

Scottish Widows Capital Protected Fund 21

This booklet contains:

- (i) Details of Terms
- (ii) Key Features, incorporating a Simplified Prospectus and
- (iii) Terms and Conditions for the Scottish Widows Individual Savings Account (ISA)

Important information you need to read

This Fund aims to offer capital protection for your investment on the Protection Date. It does not provide a guarantee. There are risks associated with it, including the risk that you may get back less than your initial investment. Please ensure that you take the time to read these Key Features along with the Brochure and, if they apply to you, the Terms and Conditions for the Scottish Widows Individual Savings Account (ISA). These documents will provide you with important information about this Fund and the risks that apply to it.

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Widows, to give you this important information to help you to decide whether our Capital Protected Fund 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.

Key Features – Glossary of Terms

Certain words and expressions used in this Key Features document have particular meanings. This section explains what they mean.

- **Authorised Corporate Director (ACD):** the ACD is responsible for dealing with day to day management of the OEIC; such as managing the OEIC's investments, buying and selling shares and making sure it complies with regulations. The ACD is Scottish Widows Unit Trust Managers Limited (SWUTM).
- **Averaging:** An average of the daily closing levels of the Index is taken over the last 12 months of the Growth Potential Period. This is compared with the closing level of the Index on The Derivative Date to determine whether there has been any rise in the Index over the period when the Fund is invested in Derivatives.
- **Cap:** the cap sets the maximum additional amount you can get, as a percentage of the Capital Protected Value. The cap for Capital Protected Fund 21 is 47%, which means the maximum you can receive back at the end of the term is the Capital Protected Value plus an additional 47% of that value.
- **Capital Protected Price:** the minimum share price the Fund aims to return on the Protection Date.
- **Capital Protected Value:** the Capital Protected Price multiplied by the number of shares you own. If you keep all your shares to the Protection Date your Capital Protected Value should be equal to the amount of your original investment plus any interest earned up until the start of the Growth Potential Period. Your Capital Protected Value includes the full initial charge deducted at the start of the investment.
- **Capital Protection:** The aim of Capital Protection is to return your original investment on the Protection Date, however this isn't guaranteed. The Fund invests in Derivatives which are structured to provide this Capital Protection. However the Counterparty which provides the Derivatives could fail to meet its obligations which could affect your return from the Fund. In order to provide additional protection collateral is required to be held by an independent custodian. This would be used if the Counterparty fails, however, there is a risk that this Collateral may not be able to provide the intended benefits, potentially resulting in you receiving less than the amount invested.
- **Cash Investment Period:** the period during which you can invest money into the Fund. During this period the Fund invests in cash on deposit and other similar investments, in part by investing in the Global Liquidity Fund which is managed by our fund managers, Scottish Widows Investment Partnership.
- **Collateral:** Collateral is the name given to cash and other similar investments held by an independent custodian – in this case State Street Bank & Trust Company. It is a Financial Services Authority requirement that this Collateral is held in order to provide additional protection for the Fund. We aim to hold Collateral of at least 100% of the value of Derivatives at any time, to be used if the Counterparty fails to meet its obligations.
- **Counterparty:** The Counterparty is another financial institution. For Capital Protected Fund 21 the Counterparty is Lloyds TSB Bank Plc. The Derivatives, which are some of the assets used in this Fund, are arranged with the Counterparty.
- **Derivative Date:** the date on which assets in the Fund move from cash and other similar investments, to Derivatives.
- **Derivatives:** A derivative is a type of investment which is a financial contract between two parties. Its value is based on an expected future price of an underlying investment or level of an index – which could be, for example, shares or the FTSE 100 index. The type of Derivatives used for Capital Protected Fund 21 give the right to buy or sell the underlying investment at the future date using the fixed price. The Capital Protected Fund 21 invests in Derivatives which depend on the level of the FTSE 100 index at the end of the term. These Derivatives are designed to deliver the Fund's investment objectives.
- **Fund:** the Capital Protected Fund 21.
- **Growth Potential Period:** the period during which the Fund invests primarily in Derivatives.
- **Index:** the FTSE 100 index.
- **Initial charge:** a percentage of your payment that is deducted before shares are bought. If you keep your investment to the Protection Date, the cost of the initial charge is returned to you as part of what you get back. The Initial Charge for the Fund is 7.85%.
- **OEIC:** An OEIC is a pooled investment where your money is added to that of other investors. Each OEIC fund is designed with different investment goals in mind.
- **Participation Rate:** the percentage that's applied to any growth in the Index (after any Averaging) over the Growth Potential Period. This determines how much of any increase in the Index the Fund will provide.
- **Protection Date:** the date at the end of the Growth Potential Period on which the Fund aims to deliver its investment objectives for capital protection and growth. This is the only date that the original investment should be protected.
- **Total Sales Limit:** is the total of all customer investments that we accept into the Fund. We may have to close the Fund to new investments before the end of the Cash Investment Period if the offer becomes fully subscribed and the Total Sales Limit is reached or at the discretion of the ACD provided that existing shareholders are not materially prejudiced as a result.
- **We/our/us:** Scottish Widows Unit Trust Managers Limited.

Key Features, incorporating a Simplified Prospectus, for the Capital Protected Fund 21

These Key Features give you **important information** about the Capital Protected Fund 21.

The Details of Terms, which form part of these Key Features, set out the dates, terms and charges that apply to the Fund. For an introduction to this investment, please read the Fund brochure.

Please read these Key Features and the Details of Terms carefully before you sign the application form and keep them with the other documentation we provide. If you are considering making an investment via our Individual Savings Account (ISA), then you should also read the ISA Terms and Conditions (see page 16).

These Key Features together with the Details of Terms incorporate the Simplified Prospectus requirements which have come about as a result of European legislation to help people make an informed choice between funds offered by different companies. The Simplified Prospectus does not replace the full OEIC Prospectus which contains full terms and conditions. This is available on request free of charge from Scottish Widows.

The information in these Key Features covers direct investments into the Fund and investments through our ISA and is correct as at Thursday 26 January 2012.

For details of other funds we have available please speak to your Financial Adviser.



Details of Terms for the Capital Protected Fund 21

What are the aims of the Fund?

- On the Protection Date to provide:
 - a protected minimum amount; and
 - capital growth linked to the performance of a stockmarket index.
- To find out the details of this offer, please refer to the Details of Terms below.

Investment Summary

The Fund is designed to provide investors with a Capital Protected Value on the Protection Date together with capital growth linked to the performance of the Index (subject to the Cap) by investing primarily in Derivatives. During the Cash Investment Period and the two weeks which follow, the Fund invests in cash on deposit and other similar investments, in part by investing in the Global Liquidity Fund which is managed by our fund managers, Scottish Widows Investment Partnership.

Cash Investment Period	Thursday 26 January 2012 to Thursday 24 May 2012
Derivative Date	Tuesday 12 June 2012
Growth Potential Period	Tuesday 12 June 2012 to Thursday 24 May 2018
Protection Date	Friday 25 May 2018
Participation Rate	100%
Index	FTSE 100 Index (Please note that the Fund doesn't mirror the rises and falls of the FTSE 100 Index)
Averaging	The average of the closing levels of the FTSE 100 Index on UK stockmarket trading days over the last 12 months of the Growth Potential Period.
Cap	Any amount payable in addition to the Capital Protected Value is subject to a maximum of 47% of the Capital Protected Value. This capped rate is the equivalent to a maximum return of 6.63% pa before tax over the Growth Potential Period.
Minimum investment amount	£3,000. £1,000 via an ISA
Maximum investment amount	£250,000 directly into the Fund. You can also invest via a stocks and shares ISA (up to £10,680 in the 2011/12 tax year and £11,280 in the 2012/13 tax year less any amounts invested in a cash ISA in the same tax year).
Total Sales Limit	£81,900,000. The Fund may close for new investments before Thursday 24 May 2012 if the Total Sales Limit is reached or at the discretion of the ACD provided that existing shareholders are not materially prejudiced as a result. In these circumstances, we will return your application and any payment received.
Initial Charge	7.85%
Early Exit Charge	0%
Annual Management Charge	0%
Estimated Total Expense Ratio (TER)	0%. When the Fund invests in cash and other similar investments this will include investment in another fund called the Global Liquidity Fund. The costs of investing in this fund will be reflected in the TER but are currently estimated at 0%. See page 6 for more information on the TER.

Please note:

- Shares in the Fund are only available for a limited period. We may have to stop offering shares before the end of the Cash Investment Period if the Total Sales Limit is reached or at the discretion of the ACD provided that existing shareholders are not materially prejudiced as a result.
- If the overall total investment into the Fund is not a viable size, your shares will be sold and we'll send you the proceeds of your investment rather than move the cash type investments to Derivatives.
- The Prospectus is available on request from Scottish Widows Unit Trust Managers.

Key Features of the Capital Protected Fund 21

What is the Capital Protected Fund 21?

- The Capital Protected Fund 21 is a sub-fund within the Scottish Widows Income and Growth Funds ICVC which was incorporated in Scotland on 31 March 2010. This is a UK authorised Open Ended Investment Company (OEIC) with variable capital.
- The OEIC is authorised and regulated by the Financial Services Authority (FSA).
- Scottish Widows intends offering a series of Capital Protected Funds. Your money is invested in the Capital Protected Fund 21.
- Your money, along with that from other investors, buys shares in the Fund. The number of shares you get depends on the amount you invest, the initial charge we make and the share price. The share price will move up and down in line with the value of the investments that the Fund holds.
- The value of your investment is not guaranteed and will depend on the share price at the time you sell your shares.
- The base currency of the Fund is sterling.
- Share certificates will not be issued.
- For more information contact us on the number quoted in the 'How to contact us' section on page 14.

How does the Fund work?

- The Fund is limited issue. This means that there is only a certain period (Cash Investment Period) when you can invest in the Fund. This Key Features and the Brochure tell you when our current offer closes.
- During the cash investment period and the two weeks which follow, the Fund invests in cash on deposit and other similar investments, in part by investing in the Global Liquidity Fund which is managed by our fund managers, Scottish Widows Investment Partnership.
- After the two weeks that follow the close of the Cash Investment Period, the Fund invests primarily in Derivatives, which are arranged with a counterparty. The counterparty for the Fund is Lloyds TSB Bank plc. Credit ratings can be a useful way to compare the credit risk associated with different companies. As at 29 November 2011 Lloyds TSB Bank plc had a Standard & Poor's credit rating of A.

Standard & Poor's is one of the world's foremost providers of independent credit ratings and companies are rated from AAA (most secure/best) to D (most risky/worst).

Credit ratings of companies can change.

The Derivatives are structured to provide the capital protection and any growth on the Protection Date as set out in this document and the Brochure.

- For further information please see 'Where are my payments invested?' on page 5.

What is my investment commitment?

- Your payment must be for at least £3,000, or £1,000 if investing via an ISA.

Your investment can be made directly into the Fund and /or via a Stocks and Shares ISA.

- You should consider your investment as being for the fixed term and aim to remain invested until the Protection Date (which is Friday 25 May 2018). You may, however, sell your shares at any time – but you are likely to get back less than you invested, in some cases substantially less, due to the deduction of the initial charge and the value of the investments before the Protection Date.

What are the risks of the Fund?

General risks that apply to your investment

- If you sell your shares before the Protection Date, you are likely to get back less than you've invested, in some circumstances substantially less.
- Tax rules can change. New or changing tax practices and legislation could affect what you get back at the end of the term or when you sell your shares.
- The favourable tax treatment of ISAs may not be maintained.
- Terms for the Fund are set several weeks in advance of the start of the Cash Investment Period, based on the price of the Derivatives at that time, hence the terms may or may not compare favourably with those currently available in the market at the date the shareholder invests.
- If insufficient money is received into the Fund, or the provider of the Derivatives fails to meet the contract terms on the Derivative Date, the Authorised Corporate Director (ACD) may wind up the Fund and return your investment.
- If you cancel during the 14 days following receipt of your Cancellation Notice you are likely to get back less than you invested if the investments in the Fund have fallen in value. You will, however, receive a full refund of any initial charge that has been deducted.
- Inflation will reduce the real value of your money in the future.

Risks that apply specifically during the Cash Investment Period

- During this period the Fund invests in cash on deposit and other similar investments, in part by investing in Scottish Widows Investment Partnership's Global Liquidity Fund. The value of the Fund may fluctuate as it is affected by, for example, interest rates and the creditworthiness of the issuers of the investments. During the Cash Investment Period, investments of this type differ from deposits with a bank or building society as their value is not guaranteed or protected. Should any one or more of the underlying investments fail then you are likely to get back less than you invested, in some circumstances substantially less.
- When the Fund is invested in cash and other similar investments before the Derivative Date, your investment may not receive any interest and may fall in value. Any interest received may be less than that available from a short-term investment, particularly if you invest early in the Cash Investment Period.

Risks that apply specifically during the Growth Potential Period

- If you sell your shares while the Fund is invested in Derivatives, the value of your investment will depend on the value of the Derivatives. The value of these will depend to some extent on the level of the Index, but will also be affected by other factors, such as the volatility of the market, the level of interest rates and the time to maturity of the Derivatives. Therefore what you get back will not equal actual Index growth.
- During the Growth Potential Period the Fund will hold investments known as Derivatives. These Derivatives are arranged with a single counterparty. Should that counterparty fail to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it) then you might get back less than you invested. To help protect you from this risk, collateral (cash or other investments we feel are suitable), is received from the counterparty and deposited with an independent custodian (the independent custodian for the Fund is State Street Bank & Trust Company). Should the counterparty fail, we will use this collateral.
- If the Derivative provider (the counterparty) fails to meet its obligations and this coincides with the Fund having collateral which fails or which is deposited with an institution that fails, then you are likely to get back significantly less than you invested.

Risks that apply specifically at the end of the term

- At the end of the term, you might get back less than if you invested directly in the shares that make up the Index. This is mainly because:
 - a cap is set on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth
 - if you held shares directly you would be paid an income (dividends); and
 - the Averaging that's applied to determine the value of the Index will mean that if the Index rises, your returns may be lower than investing in the shares of the Index directly where Averaging would not apply.
- In the event that the Index cannot be used, this might affect the value of your investment.
- You can also find details of all the risks in the full OEIC Prospectus which is available on request, free of charge.

Who is the Fund marketed to?

- The Fund is marketed to UK retail investors who are seeking a cautious investment, require capital protection at the end of the term and are prepared to invest until the Protection Date.
- The Fund is not normally available to non-UK residents.
- We are unable to accept business from US residents.

Can I invest via an ISA?

- You can currently invest via a stocks and shares ISA.
- If you invest via an ISA you have no personal liability to tax on any profit made or tax on any income received (please see 'What about tax?' on page 11).
- You can invest in a Stocks and Shares ISA if you're 18 or over and resident in the UK for tax purposes. For further information see the ISA Terms and Conditions on page 16.
- There are currently two types of ISAs:
 - Stocks and Shares ISA;
 - Cash ISA.
- Scottish Widows Unit Trust Managers Limited does not offer a cash ISA.

When can I invest?

- During the Cash Investment Period – see the Details of Terms on page 2 and Brochure for the dates of our current offer.
- We may have to close the Fund to new investments before the end of the Cash Investment Period if the offer becomes fully subscribed.
- The Total Sales Limit is shown in the Details of Terms on page 2. If your application is received after the Total Sales Limit has been reached, or the Fund has been closed, we will return your application and any payment received.

What's the minimum amount I can invest?

- The minimum single payment you can make is £3,000 during the Cash Investment Period, or £1,000 if investing via an ISA.
- You can top up your investment with a single payment of at least £250 during the Cash Investment Period.

What's the maximum amount I can invest?

- You can invest via a stocks and shares ISA (up to £10,680 in the 2011/12 tax year and £11,280 in the 2012/13 tax year less any amounts invested in a cash ISA in the same tax year).
- Investing directly in the Fund, you can invest up to £250,000.

The Government decide the maximum ISA payment limits and the limits currently increase in line with inflation.

How can I invest?

- You can invest directly in the Fund in your own name, or jointly with up to three other people.
- For ISA investments applications must be in one person's name only.
- You can make your payment by cheque or debit authority.
- Payments will normally be invested using the next price following receipt and acceptance of your correctly completed application form and payment, provided that the Fund is open for investment.
- When you invest, we might make a dilution adjustment (see 'What are the charges?') which could mean you get fewer shares.

What documents will I receive?

- Once your application is accepted, you will receive a contract note and Cancellation Notice.

Where are my payments invested?

- Your money, after the initial charge has been deducted, buys shares in the Fund. The number of shares you get depends on the amount you invest, the initial charge and the share price.
- From the start of the Cash Investment Period until the Derivative Date the Fund invests in cash on deposit and other similar investments, in part by investing in the Global Liquidity Fund which is managed by our fund managers, Scottish Widows Investment Partnership.
- We only offer accumulation shares which means that any interest earned during the Cash Investment Period and the period that follows, until the Derivative Date, will not be paid directly to you but will be added to the value of the Fund and will be reflected in the share price.
- On the Derivative Date (which is Tuesday 12 June 2012), the Growth Potential Period starts and the Fund will move from cash and other similar investments to invest primarily in Derivatives. The Fund will remain invested in Derivatives until the Protection Date. The Derivatives are structured to provide the capital protection and any growth on the Protection Date that's set out in the Details of Terms.

What happens to my investment on the Protection Date?

- At least three months before the Protection Date, we will write to you with the available options for the proceeds of your investment. This gives you the opportunity to decide what you want to do with your money at the Protection Date.
- These options may include:
 - investment in another Capital Protected Fund,
 - investment in another fund, or
 - payment of the proceeds.
- If no instructions are received before the Protection Date, the proceeds will be paid out to you as soon as reasonably practicable after the Protection Date.

What are the charges?

- Our charges cover remuneration to your Financial Adviser, expenses, profit, managing the investments and any other adjustments.
- An initial charge of 7.85%, which is a percentage of your payment, is deducted before shares are bought. If you keep your investment to the Protection Date, the cost of the initial charge is returned to you as part of what you get back.
- Any commission paid to a financial adviser is borne out of the initial charge.
- When the Fund invests in cash and other similar investments this will include investment in another fund. The Fund will have to bear the cost of investing in this other fund and any charge will be reflected in the share price.
- There are other costs associated with the Fund including investment management fees, accounting fees, the ACD's own management costs, depositary fees and expenses, custodian fees, registrar fees, audit fees, interest on any borrowing and regulatory fees. It is intended that these costs and expenses will be met by the ACD.
- If there are any transaction costs incurred when the fund manager buys and sells investments within the Fund these will be met by the ACD.
- There is currently no Annual Management Charge (AMC).
- Any amount invested into the Fund via an ISA will be a 'qualifying contribution' for AMC tiering purposes for ISA investments into one of our Income and Growth funds until the Capital Protected Fund investment proceeds are paid out. This range currently includes the Cautious Growth Fund, Balanced Growth Fund, Progressive Growth Fund and Adventurous Growth Fund. This means that your ISA investment into the Capital Protected Fund will count towards determining whether or not a reduced AMC should apply for ISA investments into the Income and Growth funds. Please see the relevant Income and Growth funds Key Features Document for more information.
- The Total Expense Ratio (TER) shows the annual operating expenses of the Fund and includes the AMC, if any. All funds covered under European legislation must highlight the TER to help customers compare the annual operating expenses of different schemes.
- There is no TER or Exit Charge for the Fund.

- If you choose to switch out of the Capital Protected Fund and into another Scottish Widows Unit Trust Managers' fund, you will lose your capital protection. In addition, you may either incur a charge of up to 0.5% of the value of the shares that you are switching, or the full initial charge of the fund that you are switching into.

Please ensure that you contact us for more details of the charges that apply on a switch out of the Capital Protected Fund.

- Please note you can only switch into the Capital Protected Fund 21 during the Cash Investment Period and you will be charged the initial charge of the Fund.
- Please refer to the OEIC Prospectus for full details of the charges.
- We may change, at any time, most of the charges we make, but only in accordance with the FSA rules where appropriate. We may do this if our costs turn out to be unexpectedly high, compared to our charges. Valid reasons for us deciding to increase our charges are:
 - (i) any relevant change in law or taxation that affects us or your investment or the investment funds by increasing our costs or decreasing our income from charges, and
 - (ii) exceptional circumstances resulting in either
 - (a) our staff or overhead costs being significantly more than anticipated, or
 - (b) the income we receive from the charges being significantly less than we anticipated, relative to our costs.

What is a dilution adjustment?

The dilution adjustment might affect the number of shares you receive or how much you get back when you cash them in.

- A dilution adjustment is an adjustment which might be made to the share price of a Fund when there are large amounts of cash going into or coming out of a Fund. The adjustment reflects the difference between the buying and selling prices of the investments of a Fund and any costs incurred, including taxes.
- A dilution adjustment means that the impact of buying or selling investments is met by those moving into or out of a Fund, rather than by those who remain.
- We may apply a dilution adjustment at any time, although we do not expect to apply one while a Fund is invested in cash and other similar investments. During a Growth Potential Period we will normally apply a dilution adjustment to the share price.

The ACD's policy for making dilution adjustments in connection with the Fund, is laid down in the Prospectus.

Can I change my mind?

- You will be given 14 days to cancel the agreement if you are not completely satisfied with your investment. The 14 day cancellation period starts from the day you receive your Cancellation Notice.
- If you cancel, we'll give you your money back less any fall in the investment value. This amount is calculated using the next price released after we receive your written instructions. You might not get back what you paid in.
- If you invest via an ISA and change your mind within 14 days, you'll be free to make another ISA investment in the same tax year.
- If you don't cancel your investment, it will continue.
- Please send your request to the address on the Cancellation Notice.
 - If you transfer an ISA from HBOS Investment Fund Managers Limited you will be given seven days to cancel the transfer. This is known as the 'cooling-off' period and starts the day you sign the transfer authority. If you decide to cancel your transfer, please send your request to the address on the Cooling-off form.

How will I know how my investment is doing?

- Every year we'll send you a statement and valuation for your investment.
- OEIC investors will receive a copy of the Short Report for the Scottish Widows Income and Growth Funds ICVC twice yearly.
- ISA investors can also request to receive the Short Reports and attend shareholder meetings if they wish. If an ISA investor does not request to receive these equivalent rights then they will by default not receive any communications that involve shareholder meetings, voting, and OEIC short reports. Please contact us if you want to receive this information.
- You can contact us for further copies of the half-yearly or yearly Short and Long Reports. These are available free of charge and can also be downloaded from our website at **www.scottishwidows.co.uk**
- You can get an up-to-date valuation by phoning us on 0845 300 2244.
- You can check the fund prices on our website at **www.scottishwidows.co.uk**
- The value of your investment is calculated by multiplying the number of shares you hold by the share price. We might make a dilution adjustment when you cash in some or all of your investment.

Can I take money out?

- Yes. You can sell some or all of your shares at any time before the Protection Date. If you do not sell all your shares in the Fund, you must continue to own at least £500 worth of shares in the Fund.
- Capital protection only applies at the Protection Date. If you sell shares at any other time you are likely to get back less than you invested, in some cases substantially less.
- If you cash in some of your shares the value of your investment and your Capital Protected Value will be reduced.
- You can instruct us to sell shares by writing to us. You can call us and we'll help you with your request, but any request must be confirmed in writing.
- If you own shares jointly, all written requests and confirmations of telephone requests must be signed by all shareholders.
- We'll normally cash in your shares using the next price calculated after we receive your request to sell.
- We might make a dilution adjustment, which could reduce what you get back.
- Money you take out will be transferred to the bank account from which your original investment came, or we'll send you a cheque, normally within four working days after the later of receipt of;
 - your written instructions; and
 - the share price calculated following receipt of your request to sell.
- For ISAs, if you invest up to the Government's yearly ISA limit and then make a withdrawal you won't be able to reinvest that amount back into an ISA in the same tax year.
- If you want to sell some or all of your shares please contact us using the details on page 14 and we'll let you know what you need to do next.

What might I get back?

- The Fund aims to provide a minimum return of the capital you invested. This would be the equivalent to growth of 0% on your original investment.
- The maximum additional return you could receive at the end of the term is 47% of your Capital Protected Value which would be equivalent to having received growth of 6.63% before tax each year during the Growth Potential Period.

Please note that this maximum can be achieved only if you remain invested until the Protection Date and the FTSE100 Index has grown by 47% or more (after Averaging).

- What you get back depends upon the performance of the Fund and when you sell your shares. If you sell your shares on the Protection Date you should get back your Capital Protected Value (your full original investment, this includes the cost of the initial charge). This assumes you haven't already sold any of your shares.

We also aim to provide an additional amount:

- This additional amount will be based on 100% (the Participation Rate) of any growth in the Index over the Growth Potential Period, after allowing for Averaging. Any additional amount will be subject to a maximum of 47% of your Capital Protected Value.
- The additional amount (if any) will be reflected in the share price on the Protection Date.
- Averaging is intended to provide you with extra protection from sudden changes in the level of the Index, however it could also have the effect of reducing growth. The level of the Index we calculate at the end of the Growth Potential Period could be higher or lower than the actual level of the Index.
- The cap on your additional amount could mean you receive less growth compared to investing directly in the stockmarket.

At the end of the Growth Potential Period we will work out the percentage rise or fall in the Index by comparing the closing level of the Index at the start of the Growth Potential Period (Start Level), with the average of the daily closing levels of the Index on UK stockmarket trading days over the last 12 months of the Growth Potential Period (End Level).

If you sell your shares in the Fund before the Protection Date you will receive the value of your shares based on the next price we calculate after we receive your written request.

- The shares sold will not benefit from any protection and you are likely to get back less than you invested, in some circumstances substantially less, due to the impact of the initial charge and the value of the investments before the Protection Date.
- If you sell some of your shares during the Growth Potential Period, this will reduce your Capital Protected Value at the Protection Date.

The effect of charges and expenses on an investment of £10,000 is set out below.

The figures used are only to illustrate the effect of charges and expenses. The total amount you might get back is not guaranteed.

- The table shows what you might get back if you were to hold your shares to the end of years 1, 2, 3, 4 and 5 following the Derivative Date, and on the Protection Date.
- These figures are for illustration purposes only and should not be relied upon as an indicator of future performance.

At the end of	Total paid	Effect of deductions to date	What you might get back
1 year	£10,000	£822	£9,650
2 years	–	£861	£10,100
3 years	–	£903	£10,600
4 years	–	£947	£11,100
5 years	–	£995	£11,600
The Protection Date	–	£1,050	£12,400

The tax treatment of any growth within the Fund is the same regardless of whether you invest directly into the Fund or via an ISA, this is why we show just one rate of growth. Tax treatment of returns in the hands of the investor depends on the individual circumstances of each investor and may be subject to change in the future.

- We assume a smooth growth of 4% each year in the growth of the FTSE 100 Index between the Derivative Date and the Protection Date. This rate reflects the fact that this Fund does not include any dividend payments.
- If you sell your shares while the Fund is invested in Derivatives, the value of your investment will depend on the value of the Derivatives. The value of these will depend to some extent on the level of the Index, but will also be affected by other factors, such as the volatility of the market, the level of interest rates and the time to maturity of the Derivatives. Therefore the overall investment return will not equal actual Index growth.
- This document shows possible returns during the Growth Potential Period and does not take into account any interest achieved before this.
- The last line of the table shows that on the Protection Date the effect of the total charges and expenses could amount to £1,050.
- Putting it another way, over the period from the Derivative Date to the Protection Date this would have the same effect as bringing investment growth from 5.1% a year down to 3.7% a year.
- The investment growth of 5.1% represents the return that would be obtained assuming the initial charge is not taken by us but is also invested in the Fund.

Two examples are shown below of how the performance of the Index can affect how much you could get back if you hold all your shares until the Protection Date. They are not projections.

These examples do not take into account any interest that might be achieved while the Fund is invested in cash and other similar investments.

Example 1 – FTSE 100 Index rises 15%

- The single payment is £10,000.
- The initial charge is 7.85%. Therefore £9,215 is used to buy shares.
- Your Capital Protected Value is £10,000.
- Start Level of the FTSE 100 Index is 5,500.
- End Level of the FTSE 100 Index (after Averaging) is 6,325.
- The percentage rise in the FTSE 100 Index is 15% (after Averaging).
- The Participation Rate is 100%. This means that you would get 100% of the calculated rise in the Index.
- 15% of the Capital Protected Value of £10,000 is £1,500, therefore in this example the additional amount is £1,500.
- In this example you should get back £11,500 on the Protection Date.

In the event that the FTSE 100 Index rises by more than 47% (after Averaging) during the Growth Potential Period then your additional amount will be capped at 47% of your Capital Protected Value.

Example 2 – FTSE 100 Index falls 15%

- The single payment is £10,000.
- The initial charge is 7.85%. Therefore £9,215 is used to buy shares.
- Your Capital Protected Value is £10,000.
- Start Level of the FTSE 100 Index is 5,500.
- End Level of the FTSE 100 Index (after Averaging) is 4,675.
- The percentage fall in the FTSE 100 Index is 15% (after Averaging).
- In this example you should get back the Capital Protected Value of £10,000 on the Protection Date.

The figures detailed are only examples of what you might get back and are not guaranteed. You could get back more or less than this, but provided you do not sell any of your shares before the Protection Date you should get back at least your Capital Protected Value on the Protection Date.

- What you get back will generally depend on:
 - how much you've paid in;
 - how long the payment has been invested;
 - how well the investments have performed and the amount of interest earned;
 - whether you've already cashed in any of your shares;
 - how much we've charged and expenses met by the Fund;
 - any dilution adjustment, which could reduce what you get back.

Will I receive an income?

- No – the Fund’s aim is to provide growth. Your money will buy accumulation shares and any income received by the Fund will be reinvested as a dividend payment and will be reflected in the share price.

When is the share price calculated?

- We value daily at 2pm on business days in the UK when the Fund is invested in cash and other similar investments.
- We value weekly on a Wednesday at 2pm providing it is a business day in the UK during the Growth Potential Period.
- These valuations are used to calculate the share price.
- When the Fund is invested in cash and other similar investments, postal or other written instructions received in the administration department before 12pm on a business day will normally receive the share price calculated on that day. Postal or written instructions received after 12pm will receive the next price calculated.
- During the Growth Potential Period, when the Fund will be valued weekly, postal or other written instructions received in the administration department before 12pm on the day that the Fund is valued will normally receive the share price calculated on that day. Postal or written instructions received after 12pm will receive the next price calculated.
- Our dealing times are from 9am to 5pm each business day.

How is the share price calculated?

- The value of shares in the Fund is based on the value of the Fund’s investments after allowing for charges and expenses. Where there are both buying and selling prices for these investments we use the mid-point. The price of a share is the total Fund value divided by the number of shares, adjusted for charges.
- We may apply a dilution adjustment at any time, although we do not expect to apply one while the Fund is invested in cash and other similar investments. During the Growth Potential Period we will normally apply a dilution adjustment to the share price. As it’s not possible to buy shares during a Growth Potential Period we know that the only kind of transaction that will be received is from investors who wish to sell their shares. In order that the share price you see is a fair reflection of the value you would get if you sold your shares, we will normally make an adjustment to the share price so that the cost of selling the underlying investments is fairly met by those investors that are leaving the Fund, rather than by those who remain.
- Our policy as ACD, is to apply a dilution adjustment within the criteria laid down in the Prospectus.

How flexible is my investment?

You can switch between OEIC funds offered by us at any time subject to minimum requirements. If you choose to switch out of the Capital Protected Fund and into another Scottish Widows Unit Trust Managers’ fund, you will lose your capital protection. In addition, you may either incur a charge of up to 0.5% of the value of the shares that you are switching, or the full initial charge of the fund that you are switching into.

Please ensure that you contact us for more details of the charges that apply on a switch out of the Capital Protected Fund.

Please note you can only switch into the Capital Protected Fund 21 during the Cash Investment Period and you will be charged the initial charge of the Fund.

- The Total Expense Ratio for the fund you switch into might be different from that for the fund from which you are switching. Please refer to the relevant key features.
- Please speak to your Financial Adviser for details of the range of funds available.
- A switch between funds in an OEIC, or from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes. A switch between funds in an ISA is not subject to Capital Gains Tax.
- You can also transfer your ISA to another manager. Currently we don’t charge for transferring your ISA to another manager.
- You can cash in all or some of your shares at any time before the Protection Date. If you sell some of your shares you must leave at least £500 invested in the Fund.
- If you sell shares or switch out you should benefit from capital protection if the transaction is made on the Protection Date. At other times, the value of your shares will depend upon investment performance and the effect of charges.

Can I transfer my ISA?

- You can transfer part or all of a previous year's investment to another ISA Manager. If you want to transfer an ISA investment made in the current tax year you can only transfer the whole amount.
- If you transfer your ISA to another ISA Manager, or switch funds you won't lose any of your ISA tax benefits.
- The value of shares available for transfer will be the same as that available for you to sell and you are likely to transfer less than you invested (in some circumstances it may be substantially less).
- You may have to pay initial charges and transaction costs to your new ISA Manager.
- Currently, we make no charge for arranging a transfer.
- There is the potential for loss of income or growth depending on market movements while your transfer is awaiting completion.
- You can transfer into the Fund with an ISA that you hold with HBOS Investment Fund Managers Limited only. We are unable to accept ISA transfers from any other ISA Manager.
- Please see the ISA Terms and Conditions on page 16 for more information about transferring.

How much will the advice cost?

- Your financial adviser will tell you this cost. The amount will depend on the size of your investment. Any advice will be paid for out of the charges.
- This section does not apply if you have not received advice before making your investment.

What about tax?

- The tax regime applicable is that of the United Kingdom. This regime applies to the taxation of both income and capital gains within the Fund.
- Stamp Duty Reserve Tax (SDRT) is normally incurred when shares in a fund are cashed-in. It can also arise on a transfer between third parties. If this tax should arise, it will be paid by the ACD and not charged to the Fund.
- Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Tax rules can change.

The following information applies to UK resident individuals. If you are uncertain of your tax position you should seek professional advice.

This information represents our interpretation of the law and HM Revenue and Customs' practice as at the date of publication. The taxation implications described assume that there is no change in tax or other laws affecting a Fund or its investors.

Investing directly:

Dividend distributions

- Any interest income from the cash and other similar investments, will be treated as a dividend distribution. The dividend distribution will arise at the end of the period that the Fund is invested in cash and other similar investments. The distribution will be on the Derivative Date.
- The Fund makes dividend distributions which come with a 10% tax credit. This distribution (excluding the tax credit) will be added to the Fund and will have the effect of increasing the share price.
 - Non taxpayers will have no further income tax to pay and will not be able to reclaim the 10% tax credit.
 - Basic rate taxpayers will have no further income tax to pay.
 - Higher rate taxpayers will have an additional income tax liability. The extra tax is equal to 25% of the net dividend distribution.
 - Additional rate taxpayers will have an additional income tax liability. The extra tax is equal to 36.1% of the net dividend distribution.
- We'll send you a tax voucher showing you the amount of the distribution and the tax credit.
- You must declare any dividend distributions to HM Revenue and Customs.

Capital Gains Tax

- Capital gains are made when you sell your shares and make a profit.
- Capital Gains Tax will be payable if your total gains from all sources in any tax year are more than your personal annual Capital Gains exemption allowance for that year. Please see the HM Revenue and Customs' website for details of the current CGT allowance. We will write to you at least 3 months before the Protection Date with the options available to you for the proceeds of your investment. If you do not actively select an option we will automatically send you your proceeds as soon as reasonably practicable after the Protection Date. This may affect your allowance and Capital Gains Tax may be payable on these proceeds.
- A switch between funds in an OEIC, or from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes.
- We have no responsibility for deducting Capital Gains Tax on your behalf, you must declare any taxable gains to HM Revenue and Customs.

Inheritance Tax

- If you die, the value of your shares in a Fund will form part of your estate for inheritance tax purposes.

Investing via an ISA: Dividend distributions

- Any interest income from the cash and other similar investments, will be treated as a dividend distribution.
- The dividend distribution will arise at the end of the period that the Fund is invested in cash and other similar investments. The distribution will be on the Derivative Date.
- The Fund makes dividend distributions which come with a 10% tax credit. This distribution (excluding the tax credit) will be added to the Fund and will have the effect of increasing the share price:
 - You will have no further tax to pay.
 - Neither you nor we are able to reclaim the 10% tax credit.

Capital Gains Tax

- You will have no liability to Capital Gains Tax on any profits made from your ISA investment.
- A switch between funds from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes. A switch between funds in an ISA is not subject to Capital Gains Tax.

Inheritance Tax

- On death, the tax benefits of an ISA cease and your investment can no longer be held as an ISA. Its value will form part of your estate for inheritance tax purposes.

The value to an investor of the tax advantages of an ISA will depend on personal circumstances, which may change.

There's no need to declare your ISA to HM Revenue and Customs.

Cashing in your ISA

We will write to you at least 3 months before the Protection Date with the options available to you for the proceeds of your investment. If you do not actively select an option, we will automatically sell all of your shares and send you your proceeds as soon as reasonably practicable after the Protection Date.

The proceeds from those shares will cease to qualify from the current tax advantages available from an ISA investment.

What happens to my investment if I die?

- Your shares will remain invested in the Fund, but not beyond the Protection Date, until we receive instructions from your legal representatives to either sell or transfer the shares to a new owner. If no instructions are received before the Protection Date, the proceeds of your shares will be dealt with in accordance with our current practice.
- For ISAs, the tax benefits will stop from the date you die.
- The value of your shares will form part of your estate for inheritance tax purposes.

Can I invest on behalf of a child?

- Yes. If investing for a child is of interest to you, speak to your Financial Adviser.

Investment Approaches

While there are a number of ways to evaluate risk, we use the following definitions to help you decide on the appropriate investment approach for you.

Using the investment approaches, the Fund has been categorised as cautious provided it is held for the full term.

Please be aware that these definitions and the approaches for specific Funds may change in the future.

SECURE	CAUTIOUS	BALANCED	PROGRESSIVE	ADVENTUROUS	SPECIALIST
These investments provide safety to the amount invested and can be expected to offer relatively low growth over the medium to long-term. They cannot fall in actual value, but can fall in 'real' value due to the effects of inflation.	These investments are expected to have a relatively modest risk to the capital value and/or income. They have the potential to provide income, and/or, over the medium to long-term, relatively modest capital growth. The capital value may fluctuate, although some products may offer an element of capital protection.	These investments carry a risk of loss to capital value but have the potential for capital growth and/or income over the medium to long-term. Typically they do not have any guarantees and will fluctuate in capital value.	These investments are expected to have a relatively significant risk of loss to capital value, but with the potential of relatively more capital growth over the medium to long-term. They do not offer any guarantees and will fluctuate in capital value.	These investments carry a relatively much higher risk of capital loss but with the potential for relatively higher capital growth over the medium to long-term. They may be subject to a considerable level of fluctuation in capital value. They do not offer any guarantees.	These investments carry a very high risk of capital loss, but with the potential for a higher return over the long-term. They are very volatile and are only suitable for clients who can afford to, and are prepared to, risk the entire capital value. They do not offer any guarantees.



Investment Periods

We categorise investment periods as follows:

Short-term: Up to 5 years

Medium-term: Between 5 and 10 years

Long-term: Over 10 years

Other information

How to contact us

If you've any questions at any time or any changes you want to make to your investment, please contact us. You can phone us, send us a fax, or write to us.

Call us on	0845 300 2244 during the following times: Monday to Friday 8am to 6pm We may record and monitor calls to help us to improve our service.
OEIC Dealers	0845 845 0066
Fax Number	0845 758 1950
Website	www.scottishwidows.co.uk
Address	Scottish Widows Unit Trust Managers Limited PO Box 28015 15 Dalkeith Road Edinburgh EH16 5WL

How to complain

- If you ever need to complain, first contact us at Scottish Widows Unit Trust Managers Limited using the details above.
- If you're not satisfied with our response, you can complain to:
The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR
Tel **0845 080 1800**
Email **enquiries@financial-ombudsman.org.uk**
Website **www.financial-ombudsman.org.uk**
- Complaining to the Ombudsman won't affect your legal rights.

Law and language

- For legal purposes the law of England and Wales will apply.
- Any communication sent to you will be in English.

About these Key Features

- This information represents our interpretation of the law and HM Revenue and Customs' practice as at the date of publication. The taxation implications described assume that there is no change in tax or other laws affecting a Fund or its investors.

Management and regulation

- The Authorised Corporate Director, Registrar and ISA Manager is Scottish Widows Unit Trust Managers Limited (SWUTM) whose business address is PO Box 28015, 15 Dalkeith Road, Edinburgh EH16 5WL FSA Reg. No. 122129. SWUTM is authorised and regulated by the Financial Services Authority.
- The Depositary (Independent Custodian) is State Street Trustees Limited, 525 Ferry Road, Edinburgh EH5 2AW. The Depositary is authorised and regulated by the Financial Services Authority.
- The Investment Adviser is Scottish Widows Investment Partnership Limited (SWIP) whose business address is Edinburgh One, 60 Morrison Street, Edinburgh EH3 8BE. SWIP is authorised and regulated by the Financial Services Authority.
- The Auditors are PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh, EH2 4NH.
- The Competent Regulatory Authority is the Financial Services Authority (FSA) whose business address is 25 The North Colonnade, Canary Wharf, London E14 5HS. Scottish Widows Income and Growth Funds ICVC has been authorised and registered by the FSA.
- Each Fund will be managed in accordance with the Investment and Borrowing powers set out in the Prospectus and comply with the regulations within the FSA's Collective Investment Schemes Sourcebook.
- The Capital Protected Fund described in these Key Features is a sub fund of the Scottish Widows Income and Growth Funds ICVC which is authorised under Regulation 14 of the Open Ended Investment Companies Regulations 2001.
- Copies of the annual and half-yearly reports of the Scheme, the Prospectus and the Instrument of Incorporation relating to the OEIC are available from the Authorised Corporate Director for inspection during normal business hours. Copies will be supplied to any shareholder, free of charge, on request. Charges, terms and limits may change.

Fee and Commission Sharing Arrangements

- SWIP is authorised to, and has entered into, commission sharing arrangements with certain third party brokers, where a broker remunerated out of the assets of the scheme has agreed to split its remuneration with another broker and which results in that other broker meeting expenses through this commission sharing arrangement that should normally be met out of the assets of the scheme.
- Scottish Widows Unit Trust Managers may enter into fee sharing arrangements.

Investor cash balances

- Any investor cash balances (which is money held on behalf of an investor) shall be deposited with Lloyds Banking Group or with such other bank or building society as we may nominate from time to time. Interest will not be paid on any cash held in client money accounts (an account where investors' money may be held).

Compensation

- OEIC funds are not directly covered by the Financial Services Compensation Scheme (FSCS), however Scottish Widows Unit Trust Managers Limited (SWUTM) is covered as the Authorised Corporate Director (ACD). The FSCS will not cover financial loss in the course of normal OEIC investment business if SWUTM is still solvent, including losses due to counterparty failure. However an investor may be entitled to compensation from the FSCS if SWUTM cannot meet its obligations (for example, if SWUTM were to become insolvent or unable to meet the claims against it resulting in you suffering a financial loss).

A customer's entitlement to a claim depends on the type of business and the circumstances of the claim. Customers would be potentially covered by the FSCS for 100% of their claim up to a maximum of £50,000.

- Further information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on 020 7892 7300 or via their website at www.fscs.org.uk

Money Laundering Regulations

- Under these regulations, there's 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 your address. Please see the application form for further details.

Incomplete applications

- If an application is received and does not have all of the details required by the regulations, it will be returned to you and your investment will not be opened. However, in some circumstances we will still be able to open your investment and will write to you for the missing information.

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Terms & Conditions of the Scottish Widows Individual Savings Account (ISA)

These terms and conditions (the Terms and Conditions) together with the Key Features for the fund(s) in which you invest explain the relationship between you and us. You can use your Scottish Widows ISA to invest in one or more of the funds. You should read these Terms and Conditions carefully together with the Key Features for the fund into which you are considering making an investment.

1. Definitions

Certain words and expressions in these Terms and Conditions have particular meanings. This section explains what they mean.

- **Account:** your total investment in your Scottish Widows ISA.
- **Accumulation Shares:** shares which automatically retain any income they earn. Any tax we reclaim on Income Distributions will be used to buy additional accumulation shares. (Please see Section 12 'Taxation'.)
- **Cancellation Notice Period:** the number of days set out in the Key Features during which you may cancel this agreement under the provisions of Section 6.
- **FSA:** means the Financial Services Authority.
- **HMRC:** HM Revenue & Customs
- **ICVC:** Investment Company with Variable Capital (also known as an OEIC – please see the definition of OEIC).
- **Income Distribution:** income from your shares which is either paid to you or used to increase the value of the shares you hold.
- **Income Shares:** shares which make payments of the income they earn to you, rather than retaining it.
- **ISA Manager:** the manager of an ISA. In the case of the Scottish Widows ISA, this is Scottish Widows Unit Trust Managers Limited.
- **ISA Regulations:** The Individual Savings Account Regulations 1998 as amended or re-enacted from time to time.
- **Key Features:** information in respect of the funds and the Scottish Widows ISA which we make available to you as required by the relevant rules of the FSA, which, in general terms, is intended to enable you to make an informed decision about making an investment.
- **OEIC:** Open Ended Investment Company, being a collective investment that pools together investors' money to achieve a spread of investments. An OEIC is set up as a company and governed by specially written company law.
- **Scottish Widows:** Scottish Widows Unit Trust Managers Limited.
- **Sub fund:** a fund of an OEIC to which specific assets and liabilities of an OEIC may be allocated and which is invested in accordance with its own investment objective.

These are referred to as funds throughout the remainder of this document.

- **we/us/our:** Scottish Widows Unit Trust Managers Limited. We are authorised and regulated by the Financial Services Authority and are approved by HM Revenue & Customs as an ISA Manager. We are on the FSA register and our registration number is 122129. Our main business is acting as an ISA Manager and authorised fund manager of OEICs and unit trusts.
- **in Writing:** an instruction that you have signed.
- **you/your:** the holder of the ISA or his/her legal successor(s).

2. About Individual Savings Accounts (ISAs)

An ISA is an investment which qualifies for exemption from personal taxation under the ISA Regulations. This means you can currently invest in the funds through your Scottish Widows ISA and not have any personal liability to tax on any income or capital gains. (Please see section 12 'Taxation'.)

To be eligible to invest in the Scottish Widows ISA you must be:

- aged 18 or over
- resident and ordinarily resident in the United Kingdom for tax purposes or, if not so resident, either perform duties which, by virtue of Section 28 of the Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or married to, or in a civil partnership with, a person who performs such duties; and
- investing your own money.

You and your partner can both take out an ISA each tax year providing you are eligible. There are two types of ISAs available – a cash ISA and a stocks and shares ISA. The Scottish Widows ISA is a stocks and shares ISA.

In the current tax year you can pay into both a cash ISA and a stocks and shares ISA.

If you pay into a cash ISA with one provider, you can also invest, within the subscription limit, in a stocks and shares ISA with either the same or a different provider.

An ISA should be viewed as a medium to long-term investment (this is an investment held for at least five to ten years). Please remember that the value of an investment, and any income from it, is not guaranteed and can go up and down depending on investment performance (and currency exchange rate changes where a fund invests overseas). If you are in any doubt as to whether the Scottish Widows ISA is suitable for you, you should seek financial advice.

3. How much you can invest

In any tax year you can invest up to the annual ISA investment allowance in your Scottish Widows ISA less any amount you save into a cash ISA in the same tax year. Please refer to the Key Features for details about the annual ISA investment allowance. Please note that both the annual ISA investment allowance and the maximum amount allowed in a cash ISA each tax year may change in the future.

4. Commencement of your Scottish Widows ISA

Subject to the ISA Regulations, the commencement date will be the date your application and cash subscription or transfer is accepted by us.

5. Communication

We will send all notices and other post to the address that you gave us when you opened your Scottish Widows ISA or the latest address that you have given us.

Any communication we send to you will be in English.

You must write to us straight away if you change your name or address. If you have not told us about a change of address and we send a notice to the latest address that you have given us, it will have been properly served by us.

You can contact us at the following address:

Scottish Widows Unit Trust Managers Limited
PO Box 28015
15 Dalkeith Road
Edinburgh
EH16 5WL

6. Your right to change your mind

You will be given a number of days (your Cancellation Notice Period) to cancel the agreement if you are not completely satisfied with your investment. The Cancellation Notice Period starts from the day you receive your cancellation notice. If you decide to cancel we will send you a cheque for the lower value of either:

- your original payment; or
- the value of your investment calculated using the next price released after we receive your written instructions to cancel at our Administration Department, plus the amount deducted in respect of any initial charge.

If the price of the shares has fallen between the dates of your original payment and cancellation, you will receive less than you paid for them. If you change your mind within the Cancellation Notice Period, you'll be free to make another ISA subscription in the same tax year. If you have transferred another ISA to us and you decide to cancel within the Cancellation Notice Period, you

have the following three options:

- the ISA can be closed, and the proceeds returned to you; or
- the ISA can be transferred back to the original manager, although the original manager may not accept it; or
- the ISA can be transferred to any other ISA Manager.

The proceeds returned to you or transferred on cancellation will be the lower value of either:

- your original transfer amount; or
- the value of your investment calculated using the next price released after we receive your written instructions to cancel or transfer at our Administration Department, plus the amount deducted in respect of any initial charge.

If the price of the shares has fallen between the dates of your original transfer request and cancellation, you will receive less than you initially transferred.

If you don't cancel your investment, it will continue.

If you are in any doubt as to whether an ISA is suitable, you should seek financial advice.

7. Payments into your Scottish Widows ISA

Amounts that you invest in the Scottish Widows ISA will be used to buy shares in the fund(s) of your choice. The Key Features for the fund(s) you are considering for investment will tell you if you can invest with single payments, regular payments, or both and what the minimum and maximum payment amounts are.

We reserve the right to add to or remove the funds offered via the Scottish Widows ISA. Please contact us to find out which funds are currently available.

8. Withdrawals

You can withdraw part or all of your investment from your Scottish Widows ISA at any time by requesting us to sell some or all of your shares in the fund(s).

When withdrawing part or all of your investment, it is possible for you to stipulate a time within which your investments or proceeds are to be transferred or paid to you. We will carry out your instructions subject to any reasonable business period (not exceeding 30 days) which we require in order to implement your instructions. Please contact us for more details.

Please refer to the Key Features for further information including details of any applicable early withdrawal charges.

9. Title – ownership of your Scottish Widows ISA and security

When you invest in an ISA your fund holding will be registered solely in our name (or that of our nominee), but you are and must remain the sole beneficial owner of the shares. This means that you must not use any shares or cash in your Scottish Widows ISA as security for a loan.

You will not be given certificates for any shares. Your shares in your Scottish Widows ISA will be pooled with shares held for other customers and will not be identified by separate certificates, other physical documents or equivalent electronic records. Details of your shares will be recorded on a register in our name or in the name of our nominee. If your shares are registered in the name of our nominee, we will be responsible for anything our nominee does or does not do. The shares and cash in your Scottish Widows ISA will be identified separately in our records. If we or our nominee lose any of the shares or cash in your Scottish Widows ISA, we will be liable to you. If we or our nominee defaults and are not holding enough shares to satisfy our obligations to all our customers, the shares will be shared out among our customers in proportion to their holdings – this will not affect your legal rights.

10. Voting, Statements and Reports

Every twelve months we will send you a statement and valuation for each fund in which you invest.

Twice a year we will also send you a copy of the short report for the Scottish Widows Income and Growth Funds ICVC if you request it. The annual and interim long report is also available on request from us.

If you ask us to do so, we will arrange for you to:

- have entry to and vote at meetings of shareholders of the fund(s) in which you invest through your Scottish Widows ISA; and
- receive any information we send to shareholders of the fund(s).

Please contact us if you require further information on how to request short reports, fund information and voting rights for your investment.

11. Charges

Details of the charges for each of the funds can be found in the Key Features together with information about the fees and expenses that may be charged to each of the funds including details of any applicable early withdrawal charges that may apply. Please contact us if you require further information.

12. Taxation

There will be no personal liability to UK income tax on any income your Scottish Widows ISA produces and no capital gains tax to pay when you sell or transfer your Scottish Widows ISA.

Each fund pays out or accumulates Income Distributions after any income has been taxed. We are unable to reclaim the 10% tax credit on UK equity dividends. The funds which make payments of interest deduct tax at 20% from the interest payments. This tax is currently reclaimed in full by us on your behalf.

For funds which make payments of interest:

- If you hold Accumulation Shares, the tax that is reclaimed from HMRC will purchase additional Accumulation Shares, when received from HMRC.
- If you hold Income Shares we will pay to you the distribution and an amount equal to the tax deducted and reclaim the tax on your behalf. When we receive it back from HMRC we pay it into your Scottish Widows ISA. Under these Terms and Conditions you authorise us to withdraw the amount of the tax deducted from your Scottish Widows ISA to repay ourselves for the amount already paid to you. You agree to repay the amount paid to you by us when we ask for it, if for any reason we cannot reclaim the tax back from HMRC.

For funds which make payments of dividends:

- If you hold Accumulation Shares the distribution net of a 10% tax credit will be credited to the fund and will have the effect of increasing the price of shares in the fund.
- If you hold Income Shares we will pay to you the distribution net of a 10% tax credit.

The value to an investor of the tax benefits of an ISA will depend on your individual circumstances which may be subject to change in the future. Tax rules can change.

You authorise us to give HMRC information it reasonably requests, and to make claims, conduct appeals and agree the tax position in respect of your Scottish Widows ISA.

13. Transfer of an ISA

a) Transferring an existing ISA to us

If you have a stocks and shares ISA or a cash ISA, with another ISA Manager, you can transfer it into a Scottish Widows ISA. The minimum amount we will accept for the fund you select will be set out in the Key Features. We will reinvest the amount transferred, less any charges, into such of our funds as you select.

We will not charge for arranging the transfer but the ISA Manager of the existing account may make a charge.

Not all Scottish Widows funds accept ISA transfers from other ISA Managers. Please see the relevant Key Features for more details.

We are only able to accept stocks and shares ISA transfers from HBOS Investment Fund Managers Limited into the Capital Protected Fund.

b) Transferring your Scottish Widows ISA to another ISA Manager

You may request that your Scottish Widows ISA be transferred to another ISA Manager subject to the deduction of any amounts due under these Terms and Conditions. To do this you must first contact the ISA Manager that you wish to transfer to and request that they send us the relevant documentation in order for us to be able to complete the transfer. Following receipt of this documentation, we will encash your shares and pay the proceeds to your chosen ISA Manager. (Please note shares will be sold in accordance with the provisions of the prospectus for the fund you are transferring from. This may involve us applying a dilution adjustment or charging a dilution levy or making a deduction for stamp duty reserve tax which could reduce the amount transferred.)

You may request a whole or partial transfer in respect of that part of the investment in your Account which was acquired with subscriptions made in earlier tax years. Investments held in your Account which were acquired with subscriptions made in the current tax year must be transferred out in whole.

It is possible for you to stipulate a time within which your investments or proceeds are to be transferred or paid to you. We will carry out your instructions subject to any reasonable business period (not exceeding 30 days) which we require in order to implement your instructions. Please contact us for more details.

In the case of ISA transfers any income or growth received may be reduced. This can happen if, for example, the markets rise while the transfer is awaiting completion.

14. Management and administration of your Scottish Widows ISA

We act as ISA Manager of your Scottish Widows ISA and have been approved to do so under the ISA Regulations.

We may delegate some or all of the administration of your Scottish Widows ISA to a third party, but we must first satisfy ourselves that the proposed party is competent to carry out the administration in accordance with the ISA Regulations.

We may also transfer, assign, or pass our rights or obligations under these Terms and Conditions or arrange for any other person or organisation (a Transferee) to carry out our rights or obligations under these Terms and Conditions. We will only do this if:

- (a)** the Transferee is approved to act as an ISA Manager under the ISA Regulations; and
- (b)** the Transferee agrees to exercise the transferred rights and perform the transferred obligations in such manner as we reasonably think will ensure that you are no less favourably treated after the transfer than you were beforehand.

15. The end of your Scottish Widows ISA

You can end your Scottish Widows ISA at any time by giving notice to us. We will carry out your instructions within a reasonable business period (not exceeding 30 days). Please refer to the Key Features for details of any applicable early withdrawal charges.

We have the right to give you reasonable written notice (at least 30 days) to end your Scottish Widows ISA if legislation or regulations make it impractical to carry on or if you are in material breach of any of these provisions. Your Scottish Widows ISA will come to an end automatically if it becomes void under the ISA Regulations.

We will notify you if, by any reason of failure to follow the ISA Regulations, your Scottish Widows ISA has or will become void.

If you are making monthly payments, subject to any concessions we may offer from time to time, we may bring your Scottish Widows ISA to an end by reasonable written notice if you decide to stop making regular payments and at that time the value of the shares in your Account of any one fund is less than £500. We may also bring your Scottish Widows ISA to an end if you have invested by single payment(s) or transfer payment(s) and the value of the shares in your Scottish Widows ISA of any one fund is less than £500.

No additional payment shall be required to be made to us in respect of termination, save that we shall receive:

- (i)** all sums, owing or accrued, due to us under these Terms and Conditions; and
- (ii)** any additional expenses which we necessarily incur in terminating your Account due to the sale of investments or otherwise; and
- (iii)** any losses necessarily incurred in settling or concluding outstanding obligations.

We may also retain an amount, if any, representing tax which is or may become payable in respect of the Account.

The tax benefits of your Scottish Widows ISA will cease immediately upon your death. Your Account will be closed immediately upon receipt of written notice by us of your death.

Although your investment will no longer be treated as an ISA, its value will still be subject to the performance of the fund(s) as normal until further instructions are received from your legal personal representatives. We may then, on receipt of a death certificate relating to you, and subject to such other formalities as we may specify, either transfer the investments to your legal personal representative(s) or sell all of the investments held within the Account. No early withdrawal charges will be applied on the transfer of the investment to your legal personal representative(s). An early withdrawal charge may be applied on the sale of any investments held within the Account as detailed in the Key Features. You agree that the provisions of these Terms and Conditions shall bind your legal personal representative(s).

If your ISA is invested in a Capital Protected Fund that started on or after 8th September 2008, any part of your ISA investment still invested in such a Capital Protected Fund will end on the date we distribute the proceeds of your shares. We will distribute the proceeds following the relevant Protection Date (as defined in the prospectus for each Capital Protected Fund) of the fund unless you have instructed us before the Protection Date for the relevant Capital Protected Fund, to switch or transfer the value of the applicable Capital Protected Fund shares held in your ISA at the end of the relevant term, into an alternative fund or funds then available for ISA investments with us or another ISA Manager.

16. Cash Balances

If there is any uninvested cash in your Scottish Widows ISA, we will deposit it in an account in our name with an approved bank in the UK (including Lloyds TSB Bank plc which is a member of the Lloyds Banking Group which we are also a member of) that is designated as a stocks and shares ISA client bank account. We will not pay interest on any cash that we hold for you in connection with your Scottish Widows ISA.

17. Changing these Terms and Conditions

We may need to change these Terms and Conditions:

- to make them easier to understand or fairer to you;
- in order to stay within legislation, regulations or HMRC requirements;
- to reflect changes to the law, codes of practice or the way we are regulated;
- to reflect a decision or recommendation made by, or a requirement of, a court, ombudsman, regulator or similar body or any undertaking given to any such body;
- to reflect changes to standards published by other bodies which we agree will apply to your Scottish Widows ISA;
- to reflect changes to the tax position of ISAs;
- to reflect changes to the way we look after your Scottish Widows ISA or individual savings accounts generally;
- to allow us to introduce new or improved systems for looking after your Scottish Widows ISA;
- to correct mistakes;
- to protect existing holders; or
- to ensure the efficient administration of your Scottish Widows ISA. If any cost arises from this change we will only pass it on to you in accordance with these Terms and Conditions.

We will comply with any legal requirements in connection with giving you notice about a change. If there are no legal requirements in force, we will still give you reasonable notice (at least 30 days) of the change.

18. Switching

You may sell your shares in your chosen fund(s) and simultaneously reinvest the proceeds in one or more of our other funds currently offered via an ISA (subject to minimum requirements and all other conditions as detailed in the Key Features for the funds into which you are considering switching into). Once we have received and accepted your written instructions at our ISA Administration Department, your shares will be sold and new shares purchased at the next price after your request is received.

The initial charge and the total expense ratio for the fund you switch into might be different to those for the fund from which you are switching. For further details, please refer to the relevant Key Features. Please contact us for details of any discounts that may apply to the initial charge of the fund you are switching into.

It may be possible for you to switch shares from a fund offered through a Scottish Widows OEIC investment into one or more of our funds offered via a Scottish Widows ISA. We can provide you with more details of this service.

A switch from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes. A switch between funds within an ISA is not subject to Capital Gains Tax.

19. Invalid ISAs

You may be notified directly by HMRC if it appears that your Scottish Widows ISA is invalid. Alternatively, we shall notify you that you should contact HMRC regarding your Scottish Widows ISA if we identify any failure to satisfy the provisions of the ISA Regulations which may mean your Scottish Widows ISA is invalid. In either case, no steps will be taken to repay any invalid payments until full instructions on the treatment of any invalid payments are provided by HMRC.

Treatment of Invalid Payments

We may reimburse to HMRC any tax claimed on income generated by the invalid payments between the date of the first invalid payment and the date of the notice from HMRC. If HMRC instructs us that any payments must be removed from your Scottish Widows ISA we will do this by removing the investments that these payments have bought. We will normally do this by transferring the invalid amounts to a standard OEIC investment in the same fund. Where for any reason this proves impossible we will sell the investments purchased with the invalid payments and remit the proceeds to you.

Treatment of Income Distributions on Invalid ISAs

If you hold Accumulation Shares we may also remove from your Scottish Widows ISA the net income whether that income has been paid or is payable. We may also cancel shares equivalent to the value of the tax paid. If you hold Income Shares we may remove from your Scottish Widows ISA an amount equal to the tax claimed on income generated by the invalid payments or the relevant part of them between the date of the first invalid payment and the date of notice from HMRC by cancelling shares to the value of the tax paid.

In every case, the amounts to be removed will be removed in a manner that will leave the highest possible value of shares within the Account as at the date of notification from HMRC. Any cancellation of shares will be carried out using the share price at the next valuation point after we receive such notification.

20. Residual tax amounts

If, after termination of your Scottish Widows ISA, a small balance (£5 or less) accrues due to payment of residual tax amounts reclaimed from HMRC, we may realise this balance and pay the proceeds to a registered charity of our choosing.

21. Complaints and Compensation

If you wish to complain about your Scottish Widows ISA please contact us at:

Scottish Widows Unit Trust Managers Limited
PO Box 28015
15 Dalkeith Road
Edinburgh
EH16 5WL

A copy of our complaints handling procedure is available on request.

If you are not satisfied with our response, you can complain to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR. Making a complaint to the Financial Ombudsman Service will not affect your right to take legal proceedings.

OEIC funds are not themselves covered by the Financial Services Compensation Scheme (the FSCS). However, in certain circumstances our activities in relation to OEICs are covered by the FSCS. The FSCS will not cover financial loss in the course of our activities in relation to OEICs if we are still solvent, including losses due to counterparty failure. However you may be entitled to compensation from the FSCS, up to a specified limit, if we cannot meet our obligations (for example, if we were to become insolvent or unable to meet claims against us resulting in you suffering a financial loss). This depends on the type of business and circumstances of the claim.

For further information about the scheme (including the amounts covered and eligibility to claim) please contact us, refer to the FSCS website www.FSCS.org.uk or call 020 7892 7300.

22. Money Laundering

We may ask for proof of your identity and any other relevant information in line with the law to prevent money laundering. If you do not provide this or we are not satisfied with the proof and other relevant information that you provide, we may:

- not open your Scottish Widows ISA;
- end your Scottish Widows ISA; or

- refuse to make payments to you from your Scottish Widows ISA.

The price at which we then buy or sell shares for your Scottish Widows ISA could be higher or lower than the price at the time we received your applications or instructions.

23. Conflicts of Interest Policy

In accordance with FSA regulations we have established and implemented a conflicts policy (the Conflicts Policy). The Conflicts Policy sets out how we must seek to identify and manage all material conflicts of interest. Such conflicts of interest can occur in our day to day business activities, for example, where one of our clients could make a gain at the direct expense of another client, or we might be faced with an opportunity to make a gain but this would be to the direct disadvantage of one or more of our clients.

Depending on the exact nature of the conflict of interest involved, we may take certain actions in accordance with the Conflicts Policy to lessen the potential impact of the conflict. Such actions may include putting in place controls between the opposing sides of the conflict, which may control or prevent the exchange of information, and/or involve the appropriate management of staff activities and segregation of duties. In instances where such controls would not be enough to eliminate the potential material risk of damage to clients from specific conflicts, we will disclose the general nature and/or source of those conflicts of interest to you before we take on the relevant business.

The Conflicts Policy may be revised and updated from time to time according to FSA regulations. If you would like more information on the Conflicts Policy, or on any specific conflict of interest that you think might affect you, please contact us.

24. Events outside our control

We will not be liable to you for any breach of (or failure to perform) our obligations where that breach (or failure) is due to abnormal and unforeseeable circumstances beyond our control, the consequences of which would have been unavoidable despite all efforts to the contrary. This shall not restrict any liability we may have under the regulatory system established under the Financial Services and Markets Act 2000.

25. Law

The law of England and Wales will apply to these Terms and Conditions and the courts of England and Wales will have non-exclusive jurisdiction in relation to any dispute.

Important Notes

Where your application for a Scottish Widows ISA is made in Writing, these Terms and Conditions will come into effect on receipt of your fully completed application. If an application is received and this is not fully completed and does not have all of the details required by the regulations, it may be returned to you and the ISA will not be opened. However, in some circumstances we will still be able to open your Scottish Widows ISA and will write to you for the missing information.

Where your application for a Scottish Widows ISA is made other than in Writing, these Terms and Conditions will come into effect once we create a written declaration confirming all the details you provided in your application. We will send you this written declaration. You will have 30 days from the date this is sent to you to tell us of any corrections. Any revised declaration will take effect from the date of the original declaration we sent to you.

These Terms and Conditions are based on our understanding of current tax law and HMRC practice (as at date of publication) which may change in future.

Please note that when an investment is taken out the contract is between you, the applicant and us. The terms of the Contracts (Rights of Third Parties) Act 1999 and any other third party legal rights are specifically excluded.

This means that only parties to the contract (or their legal successor(s)) will have contractual rights.

Important investor information including full details of the risks that apply to the funds can be found in the Key Features which should be read together with these Terms and Conditions.

