

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**

**No 4086 of 2006**

**IN THE MATTER OF**  
**PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**and**

**IN THE MATTER OF**  
**PEARL ASSURANCE (UNIT FUNDS) LIMITED**

**and**

**IN THE MATTER OF**  
**LONDON LIFE LINKED ASSURANCES LIMITED**

**and**

**IN THE MATTER OF**  
**NPI LIMITED**

**and**

**IN THE MATTER OF**  
**PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

---

---

**SCHEME**

---

---

## **PART A – INTERPRETATION**

### **1. DEFINITIONS**

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

*Act* means the Financial Services and Markets Act 2000;

*Court* means the High Court of Justice in England and Wales;

*EEA State* has the meaning ascribed thereto in Schedule 3 to the Act;

*Effective Date* means the time and date on which this Scheme shall become effective in accordance with paragraph 18.1;

*Encumbrance* means any mortgage, charge, pledge, security assignment, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind or any other type of preferential arrangement (including any title transfer and retention agreement) having a similar effect;

*establishment* shall be interpreted in accordance with section 105(9) of the Act;

*Excluded Policies Reassurance Agreements* means the reassurance agreements to be entered into between each Transferor and NPIL in respect of Excluded Policies pursuant to paragraph 9.2;

*Excluded Policy* means any Policy written by any Transferor under which any liability remains unsatisfied or outstanding at the Effective Date:

- (a) written, in whole or in part, by such Transferor in the course of carrying on insurance business in the United Kingdom or any other EEA State, in respect of which:
  - (i) for the purpose of paragraph 1(3) of Schedule 12 to the Act, the State of the commitment is an EEA State other than the United Kingdom; and
  - (ii) the FSA has not, prior to the making of the Order, provided the certificate referred to in paragraph 4 of Schedule 12 to the Act with respect to the authority responsible for supervising persons who effect or carry out contracts of insurance in that EEA State;
- (b) where the establishment from which the business of which such Policy forms a part is to be transferred is in an EEA State other than the United Kingdom and the FSA has not, prior to the making of the Order, provided the certificate referred to in paragraph 3 of Schedule 12 to the Act with respect to the relevant host State regulator;

- (c) which is a Jersey Policy (to the extent that and for so long only as the Jersey Scheme has not yet received the requisite approval of the Royal Court of Jersey and become effective in accordance with its terms);
- (d) which is a Guernsey Policy (to the extent that and for so long only as the Guernsey Scheme has not yet received the requisite approval of the Royal Court of Guernsey and become effective in accordance with its terms);
- (e) to which paragraph 9.11 applies; or
- (f) which is not otherwise capable of being transferred pursuant to Part VII of the Act on the Effective Date;

***Existing NPIL Policies*** means all Policies written by NPIL on or before the Effective Date under which any liability remains unsatisfied or outstanding at the Effective Date;

***Facility Agreement*** means the facility agreement dated 13th April, 2005 (as amended and restated from time to time) between, inter alia, Sun Capital Investments Limited and Hera Investments One Limited (being the shareholders of PGL) as Borrowers and Guarantors, Dresdner Kleinwort Wasserstein Limited, ABN Amro Bank N.V. and The Governor and Company of the Bank of Scotland as Arrangers, Dresdner Kleinwort Wasserstein Limited, ABN Amro Bank N.V. and The Governor and Company of the Bank of Scotland as original Lenders and Dresdner Bank AG London Branch as Agent and Security Trustee, relating to certain term loan facilities, as amended from time to time;

***FSA*** means 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 supervision of insurance business carried on in the United Kingdom as are on the date of this Scheme carried out by the FSA;

***FSA Handbook*** means the rules and guidance published by the FSA as the same may be amended from time to time, referred to as the “FSA Handbook”;

***Guernsey Effective Date*** means the time and date on which the Guernsey Scheme becomes effective in accordance with its terms;

***Guernsey Policy*** means a Policy of PAUF or LLLA which was written under Guernsey law or issued to a person resident in the Bailiwick of Guernsey and in respect of which any liability remains unsatisfied or outstanding at the Effective Date and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to the Insurance Business (Bailiwick of Guernsey) Law 2002;

***Guernsey Scheme*** means the scheme of transfer referred to in paragraph 2.4(b);

***Independent Expert*** means Mr Michael Arnold, the person appointed to report on the terms of this Scheme and approved for such purpose by the FSA pursuant to section 109 of the Act or any successor appointed to report on the same or in connection with paragraph 17 or 21 and, in any event, approved by the FSA;

***Jersey Effective Date*** means the time and date on which the Jersey Scheme becomes effective in accordance with its terms;

***Jersey Policy*** means a Policy of PAUF which was effected or carried out as part of insurance business carried on in or from within Jersey and in respect of which any liability remains unsatisfied or outstanding at the Effective Date and which the Royal Court of Jersey has jurisdiction to transfer pursuant to the Insurance Business (Jersey) Law 1996;

***Jersey Scheme*** means the scheme of transfer referred to in paragraph 2.4(a);

***Linked Fund*** means an internal linked fund maintained by a Transferor or by NPIL (as the case may be) for the purpose of calculating benefits payable under Linked Policies written by such Transferor or by NPIL (as the case may be), other than (for the avoidance of doubt) benefits determined by reference to the value of notional units whose value or number vary by reference to bonuses declared, or surpluses otherwise distributed by such Transferor or by NPIL (as the case may be);

***Linked Policies*** means 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);

***LLLA*** means London Life Linked Assurances Limited, a company incorporated in England and Wales with registered number 01396188, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

***Long Term Business*** means business which consists of the effecting or carrying out of contracts of long-term insurance, being contracts falling within Part II of Schedule 1 to the Regulated Activities Order;

***Long Term Business Fund*** means, in relation to a Transferor or NPIL, the fund established and maintained by such Transferor or NPIL (as the case may be) in respect of the Long Term Business of such Transferor pursuant to PRU 7.6.22R;

***Long Term Business Fund Assets*** means, in relation to a Transferor or NPIL, any assets accounted for within the Long Term Business Fund of such Transferor or NPIL (as the case may be);

***New Linked Fund*** has the meaning given in paragraph 16.1(a);

***NPIL*** means NPI Limited, a company incorporated in England and Wales with registered number 03725037, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

***NPIL Actuarial Function Holder*** means the person appointed by NPIL to perform the actuarial function in respect of its Long Term Business from time to time pursuant to the rules made by the FSA under section 340 of the Act;

***NPIL Board*** means the Board of Directors of NPIL from time to time;

**Order** means an order made by the Court under section 111(1) of the Act sanctioning this Scheme and any order (including any subsequent order) made by the Court in relation to this Scheme pursuant to section 112 of the Act;

**Part IV Permission** means, in relation to a Transferor, the permission given by the FSA under Part IV of the Act to such Transferor;

**PAUF** means Pearl Assurance (Unit Funds) Limited, a company incorporated in England and Wales with registered number 01027138, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

**PAULP** means Pearl Assurance (Unit Linked Pensions) Limited, a company incorporated in England and Wales with registered number 01122485, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

**PAULP Personal Scheme** means the Pearl Assurance (Unit Linked Pensions) Limited Personal Pension Scheme (No. 1) established by PAULP by the PAULP Personal Scheme Deed;

**PAULP Personal Scheme Deed** means a deed made by PAULP dated 24 March 1988;

**PAULP Stakeholder Scheme** means the Pearl Stakeholder Pension Scheme established by PAULP by the PAULP Stakeholder Scheme Deed;

**PAULP Stakeholder Scheme Deed** means a deed made by PAULP dated 9 November 2000;

**Pearl Assurance** means Pearl Assurance plc;

**Policy** has the meaning set out in the Financial Services and Markets Act 2000 (Meaning of “Policy” and “Policyholder”) Order 2001 (SI 2001/2361) and includes, without limitation, any contract of insurance under which an existing liability has already accrued;

**Policyholder** has the meaning set out in the Financial Services and Markets Act 2000 (Meaning of “Policy” and “Policyholder”) Order 2001 (SI 2001/2361);

**Policy Records** means all books, records and data relating to Policies of the Transferors in force at the Effective Date and all equivalent books, records and data relating to any Policies formerly comprised within the relevant insurance business;

**PRU** means the Integrated Prudential Sourcebook issued by the FSA which forms part of the FSA Handbook;

**Regulated Activities Order** means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

**Residual Assets** means:

- (a) any property of any Transferor (including any right, benefit, power or claim under any Transferring Policy):
- (i) the transfer of which to NPIL pursuant to this Scheme requires, as at the Effective Date, either:
    - (A) the consent of any person (other than any of the Transferors, NPIL or the Court); or
    - (B) the waiver by any person (other than any of the Transferors, NPIL or the Court) of any right, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effectbut only to the extent of that part of the interest of the relevant Transferor in such property, the transfer of which requires such consent or waiver; and
  - (ii) in respect of which the Court either does not have jurisdiction to transfer pursuant to section 112 of the Act (at all or free of such right as is mentioned in paragraph (a)(i) of this definition) or which (despite having jurisdiction) the Court determines, notwithstanding section 112(2)(a) of the Act, not so to transfer;
- (b) if the Part IV Permission of any Transferor is not cancelled by the FSA with effect from the Effective Date, any property of such Transferor which such Transferor is required to hold in order to satisfy regulatory capital requirements;
- (c) any other property to be transferred pursuant to this Scheme whose transfer the relevant Transferor and NPIL agree in writing prior to the Effective Date should be delayed;
- (d) any other interest of any Transferor in any property or agreement relating thereto which the relevant Transferor and NPIL shall agree in writing 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), (b) or (c); and
- (e) any proceeds of sale or income or other accrual or return whatsoever, whether or not in the form of cash, earned or received in respect of any property (or any interest therein) referred to in paragraphs (a) to (d) by any Transferor from time to time after the Effective Date but prior to any relevant Subsequent Effective Date,

but excluding any right, benefit, power or claim under any Excluded Policy and any rights and claims (present or future, actual or contingent) against any third party so far as they relate to the Excluded Policies;

**Residual Liability** means any liability whatsoever of any Transferor (other than any liability under any Excluded Policy or any liability to any third party so far as it relates to any Excluded Policy):

- (a) which is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Effective Date applicable to that Residual Asset;
- (b) the transfer of which to NPIL pursuant to this Scheme requires, as at the Effective Date, either:
  - (i) the consent of any person (other than any of the Transferors, NPIL or the Court); or
  - (ii) the waiver by any person (other than any of the Transferors, NPIL or the Court), of any right, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect,

but only to the extent of that part of the interest of the relevant Transferor in such property, the transfer of which requires such consent or waiver, and in respect of which the Court either does not have jurisdiction to transfer pursuant to section 112 of the Act (at all or free of such right as is mentioned in paragraph (b)(i) or (b)(ii) of this definition) or which (despite having jurisdiction) the Court determines, notwithstanding section 112(2)(a) of the Act, not so to transfer;

**Scheme** means this Scheme in its original form or with or subject to any modification, addition, provision or condition made in accordance with paragraph 21.1;

**Shareholders' Fund** means, in relation to a Transferor or NPIL, the assets of such Transferor or NPIL (as the case may be) other than the Long Term Business Fund Assets of such Transferor or NPIL (as the case may be);

**State of the commitment** shall be interpreted in accordance with paragraph 6(1) of Schedule 12 to the Act;

**Subsequent Effective Date** means in relation to any Residual Asset or Residual Liability, the date on or after the Effective Date on which such Residual Asset or Residual Liability is to be transferred to NPIL namely:

- (a) in respect of any Residual Asset falling within paragraph (a) of the definition thereof, and of 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 waiver to enable the same to be transferred to NPIL upon the terms of this Scheme is obtained, no longer required or dispensed with by an Order;
- (b) in respect 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 date on which the FSA cancels the Part IV Permission of the relevant Transferor;

- (c) in respect of any Residual Asset falling within paragraph (c) or (d) of the definition thereof and of any Residual Liability which is attributable to or connected with that Residual Asset, the Subsequent Effective Date agreed by the Transferors and NPIL; and
- (d) in the case of any Residual Asset falling within paragraph (e) of the definition thereof, the date on which such Residual Asset is received or earned by any Transferor.

**Switch** means any transaction effected by the holder of any Linked Policy pursuant to which (a) the value of the Linked Policy ceases to be determined (or becomes determined to a lesser degree) by reference to units in any particular Linked Fund available in relation to such Linked Policy and becomes determined (or determined to a greater degree) by reference to units in a different Linked Fund, and/or (b) premiums payable in the future under such Linked Policy cease to be allocated to (or become allocated to a lesser degree to) units in any particular Linked Fund available in relation to such Linked Policy and become allocated (or allocated to a greater degree to) units in a different Linked Fund; and to **Switch** shall be construed accordingly;

**tax** means (a) taxes on income, profits and gains and (b) all other taxes, levies, duties, imposts, charges and withholdings of any nature, including any excise, property, VAT, sales, stamp, transfer, licence, franchise and payroll taxes, or any other like assessment or charge, and any national insurance or social security contributions, together with any interest, charge or penalty on, or in addition to, any of the foregoing or to any late or incorrect return with respect to any of them, imposed by any local, municipal, state, federal or other governmental body in any part of the world;

**Transferor Linked Fund** means a Linked Fund maintained by any Transferor prior to the Effective Date;

**Transferors** means:

- (a) PAULP;
- (b) PAUF; and
- (c) LLLA,

and **Transferor** means any one of them;

**Transferring Assets** means all of the rights, benefits, powers, claims, assets and property of each Transferor, including, without limitation:

- (a) the Long Term Business Fund Assets of each Transferor;
- (b) the Shareholders' Fund of each Transferor;
- (c) the Policy Records; and
- (d) the benefit of the Transferring Reassurances,

but excluding:

- (e) the Transferring Rights;
- (f) the Residual Assets; and
- (g) any right, benefit, power or claim under any Excluded Policy and any right or claim (present or future, actual or contingent) against any third party so far as it relates to any Excluded Policy;

**Transferring Liabilities** means all liabilities of the Transferors which remain unsatisfied or outstanding at the Effective Date (including, without limitation, any such liabilities under or relating to the Transferring Policies or the Transferring Reassurances and all liabilities to tax attributable to any Transferor or otherwise arising as a consequence of the provisions or implementation of this Scheme), other than Residual Liabilities, liabilities under any Excluded Policy and liabilities to any third party so far as they relate to any Excluded Policy;

**Transferring Policies** means all Policies written by the Transferors, in whole or in part, under which any liability remains unsatisfied or outstanding at the Effective Date, but excludes any Excluded Policy;

**Transferring Reassurances** means that part or all of any contracts of reinsurance, reinsurance or retrocession together with any security arrangements or letter of credit facilities relating to such contracts of reinsurance, reinsurance or retrocession to which the Transferors are party, which covers any part or all of the Transferring Policies (but, for the avoidance of doubt, excluding any part thereof which covers any Excluded Policies);

**Transferring Rights** means:

- (a) the rights, benefits and powers of the Transferors under or by virtue of the Transferring Policies; and
- (b) all rights and claims (present or future, actual or contingent) against any third party so far as they relate to the Transferring Policies;

but excluding the benefit of the Transferring Reassurances, the Residual Assets, any right, benefit, power or claim under any Excluded Policy and any right or claim (present or future, actual or contingent) against any third party so far as it relates to any Excluded Policy;

**UK Authorised Person** has the meaning given to that term for the purposes of section 105 of the Act; and

**VAT** means any value added tax.

1.2 In this Scheme:

- (a) **property** and **asset** includes (without limitation) property, assets, rights, benefits, powers and claims 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;

- (b) **liabilities** includes (without limitation) duties and obligations of every description (whether present or future, actual or contingent);
- (c) **transfer** includes (as the context may require) “assign” or “assignment” or “assignment”, “dispose” or “disposal”, “convey” or “conveyance”;
- (d) 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;
- (e) any reference 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;
- (f) unless the context otherwise requires expressions used which are defined in the Act shall bear those meanings;
- (g) any reference to **this Scheme** shall include any Schedule to it and (unless inconsistent with the subject or context) references to paragraphs, Parts or Schedules are to paragraphs of, Parts of or Schedules to this Scheme;
- (h) any reference to writing shall include any mode of reproducing words in a legible and non-transitory form;
- (i) 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;
- (j) if a period of time is specified from a given day or date or from the day or date of any act or event, it shall be calculated exclusive of that day or date; and
- (k) any reference to “include”, “including” or “includes” shall be deemed to be followed by the words “without limitation”.

## **PART B – INTRODUCTION**

### **2. INTRODUCTION**

2.1 Each of the Transferors and NPIL is a UK Authorised Person with permission to effect and carry out in the United Kingdom contracts of insurance in those classes set against its name in Schedule 1.

2.2 Each of PAUF, PAULP and LLLA will, on the Effective Date, be a wholly-owned subsidiary (as defined in the Companies Act 1985) of NPIL.

2.3 It is proposed that:

- (a) the Transferring Rights, the Transferring Assets, the Transferring Policies and the Transferring Liabilities shall, in accordance with this Scheme, be transferred to NPIL and that an order be made accordingly for the sanction of this Scheme under section 111 of the Act; and
- (b) by such order, provision be made for, inter alia, the transfer to NPIL of the whole or part of the undertaking and of the property and liabilities of each of the Transferors pursuant to section 112 of the Act.

2.4 It is further proposed that:

- (a) the transfer of the Jersey Policies to NPIL by this Scheme shall only take place to the extent that the transfer of such Policies to NPIL by a scheme of transfer pursuant to the Insurance Business (Jersey) Law 1996 has been approved by the Royal Court of Jersey and has become effective and that if the Jersey Effective Date has not fallen on or before the Effective Date, then the Jersey Policies shall be reassured to NPIL during the period from the Effective Date until the Jersey Effective Date on the terms set out in the Excluded Policies Reassurance Agreements; and
- (b) the transfer of the Guernsey Policies to NPIL by this Scheme shall only take place to the extent that the transfer of such Policies to NPIL by a scheme of transfer pursuant to the Insurance Business (Bailiwick of Guernsey) Law 2002 has been approved by the Royal Court of Guernsey and has become effective and that if the Guernsey Effective Date has not fallen on or before the Effective Date, then the Guernsey Policies shall be reassured to NPIL during the period from the Effective Date until the Guernsey Effective Date on the terms set out in the Excluded Policies Reassurance Agreements.

2.5 Each of the Transferors and NPIL has agreed to appear by Counsel at the hearing of the application to sanction this Scheme, to undertake to be bound thereby and to execute all such documents and to 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 ASSETS**

Subject to paragraph 12, on and with effect from the Effective Date, the Transferring Assets, the Transferring Rights and the Transferring Policies and all the estate and interest of the Transferors therein, shall, by the Order and without any further act or instrument, be transferred to and be vested in NPIL subject to all Encumbrances (if any) affecting any such Transferring Assets, Transferring Rights or Transferring Policies.

#### **4. TRANSFER OF LIABILITIES**

On and with effect from the Effective Date, the Transferring Liabilities shall, by the Order and without any further act or instrument, be transferred to and become liabilities of NPIL and shall cease to be liabilities of the Transferors.

#### **5. RESIDUAL ASSETS AND RESIDUAL LIABILITIES**

5.1 Subject to paragraph 12, on and with effect from each Subsequent Effective Date, each Residual Asset to which such Subsequent Effective Date applies and all the estate and interest of the relevant Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in NPIL subject to all Encumbrances (if any) affecting such Residual Asset.

5.2 On and with effect from each Subsequent Effective Date, each Residual Liability to which such Subsequent Effective Date applies shall, by the Order and without any further act or instrument, be transferred to and become a liability of NPIL and shall cease to be a liability of the relevant Transferor.

#### **6. TITLE AND FURTHER ASSURANCE**

6.1 NPIL shall accept without investigation or requisition such title as the relevant Transferor shall have at the Effective Date to the Transferring Assets, the Transferring Rights and the Transferring Policies and, at each Subsequent Effective Date, to the Residual Assets then transferred.

6.2 Each Transferor and NPIL shall execute such documents as may be reasonably required of it and perform such other reasonable acts as may be required to effect or perfect the transfer to and vesting in NPIL of any Transferring Asset, Transferring Right, Transferring Policy or Residual Asset in accordance with the terms of this Scheme.

6.3 Each Transferor and NPIL shall execute such documents as may reasonably be required of it and perform such other reasonable acts as may be required to effect or perfect the transfer to NPIL of any Transferring Liability or Residual Liability in accordance with the terms of this Scheme.

#### **7. RIGHTS AND OBLIGATIONS UNDER TRANSFERRING POLICIES**

On and with effect from the Effective Date:

- (a) every holder of a Transferring Policy shall become entitled, in substitution for any rights available to him under that policy against the relevant Transferor, to the same rights against NPIL and the obligations of every such holder under a Transferring Policy shall become enforceable (so far as still subsisting) by NPIL; and
- (b) NPIL shall be entitled to any and all defences, claims, counterclaims and rights of set-off under or in relation to the Transferring Policies that would have been available to the relevant Transferor.

## 8. CONTINUITY OF PROCEEDINGS

8.1 If any judicial, quasi-judicial, disciplinary, administrative, arbitration or other legal proceedings are pending by or against any of the Transferors in relation to the Transferring Assets, the Transferring Rights, the Transferring Policies or the Transferring Liabilities on the Effective Date (or, in connection with a Residual Asset or Residual Liability, on the Subsequent Effective Date applicable to it):

- (a) the same shall be continued by or against NPIL with effect from the Effective Date (or, in the case of a Residual Asset or Residual Liability, with effect from the Subsequent Effective Date applicable to it); and
- (b) NPIL shall be entitled to any and all defences, claims, counterclaims and rights of set-off that would have been available to the relevant Transferor in respect of any such proceedings.

## 9. EXCLUDED POLICIES

9.1 The Excluded Policies shall not be transferred by this Scheme and the liabilities under each Excluded Policy and any liabilities to any third party so far as they relate to any Excluded Policy shall (except where such Excluded Policy has been novated to NPIL and is treated as a Transferring Policy pursuant to paragraph 9.9) remain liabilities of the relevant Transferor but shall, with effect from the Effective Date, be reassured in their entirety into NPIL in accordance with this paragraph 9.

9.2 On or prior to the Effective Date, each Transferor shall enter into a reinsurance agreement with NPIL (an *Excluded Policies Reassurance Agreement*) pursuant to which, with effect from the Effective Date, all the liabilities of such Transferor attributable to the Excluded Policies shall be reassured in their entirety into NPIL.

9.3 The premium under each Excluded Policies Reassurance Agreement shall comprise:

- (a) an amount equal to the value of the assets held by the relevant Transferor as at the Effective Date in respect of liabilities under the Excluded Policies, which part of the premium shall be deemed satisfied by the transfer of the appropriate proportion of the Transferring Assets on the Effective Date and, upon their respective Subsequent Effective Dates, of the Residual Assets; and
- (b) the amount of all subsequent premium payments receivable by the relevant Transferor and received by the relevant Transferor or received by NPIL pursuant to paragraph 10 in respect of such Excluded Policies (for so long as they are treated as Excluded Policies and not, pursuant to paragraph 9.9, treated as Transferring Policies), which part of the premium shall be deemed satisfied to the extent that such subsequent premium payments are received by NPIL (either from the relevant Transferor or pursuant to paragraph 10).

9.4 All benefits to NPIL in respect of the Excluded Policies Reassurance Agreements, including the premiums payable thereunder (as described in paragraph 9.3) shall be allocated amongst the New Linked Funds so that each New Linked Fund

has allocated to it the same benefit under the Excluded Policies Reassurance Agreements as it would have done pursuant to paragraph 16.2 if the Excluded Policies had been Transferring Policies.

9.5 All liabilities of NPIL in respect of the Excluded Policies Reassurance Agreements, including the obligation to make payments in respect of claims made under and (if applicable) units allocated in respect of Excluded Policies shall be allocated amongst the New Linked Funds so that each New Linked Fund bears the same liability under the Excluded Policies Reassurance Agreements as it would have borne pursuant to paragraph 16.3 if the Excluded Policies had been Transferring Policies, and such liabilities shall be calculated on the same basis as that applied under this Scheme to Transferring Policies.

9.6 In recognition of the fact that under the Excluded Policies Reassurance Agreements the benefit of premiums in respect of Excluded Policies is to be assigned to NPIL, Excluded Policies shall be treated for the purposes of paragraph 10 as if they were Transferring Policies with effect from the Effective Date.

9.7 With effect from the Effective Date, NPIL shall be responsible for all aspects of the administration of the Excluded Policies. NPIL may delegate such administration (subject always to the terms of this Scheme) to any other company which, from time to time, administers the Transferring Policies. That other company may sub-delegate such administration (subject always to the terms of this Scheme) to any further company which, from time to time, administers the Transferring Policies.

9.8 NPIL shall provide a return to the holder of each Excluded Policy that is identical to the return that would have been provided if such Excluded Policy had been a Transferring Policy and (if applicable) had allocated to it an equivalent number of units in the corresponding New Linked Fund established by NPIL and to this end each Excluded Policies Reassurance Agreement shall provide that NPIL shall:

- (a) (where applicable) allocate units to each Excluded Policy as if paragraph 16.2 applied to such Excluded Policy; and
- (b) indemnify the relevant Transferor against loss or damage suffered by such Transferor as a result of any failure by NPIL to comply with its obligations under this paragraph 9.8.

9.9 NPIL shall use its reasonable endeavours to procure the novation to it of any Excluded Policy with effect from the Effective Date or such later date as such novation is procured, and following such novation, such Excluded Policy and the rights and obligations relating to it shall thereafter be dealt with by the relevant Transferor and NPIL under the provisions of this Scheme in all respects as if it were a Transferring Policy.

9.10 If:

- (a) the Guernsey Scheme becomes effective in accordance with its terms after the Effective Date, the Excluded Policies Reassurance Agreements shall automatically terminate with respect to the Guernsey Policies from the Guernsey Effective Date;

- (b) the Jersey Scheme becomes effective in accordance with its terms after the Effective Date, the Excluded Policies Reassurance Agreements shall automatically terminate with respect to the Jersey Policies from the Jersey Effective Date.

9.11 If, on or after the Effective Date, a court in any jurisdiction outside the EEA States (or any other body competent to exercise authority in relation to the relevant Transferring Policy under the laws of that jurisdiction) determines that a Transferring Policy, or the rights, obligations and liabilities thereunder, have not, under the laws of that jurisdiction, been validly transferred to NPIL, then such Transferring Policy shall be deemed to be and, as between the parties, with effect from the Effective Date to have always been, an Excluded Policy and shall thereafter be dealt with by the relevant Transferor and NPIL under the provisions of this Scheme in all respects as if it were an Excluded Policy, provided that this paragraph 9.11 shall not apply in respect of any Policy written, in whole or in part, by a Transferor in the course of carrying on insurance business in the United Kingdom or any other EEA State in respect of which, for the purpose of Schedule 12 to the Act, the State of the commitment is an EEA State (including the United Kingdom).

## **10. PREMIUMS, MANDATES AND OTHER INSTRUCTIONS**

10.1 Subject to clause 10.2, any premiums attributable or referable to the Transferring Policies shall, on and from the Effective Date, be payable to NPIL and shall be receivable and received by NPIL.

10.2 Any premiums attributable or referable to any of the Transferring Policies referred to in Part B of Schedule 5 shall, on and from the Effective Date, be payable to Pearl Assurance as agent for NPIL and shall be receivable and received by Pearl Assurance as agent for NPIL, provided that if, at any time after the Effective Date, NPIL and Pearl Assurance so agree in writing pursuant to this paragraph 10.2, any such premiums shall, on and from the date specified in such agreement, be payable to NPIL and shall be receivable and received by NPIL.

10.3 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 under or in respect of any of the Transferring Policies referred to in Part A of Schedule 5 to PAULP or LLLA (as the case may be) shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment to NPIL.

10.4 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 under or in respect of any of the Transferring Policies referred to in Part B of Schedule 5 to Pearl Assurance as agent for PAUF or PAULP (as the case may be) shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment to Pearl Assurance as agent for NPIL, provided that if, at any time after the Effective Date, NPIL and Pearl Assurance so agree in writing pursuant to this paragraph 10.4, any such mandate shall, on and from

the date specified in such agreement, take effect as if it had provided for and authorised such payment to NPIL.

10.5 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by LLLA under any of the Transferring Policies referred to in Part C of Schedule 5 shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment by NPIL.

10.6 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by Pearl Assurance as agent for PAUF or PAULP (as the case may be) under any of the Transferring Policies referred to in Part D of Schedule 5 shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment by Pearl Assurance as agent for NPIL, provided that if, at any time after the Effective Date, NPIL and Pearl Assurance so agree in writing pursuant to this paragraph 10.6, any such mandate shall, on and from the date specified in such agreement, take effect as if it had provided for and authorised such payment by NPIL.

10.7 In accordance with paragraph 9.6, paragraphs 10.1 to 10.6 shall apply to Excluded Policies as if they were for these purposes not Excluded Policies but rather Transferring Policies.

## **11. CONSTRUCTION OF TRANSFERRING POLICIES AND NPIL POLICIES**

11.1 Where the benefits of any Transferring Policy are held under the terms of a trust, such terms (together with the terms of any rules applicable to any pension scheme in the case of any pension scheme under which benefits are referable to a Transferring Policy) shall operate and be construed on and from the Effective Date on a basis which is consistent with the transfer of such Transferring Policy in accordance with the provisions of this Scheme. In particular and without prejudice to the generality of the foregoing, all powers, duties, rights and consents under any such terms conferred on, vested in or required of any of the Transferors shall instead be construed as conferred on, vested in or required of NPIL.

11.2 The Transferring Policies shall be construed on and from the Effective Date in accordance with Schedule 2.

11.3 The Existing NPIL Policies shall be construed on and from the Effective Date in accordance with Schedule 3.

## **12. DECLARATION OF TRUST BY THE TRANSFERORS**

12.1 If:

(a) any property of any of the Transferors is not, or is not capable of being, immediately transferred on the Effective Date by the Order by reason of:

(i) such property being a Residual Asset;

(ii) such property being outside the jurisdiction of the Court; or

- (iii) for any other reason;
- (b) any Residual Asset is not, or is not capable of being, transferred to and vested in NPIL by the Order on the applicable Subsequent Effective Date;
- (c) the transfer of any property of any of the Transferors 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 the relevant Transferor and NPIL shall agree in writing that it is expedient not to effect a transfer of any property of the relevant Transferor,

the relevant Transferor shall, on and from the Effective Date (but save to the extent that giving effect to such trust would have the effect of transferring any interest falling within paragraph (a) or (b) of the definition of Residual Asset) hold such property as trustee for NPIL absolutely.

12.2 The Transferors shall in any event be subject to the direction of NPIL in respect of any property referred to in paragraphs 12.1(a) to 12.1(d) until the relevant property is transferred to or otherwise vested in NPIL or is disposed of (whereupon the relevant Transferor shall account to NPIL for the proceeds of disposal thereof), and NPIL shall have authority to act as the attorney of the relevant Transferor in respect of such property for all such purposes.

12.3 In the event of any payment being made to, property being received by or right being conferred upon the Transferors on or after the Effective Date in respect of any Transferring Asset, Transferring Policy or Residual Asset, the relevant Transferor 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 reasonable instructions of NPIL, and NPIL shall indemnify the relevant Transferor against any costs incurred by that Transferor in making any such payment or transfer.

### **13. UNDERTAKINGS AND INDEMNITIES IN FAVOUR OF THE TRANSFERORS**

13.1 On and with effect from the Effective Date, until the relevant liability is transferred to or becomes a liability of NPIL, NPIL shall discharge on behalf of the relevant Transferor, or failing that, shall indemnify the relevant Transferor against, all Transferring Liabilities and Residual Liabilities (if any) and any other loss or expense incurred by or demand made against the relevant Transferor that is attributable to the Transferring Assets, the Transferring Rights, the Transferring Policies or the Transferring Liabilities.

13.2 NPIL shall procure that the liabilities incurred in indemnifying the Transferors in accordance with paragraph 13.1 shall be allocated to and discharged out of its Long Term Business Fund Assets or Shareholders' Fund to the extent that the relevant Residual Liabilities would have been allocated to and discharged out of the relevant fund pursuant to the provisions of this Scheme had such Residual Liabilities been Transferring Liabilities.

13.3 Where the Transferors are entitled to receive an amount pursuant to the indemnity contained in paragraph 13.1, they shall be entitled to receive such amount as, after payment of or provision for any liability to taxation in respect of the amount receivable, will result in the receipt of an amount equal to the liability indemnified against.

#### **14. PENSION SCHEMES**

14.1 PAULP shall unconditionally and irrevocably appoint NPIL to act as the Scheme Administrator (within the meaning of the PAULP Stakeholder Scheme Deed) of the PAULP Stakeholder Scheme in place of PAULP with effect from the Effective Date.

14.2 With effect from the Effective Date:

- (a) NPIL shall undertake the liabilities and responsibilities of the Provider (within the meaning of the PAULP Stakeholder Scheme Deed) under the PAULP Stakeholder Scheme in the place of PAULP; and
- (b) PAULP shall be released from all obligations applicable to it under the PAULP Stakeholder Scheme Deed which shall have effect as if NPIL had been the Provider referred to in the PAULP Stakeholder Scheme Deed.

14.3 PAULP shall unconditionally and irrevocably appoint NPIL to act as the Scheme Administrator (within the meaning of the PAULP Personal Scheme Deed) of the PAULP Personal Scheme in place of PAULP with effect from the Effective Date.

14.4 With effect from the Effective Date:

- (a) NPIL shall undertake the liabilities and responsibilities of the Provider (within the meaning of the PAULP Personal Scheme Deed) under the PAULP Personal Scheme in the place of PAULP;
- (b) PAULP shall be released from all obligations applicable to it under the PAULP Personal Scheme Deed which shall have effect as if NPIL had been the Provider referred to in the PAULP Personal Scheme Deed; and
- (c) the PAULP Personal Scheme shall be renamed the “Pearl Unit Linked Personal Pension Scheme”.

#### **PART D – FUND STRUCTURE**

##### **15. ALLOCATION OF ASSETS**

15.1 On the Effective Date, each of the Transferring Assets shall, subject to paragraph 15.3, be allocated to NPIL’s Long Term Business Fund or Shareholders’ Fund in accordance with the provisions of this Scheme, all such allocations being made in a manner to be approved by the NPIL Board having taken such advice as it considers appropriate from the NPIL Actuarial Function Holder.

15.2 On the applicable Subsequent Effective Date, each Residual Asset shall be allocated to NPIL's Long Term Business Fund or Shareholders' Fund in the manner in which it would have been allocated in accordance with paragraph 15.1 had it been a Transferring Asset.

15.3 The allocations to be made pursuant to paragraphs 15.1 and 15.2 shall be such that, following the transfers to be made to NPIL pursuant to paragraphs 3 and 5.1, the aggregate value, net of any provision for deferred taxation in respect thereof, in each case as determined by the NPIL Board having taken such advice as it considers appropriate from the NPIL Actuarial Function Holder, of:

- (a) those Transferring Assets to be allocated to NPIL's Long Term Business Fund on the Effective Date; and
- (b) those Residual Assets to be allocated to NPIL's Long Term Business Fund on the respective Subsequent Effective Dates,

shall be equal to the aggregate of the amounts held in the Long Term Business Fund of each Transferor immediately prior to the Effective Date.

## **16. LINKED FUNDS**

16.1 With effect on and from the Effective Date, subject to paragraph 16.4:

- (a) the property and any associated liabilities comprised in each Transferor Linked Fund shall be allocated to and become comprised in a new corresponding (and initially, identically named) Linked Fund established by NPIL for the purposes of calculating benefits payable under the Transferring Policies (a *New Linked Fund*); and
- (b) each of the Linked Funds maintained by NPIL prior to the Effective Date shall continue to be so maintained.

16.2 With effect on and from the Effective Date, benefits under any Transferring Policy which, immediately prior to the Effective Date, were linked to any one or more of the Transferor Linked Funds shall become linked to the corresponding New Linked Fund or New Linked Funds of NPIL and NPIL shall, as at the Effective Date, allocate to each such Transferring Policy the same number and classes of units in the corresponding New Linked Fund or New Linked Funds as the number and classes of units in the relevant Transferor Linked Fund or Transferor Linked Funds which were allocated to the Transferring Policy immediately prior to the Effective Date.

16.3 Subject always to the provisions of paragraphs 16.1, 16.2 and 16.4, with effect on and from the Effective Date, in relation to any benefits under Transferring Policies which are linked to a New Linked Fund, NPIL shall become entitled to all the rights, discretions, authorities, benefits and powers and be subject to the same duties and liabilities as in relation to the corresponding Transferor Linked Fund immediately prior to the Effective Date.

16.4 Subject always to the provisions of the Act the rules made by the FSA thereunder (including those rules which require NPIL to have due regard to the

interests of its policyholders and to treat its policyholders fairly), NPIL shall be entitled at any time and from time to time, having taken such advice as it considers appropriate from the NPIL Actuarial Function Holder:

- (a) to establish new Linked Funds as part of any fund for the time being maintained in its Long Term Business Fund, 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, to change the name or designation of any Linked Fund or to divide any Linked Fund into one or more Linked Funds, or to effect any combination of the above on such terms and conditions as may be approved by the NPIL Board;
- (b) notwithstanding paragraph 3 of Schedule 2 and paragraph 1 of Schedule 3, to enable the holders of any Linked Policy written by NPIL (including any Existing NPIL Policy that is a Linked Policy or, from the Effective Date, any Transferring Policy that is a Linked Policy) to Switch to or between additional Linked Funds (including, from the Effective Date, New Linked Funds) maintained by NPIL from time to time to those which such holders are entitled to Switch to or between as at the Effective Date; or
- (c) to modify or enlarge the investment objectives of any of its Linked Funds to permit investment in classes of assets which are reasonably similar to, or provide reasonably similar investment exposure to, those already held or permitted to be held in that Linked Fund.

## **PART E – MISCELLANEOUS**

### **17. CONDITIONS**

This Scheme shall not become effective unless:

- (a) the Order shall have been made;
- (b) on or prior to the Effective Date, the Transferors or NPIL shall have received the tax clearances and confirmations set out in Schedule 4 (provided that the Transferors and NPIL may, with the approval of the Independent Expert, waive the condition in this paragraph 17(b)); and
- (c) the Majority Lenders (as defined in the Facility Agreement) have consented in writing to the Scheme for the purposes of clauses 21.30(c) and (u) of the Facility Agreement, and for all purposes under the Finance Documents (as defined in the Facility Agreement), provided that the Transferors and NPIL may, with the approval of the Independent Expert, waive the condition in this paragraph 17(c).

### **18. EFFECTIVE DATE**

18.1 Subject to paragraph 17, this Scheme shall become effective at:

- (a) 00.01 British Summer Time on 1 October 2006; or

(b) such other time and date as may be specified in the Order.

18.2 At any time prior to the Effective Date, the Transferors and NPIL shall be at liberty to apply to the Court for a further order, specifying an alternative time and date as the Effective Date for the purposes of this Scheme and, if such order is made, the time and date so specified shall then become the Effective Date for the purposes of this Scheme and this Scheme shall then become effective (subject to paragraph 17) on and from the time and date so specified, and provided further that in any such case:

(a) the FSA 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 the Independent Expert to the effect that in his opinion the proposed amendment will not materially adversely affect the security of any relevant holders of Policies.

18.3 Unless this Scheme shall become effective on or before 1 October 2006 or such later date as the Court may allow upon the application of the Transferors and NPIL, it shall lapse.

## **19. AMENDMENT TO THE ACT, REGULATIONS OR OTHER LEGISLATION**

If, at any time after the date of the Order, the Act or any regulations made thereunder or any tax legislation shall be amended or re-enacted, and the NPIL Board having taken such advice as it considers appropriate from the NPIL Actuarial Function Holder is of the opinion that the effect of such amendment, modification or re-enactment causes or will or might cause the provisions of this Scheme to operate materially differently from the manner in which they would have continued to operate without such amendment or re-enactment, such modification or addition to this Scheme may be made, without the approval of the Court, as the Transferors (if then in existence) and NPIL may propose and the FSA may approve as being appropriate to limit the extent to which the provisions of this Scheme would or might operate in such materially different manner.

## **20. COSTS**

The Transferors and NPIL shall bear all legal and other professional costs of or incidental to the preparation and carrying into effect of this Scheme in such proportions as are agreed between them, and each of them shall allocate any such costs borne by it to its Shareholders' Fund.

## **21. MODIFICATIONS OR ADDITIONS**

21.1 The Transferors and NPIL may, at any time before the Order is made, agree on behalf of themselves and all other persons concerned to any modification of or addition to this Scheme or to any further condition or provision affecting this Scheme that the Court may approve or impose.

21.2 At any time after the Order has been made, NPIL may at any time apply to the Court for consent to amend the terms of this Scheme, provided that in any such case:

- (a) the FSA and each of the Transferors (if then in existence) 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 the Independent Expert (or another person approved by the FSA for such purpose) to the effect that in his opinion the proposed amendment will not materially adversely affect the security of any relevant Policyholder.

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

## **22. THIRD PARTY RIGHTS**

A person who is not a party to this Scheme may not enforce any term of this Scheme pursuant to the Contracts (Rights of Third Parties) Act 1999.

## **23. GOVERNING LAW**

This Scheme shall be governed by and construed in accordance with English law.

Dated this 8<sup>th</sup> day of June 2006

## SCHEDULE 1

### CLASSES OF BUSINESS IN SCHEDULE 1, PART I TO THE REGULATED ACTIVITIES ORDER FOR WHICH THE TRANSFERORS AND NPIL HOLD AUTHORISATION

Pearl Assurance (Unit Linked Pensions) Limited	I (Life and annuity) II (Marriage and birth) III (Linked long-term) IV(Permanent health) VI (Capital redemption contracts) VII (Pension fund management)
Pearl Assurance (Unit Funds) Limited	I (Life and annuity) II (Marriage and birth) III (Linked long-term) IV(Permanent health) VI (Capital redemption contracts) VII (Pension fund management)
London Life Linked Assurances Limited	I (Life and annuity) II (Marriage and birth) III (Linked long-term) IV(Permanent health) VI (Capital redemption contracts) VII (Pension fund management)
NPI Limited	I (Life and annuity) III (Linked long-term) IV(Permanent health)

## SCHEDULE 2

### CONSTRUCTION OF TRANSFERRING POLICIES

1. All references in the Transferring Policies to:
  - (a) PAUF, PAULP or LLLA;
  - (b) the Board of Directors of PAUF, PAULP or LLLA;
  - (c) the person appointed by PAUF, PAULP or LLLA to perform the actuarial function in respect of their respective Long Term Businesses; or
  - (d) any other officer or employee of PAUF, PAULP or LLLA

shall from and after the Effective Date be read as references to NPIL, the NPIL Board, or the NPIL Actuarial Function Holder or other officer or employee of NPIL (as the case may be). In particular but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by:

- (e) PAUF, PAULP or LLLA;
- (f) the Board of Directors of PAUF, PAULP or LLLA;
- (g) the person appointed by PAUF, PAULP or LLLA to perform the actuarial function in respect of their respective Long Term Businesses; or
- (h) any other officer or employee of PAUF, PAULP or LLLA

in relation to the Transferring Policies shall, from the Effective Date, be exercisable or required to be performed respectively by NPIL, the NPIL Board, the NPIL Actuarial Function Holder or other officer or employee of NPIL (as the case may be).

2. All references in the Transferring Policies to:
  - (a) the Long Term Business Fund of PAUF, PAULP or LLLA shall from and after the Effective Date be read as references to the Long Term Business Fund of NPIL; and
  - (b) any Linked Fund established and maintained by PAUF, PAULP or LLLA for the purposes of calculating benefits payable under any Transferring Policy shall from and after the Effective Date be read as references to the corresponding New Linked Fund established by NPIL in accordance with paragraph 16.1(a).
3. The terms of any Transferring Policy that is a Linked Policy which entitle the holder of such Transferring Policy to Switch shall be construed so as to entitle the holder of such Transferring Policy to Switch only to or between the New Linked Funds which correspond to the Linked Funds of the relevant Transferor that such holder was entitled to Switch to or between immediately prior to this Scheme becoming effective and, for the avoidance of doubt, so as not to entitle the holder of

such Transferring Policy to Switch to or between any other New Linked Funds or any other Linked Funds maintained by NPIL.

4. The transfer of any Transferring Policy pursuant to this Scheme shall not contravene any restriction on assigning or otherwise dealing with the same.

5. In the event of any inconsistency between the provisions of any Transferring Policy and the provisions of this Scheme, the provisions of this Scheme shall prevail.

### **SCHEDULE 3**

#### **CONSTRUCTION OF EXISTING NPIL POLICIES**

1. The terms of any Existing NPIL Policy that is a Linked Policy which entitle the holder of such Existing NPIL Policy to Switch shall be construed so as to entitle the holder of such Existing NPIL Policy to Switch only to or between the Linked Funds maintained by NPIL that such holder was entitled to Switch to or between immediately prior to this Scheme becoming effective and, for the avoidance of doubt, so as not to entitle the holder of such Existing NPIL Policy to Switch to or between any New Linked Funds.

2. In the event of any inconsistency between the provisions of any Existing NPIL Policy and the provisions of this Scheme, the provisions of this Scheme shall prevail.

## SCHEDULE 4

### TAX CLEARANCES AND CONFIRMATIONS

Confirmation from HM Revenue & Customs that:

(a) NPIL will, by virtue of sections 139 and 211 of the Taxation of Chargeable Gains Act 1992 (*TCGA*), be treated as acquiring all assets transferred pursuant to this Scheme at a consideration whereby neither a gain nor a loss accrues to any of the Transferors for the purposes of corporation tax on chargeable gains;

(b) for the purposes of section 444A(8) of the Income and Corporation Taxes Act 1988 (*ICTA*), the Commissioners of Inland Revenue are satisfied that the transfers effected pursuant to this Scheme will be effected for bona fide commercial reasons and will not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is the avoidance of liability to corporation tax;

(c) any income or gains arising in respect of any Residual Assets between the Effective Date and the applicable Subsequent Effective Date will be treated for tax purposes as belonging to NPIL;

(d) the Crown Option will continue to be exercised in relation to NPIL following implementation of this Scheme (such that the profits of NPIL will continue to be taxed in accordance with the I-E basis of taxation);

(e) following implementation of this Scheme, any relevant unused losses (within the meaning of section 211ZA(10) TCGA) of the Transferors will be treated as accruing to NPIL;

(f) paragraph 12 of Schedule 9 to the Finance Act 1996 will apply to the transfer of any loan relationships to NPIL pursuant to this Scheme;

(g) section 560 Capital Allowances Act 2001 will apply to this Scheme such that all allowances and charges under that Act that would have been made to or on any Transferor will instead be made to or on NPIL, and the amount of any such allowance or charge will be calculated as if everything done to or by the relevant Transferor had been done to or by NPIL;

(h) pursuant to section 707 ICTA, the Commissioners of Inland Revenue are satisfied that the transactions pursuant to this Scheme are or will be such that no notice under section 703(3) ICTA ought to be given in respect of any of them;

(i) the implementation of this Scheme will not affect the availability of relief for premiums paid in respect of Transferring Policies under section 266 ICTA, including Schedules 14 and 15 to that Act;

(j) any qualifying policies written by the Transferors will not, by reason of this Scheme, cease to be qualifying policies in applying the qualifying policy tests set out in Schedule 15 ICTA or for the purpose of Chapter II of Part XIII ICTA and the “chargeable event” definition in section 540 ICTA;

(k) the UK tax consequences of the exercise after the Effective Date of any option to vary a policy or contract or to effect an additional or substituted policy on favourable terms conferred by Transferring Policies will not, by virtue of this Scheme, be different from the UK tax consequences which would have ensued from such an exercise before the Effective Date and the relevant Transferor and NPIL will be viewed as the same company for the purposes of paragraph 15(2) Schedule 15 ICTA;

(l) tax relief will continue to be available for contributions paid by scheme members and retirement annuitants under Transferring Policies pursuant to Chapter 4 Part 4 Finance Act 2004 and the other tax reliefs and exemptions there listed will apply;

(m) following the Effective Date any direction given to a Transferor in accordance with paragraph 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (as amended) authorising that Transferor to pay interest and annuities or other income gross to persons resident abroad will be treated as having been given to NPIL, or otherwise renewed in relation to payments of such interest, annuities or other income by NPIL.

## **SCHEDULE 5**

### **CHANGES TO PAYMENT INSTRUCTIONS IN RELATION TO TRANSFERRING POLICIES**

#### **Part A**

##### **Payments to Transferors – changes to take effect on Effective Date**

#### **1. PAULP**

1.1 Members of the PAULP Stakeholder Scheme who currently make payments into account number 2121639 held by PAULP with HSBC Bank plc

1.2 Members of the “Pearl at Work” executive pension plan who currently make payments into account number 41217240 held by PAULP with HSBC Bank plc

#### **2. LLLA**

All Transferring Policies written by LLLA

#### **Part B**

##### **Payments to Transferors – changes not to take effect on Effective Date**

#### **1. PAUF**

All Transferring Policies written by PAUF

#### **2. PAULP**

All Transferring Policies written by PAULP other than those described in paragraph 1 of Part A

#### **Part C**

##### **Payments by Transferors – changes to take effect on Effective Date**

#### **1. LLLA**

All Transferring Policies written by LLLA

#### **Part D**

##### **Payments by Transferors – changes not to take effect on Effective Date**

#### **1. PAUF**

All Transferring Policies written by PAUF

#### **2. PAULP**

All Transferring Policies written by PAULP



**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**

**No \_\_\_\_\_ of 2006**

**IN THE MATTER OF  
PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**and**

**IN THE MATTER OF  
PEARL ASSURANCE (UNIT FUNDS) LIMITED**

**and**

**IN THE MATTER OF  
LONDON LIFE LINKED ASSURANCES LIMITED**

**and**

**IN THE MATTER OF  
NPI LIMITED**

**and**

**IN THE MATTER OF  
PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

---

---

**SCHEME**

---

---



**FRESHFIELDS BRUCKHAUS DERINGER**

## CONTENTS

PARAGRAPH	PAGE
PART A – INTERPRETATION.....	2
1. DEFINITIONS .....	2
PART B – INTRODUCTION.....	10
2. INTRODUCTION .....	10
PART C – TRANSFER .....	11
3. TRANSFER OF ASSETS.....	11
4. TRANSFER OF LIABILITIES.....	12
5. RESIDUAL ASSETS AND RESIDUAL LIABILITIES .....	12
6. TITLE AND FURTHER ASSURANCE.....	12
7. RIGHTS AND OBLIGATIONS UNDER TRANSFERRING POLICIES .....	12
8. CONTINUITY OF PROCEEDINGS .....	13
9. EXCLUDED POLICIES.....	13
10. PREMIUMS, MANDATES AND OTHER INSTRUCTIONS .....	15
11. CONSTRUCTION OF TRANSFERRING POLICIES AND NPIL POLICIES .....	16
12. DECLARATION OF TRUST BY THE TRANSFERORS.....	16
13. UNDERTAKINGS AND INDEMNITIES IN FAVOUR OF THE TRANSFERORS .....	17
14. PENSION SCHEMES .....	18
PART D – FUND STRUCTURE .....	18
15. ALLOCATION OF ASSETS.....	18
16. LINKED FUNDS .....	19
PART E – MISCELLANEOUS.....	20
17. CONDITIONS.....	20
18. EFFECTIVE DATE.....	20
19. AMENDMENT TO THE ACT, REGULATIONS OR OTHER LEGISLATION .....	21
20. COSTS .....	21
21. MODIFICATIONS OR ADDITIONS.....	21
22. THIRD PARTY RIGHTS .....	22
23. GOVERNING LAW.....	22

SCHEDULE 1.....	23
CLASSES OF BUSINESS IN SCHEDULE 1, PART I TO THE REGULATED ACTIVITIES ORDER FOR WHICH THE TRANSFERORS AND NPIL HOLD AUTHORISATION .....	23
SCHEDULE 2 CONSTRUCTION OF TRANSFERRING POLICIES .....	24
SCHEDULE 3 CONSTRUCTION OF EXISTING NPIL POLICIES .....	26
SCHEDULE 4 TAX CLEARANCES AND CONFIRMATIONS.....	27
SCHEDULE 5 CHANGES TO PAYMENT INSTRUCTIONS IN RELATION TO TRANSFERRING POLICIES .....	29
PART A PAYMENTS TO TRANSFERORS – CHANGES TO TAKE EFFECT ON	
EFFECTIVE DATE .....	29
1.    PAULP.....	29
2.    LLLA.....	29
PART B PAYMENTS TO TRANSFERORS – CHANGES NOT TO TAKE EFFECT ON	
EFFECTIVE DATE .....	29
1.    PAUF.....	29
2.    PAULP.....	29
PART C PAYMENTS BY TRANSFERORS – CHANGES TO TAKE EFFECT ON	
EFFECTIVE DATE .....	29
1.    LLLA.....	29
PART D PAYMENTS BY TRANSFERORS – CHANGES NOT TO TAKE EFFECT ON	
EFFECTIVE DATE .....	29
1.    PAUF.....	29
2.    PAULP.....	29