

June 2011



Simplified Prospectus and Terms & Conditions of the Open-Ended Investment Company (OEIC)

No advice has been given by Scottish Friendly in respect of this plan. We have not assessed whether this ISA is suitable for your financial needs and therefore you will not benefit from the protection of the FSA rules on assessing suitability. If you are in any doubt about the suitability of this product for yourself, you should contact your financial adviser.

Helping you decide

What is the purpose of this document?

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Friendly, to give you this important information to help you to decide whether our OEIC is right for you. You should read this document carefully so that you understand what you are buying and then keep it safe for future reference.

What questions should I ask before I invest?

- In this document we have given you the answers to some important questions. You'll find these on pages 3 to 9.

What should I do now?

Please read:

- The Scottish Friendly UK Growth Fund and Managed Growth Fund Simplified Prospectus.
- The Terms and Conditions.

These are all contained in this leaflet. Please keep this with your investment documentation which we will send you.

The Scottish Friendly UK Growth Fund & Managed Growth Fund Simplified Prospectus

All OEICs (Open-ended investment companies) and unit trusts need to send customers a Simplified Prospectus, to give them more detail about the investment they're buying. To make it easier to compare OEICs and unit trusts, the layout and content of the prospectus has to conform to strict guidelines. This means some of the information is slightly more technical than we usually give our customers. If you're at all unclear about anything, either get in touch with us, or seek independent professional financial advice.

Aims

- The aim of the Scottish Friendly OEIC funds is to achieve medium to long-term capital growth.
- The investment policy of the Scottish Friendly UK Growth Fund is to invest in UK equities. A proportion may also be held in cash.
- The investment policy of the Scottish Friendly Managed Growth Fund is to invest in equities and fixed interest securities both in the UK and other international stockmarkets. Fixed interest securities may comprise government securities such as gilts or corporate bonds and these may be denominated in sterling and other foreign currencies. The use of derivatives, stock lending or borrowing may also take place when deemed appropriate to achieve the objective of the fund.
- This should be viewed as an investment with the potential to offer good returns over the medium term; that is, 5 to 10 years or longer.

Your commitment

- The minimum investment is £500 if you invest a lump sum which you can top-up with contributions of £100 or more.
- You have access to your money at all times, although you should expect to leave your money invested for at least 5 to 10 years.

Risks

- As your money is invested in shares and other securities, its value, and the income from it, will go up and down and you may not get back the amount invested.
- The Managed Growth Fund is exposed to and can hold currencies other than sterling. As a result, exchange rate movements may affect your investment as well as price movements.
- Current tax law and practice may change.

- If you are investing regularly for a particular purpose, you may not achieve your target if you do not keep up your payments.
- In the exceptional event that a sub-fund's liabilities exceed its net assets, the OEIC structure allows for these liabilities to be allocated across other sub-funds in the OEIC.
- Details of all risks are available within the full Prospectus, which is available on request.

Questions & answers

What is the Managed Growth Fund and the UK Growth Fund?

The Managed Growth Fund launched 31 May 1999. The UK Growth Fund was launched on 21 May 2001. The base currency of these funds is Sterling. This Simplified Prospectus contains key information about these funds which are sub-funds of Scottish Friendly Investment Funds (the 'Company'). The Company is an investment company with variable capital incorporated under the OEIC regulations. This company is incorporated in Scotland. Both funds are managed by SVM Asset Managers based in Edinburgh and funder in 1990.

Is this investment right for me?

These funds are aimed at those who see funds like this as a convenient way of participating in capital market developments, prefer a fund that is actively managed (rather than a passive, tracker approach), and, in the case of ISA investors, who haven't used their tax-free ISA allowance. Investors should be able to tuck their money away for five years or more, and accept the possibility they will not get back all of their original investment.

How do I invest?

You can invest a lump sum by completing and returning the enclosed application form. The minimum lump sum deposit is £500.

Investments must be made in writing and your application should be returned directly with your cheque. Top-up contributions should be made with a cheque.

What is the Fund's investment policy?

The Managed Growth Fund's investment policy is to achieve medium to long-term capital growth through investment in equities and fixed interest securities both on UK and in other international stockmarkets. Fixed interest securities will comprise UK gilts or fixed interest securities denominated in sterling or foreign currencies. The use of derivatives, stock lending or borrowing as permitted by the regulations for efficient portfolio management purposes may also take place when deemed appropriate for the achievement of the objectives of the fund.

The UK Growth Fund's investment policy is to achieve medium to long-term capital growth through investment in UK equities. A proportion may also be held in cash.

What are the product characteristics?

An Open-Ended Investment Company (OEIC) is an investment vehicle which pools the money of a number of investors and invests in a wide range of stocks and shares. Pooling your money in this way gives more buying power than you would have as an individual investor.

When you invest, you will be allocated a number of shares and your investment will be in Class A Shares, which is the only share class currently available. The funds have the ability to offer additional classes of shares in future, to cater for the different needs of investors. Where a fund has more than one class of shares, the classes will attract different minimum subscription levels, initial charges and management charges. Class A Shares are available as accumulation shares. This means the funds accumulate any income derived from the underlying investments and this is reflected in the daily share price.

What documentation will I receive after I invest?

Lump sum investors will be sent a confirmation of the number of shares you have bought and the purchase price of the shares. Share certificates will not be issued, so you should keep the confirmation note in a safe place as proof of purchase.

How can I follow the progress of my investments?

You will receive a statement incorporating a valuation from us every six months showing how your plan is progressing. You can find out the value of your investment by looking up the most recent share price published daily in the Financial Times and The Herald. Or you can contact Scottish Friendly on 08456 00 54 33 or visit our website at www.scottishfriendly.co.uk

Direct investors in our OEIC will also receive a review of the performance of your investments in the form of an annual report and accounts.

How are the shares priced and dealt?

Shares in these funds are priced on a single 'mid-market' basis in accordance with the regulations of the Financial Services Authority. The price of a share is calculated by dividing the net asset value (assets minus liabilities) attributable to the class of shares by the number of shares issued. Shares may be purchased at a price that is the sum of the net asset value per share plus the initial charge. Shares may be sold back to Scottish Friendly at the net asset value per share.

We will buy or sell shares for you at the next 12 noon valuation following receipt of your instructions. This is known as forward pricing. Valuations are carried out on each working day.

Can I change my mind about my investment?

No cancellation period is available for this investment.

How do I sell my shares?

You may sell your shares by writing to us. The minimum withdrawal is £50. Withdrawals will be met by selling shares in the fund and we will send you a cheque for the proceeds, within 4 business days of selling your shares. Any sums due to us may be deducted from the withdrawal amount.

Will I receive income?

The funds may earn dividends and income on its underlying investments. This fund only issues accumulation shares, which means that no dividends will be paid on the shares but, instead, income is automatically reinvested on your behalf. Income will be calculated six-monthly as at 30 November and 31 May, with the appropriate distribution made within four months of these dates.

What is the tax position with my OEIC in respect of the OEIC?

Income derived from the fund is liable to corporation tax, but there is no liability for tax on any capital gains in the disposal of any of the fund property. Any dividends from UK companies received will not suffer tax in the fund as it has been taxed at source.

Your tax position

Investment income is reinvested on your behalf in accumulation shares. Lower or basic rate taxpayers will have no additional tax to pay on income reinvested on their behalf. Higher rate taxpayers will be liable to tax on the income reinvested at the difference between higher rate tax and the tax deducted.

The redemption, sale or transfer of shares will normally constitute a disposal for the purposes of capital gains tax and should be declared in your annual tax return.

The above is based on Scottish Friendly's understanding of current tax law and practice. The tax treatment of your plan depends on your individual circumstances and the levels and basis of taxation may change in the future. This may reduce the amount you get back or increases the amount of tax you pay.

What could my investments be worth in the future?

The illustration overleaf gives you an idea of how much your investments could be worth in the years ahead. But the final amount will depend on how much you invest and the actual rate at which your investment grows.

If you invest a lump sum payment of £3,000 for 10 years the table below shows how much your investment would be worth, after charges, if it grows each year by:

	4%	6%	8%
End of year 1	£2,950	£3,000	£3,060
End of year 3	£3,090	£3,270	£3,460
End of year 5	£3,240	£3,570	£3,920
End of year 10	£3,660	£4,430	£5,340

- These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. What you will get back depends on how your investment grows and the tax treatment of your investment.
- You could get back more or less than this.
- All OEICs use the same rates of growth for illustrations but their charges vary. Scottish Friendly's actual charges have been deducted in calculating the figures shown.
- Do not forget that inflation will reduce what you can buy with the value of your OEIC in the future.

How do charges and expenses affect my investment?

There is an initial charge of 4% of each investment in Class A Shares.

A management charge of 1% a year of the fund value is taken into account in the daily calculation of the price of Class A Shares in the funds. This is paid to Scottish Friendly Asset Managers as Authorised Corporate Director of the Company.

In addition, a number of other fees are payable out of the funds. These include audit, custody, regulator's and depositary fees and our fee for maintaining the Register of Members. The estimated effect of these fees is included in the Total Expense Ratio; this is also taken into account in the daily calculation of the share price of the funds.

In addition, there are transaction expenses incurred by the Funds when the fund manager buys and sells the Fund's investments and these are paid out of the capital of the Funds. These expenses include the commission the fund manager pays its stockbroker.

We have taken account of all these charges in the figures shown in the table above. They could increase in the future if our costs increase more than expected.

All fees and charges are taken out of the income of the funds.

In certain circumstances, the Funds may also charge what is known as the dilution levy. Where the funds experiences unusually high levels of buying and selling, this will increase the Fund's dealing costs. This is known as dilution. In order to prevent this effect and protect the interests of the majority of investors, the Authorised

Corporate Director has the power to charge a dilution levy in certain instances when shares are bought and sold.

The Authorised Corporate Director will not normally impose a dilution levy in respect of any deal either (a) below 3% of the size of the fund, or (b) unless redemptions or sales exceed 5% of the size of the fund on any dealing day. This dilution levy is up to 1% of the price of a share.

The effect of these charges on your lump sum payment of £3,000, assuming an average rate of growth of 6% a year, is set out below. The following examples show what you might receive if you cash in your OEIC.

WARNING – If you cash in during the early years, you could get back less than you have paid in.

At the end of year	Investment to date £	Effect of deductions to date £	What you might get back £
1	£3,000	172	3,000
3	£3,000	294	3,270
5	£3,000	441	3,570
10	£3,000	938	4,430

The last line in the table shows that if you withdraw your investment after 10 years, the effect of the total charges and expenses or initial charges could amount to £938.

Putting it another way, this would have the same effect as bringing the investment growth from 6% a year down to 3.9% a year.

Tax relief has been taken into account in the calculation of the appropriate charges.

These figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment. All figures unless otherwise stated are calculated as at 31 May 2010.

What is Total Expense Ratio (TER)?

All European funds are required to show their Total Expense Ratio (TER). The TER gives investors a clearer idea of the total annual costs involved in running their fund and allows you to compare the annual operating costs of the fund. It’s made up of the Annual Management Charge, plus any additional expenses where charged to the customer, such as trustee fees, audit/legal fees and registration costs. It does not include charges for buying and selling units.

The TER for the UK Growth Fund is 1.42%

The TER for the Managed Growth Fund is 1.39%

What is the Portfolio Turnover Rate (PTR)?

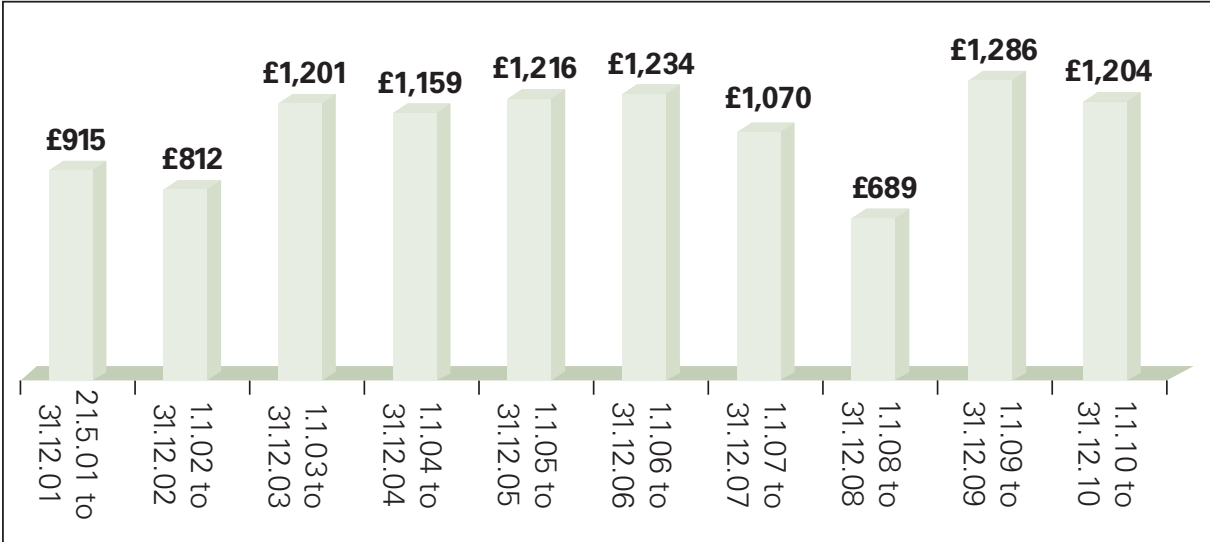
The PTR gives the percentage of the fund that has changed during a year through it buying and selling assets. The more stocks and shares a fund buys and sells, the higher the PTR. This can mean higher costs to the fund or simply that the fund is being managed in line with its investment objectives.

The PTR for the UK Growth Fund is 219.9%

The PTR for the Managed Growth Fund is 75.76%

UK Growth Fund Past Performance rolling 12 month performance across 10 years.

Value of £1,000 invested at various dates up to 31 December 2010.

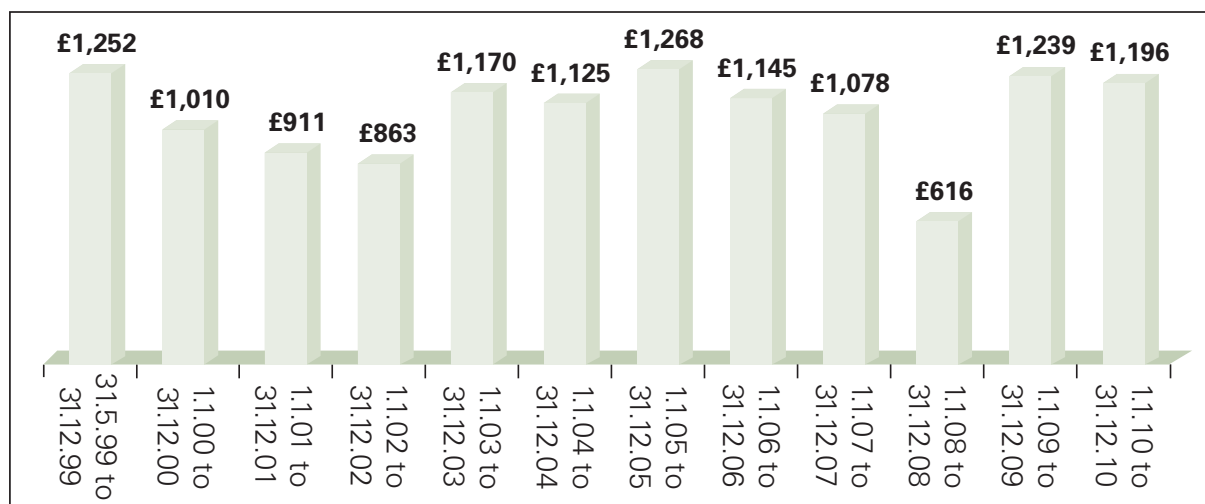


UK Growth Year on Year for the past 10 years.

UK Growth Fund Cumulative Performance from launch (21.5.01) to December 2010
 £1,000 invested at launch had a value of £1,784 at 31.12.10

Managed Growth Fund Past Performance rolling 12 month performance across 12 years.

Value of £1,000 invested at various dates up to 31 December 2010.



Managed Growth Year on Year for the past 12 years.

Managed Growth Fund Cumulative Performance from launch (31.5.99) to 31 December 2010. £1,000 invested to launch had a value of £1,846 at 31.12.10

Past performance is not a guide to future performance. The value of shares and the income from them can go down as well as up and your original investment is not guaranteed.

Source: Morningstar. Bid-bid net income reinvested.

These figures do not include the previously reclaimable tax credits applicable to ISAs. This basis does not take into account the initial charge.

Further information

Share Prices

The price of shares is calculated every business day by dividing the total value of the assets of the relevant fund by the number of shares in existence. Share prices are quoted daily in the Financial Times and The Herald and on our website: www.scottishfriendly.co.uk

We will buy or sell shares for you at the next 12 noon valuation following receipt of your instructions. This is known as forward pricing.

Documentation

We will send you a statement confirming your investment. We will also send you a valuation of your investment twice a year. Your Report will show the activity that has taken place since your previous statement and include the number of shares you own. A copy of the funds prospectus is available on request.

Cancellation rights

There are no cancellation rights available under this plan.

Investment income

Any investment income earned is automatically reinvested. Tax reclaimed on this income is also reinvested on your behalf.

Withdrawals

You may make a withdrawal by completing a withdrawal form, which can be obtained from our ISA/OEIC Administration department. The minimum withdrawal is £50. If the value remaining after a withdrawal is less than £300 then you will be considered to have terminated your Stocks and Shares ISA/OEIC and the remaining value will be paid out to you. Withdrawals will be met by selling shares in the fund, normally within 2 working days of receiving your instructions. Payments will be made within 4 working days of your shares being sold. Any sums due to us may be deducted from the withdrawal amount.

Switching

If you wish to switch your investment to a different Scottish Friendly OEIC fund (contact us or visit our website for details of these), simply let us know in writing. We normally switch shares between funds on the first pricing day after we receive your instructions. The first switch in any one calendar year is free, thereafter subsequent switches will attract a levy of up to 3% of the shares being exchanged.

Transfer out

At your written request, we will transfer your ISA investment to another ISA Manager without the loss of tax relief in line with current ISA rules. Transfer payments will be met by selling shares in the fund, at the next valuation point following receipt of completed written instructions from your new ISA Manager. We will then pay the proceeds to the new manager within 4 working days. Your investment in a Stocks and Shares ISA can only be transferred to another manager's Stocks and Shares ISA.

Taxation

Any income and capital gains generated from investments in a Stocks and Shares ISA are free of UK income tax and capital gains tax. Income allocations will be in the form of interest or dividend distributions. Interest distributions are received net of a 10% Income Tax credit. If you invest in either fund outside an ISA, investment income is reinvested on your behalf in the accumulation shares. Lower or basic rate taxpayers will have no additional tax to pay on income reinvested on their behalf. Higher rate taxpayers will be liable to tax on the income reinvested at the difference between higher rate tax and the tax deducted. The redemption, sale or transfer of shares will normally constitute a disposal for the purposes of capital gains tax and should be declared in your annual tax return. The above is based on Scottish Friendly's understanding of current tax law and practice. The levels and basis of taxation may change in the future and may reduce the amount you get back or increase the amount of tax you pay. The regime of taxation of any gains received by an investor depends on tax law applicable to their individual circumstances. If an investor is unclear about his/her position, he/she should seek professional advice.

Money Laundering Regulations 2007

Under these regulations, there is a requirement to prove the identity of people who wish to take out a life, pension or investment contract. You may therefore be asked to supply documents as evidence of your identity and/or your address.

Stamp Duty Reserve Tax

The Finance Act 1999 introduced, from 6 February 2000, a system of Stamp Duty Reserve Tax (SDRT) for certain deals in the shares of OEICs.

The liability for payment of this duty lies with the OEIC, and the regulations permit that payments of SDRT may either be paid from the property of the fund, or for the company to levy an SDRT provision against the individual purchase and sale of shares. This would, if imposed, increase the cost of buying shares and lessen the proceeds of sales by the investor. It is not Scottish Friendly's intention to apply the SDRT charge against deals, our policy is that SDRT will be charged as an expense to the property of the fund.

What happens if Scottish Friendly becomes insolvent?

If you buy a Scottish Friendly Stocks & Shares ISA and we cannot pay the full amount due, you may be entitled to compensation under the Financial Services Compensation Scheme. The first £50,000 of a claim in relation to the plan value is protected in full.

You can get further information from the Financial Services Compensation Scheme at: Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, Portsoken Street, London E1 8BN. Tel 0800 678 1100. www.fscs.org.uk

How to contact us

Here are our contact details if you have any queries or require any further information, including the full Prospectus and Accounts:

Scottish Friendly Asset Managers Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ. Tel: 0333 323 54 33.

Your client category

We are required to categorise our clients and this determines the level of detail and information that you will receive. We will treat you as a 'Retail Client' in respect of the services we will provide you, which means that you will benefit from the highest level of consumer protection.

How to complain

If you wish to complain about any aspect of the service you have received, please contact us. Details can be found in the 'How to contact us' section. If you are not satisfied with our response to your complaint, you can contact the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. Tel: 0800 023 4567 (free from a UK landline) or 0300 123 9123 (free for mobile users who pay a monthly charge for calls to numbers starting 01 or 02). Making a complaint won't affect your legal rights.

Authorised Corporate Director

The Authorised Corporate Director of the Scottish Friendly Investment Funds OEIC is Scottish Friendly Asset Managers Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ. The Scottish Friendly OEIC is incorporated in the United Kingdom.

Depository

The Depository of the Scottish Friendly Investment Funds OEIC is HSBC Bank plc., 8 Canada Square, London E14 5HQ.

Language and law

The contractual terms and conditions and all communications in relation to this plan will be supplied in English.

In legal disputes, the law of Scotland will apply.

Auditors

KPMG Audit Plc, 191 West George Street, Glasgow G2 2LJ.

Supervisory Authority

The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

The Stocks & Shares ISA Terms and Conditions

These Terms, together with the Application Form, form a legal agreement between you and Scottish Friendly Asset Managers Limited (the Account Manager) which sets out how your Individual Savings Account or OEIC Investment will be operated.

1. Definitions

The following words and expressions, when used in these Terms, have the meanings set out opposite them:

Accounts or ISA – a Scottish Friendly Individual Savings Account governed by these Terms and which is a Stocks and Shares ISA or a Cash ISA, or a UK Growth Fund or Managed Growth Fund OEIC Investment outside an ISA;

Account investments – Shares, Units and any other investments held in an Account;

Account Manager or Scottish Friendly – Scottish Friendly Asset Managers Limited;

Application Form – a Scottish Friendly ISA or UK Growth Fund or Managed Growth Fund OEIC Investment application form or transfer application form;

Assets – investments, income, interest, cash deposits and any other rights and entitlement from time to time held within your Account;

Associate – any holding company of the Account Manager or a subsidiary of any such holding company (as defined in the Companies Act 1985);

Bank – the Governor and Company of the Bank of Scotland, having its Head Office at The Mound, Edinburgh EH1 1YZ, an authorised institution under the Banking Act 1987;

Business day – Any day except a Saturday, Sunday, a Bank Holiday in England and other days at the ACD's discretion;

Client Account – A bank account held by us with the Bank under the Client Money Regulations;

Scottish Friendly OEIC – an Open-Ended Investment Company operated by the Account Manager (and, in the case of an umbrella company, a sub-fund of such company);

FSA – the Financial Services Authority;

ISA – An Individual Savings Account managed under the Regulations;

OEIC Shares – shares in a Scottish Friendly OEIC which may be held in an Account;

Regulations – the Individual Savings Account Regulations 1998, as from time to time amended and in force;

Society – Scottish Friendly Assurance Society Limited, the parent company of the Account Manager;

Subscription – A payment, in sterling, to be applied to your Account from your own resources;

Terms – these Terms (as amended from time to time), together with the Application Form;

We, us and our – the Account Manager, Scottish Friendly Asset Managers Limited;

Year – a tax year beginning on 6 April in any calendar year and ending on 5 April in the following year;

You and your – an individual who has opened an Account under these Terms. These Terms will be governed by and construed in accordance with Scottish law.

Reference to any statutory provision or regulation includes any modification or re-enactment.

Any headings and subheadings are not a legally binding part of these Terms.

Where appropriate, the words in the singular will include the plural, and the masculine will include the feminine.

2. Account Manager

- A.** Scottish Friendly Asset Managers Limited agrees to act as Account Manager for your Account. We do not review your portfolio and we do not give advice about your Account. We are regulated by FSA in the conduct of our investment business.
- B.** Our address is Scottish Friendly Asset Managers Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ.
- C.** We may assign to any appropriate Associate all of its benefits and obligations under these Terms. You will be notified of any such assignment.
- D.** We may appoint any person (whether or not an Associate) to advise on or perform any of its functions or responsibilities under these Terms and may provide information about you and your Account to any such person. We will satisfy ourselves that any person to whom we delegate any of our functions or responsibilities under these Terms is competent to carry out those functions or responsibilities.
- E.** We may amend these Terms by writing to you. Any amendments will comply with the Regulations and the rules of FSA.

3. Application to open an Account

- A.** An application to open an Account must be made in writing on an Application Form. Subject to the Regulations, your Account will be managed in accordance with your directions set out in your Application Form.
- B.** These Terms will come into force when your Application Form is accepted by us, and your first investment is made. On acceptance, each new Account will be designated by us as either a Stocks and Shares ISA or a UK Growth Fund or Managed Growth Fund OEIC Investment outside an ISA. You can only subscribe to one ISA in any one tax year. We reserve the right to reject any application.
- C.** All payments into your ISA must be from your own funds, and we reserve the right to satisfy ourselves of this.
- D.** You may invest one or more lump sums in your Account during the Year. In addition, or alternatively, when provided in the Application Form you may make regular contributions by Direct Debit under a monthly investment plan. You must submit with your Application Form a cheque for the full amount of your initial subscription (in the case of a lump sum investment) and/or a Direct Debit Instruction to a Bank or Building society in your own name (in the case of regular contributions).
- E.** You will be sent an acknowledgement when you make a lump sum contribution or set up a monthly investment plan. This will be sent to you on the day following your application being received by us.
- F.** Your application covers the current Year and each subsequent Year until we receive no Subscription for one full Year.

4. Minimum subscription

A. Lump sums

The minimum initial investment is as specified in the Application Form. Additional lump sum contributions are subject to the minimum specified in the Application Form.

B. Monthly investment plans

The minimum monthly contribution is as specified in the Application Form, and we may terminate your investment plan by giving you one month's notice if the total amount invested during a Year is less than £300. Monthly Direct Debits will normally be collected on the 6th of each month and invested by us on the next dealing day for contributions under investment plans. If your application and Direct Debit instructions are received on or before the 24th of the month, your first monthly payment will be collected by Direct Debit on the 6th of the following month, otherwise it will be collected on the 6th of the month after next.

Direct Debit Guarantee



This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits. If there are any changes to the amount, date or frequency of your Direct Debit Scottish Friendly will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Scottish Friendly to collect a payment, confirmation of the amount and date will be given to you at the time of the request. If an error is made in the payment of your Direct Debit, by Scottish Friendly or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society. If you receive a refund you are not entitled to, you must pay it back when Scottish Friendly asks you to. You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

C. We reserve the right to reduce or waive the minimum subscription.

5. Maximum subscription

The maximum you can subscribe to an ISA for the tax year 2011/2012 is £10,680 (of which a maximum of £5,340 can be invested in a cash account).

6. Cancellation

There are no cancellation rights available under this plan.

7. Investment objective

The investment objective of your Account will correspond to the qualifying investments specified in your Application Form.

8. Account investments

- A.** Your Account includes your Account Investments and any cash balances, all income and other rights, and the benefit of any tax relief in respect of such investments.
- B.** Your cash contributions and any other cash held under your Account will be deposited, pending investment. We segregate all Client Account money from our funds and hold it with the Bank. No interest will be paid on cash held pending investment. We do not accept liability for default by any bank which holds cash for your Account.
- A.** We will automatically reinvest all income in respect of Account investments net of any tax liability.

9. Title

- A.** The Account Investments will be beneficially owned by you at all times.
- B.** OEIC Shares in the ISA will be registered either in the name of a nominee of the Account Manager (which may be an Associate) or jointly in the name of such a nominee and in your name. OEIC Shares outside the ISA will be registered in the name of the applicant.
- C.** No OEIC share certificates will be issued to you. We (or a nominee, which may be an Associate) will hold any title documents or documents evidencing title to the Account Investments.
- D.** We will not lend Account Investments or the title documents to a third party and will not borrow against the security of Account Investments or such documents.

10. Taxation

We will make all necessary claims for tax relief relating to your Account. However, the fund in which you invest in receives UK dividend income net of Corporation Tax.

11. Statements

We will send you a statement every 6 months, showing the value of your ISA or OEIC investment and details of all transactions in your Account since the previous statement. The statements will not include a measure of performance. We may produce a consolidated statement if you have more than one Account.

12. Reports and voting

- A.** If you so request, we will arrange for you to receive copies of the annual reports and accounts available to investors in any Scottish Friendly OEIC in which your Account is invested. We reserve the right to debit your Account with our standard charge for making such arrangements (currently £20 per communication with you), however if you have invested in the OEIC outside the ISA, these will be made available free of charge.
- B.** Subject to any applicable law or regulation and if you so request, we will arrange for you to be able to attend any meetings of direct investors in any Scottish Friendly OEIC in which your Account is invested, to exercise voting rights, and to receive, in addition to the documents referred to in paragraph A above, any other information issued to investors. We reserve the right to debit your Account with our standard charge for making such arrangements (see paragraph A above).
- C.** Subject to any applicable law or regulation, we may exercise any voting rights attaching to Account Investments unless you have elected to exercise such rights yourself.

13. Withdrawals

- A.** You may withdraw some or all of your money by writing to us.
- B.** Unless otherwise permitted by us from time to time, the minimum withdrawal is £50, and the Account Investments remaining after a withdrawal must have a minimum value of £300 (failing which we may treat your request as an instruction to terminate your Account).
- C.** Withdrawals will be met by selling Account Investments at the valuation point on the business day following receipt of the withdrawal instructions. Unless you give us instructions with your withdrawal request, we will have discretion to choose which Account Investments to sell.
- D.** The amount to be withdrawn will be paid to you within 4 business days following receipt of cleared funds resulting from the sales of Account Investments.
- E.** We may deduct from the withdrawal amount any sums due to it.

14. Charges

- A.** An initial charge of 4% of your contribution applies to each investment in OEIC Shares.
- B.** Management Fees: Holdings of OEIC Shares are also subject to management fees, charges and expenses. These are deducted from the property of the Scottish Friendly OEICs and not from your Account. The Annual Management Charge is 1/365% deducted daily from the unit price.
- C.** We reserve the right to discount or waive any charges.
- D.** We may increase charges but only after giving you three months' written notice.
- E.** We shall be entitled to deduct and retain all charges payable under these Terms, and may apply any cash or sell any Account Investments to pay such charges or to pay any tax liabilities under your Account.

15. Termination

- A.** You may terminate your Account in writing to us, which will be effective on receipt but will not affect transactions already initiated.
- B.** We may terminate your Account by giving you one month's notice in writing. If it becomes impractical or impossible to comply with the Regulations, we may terminate your Account immediately, in which case you will be notified in writing.
- C.** When an Account is terminated, we will sell the Account Investments and pay you the proceeds together with any cash balance held in the Account. Interest will not be paid on any cash balance if you have given notice of termination since the last monthly interest payment date. We may deduct any charges or other amounts due to it, any tax liabilities under the Account, and any additional expenses incurred in terminating the Account.

D. Your ISA Account ceases to be exempt from tax on your death and will terminate. When written notification of the death is received, we will sell the Account Investments and hold the proceeds on deposit in Sterling (earning interest). We may make deductions as provided in paragraph C opposite. Upon receipt of the death certificate, the grant of probate or appropriate legal confirmation, we will transfer the cash balance of your Account to your personal representatives. These Terms are binding on your personal representatives. We may at our discretion accept or reject instructions received from your personal representatives.

16. Void ISA Accounts

Your Account will be managed in accordance with the Regulations, which take precedence over these Terms.

We will notify you if, as a result of any failure to comply with the Regulations, your Account is or becomes void.

When an Account is voided, we will sell the Account Investments and pay you the proceeds together with any cash balance held in the Account. We may deduct any charges or other amounts due to us, any tax liabilities under the Account, and any additional expenses incurred in terminating the Account.

17. Transfer to new ISA account manager

A. You may instruct us to transfer to another approved account manager, within such time as shall be agreed, either (i) the whole of your Account, or (ii) part of your Account ('a partial transfer'), subject to and in accordance with the Regulations. Only cash may be transferred, and we will convert Account Investments into cash after receiving your instructions. We may deduct from the transfer any sums due to it.

B. In the case of a partial transfer, that is a transfer of part of the realised Account Investments and cash held in an ISA or, where there is more than one ISA, all of the realised Account Investments and cash held under a particular ISA, the transfer shall not include any subscriptions to the Account during the Year of transfer nor the value of any gains or other proceeds relating to the investment of such subscriptions.

C. A partial transfer involving the transfer of part of the realised Account Investments and cash held in an ISA must represent all subscriptions to the ISA and any gains or other proceeds relating to the investment of such subscriptions for one or more complete Years.

D. Also in the case of a partial transfer, the Account Investments remaining after the transfer must, unless otherwise permitted by the Manager, have a minimum value of £300 (failing which we may treat your instruction as an instruction to transfer the whole Account).

18. Information for the account manager

You must provide us with all information which we reasonably request for the purposes of the Account and, in particular, you must immediately inform us in writing of any change of tax status or other material change in circumstance.

19. Notices and instructions

- A.** Notices and instructions to us should be in writing and signed by you. Notices and instructions sent by facsimile will be accepted.
- B.** Notices and other documents to be given to you will be posted to your last registered address for your Account and will be considered received by you two days after posting.
- C.** We are entitled to treat as valid instructions given by you, or on your behalf, even if that is not the case because of the wrong doing of another person, unless that other person is an employee or agent of the Account Manager.

20. Liability

- A.** You indemnify us against all liabilities incurred by us in connection with your Account, other than liabilities caused as a direct result of our negligence, knowing default, or breach of the rules of FSA or of these Terms.
- B.** We are liable for our negligence, knowing default, and for any breach of the rules of FSA or of these Terms. We are not liable for any loss caused through a fall in value of Account Investments.
- C.** We accept no responsibility for your Account until cleared funds are received, nor for any loss or delay caused in the payment of funds to us.
- D.** For the purposes of this paragraph 20, references to you include your personal representatives and references to the Account Manager includes its nominees.

21. Complaints

For further information, or if you wish to complain about any aspect of the service you have received, please contact Scottish Friendly Asset Managers Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ. If your complaint is not dealt with to your satisfaction, you can write to the Financial Ombudsman Scheme. This will not affect your right to take legal action.

22. Compensation

If Scottish Friendly is unable to meet its liabilities, compensation may be payable by the Financial Services Compensation Scheme. The first £50,000 of a claim in relation to the value of the plan is protected in full. Further information on the Scheme can be obtained from the Financial Services Compensation Scheme. Tel: 020 7892 7300 www.fscs.org.uk

Scottish Friendly Asset Managers Limited,
Scottish Friendly House,
16 Blythswood Square,
Glasgow G2 4HJ.

www.scottishfriendly.co.uk

Authorised and regulated by the Financial
Services Authority. Details can be found on
the FSA register – Registration No. 110002.
Member of ABI and AFM.

