NPI LIMITED

Company Registration Number: 3725037

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2013

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Strategic report

The Directors present the Strategic Report, their Report and the Financial Statements of NPI Limited ("the Company") for the year ended 31 December 2013.

The Company is incorporated in the United Kingdom. Its registration number is 3725037 and its registered office is 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

The financial statements of the Company for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applied in accordance with the Companies Act 2006.

Business review

Principal activities
The principal activity of the Company was the transaction of life assurance and pension business. Following the de-authorisation and subsequent transfer described below the Company became inactive. It is anticipated that the Company will remain inactive in the foreseeable future.

Corporate activity
Following the Part VII transfer of the Company's long term insurance business ("The Scheme") approved by the High Court on 28 March 2012, an application was successfully submitted to the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) to cancel the Company's authorisation to undertake long term business.

Following deauthorisation, on 17 October 2013, the remaining assets of £4,023,000 were transferred by the Company in accordance with the Scheme to Phoenix Life Limited ("PLL") for £nil consideration.

Principal risks and uncertainties
The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

Following the implementation of the Scheme, the Company is no longer exposed to any material risks. Should any liabilities arise in the future, the terms of the Scheme are such that these will transfer to PLL.

Key Performance Indicators ("KPIs")
Given the straightforward nature of the business following the implementation of the Scheme, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

L Nuttall
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

26 June 2014

Directors' report

Result and dividends
The results of the Company for the year are shown in the statement of comprehensive income on page 6. As a result of the Scheme the loss before tax was £4,014,000 (2012: loss £335,853,000).

No dividends were paid during the year (2012: £nil).

Going concern
Having reviewed the position in light of the Financial Reporting Council Guidance issued in October 2009, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors
The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows:

A B Davidson	(Resigned 8 August 2013)
J P Evans	(Chairman, Resigned 8 August 2013)
M J Merrick	(Resigned 2 June 2014)
A Moss	
J C Park	(Resigned 19 June 2013)
D L Richardson	(Resigned 31 January 2013)
M D Ross	(Resigned 8 August 2013)
W R Treen	(Resigned 8 August 2013)
M N Urmston	(Resigned 8 August 2013)
S Mohammed	(Appointed 2 June 2014)

Secretary
Pearl Group Secretariat Services Limited acted as Secretary throughout the year.

Disclosure of indemnity
Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Disclosure of information to auditors
So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors has taken all the steps that he /she ought to have taken as a Director to make himself / herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Re-appointment of auditor
In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

On behalf of the Board

L Nuttall
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

26 June 2014

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Company financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of NPI Limited

We have audited the financial statements of NPI Limited for the year ended 31 December 2013 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report, Directors report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Benjamin Gregory (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 June 2014

Statement of comprehensive income
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Net investment income		9	23
Loss on transfer of business	3	(4,023)	(335,869)
Total income		(4,014)	(335,846)
Investment management expenses		-	(2)
Loss for the year before tax		(4,014)	(335,848)
Tax charge	7	(2)	(5)
Loss for the year attributable to owners		(4,016)	(335,853)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,016)	(335,853)

Statement of financial position
as at 31 December 2013

	Notes	As at 31 December 2013 £000	As at 31 December 2012 £000
Equity attributable to owners of the parent			
Share capital	8	250,000	250,000
Retained earnings		(250,000)	(245,984)
Total equity		-	4,016
Assets			
Collective investment schemes		-	4,008
Prepayments & accrued income		-	13
Total assets		-	4,021
Liabilities			
Other payables		-	5
Total assets less liabilities		-	4,016

On behalf of the Board

Shamir Mohammed

S Mohammed
Director

26 June 2014

Statement of cash flows
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Cash flows from investing activities			
Part VII transfer	3	-	(14,544)
Net cash flows from investing activities		-	(14,544)
Net decrease in cash and cash equivalents		-	(14,554)
Cash and cash equivalents at the beginning of the year		-	14,554
Cash and cash equivalents at the end of the year		-	-

Supplementary disclosures on cash flow from operating activities

Interest received	-	-

Statement of changes in equity
for the year ended 31 December 2013

	Share capital (note 8) £000	Retained earnings £000	Total £000
At 1 January 2013	250,000	(245,984)	4,016
Loss for the year	-	(4,016)	(4,016)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(4,016)	(4,016)
At 31 December 2013	250,000	(250,000)	-

Of the above £nil (2012: £nil) of retained earnings is considered distributable.

	Share capital (note 8) £000	Retained earnings £000	Total £000
At 1 January 2012	250,000	89,874	339,874
Loss for the year	-	(335,858)	(335,858)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(335,858)	(335,858)
At 31 December 2012	250,000	(245,984)	4,016

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") as they apply to the financial statements of the Company for the year ended 31 December 2013, and applied in accordance with the Companies Act 2006.

The financial statements are presented in sterling (£) rounded to the nearest £000 except where otherwise stated.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an IFRS or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The area of the Company's business that typically requires such estimates is the determination of the fair value of financial assets and liabilities.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (d). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and note 8 provides further disclosures on fair value hierarchy and assumptions used to determine fair values.

(c) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in the statement of changes in equity, in which case it is recognised in this statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Financial assets
Purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset.

Collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies.

Fair value estimation
The fair value of financial instruments traded in active markets such as publicly traded securities and derivatives are based on quoted market prices at the period end. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques such as broker quotes, pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flow techniques are used, estimated future cash flows are based on contractual cash flows using current market conditions and market calibrated discount rates and interest rate assumptions for similar instruments.

For units in unit trusts and shares in open-ended investment companies, fair value is assessed by reference to published bid-values. The fair value of receivables and floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques.

(e) Transfers of business
Where the Company participates in a transfer of insurance business scheme under Part VII of the Financial Services Act 2000 and the ultimate shareholders remain the same, the transaction constitutes business combinations involving entities or businesses under common control. IFRS does not prescribe the treatment of such transfers. Accordingly, on initial recognition, the transferred assets and liabilities are measured at the carrying value in the transferring Company and the resulting gain or loss is recognised as income or an expense in the statement of comprehensive income.

(f) Share capital
The Company has issued ordinary shares which are classified as equity.

(g) Events after the reporting period
The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

2. Financial information

The financial statements for the year ended 31 December 2013, set out on pages 6 to 14, were authorised by the Board of Directors for issue on 16 June 2014.

The International Accounting Standards Board ("IASB") has issued the following standards, interpretations and amendments which, subject to adoption for use by the EU, apply from the dates shown. The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted. The impact on the Company of adopting them is subject to evaluation:

- Annual improvements to IFRS 2010-2012 cycle (2014). This makes a number of minor improvements to existing standards and interpretations.
- Annual improvements to IFRS 2011-2013 cycle (2014).

Further standards, interpretations and amendments have been issued but are not currently relevant to the Company.

3. Transfer of business

On 31 March 2012, with effect from 1 January 2012, all of the long term business and the majority of the shareholders' funds of the Company transferred to Phoenix Life Limited ("PLL") for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 ("The Scheme") approved by the High Court on 28 March 2012.

Following deauthorisation, on 17 October 2013, the remaining assets of £4,023,000 were transferred by the Company in accordance with the Scheme to PLL for £nil consideration.

The carrying value of assets and liabilities transferred and the loss arising are set out below (following the transfer inter-company balances have been eliminated):

	2013	2012
	£000	£000
Liabilities		
Insurance contract liabilities		
Liabilities under insurance contracts	-	1,589,295
Financial liabilities		
Investment contracts	-	2,646,605
Borrowings	-	135,174
Deposits received from reinsurers	-	568,540
Derivatives	-	57,785
Obligations for repayment of collateral received	-	67,841
Deferred tax	-	11,420
Payables related to direct insurance contracts	-	7,694
Accruals	-	4,742
Other payables	7	8,209
	7	5,097,305
Intangible assets		
Acquired in-force business	-	16,086
Investment property	-	136,448
Financial assets		
Loans and deposits	-	118,443
Derivatives	-	115,267
Equities	-	1,490
Fixed and variable rate income securities	-	1,131,002
Collective investment schemes	4,018	2,943,557
Insurance assets		
Reinsurers' share of insurance contract liabilities	-	909,114
Current tax	-	4,059
Deferred acquisition costs	-	6,601
Prepayments and accrued income	12	21,535
Other receivables	-	15,028
Cash and cash equivalents	-	14,544
	4,030	5,433,174
Net assets transferred	4,023	335,869
Consideration	-	-
Loss on transfer of business	4,023	335,869

4. Employee information

The Company has no employees. Services are provided by another Group Company.

5. Directors' remuneration

The Directors are employed by another Group Company. The Directors received no remuneration in respect of their services to the Company (2012: £nil).

6. Auditor's remuneration

The remuneration of the auditor of the Company, including their associates, was £2,000 (2012: £8,000). These audit fees have been borne by another Group Company.

7. Tax charge

Current year tax charge

	2013	2012
	£000	£000
Current tax:		
UK Corporation tax	2	5
Total tax charge	2	5

Reconciliation of tax charge

	2013	2012
	£000	£000
Loss before tax	(4,014)	(335,853)
Tax credit at standard UK rate of 23.25% (2012: 24.5%)	(933)	(82,284)
Non- taxable loss on transfer (note 3)	935	82,289
Total tax charge	2	5

8. Share capital

	2013	2012
	£000	£000
Issued and fully paid: 250,000,000 (2012: 250,000,000) ordinary shares of £1 each	250,000	250,000

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

9. Financial assets and financial instrument fair value hierarchy

At 31 December 2013 all of the Company's assets had been transferred to PLL following implementation of the Scheme (note 3).

At 31 December 2012, the Company held £4,008,000 of collective investment scheme classified as level 1 financial instruments.

10. Cash flows

Cash flows from operating activities

	2013	2012
	£000	£000
Loss for the year before tax	(4,014)	(335,848)
Non-cash movements in profit for the year before tax		
Loss on transfer of business	4,023	335,869
Changes in operating assets and liabilities	(9)	(21)
Cash utilised by operations	-	-

11. Related party transactions

As detailed in note 3, all of the Company's assets and liabilities were transferred to PLL in accordance with the Scheme.

Key management compensation
The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 5.

During the year to 31 December 2013, key management and other family members had no other transactions with the Company.

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 12.

12. Other information

The Company's principal place of business is England. The Company's immediate parent is Phoenix Life Limited ("PLL") and its ultimate parent is Phoenix Group Holdings, a company incorporated in the Cayman Islands and resident in Jersey. A copy of the financial statements of Phoenix Group Holdings can be obtained from the Company Secretary, 1st Floor, 32 Commercial Street, St. Helier, Jersey, JE2 3RU.