

What

- Outlines the Key Features and terms and conditions of our ISA

Why

- To help explain the ISA – how it works, its aims, terms and conditions
- To give you the main features of the product to help you decide if it is suitable for you
- Includes information on your bonuses and how we invest, manage, protect and grow your money

The Financial Services Authority is the independent financial services regulator. It requires us, Foresters Friendly Society, to give you this important information to help you to decide whether our Individual Savings Account (ISA) 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.

Foresters Friendly Society ISA Key Features

Its aims

- To achieve long-term growth by investing in the Foresters Friendly Society Order Insurance With Profits Fund. The ISA aims to provide you with more than you may reasonably expect to get back over the long-term from a deposit based Cash ISA.
- To add to the value of your investment by way of the addition of bonuses, which are intended to be added on a yearly basis, with a possible additional bonus being paid at the end of the ISA.
- To provide you with returns free of Income and Capital Gains Tax under ISA rules.
- To provide a death benefit of at least 101 % of the amount invested plus attaching bonuses, less any withdrawals.

Your Commitment

- As the Foresters Friendly Society ISA invests in our Order Insurance With Profits Fund it is classified as a Stocks & Shares ISA. If you choose the Foresters Friendly Society Stocks & Shares ISA you are then able to take out a Cash ISA with another provider if you wish however you must not exceed the annual £10,680 limit across the two ISAs. If this is to be your only ISA during a tax year, you can invest up to the full £10,680 into it. If you open this ISA, you cannot also subscribe to another Stocks & Shares ISA in the same tax year.
- You can contribute either regular monthly amounts or one-off lump sums or a combination of both to your ISA providing you do not exceed £10,680 in any one tax year.
- The minimum monthly contribution payable by Direct Debit is £30 per month.
- The minimum lump sum payable by cheque is £250.
- There are no restrictions on the amount of time you keep your money invested in the ISA, however you should view your ISA as a medium to long-term investment.

Risks

- In adverse investment conditions we may apply a Market Value Reduction (MVR). This could mean you get back less than you have paid in.
- Bonuses will depend on the future investment performance of the Order Insurance With Profits Fund, as well as any deductions and how Foresters Friendly Society decide to distribute any profit.
- The addition of bonuses is not guaranteed and therefore it is possible that the ISA might not receive any annual and/or final bonus.
- The tax rules relating to the ISA may change and depend on your individual circumstances.
- Your circumstances may change forcing you to cash-in your ISA.
- Our deductions may turn out to be higher than expected.
- You should be aware that inflation will reduce what you can buy when you cash-in your ISA.

Your Questions Answered

What is an Individual Savings Account (ISA)?

A savings account that allows you to save tax efficiently.

What are the rules that apply?

(All tax years start on the 6th April and end on the 5th April the following year).

Within a tax-efficient ISA you can invest in one or both of the following two forms of savings with any provider:

- An investment in stocks and shares or as part of a life insurance policy.
- A cash deposit account.

The Foresters Friendly Society ISA is an investment into a life insurance policy and is categorised as a Stocks & Shares ISA. We do not currently offer a Cash ISA. This means you cannot invest in the Foresters Friendly Society ISA if, in this tax year, you already have another Stocks & Shares ISA with another provider.

Who is the Foresters Friendly Society ISA suitable for?

Providing you are aged 18 or over and a UK resident for tax purposes, the Foresters Friendly Society ISA is suitable for anyone who can afford to put the lump sum or monthly contributions aside - perhaps to keep it for a rainy day or for long-term savings objectives. You should think carefully about the risks before deciding whether the ISA is right for you.

What happens if I cash-in my ISA?

You can cash-in your ISA whenever you want, but you may get back less than you have paid in. The cash-in value of your ISA will depend upon the amounts you have invested, the amounts you have withdrawn, the investment returns that have been achieved and our costs. In favourable investment conditions we may also add a final bonus to the plan value. Conversely, in adverse investment conditions we may apply a Market Value Reduction (MVR) to reduce the plan value.

What is a Market Value Reduction (MVR)?

This is a deduction we may make when you fully or partially cash-in your ISA. We will never apply an MVR on death. Its purpose is to be fair to Members leaving the fund and those staying by ensuring that the cash-in value is not unfairly higher than the market value of the plan assets and that a fair share is left for the remaining Members. This adjustment could have the effect of reducing the value of your ISA at that time and in some circumstances could mean that you get back less than you have paid in.

Where is my money invested?

Any money you contribute into a Foresters Friendly Society ISA is invested in Foresters Friendly Society's Order Insurance With Profits Fund. By spreading the money paid into the fund across a number of different types of investments you benefit from the exposure to a range of asset classes which may include equities (company shares), fixed interest bonds (government and company), property and cash. A further advantage of this approach is that if the return of any one particular asset type is poor, your investment may be protected from the full impact of this fall as the other assets forming part of the overall investment may perform better. Thus the fall in value of one asset class (e.g. shares) may be cushioned by the potentially better performance in another asset class (e.g. property).

How do I make withdrawals?

You can withdraw money from your Foresters Friendly Society ISA anytime. The minimum withdrawal that you can make is £250 so long as the value that remains in your ISA after the withdrawal is at least £250.

Can I transfer my ISA?

Yes, you can transfer into and out of a Foresters ISA. If you wish to transfer an ISA for the current year, this tax year's payments will count towards your annual ISA investment allowance and must be transferred in full. If you wish to transfer ISAs from previous tax years this will not count towards this

year's allowance and you can choose to move all or part of your balance.

How are bonuses decided?

Depending on how the underlying assets in the fund perform, and the costs incurred, at the end of each year we aim to declare an annual bonus. In addition, when you decide to cash-in your Foresters Friendly Society ISA we may add a final bonus depending on the overall investment growth that has been achieved and expenses incurred. The addition of bonuses is not guaranteed and therefore it is possible that your ISA might not receive any annual and/or final bonus.

This is different from a Bank or Building Society account or Cash ISA where only interest is added because the growth of the investment depends on the performance of the underlying fund and not the interest rate on the account. Although in some investment conditions the growth in the Foresters Friendly Society ISA might not be as great as that on an interest paying Bank or Building Society account, investing in this way means that there is the potential for growth over and above the level which might be achieved on interest paying accounts.

A Typical Example

Single contribution ISA

What you might get back after 10 years

Plan term - 10 years. Initial investment of £1,000

If your investment grew at 4.5% a year you would get back: £1,280

If your investment grew at 6.5% a year you would get back: £1,550

If your investment grew at 8.5% a year you would get back: £1,870

Regular contribution ISA

What you might get back after 10 years

Plan term - 10 years. Monthly Premium of £50 per month

If your investment grew at 4.5% a year you would get back: £6,810

If your investment grew at 6.5% a year you would get back: £7,550

If your investment grew at 8.5% a year you would get back: £8,370

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you could get back depends on how much is actually invested and for how long, how the investment grows and on the tax treatment of your investment. You could get back more or less than this.
- The yearly growth rates have been based on our reasonable estimate of potential returns and are slightly lower than the maximum allowable investment growth assumptions.

- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

How will the charges affect my investment?

There is an Annual Management Charge which is initially set at 2% of the value of your ISA, which will be taken into account when applying bonuses. It will not exceed 3% of the value of your ISA in any one year. The charges are designed to cover our costs for administering the ISA on your behalf. The effect of the charges on an initial investment of £1,000 and monthly contributions of £50 per month assuming growth of 6.5% a year is as follows:

Single contribution ISA

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£1,000	£20	£1,040
2	£1,000	£42	£1,090
3	£1,000	£67	£1,140
4	£1,000	£94	£1,190
5	£1,000	£123	£1,240
10	£1,000	£324	£1,550

Regular contribution ISA

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£600	£6	£614
2	£1,200	£25	£1,250
3	£1,800	£59	£1,920
4	£2,400	£107	£2,620
5	£3,000	£173	£3,360
10	£6,000	£827	£7,550

If you cash-in you could get back less than you have paid in.

What are the deductions for?

- The deductions include the cost of expenses, charges, any surrender penalties and other adjustments.
- The charges, expenses and other deductions used in this guide are best estimates based on current experience. They could vary in the future.
- The last line in the tables show that over 10 years the effect of the total charges could amount to: Single contribution ISA £324 or Regular contribution ISA £827.
- Putting it another way, this would have the same effect as bringing investment growth down from 6.5% to 4.5% a year.

If you would like an illustration specific to your own circumstances, please contact us.

What happens if I die?

The death benefit provided by your Foresters Friendly Society ISA will be paid to your estate. The amount payable on death is 101% of the contributions you have paid in plus any attaching bonuses and any final bonus less any withdrawals. The amount payable may be subject to Inheritance Tax. The tax advantages of the ISA end from the day that you die.

Further Information

Cancellation Rights

After your application is accepted you will receive a statutory notice of your right to cancel. You will then have 30 days from the commencement date of the plan, or the date the notice is received whichever is later, in which to change your mind. If you choose to change your mind a full refund of all monies will be paid.

Advice

We do not offer financial advice. You should contact an Independent Financial Adviser if you have any doubts about this plan's suitability. You may have to pay a fee for this advice.

Tax

The tax treatment of the proceeds received from this ISA is determined by the rules governing the operation of all ISAs. These rules and the tax legislation may change in the future. The money invested in this ISA is currently invested in a tax-exempt fund, although dividends earned on equities within the fund will have been taxed at source and cannot be reclaimed.

Law

The law applicable to the formation and performance of this plan is that of England and Wales. The language of the plan is English. We will communicate with you in English. Our Head Office is in the United Kingdom.

Legislation

All or any of the benefits, the premium or the Plan Conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting the plan.
- If any levy is imposed on Foresters Friendly Society under statute or statutory authority.

Notice would be given of any such adjustment.

Queries and Complaints

For further information or queries on Foresters Friendly Society products or services please contact the Member Services Department, by tel: 0800 783 4162, email: memberservices@forestersfriendlysociety.co.uk or at the address at the back of this document.

If you wish to complain about any aspect of the service you have received, please contact Foresters Friendly Society. If a complaint is not dealt with to your satisfaction you can then complain to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR. Tel: 0845 080 1800. Making a complaint will not prejudice your right to take legal proceedings.

Compensation

The Financial Services Compensation Scheme (FSCS) covers this plan. You may qualify for compensation from the Scheme if we are unable to meet our obligations. You can get further information from us or from the FSCS.

Client Categorisation

We are required under the Financial Services Authority (FSA) rules to categorise our clients/members. All of our clients/members are categorised as 'Retail Clients', which affords our clients/members the highest level of protection under the FSA Rules.

How you share in the profits of Foresters Friendly Society

The Society manages a number of funds for its members and these funds have different uses such as managing our insurance business and running the Society's branches. Four of the Society's funds are with profits funds; this means that the with profits policyholders of each particular fund participate in any profits or losses that are generated within the fund. This guide is an outline of how we manage one of these with profits funds, the Order Insurance Fund (OIF).

Principles and Practices of Financial Management (PPFM)

The PPFM is a document describing, in detail, how we manage our with profits funds. Because the PPFM is a long and very detailed document, this guide only highlights its key points. The PPFM covers:

- Principles: High-level statements that describe our long-term approach to managing the funds.

- Practices: Specific statements on how we intend to put the Principles in place.

We do not expect to change the Principles often, but will do so if we think they could lead to members being treated unfairly, or if they could stop us managing the funds properly. If we do intend to materially change any of our Principles, we must inform you at least three months in advance. This ensures that you will know if our long-term approach is changing.

Practices change more regularly, as we need to be able to respond to how the economy is performing and new rules and regulations in the life insurance industry. We will publish any changes to Practices on our website and tell you about them in our next letter to you. In this way, you will be kept informed of how our approach has changed.

A copy of the PPFM can be found on our website at: www.forestersfriendlysociety.co.uk

What is the Order Insurance Fund (OIF)?

The OIF is a fund where your money is combined with that of other members and then invested in a range of different assets. Our main objective is to ensure that we are able to pay all the guaranteed benefits, including any annual bonuses added to the policies within the OIF at all times. At the same time we want to maximise the financial returns to policyholders without taking undue levels of risk. Profits are distributed to with profits policyholders by way of annual and final bonuses, although neither is guaranteed in advance.

Annual bonus – This is set by taking into account what the OIF can afford to pay both now and what we can expect it to be able to afford in the future. Annual bonus rates are then set to make sure that we can meet all the guaranteed amounts when they need to be paid and to build a cushion for any final bonus.

Once an annual bonus has been added to a policy it increases the guaranteed benefit and so cannot be taken away. However it is only guaranteed as described in the policy conditions, and is not guaranteed at other times, such as on surrender. An interim bonus may be added if you claim during a period for which an annual bonus has not yet been declared.

Final bonus – When you claim on your policy, if what we calculate as a fair payout on your policy exceeds your total guaranteed benefits then we may add a final bonus to make up the difference.

How do we determine payouts?

In determining what we consider to be a fair payout, the first stage is determining the policy's asset share.

Asset shares are calculated for groups of similar policies by taking into account: the premiums paid; the investment returns earned; deductions made for the charges that we make to cover expenses and guarantees; and adjustments made for tax if appropriate.

Any profit or loss generated by the OIF will be passed on to policyholders by increasing or decreasing the investment return earned.

On most claims we set final bonuses so that on average we pay out the full asset share to policyholders on maturity or surrender. We also use smoothing to make sure that payouts, wherever possible, do not alter significantly from year to year or between similar policies. This may mean the actual payout is higher or lower than the asset share.

The position is slightly different for regular premium whole life policies with guaranteed death benefits but no maturity date. As these policies' asset shares will build up over time as premiums are paid in we would naturally expect some members to die while their asset share is lower than their guaranteed benefit. Final bonus rates are therefore set so that the estimated future cost of providing the benefits payable on death is equal to the asset share for this group of plans.

What is smoothing?

The Society smoothes the returns paid to with profits policyholders with the main aim of protecting policyholders from short term fluctuations in the value of assets within the OIF. However, this approach does not protect policyholders from long term and sustained falls in asset values.

The two main ways that the Society smoothes returns are: setting annual bonus rates that are fairly constant year on year, and aiming to limit the change in payouts on similar policies to a maximum of 10 % year on year (subject to meeting the guaranteed benefits of the policies). The Society

may make more rapid changes than these in times of significant market or regulatory change.

How is investment return determined?

The investment return is determined for the different types of assets held within the OIF. The investment return credited to a type of policy reflects the investment return of the assets backing that specific policy type. For example our ethical policies are backed by ethical investments and so the investment return on our ethical policies is based on the investment return on our ethical investments.

Also the level of guarantees on an individual policy type may affect which assets we use to back that policy type. If the guaranteed benefits on a policy are high we may have to adopt a safer investment approach in order to ensure that we can meet the guarantee in adverse investment conditions (for example by investing in deposits or fixed interest assets). However where guarantees are relatively low we may invest in assets that have a higher level of risk attached but over time could be expected to outperform the safer assets and thus to provide a better return.

How do we determine charges?

In determining asset shares we make deductions for charges for two main reasons: to cover expenses and to pay for guarantees. For some policy types the level of charges to cover expenses is stated in the policy conditions. Where it is not, the charge is based on what we consider to be the OIF's fair share of Foresters Friendly Society's total costs. This cost is then split between policies with different policies having different shares based on the size and type of policy.

The main guarantees that we charge for are life insurance cover for products which have a significant level of life insurance cover and maturity guarantees for endowment products and certain other products providing guarantees at maturity. The assumed cost of life cover is based on recent mortality experience, with allowance for mortality improvements. Currently the charge for maturity guarantees is set at 2 % of asset share. The level of these charges may vary from time to time depending upon the actual cost of guarantees.

What happens if you surrender your policy early?

If you surrender your policy, we work out how much to pay you with the aim of being fair to you and to those staying in the OIF. We do this by setting

surrender payouts that are broadly consistent with asset share. If there is any conflict between the interests of members who are leaving and those who are staying, we normally give priority to those staying.

What is a Market Value Reduction (MVR)?

If an ISA, Bond or Child Trust Fund policy written since April 2005 is surrendered or transferred out and what we consider a fair payout on policy, when considering its asset share, is less than the contributions paid plus the annual bonuses, then we may apply a market value reduction (MVR). An MVR reduces the face value of the policy to its fair value to ensure that a fair share of the OIF is left to those remaining in the fund.

MVRs are not applied to payouts on death, and for Child Trust Fund policies no MVRs will be applied to maturity or terminal illness payouts.

How do we invest your money?

The OIF invests in a range of different assets such as equities (shares), property, fixed-interest type assets (such as government bonds and corporate bonds), and cash. We control the risks that come with investing by choosing assets of good quality and by setting limits on the amounts we invest in any one asset or our exposure to any third party. If we think it is right to do so, we may allocate certain assets to specific policies in the OIF. For example, we may do this to reflect the type, the amount and the timing of guarantees.

When deciding exactly what to invest in and how much, we do so by looking at:

- The OIF's current and future financial position and the need to make sure there is enough money in the fund
- The level of guarantees in the OIF
- Members' reasonable expectations, in relation to how your money is invested.

How we manage potential risks?

The OIF is exposed to a number of risks. Our biggest risk comes from the need to pay all guarantees when they are due given the possibility of falls in asset values. The OIF is also exposed to the risk of more members dying than expected - increasing the claim costs, or the risk that our expenses are higher than expected - increasing our charges.

We aim to reduce our exposure to investment risk by changing our investment strategy as market conditions dictate. Currently, we aim to spread risk

over the OIF as a whole. However, if a risk arises which is related closely to a particular policy type, we may apply some or all of the cost of this risk to the policies in question as long as this is consistent with the policy conditions and the law.

The other funds of the Society may be used to reduce some of the risks the OIF faces. However the other funds are not normally available to otherwise benefit the OIF policyholders. Similarly the assets of the OIF will be maintained for the members of the OIF and not normally called upon to support other areas of the Society.

How to get in touch

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Information, including a copy of this Key Features document, is available in large print, audio and Braille upon request.

Foresters Friendly Society is the trading name of The Ancient Order of Foresters Friendly Society Limited.

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Foresters Friendly Society is an incorporated branch society registered in the United Kingdom.

