate of the amounts determined by multiplying the annual per policy or per benefit charge applicable at the time (determined as referred to below) by the number of policies (or, as the case may be, benefits) in force on 1st July in each calendar year (being the commencement of the 12 months period following each adjustment pursuant to this paragraph) and shall, so far as practicable, be so allocated monthly in advance. For this purpose, the annual per policy or per benefit charges shall be set at the levels set out in Part B of this Schedule, adjusted (on a compound basis) on 30th June in each calendar year, commencing on 30th June 1999, by reference to the sum of:
 - (A) the change in RPI over the previous 12 months; and
 - (B) 1 per cent. per annum.
2. The Appointed Actuary may at any time propose that any of the charges set out in Part B of this Schedule (as adjusted from time to time pursuant to paragraph 1 of this Schedule) should be varied in order to simplify or clarify the method of calculation of such charges, or for systems or administration reasons or otherwise, provided that any such variation shall require the prior approval of the National Provident Life Board and the National Provident Life Fund Supervisory Board (neither such approval to be unreasonably withheld or delayed) and provided further that no such variation shall be made which would have the effect of increasing the aggregate of the amounts which may be allocated to the National Provident Life Fund pursuant to paragraph 1 of this Schedule or which would otherwise adversely affect the reasonable expectations of the holders of Policies allocated to the National Provident Life Fund or Excluded Policies.
3. In respect of acquisition and set up expenses allocated to the National Provident Life Fund in respect of Policies written in the National Provident Life Fund pursuant to paragraphs 21.1(A), (B), (E) or (to the extent agreed by the National Provident Life Board and the National Provident Life Fund Supervisory Board) (D) or (F) of this Scheme the following shall apply:
 - (A) for such Policies which do not specify explicit charges, amounts in respect of such charges to be allocated to the National Provident Life Fund shall be fixed for 10 years from the Effective Date at the levels set out in Part C of this Schedule; and
 - (B) for such Policies which do specify explicit charges, amounts in respect of such charges to be allocated to the National Provident Life Fund may, with the

approval of the National Provident Life Fund Supervisory Board (which shall not be unreasonably withheld in circumstances where, if National Provident Life had itself incurred such expenses, such a variation would have been justified), be varied from time to time in a manner consistent with the terms of such Policies and the reasonable expectations of the holders of the relevant Policies.

4. Amounts in respect of investment management fees to be allocated to the National Provident Life Fund, excluding the Capital Funds, shall be fixed for 10 years from the Effective Date at a monthly charge equivalent to an annual rate equal to 0.1125 per cent. of the average value of the property of the National Provident Life Fund, excluding any property in the Capital Funds.
5. Following the date falling 10 years after the Effective Date, amounts in respect of the acquisition, set up, maintenance and termination of Policies allocated to the National Provident Life Fund and Excluded Policies and investment management fees to be allocated to the National Provident Life Fund, excluding the Capital Funds, shall at no time exceed the charges for similar services made by third party companies and shall at no time significantly exceed the costs which National Provident Life would incur in undertaking such services itself.

Part B - Maintenance and Termination Expenses

The following table shows the amounts in respect of maintenance and termination expenses, expressed as per policy or per benefit charges (as applicable depending on the types of Policies) referred to in paragraph 1 of this Schedule, being the charges applicable for the calendar year ending on 30th June 1999.

	Regular premium non-PUP charges £	Single premium and PUP charges £
Per policy expenses		
Non linked endowments	60.96	30.43
Self Employed Retirement Plan	36.51	14.67
Capital Pension Plan	243.63	121.81
Visible Growth Fund	341.10	170.49
Capital Accumulation Plan	341.10	170.49
Annuities	-	22.79
EPP	177.48	88.73
PTP	-	36.51
Flexible Investment Plan	-	110.95
DSS Rebates – Individual	41.64	24.46
DSS Rebates – Group	97.47	60.96
Per benefit expenses		
Bonds	-	30.46
MIP	81.71	65.35
Personal Pension Plan	20.98	16.78
Personal Pension Investment Plan	28.20	22.55
FSAVC	24.61	19.69
Group Money Purchase	60.75	48.61
Variable Group PPP	30.37	24.30
Penfund	-	43.12
Phased Retirement Account	-	72.06

Part C - Acquisition and set up expenses

The following table shows the amounts in respect of acquisition and set up expenses (expressed as charges calculated as a percentage of new regular annualised premium or new single premium as appropriate) referred to in paragraph 3 of this Schedule.

	% of new annual premium increments	% of single premium increments
Personal Pension Plan	17.25	2.01
Personal Pension Investment Plan	23.00	2.01
Flexible Income Plan	-	1.44
Rebate Pensions	21.85	-
FSAVC	17.25	2.01
EPP (Unit Linked and Capital Account)	32.20	2.42
New Approach PPP	12.65	-
New Approach FSAVC	12.65	-
New Approach EPP	8.05	-
Phased Retirement Account	-	2.01
Group Money Purchase / VGPPP	21.85	2.30
Penfund	-	2.76
Trustee With Profit Bond	-	2.59
Capital Investment Bond	-	1.72
With Profit Bond	-	2.59
Annuities	-	1.72

Part D - Levies and Fines

The National Provident Life Fund will be charged with an equitable apportionment of any long term business levy imposed on National Provident Life by the Policyholders Protection Board (or any successor body carrying out equivalent functions) (“**PPB levy**”), any levy imposed on National Provident Life in respect of any compensation paid or payable by the Investors Compensation Scheme (or any successor body carrying out equivalent functions) (“**ICS levy**”) and of any fine on National Provident Life by a Regulatory Body, determined as follows:

- (A) a PPB levy will be split in proportion to the split between the National Provident Life Fund and any Other Long Term Funds of the premium income on which the levy is raised; and
- (B) an ICS levy or any fine on National Provident Life by a Regulatory Body will only be allocated to the National Provident Life Fund if, and to the extent that, the circumstances giving rise to the levy or fine relate to action taken by, or on behalf of, NPI before the Effective Date.

SCHEDULE 5

Infrastructure and Shareholder Subsidiaries

Part A – Infrastructure

1. All tangible assets (excluding any rights of occupation or ownership in respect of real property and any assets held as investments) used by NPI in the conduct of the Transferred Business including without limitation, furniture, computers and other tenant's fittings, office equipment, software, stationery, stocks of consumables, vehicles and records.
2. All contracts, licences, leases, hire purchase and leasing agreements entered into by NPI in connection with the Transferred Business relating to the operation or investment management of NPI's long term funds excluding any such as NPI and AMP may agree prior to the Effective Date to exclude.
3. The benefit and burden in respect of periods after the Effective Date of leases of properties occupied by NPI immediately prior to the Effective Date in the conduct of the Transferred Business.
4. All contracts of employment between NPI and those employees employed by NPI in the Transferred Business.
5. All NPI's rights against third parties to the extent that they relate to the assets, contracts and rights listed in paragraphs 1, 2, 3 and 4 above.

Part B – Shareholder Subsidiaries

<u>Name</u>	<u>Registered Number</u>
NPI Investment Managers Limited	962757
NPI Portfolio Managers Limited	2238069
NPI Asset Management Limited	2885611
NPI Trustee Services Limited	1895689
NPI Self Invested Personal Pensions Limited	3009426

SCHEDULE 6

Operational Improvement Programme

The following projects planned by NPI at the date of this Scheme to be ongoing during the 3 years following the Effective Date:

- The completion of the project to ensure Year 2000 compliance
- Technology Change Programme involving the implementation of and migration to new technical architecture for NPI's systems
- Implementation of and migration to the ALIS system for group pensions business
- Extension of the ALIS system for individual life and pension business
- Implementation of and migration to Workflow/DIP technology within customer service
- Implementation of and migration to new actuarial valuation and financial and human resources systems
- Acquisition of a single site for Tunbridge Wells based activity
- Improving the effectiveness of IFA distribution and support services
- Implementation of and migration to a new structure of investment management, whether as part of the integration of NPI's asset management division with the asset management operation of the Group or otherwise.

The above descriptions are in the nature of working names for the specific projects involved. The definition of "Operational Improvement Programme" is intended to extend:

- (i) both to these projects and to any similar project which replaces (in whole or in part) any of them (including without limitation development of, implementation of and migration to a systems platform used by all or part of the Group); and
- (ii) to any staff redundancy costs to be borne by any member of the Group in relation to any such project.

SCHEDULE 7

The Shareholder Equalisation Fund

1. MAINTENANCE OF THE SHAREHOLDER EQUALISATION FUND

1.1 At all times after Transfer Date but with effect from the Pearl Scheme Effective Date, the Shareholder Equalisation Fund shall be maintained as an account within the National Provident Life Fund and National Provident Life shall procure that:

- (i) separate accounting records for the Shareholder Equalisation Fund shall at all times be maintained which shall be sufficient to enable the separate identification of the property and liabilities allocated to the Shareholder Equalisation Fund; and
- (ii) all costs and expenses incurred by National Provident Life for the account of the Shareholder Equalisation Fund (including in respect of Tax) which relate to property and/or liabilities allocated to the Shareholder Equalisation Fund shall be borne by the Shareholder Equalisation Fund.

2. RELEASE AMOUNTS

2.1 An amount determined in accordance with paragraph 2.2 shall be calculated by National Provident Life as at each Calculation Date.

2.2 The amount to be calculated pursuant to paragraph 2.1 shall be determined on the basis set out in paragraph 3.1, as reduced by any Deficit which exists as at the relevant Calculation Date.

2.3 Subject to paragraph 2.4, the amount calculated pursuant to paragraph 2.1 shall be paid by National Provident Life from the Shareholder Equalisation Fund to the Loan Capital Fund or otherwise as Pearl may direct. Such payment shall be made as soon as practicable.

2.4 No amount shall be payable from the Shareholder Equalisation Fund pursuant to paragraph 2.3 except to the extent that:

- (i) such payment (taking account of any other payments falling to be made pursuant to this Scheme from the National Provident Life Fund as at such Calculation Date) would not result in a Deficit arising; and
- (ii) the investigation made by the NPLL Actuary pursuant to Section 18 of the Act as at the Calculation Date as at which such amount falls to be calculated discloses surplus arising in respect of the National Provident Life Fund since the previous investigation made pursuant to Section 18 of the Act (as disclosed in Regulatory Form 58, line 35, adjusted to take account of any payment previously made by National Provident Life pursuant to this paragraph 2 or paragraph 40).

3. RESTRICTIONS ON RELEASE OF THE SHAREHOLDER EQUALISATION FUND

3.1 Any release of assets from the Shareholder Equalisation Fund pursuant to paragraph 2 on a Calculation Date shall be no greater than the amounts which would not result in the value of the Shareholder Equalisation Fund falling below the levels set out in the table below:

<u>Calculation Date</u>	<u>Value Of Shareholder Equalisation Fund As Percentage of Opening Value Of The Fund</u>
<u>31 December 2010</u>	<u>93 %</u>
<u>31 December 2011</u>	<u>86 %</u>
<u>31 December 2012</u>	<u>80 %</u>
<u>31 December 2013</u>	<u>74 %</u>
<u>31 December 2014</u>	<u>69 %</u>
<u>31 December 2015</u>	<u>64 %</u>
<u>31 December 2016</u>	<u>59 %</u>
<u>31 December 2017</u>	<u>54 %</u>
<u>31 December 2018</u>	<u>49 %</u>
<u>31 December 2019</u>	<u>44 %</u>
<u>31 December 2020</u>	<u>39 %</u>
<u>31 December 2021</u>	<u>34 %</u>
<u>31 December 2022</u>	<u>29 %</u>
<u>31 December 2023</u>	<u>24 %</u>
<u>31 December 2024</u>	<u>19 %</u>
<u>31 December 2025</u>	<u>14 %</u>
<u>31 December 2026</u>	<u>9 %</u>
<u>31 December 2027</u>	<u>4 %</u>
<u>31 December 2028 and subsequent Calculation Dates</u>	<u>0 %</u>

4. INVESTMENT POLICY OF THE SHAREHOLDER EQUALISATION FUND

4.1 The National Provident Life Board shall determine the investment policy of the Shareholder Equalisation Fund. Such investment policy shall take account of (but shall not be bound by) the advice of the NPLL Actuary.

5. RENEWED AVAILABILITY AND WINDING UP

Neither National Provident Life nor, for the avoidance of doubt, the Shareholder or Pearl shall be obliged to make available again to the National Provident Life Fund for the purposes set out in this Schedule any amount by which the Shareholder Equalisation Fund has been reduced pursuant to this Schedule 7.

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