

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

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

Its aims

- To achieve long-term growth by investing in the Foresters Friendly Society 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, less any withdrawals.

Your investment

- As the Foresters Friendly Society ISA invests in the 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 to. If this is to be your only ISA during a tax year, you can invest up to £10,200 per tax year. 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 £10,200 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.

Risk factors

- Bonuses will depend on the future investment performance of the 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.
- Your deductions may turn out to be higher than expected.
- A Bank or Building Society account, or Cash ISA, has greater certainty of growth than the Foresters ISA.
- You should be aware that inflation will reduce what you can buy when you cash-in your ISA.
- In adverse investment conditions we may apply a Market Value Reduction (MVR). This could mean you get back less than you have paid in.

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 more of the following two forms of savings:

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

You can invest in one or both of the above savings schemes with any provider.

The Foresters Friendly Society ISA is an investment into a life insurance policy and is categorised as a Stocks and 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 and Shares ISA with another provider.

During the current tax year, you can invest up to £10,200 in your ISA. If you do this you cannot additionally invest in any other type of ISA, including a Cash ISA.

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 if you cash-in during the early years 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, provided that the plan has been in force for at least 5 years. 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 not apply an MVR on death. Its purpose is to be fair to both Members leaving the fund and those staying by ensuring that the cash-in value is not unfairly higher than the market value of the plans 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 the Foresters Friendly Society's 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 stocks and shares, property and cash. A further advantage of this approach is that if the return of any one particular asset type is very 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 both 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 only account, investing in this way means that there is the potential for growth over and above the level which might be achieved on interest only 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 5% a year you would get back: £1,340

If your investment grew at 7% a year you would get back: £1,620

If your investment grew at 9% a year you would get back: £1,960

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 5% a year you would get back: £6,980

If your investment grew at 7% a year you would get back: £7,740

If your investment grew at 9% a year you would get back: £8,600

- 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.
- All Friendly Societies use the same rates of growth for illustrations but their charges vary.
- 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 followed by monthly contributions of £50 per month assuming growth of 7% 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	£1,050
2	£1,000	£42	£1,100
3	£1,000	£67	£1,150
4	£1,000	£95	£1,210
5	£1,000	£126	£1,270
10	£1,000	£338	£1,620

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	£616
2	£1,200	£26	£1,260
3	£1,800	£59	£1,940
4	£2,400	£108	£2,650
5	£3,000	£175	£3,400
10	£6,000	£851	£7,740

WARNING: If you cash in during the early years 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 £338 Regular contribution ISA £851.
- Putting it another way, this would have the same effect as bringing investment growth down from 7.0% to 5.0% 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, less any withdrawals, plus any attaching bonuses and any final bonus. 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. You can do this by completing and returning the cancellation form to us at Foresters Friendly Society, Foresters House, 29-33 Shirley Road, Southampton SO15 3EW.

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 plan 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 plan 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.

A guide to how we manage our with profits fund

Foresters Friendly Society manages a range of with profits funds. This guide covers our Order Insurance Fund (OIF), Pure Endowment Fund (PEF), Tunstall Fund (TF) and Leek Fund (LF) only.

We manage the funds by following:

- Guiding Principles
- Principles and Practices of Financial Management (PPFM)

What are our Guiding Principles?

Put simply, our Guiding Principles are the philosophy on which we base our management of the funds.

In following our Guiding Principles:

- We will manage our entire business in a lawful, sound and prudent manner. We will also manage the fund to make sure we can pay all guarantees and with the aim of giving fair treatment to all our Members.
- In good years, we may hold back some of the profits made by the funds and use them to pay out more in years where the funds perform less well. This is known as 'smoothing'. Smoothing will not be used to cushion payouts during periods of prolonged poor investment returns.
- If we think there is not enough money in the funds to enable us to manage the funds properly, we may add some money - temporarily or permanently - from our other funds. Normally we will not use the OIF, PEF, TF or LF to support our other funds unless exceptional circumstances arise. If we do have to do this, we will try to minimise any financial disadvantage to Members in the funds.
- We will aim to make sure that all the money in the funds is distributed over the remaining lifetime of the with profits policies in the funds.

Normally we won't change the approach we use when managing the funds. However, we might consider making such a change if, for example, we need to:

- protect the financial position of the fund in adverse circumstances
- improve the accuracy of our methods
- correct any major errors
- ensure we follow changes in taxation or regulation guidance
- deal with unforeseen events

If you would like a more detailed technical description of how we manage our with profit funds, please request a copy of our Principles and Practices of Financial Management (PPFM).

What are the Principles and Practices of Financial Management (PPFM)

The PPFM is a document describing, in detail, how

we run our with profits business. It is split into two areas:

- **Principles.** High-level statements that describe our long-term approach to managing the fund.
- **Practices.** Specific statements on how we intend to put the Principles in place.

Naturally, 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 changes are to happen, we must tell you at least three months in advance. In this way, you will know how our long-term approach will be changing.

Practices change more often because we need to be able to respond to how the economy is performing, new rules and regulations, and new methods 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.

Because the PPFM is a long and very detailed document, this guide only highlights its key points.

How we decide how much you receive

The amount you receive depends on the type of with profits policy you have. Your policy contract should state clearly that you have a with profits policy. If you lose your policy, please phone us on 0800 783 4162.

Under with profits policies, in return for your contributions/premiums, we pay a guaranteed amount which may be:

- one lump sum payment (called a basic sum assured or basic maturity amount)
- or
- a series of payments (called an annuity or pension)

We aim to increase the guaranteed amount by adding bonuses. Guaranteed amounts from your policy will be paid on the set event or date stated in your policy contract. The set event may be the end of the policy's term, as agreed when you took it out. This date is called the "maturity date". The set date may be when you retire.

Different amounts may be paid out on other events, such as deaths, and your policy contract will tell you what these amounts are. If you leave your policy early, we may reduce the amount paid out.

How we decide bonuses

In most cases we announce bonuses at least once a year. When deciding whether we should pay bonuses, we look at the current financial position of the fund and forecast how we expect this to change

in the future.

If we think profits are not or will not be enough, we may not pay any bonuses. If the guaranteed benefits for the group are higher than the value of investments held, bonuses may be small or nothing. We may pay different bonuses for different groups of policies to reflect the nature of the policies.

Annual bonuses

We aim to pay annual bonuses once a year to our with profits policies.

Annual bonuses are set by taking into account what the fund can afford to pay now and in the future.

This approach enables us to make sure we can meet all guaranteed amounts when they have to be paid.

We aim to not significantly vary the amount of annual bonuses from year to year. Once an annual bonus has been added, this increases the guaranteed amount on a policy and so can't be taken away.

Interim bonuses

Interim bonuses may be paid to with profits policies between annual bonuses. If you make a claim between dates on which we've paid an annual bonus, we may add an interim bonus too. This makes up for some or the entire expected annual bonus earned in the year.

Final bonuses

Final bonuses may be paid to some policies when they end. We pay them to make sure your total pay out fairly reflects the amount due to you in the light of how the fund has performed over the term of your policies. This will take into account a number of factors such as investment performance, allowing for any tax and deductions for expenses and the cost of any options and guarantees. The level of final bonus will also take into consideration an element of smoothing that is described in the section that follows on how we cushion you from the ups and downs of the stock market.

WARNING: The addition of bonuses from the with profits fund is not guaranteed and therefore it is possible that any Foresters Friendly Society with profits policy might not receive any annual and/or final bonus.

What happens if you exit (or surrender) your policy early?

If you exit your policy early (surrender your policy), we work out how much to pay you with the aim of being fair to Members leaving the fund and those staying. 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)?

We may reduce the surrender value of some policies by applying a Market Value Reduction (MVR). Its purpose is to ensure that:

- the surrender value is not unfairly higher than the market value of the policy's assets; and
- a fair share is left for the remaining Members

The size of a MVR will change from time to time. A MVR only applies to Bonds, Individual Savings Accounts (ISAs), Child Trust Fund and Ethical Child Trust Fund in the OIF and TF. Your policy contract will tell you if you have one of these policies.

It's worth noting that MVRs are not applied to payouts on maturity or death.

How we aim to protect you from the ups and downs of the Stock Market

Historically, the value of shares and property has risen more than government bonds and cash over long periods such as 20 years. However, the return has also been more unpredictable and volatile. One year an investment may do very well, the next it could fall in value.

We aim to protect Members against periods of poor investment return by 'smoothing' bonuses from year to year.

So we may hold back some of the profit earned during good years. This 'smoothing' is one of the main ways in which the with profits fund aims to be fair to all its Members. It also keeps the fund strong.

In adverse or unusual circumstances, we may apply a lesser degree of 'smoothing' than normal to protect the fund's financial strength. We may smooth regular premium policies that continue until maturity more than we smooth surrendered policies and single premium policies.

How we invest the with profits fund

We decide what to invest in and how much to invest by looking at:

- the fund's current and future financial position and the need to make sure there is enough money in it
- the level of guarantees in the fund
- Members' reasonable investment expectations, including any specific promises we have made to you about how your money is invested

The fund invests in a mix of equities (shares), property, fixed-interest type assets (such as government bonds and corporate bonds), and cash. These different investment types are called assets. Normally we do not use derivatives (which are the rights to buy or sell assets at a particular price at a

particular time), but may decide to use them in certain circumstances as an efficient way of quickly changing the investments in the fund.

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 fund. For example, we may do this to reflect the type, the amount and the timing of guarantees.

We review our investment strategy at least annually but may need to do so more often if market conditions change quickly.

Ethical investment

Foresters Friendly Society offers an Ethical Child Trust Fund. Contributions are invested into the ethical section of Foresters Friendly Society's with profits fund.

How we manage potential risks

The fund is exposed to a number of risks. Our biggest risks come from the need to pay all guarantees when they are due and the possibility of falls in share or property values.

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

Currently, we aim to spread risk over the fund 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 plan conditions and the law.

Except for normal levels of investment risk resulting from managing the fund's assets, the fund will not take on any significant new risks.

More about charges and expenses

All charges for administration, expenses and commission are based on what we calculate to be the fair share of the costs we incur. The charges we make to manage individual funds are based on a fair share of the total investment management costs of Foresters Friendly Society.

This calculation takes into account costs of holding different types of assets and the fund's investment activity (i.e. the costs of buying and selling assets).

How to get in touch

Write to:

Foresters Friendly Society
Foresters House
29/33 Shirley Road
Southampton
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Visit: www.forestersfriendlysociety.co.uk

Tel:

0800 783 4162

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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.