

keyfacts®

KEY FEATURES AND PLAN CONDITIONS

OF THE CHILD TRUST FUND (CTF)

Provided by HBOS Investment Fund Managers Limited

The Financial Services Authority is the independent financial services regulator. It requires us, HBOS Investment Fund Managers Limited, to give you this important information to help you to decide whether our Child Trust 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.

Where we refer to “you” in these Key Features, we mean the registered contact for a Child Trust Fund from time to time except in relation to payments into a Child Trust Fund where “you” means any person who makes a payment into a Child Trust Fund.

This key features document explains the main points of your Child Trust Fund (CTF).

It also forms your ‘Simplified Prospectus’ in line with the Financial Services Authority rules, providing additional information to help you understand the Open Ended Investment Company (OEIC) fund.

It is important that you read these key features along with the illustration. You should keep them in a safe place and if you have any questions, please don’t hesitate to contact us.

This plan is suitable for an investor who typically; is investing for growth, can invest for at least 5 years, understands the risks and investment objective of the fund chosen.

Its aims

- To help the value of your child’s money to grow over time, in a tax-efficient way.

Your commitment

- Any Government payments in the CTF cannot be withdrawn until your child’s 18th birthday.
- Additional payments of up to £1,200 a year can be made by anyone – parents, relatives, friends or the child themselves. Additional payments must remain invested until the child reaches 18 years of age.
- The benefits under the plan will only be available to your child; you will have no access to any of the plan proceeds.

Risks

- The value of your child’s investments can go up and down each day, depending on any changes in the market price of the investments. This means the value of a CTF can fall as well as rise and your child may get back less than invested.
- What your child will get back will depend on investment performance, nothing is guaranteed. Past performance is no guarantee of future performance.
- When your child’s plan matures they may get back less than has been invested.
- Inflation will reduce what you could buy in the future.
- Tax rules may change.

Questions and answers

What is the CTF?

- An investment plan which has tax advantages for children born on or after 1st September 2002.
- There is no income or capital gains tax to pay on any income or growth from the plan. This does not take into account tax that may have been paid on investments held within the sub fund or taxes paid by the sub fund before reaching the child.
- It lets you invest in the shares of share class D of the UK FTSE 100 Index Tracking Fund, a sub fund of the HBOS UK Investment Funds ICVC (Investment Company with Variable Capital). This is an open-ended investment company (OEIC), which is managed by HBOS Investment Fund Managers Limited.

How flexible is it?

- In addition to any Government payments, you can also invest lump sums or monthly payments or a mixture of both, as long as you don't exceed the CTF limits.
- You can change the amount of your monthly payments.
- Cheques should be made payable to HBOS Investment Fund Managers Limited. To help prevent fraud, you must also add the plan holder name and the child's Unique Reference Number (URN). **If you don't do this, we may return the cheque.** For example: 'HBOS Investment Fund Managers Limited – A N Other – URN number AB123456'. You should also draw a line through any unused space on the cheque so that unauthorised people cannot add extra numbers or names. Send completed cheques to us at HBOS Investment Fund Managers Limited, PO Box 2066, Gloucester, GL4 3YT.
- Any further Government payments will automatically be invested in the plan.

What might my child get back?

- Your child will get back the value of the investments in the CTF when they decide to cash them in on or after their 18th birthday. This amount is not guaranteed and will depend on:
 - the amount invested
 - the length of time it is invested
 - the investment performance of the funds
 - our charges
- Your child may get back less than has been invested.
- The illustration of benefits will give you an idea of what they could get back.

What type of account is the CTF?

- There are three different types of CTF accounts:
 - Savings accounts
 - Accounts that invest in shares
 - Stakeholder accounts.

The CTF is a stakeholder account.

What is a stakeholder CTF account?

- A stakeholder CTF is one that meets strict Government criteria on minimum standards as set out overleaf. This table also shows for your information a balanced comparison between a stakeholder CTF and a non-stakeholder CTF.
- **The value of the investments in a stakeholder CTF can go up and down. This means the value of a stakeholder CTF can fall as well as rise.**

Can I take money out?

- You, or your child, cannot take any money out of a CTF except where a terminal illness claim made on behalf of your child has been agreed.

Criteria	Stakeholder CTF	Non-Stakeholder CTF
Minimum payment	£10	Minimum payment can be higher than £10
Maximum yearly charge	$\frac{3}{7}$ 30% of the value of shares held per day. This is approximately 1.5% per year.	Charges can be higher.
Entry fees	Not allowed	Can be applied
Exit fees	Not allowed	Can be applied
Switching fees	Not allowed	Can be applied
Allowable investments	Diverse range of assets which must include shares.	Shares, fixed interest investments and cash, but no requirement for diversity of assets.
Lifestyling available	Must offer the choice from age 13	Not required
Payment methods	Must accept cheque, direct debit, standing order and direct credit.	Payment methods can be limited

While the CTF meets the Stakeholder minimum standards set out in the table above, it does not mean that this investment is suitable for your child or that there is any guarantee of performance. A stakeholder CTF must also be at least partially invested in shares until the child's 13th birthday when investments will gradually be switched to a lifestyle fund. Please see "What is Lifestyling?"

How much can I pay in?

- You can pay in up to £1,200 each plan year. This is in addition to any payments made by the Government.
- A plan year runs from your child's birthday to the day before your child's next birthday. (The first year runs from the day the plan is opened until the day before your child's next birthday).
- If you do not pay in the full £1,200 contribution limit in any one plan year, you can't carry any unused contribution limit over to the next plan year.
- The minimum lump sum you can pay in is £10 and the minimum monthly amount is £10.
- You can make additional monthly payments by completing the Direct Debit section on the application form.
- If you wish to set up a new direct debit then please contact us on 0845 609 0064. Please have your bank details and your child's Unique Reference Number (URN) handy.

- If you want to make an additional payment by cheque you can send it to us at HBOS Investment Fund Managers Limited, PO Box 2066, Gloucester GL4 3YT. Please make the cheque payable to HBOS Investment Fund Managers Limited and remember to include your child's URN on the back of the cheque.

Where are the payments invested?

- Until your child reaches age 13, we invest all payments into their Child Trust Fund in accumulation shares of the UK FTSE 100 Index Tracking Fund. Accumulation shares are shares where any distribution is accumulated into the fund and reflected in the share price. This is a sub fund of the HBOS UK Investment Funds ICVC, an open-ended investment company (OEIC). Please see our booklet 'A guide to investing with the Halifax' for more information on this fund.
- When you pay into a CTF, we buy a number of shares in the fund for your child.

- We normally value shares at 12 noon each working day. So, if you ask us to put money in or take money out, we'll buy or sell the shares at the prices which apply at the next valuation, after we receive your instructions at our administration address.
- If you send us your instructions by fax, unless it is a request to buy shares, we must receive it at our administration unit before 9am on a working day, in order to deal on your shares at the 12 noon valuation point on that day. Otherwise we'll deal on them at the 12 noon valuation point on the next working day.
- No payments will be used to buy shares until the CTF has been opened which we will only do after the cancellation period is over. Please refer to the section 'Can I change my mind?' for further details of the cancellation period.
- For accumulation shares, we automatically accumulate the distribution into the fund. The price of the accumulation shares in the fund increases to reflect this reinvestment.
- When your child reaches age 13 we will automatically start to switch a percentage of the investments in the UK FTSE 100 Index Tracking Fund into an appropriate lifestyle fund unless you tell us otherwise. Any new payments from this time will also be invested in the lifestyle fund.

What is Lifestyling?

- Lifestyling is the process where the funds in the plan are gradually transferred from the UK FTSE 100 Index Tracking Fund into an appropriate lifestyle fund in line with the requirements for stakeholder child trust funds, such as our Corporate Bond Fund.
- Unless you tell us otherwise, lifestyling will automatically start on your child's 13th birthday. All new payments will be invested in the lifestyle fund. On each

birthday from reaching age 13 a proportion of the existing shares in the UK FTSE 100 Index Tracking Fund will be switched into the lifestyle fund so that on the 17th birthday all existing funds and future payments will be in the lifestyle fund.

- The lifestyle fund will aim to have less variation, or potential variation, in value than the UK FTSE 100 Index Tracking Fund so that there will be less risk of a sudden, short term, fall in value in the year before your child's 18th birthday.
- You can choose for the shares and any future payments not to be switched into the lifestyle fund, in which case they will remain invested in the UK FTSE 100 Index Tracking Fund. If you do not wish your child's funds to be lifestyled please write to us at the address shown in the section 'How to contact us'.

What happens to the CTF if my child dies?

- If your child dies while their CTF is open, the plan will continue but will lose its tax efficient status.
- If you ask us, we will provide you with information about the value of the CTF.
- Once the legal personal representatives of the child's estate have proved they are legally entitled to the money invested we will sell the shares in the plan and pay them the value. The Child Trust Fund will then end.
- Until the shares are sold, they will be affected by daily price movements as normal.

What happens if I die?

- If you die then the CTF will continue for your child.
- If your child is under the age of 16 then another person can be made the registered contact for the plan. This person must be aged 16 or over and have parental responsibility for your child.
- If your child is aged 16, only they can be the registered contact for the plan.

- If no one else is appointed as the registered contact then your instructions for the plan will remain in place.

How will charges and expenses affect my investment?

- There is no initial charge for investing in the CTF and no exit charge when the money is taken out.
- There is a yearly management charge of 1.5% a year, which is worked out as a percentage of the value of the fund. You do not have to pay this directly – we take it into account when we calculate the share prices each day.
- Certain other expenses are also taken from the property of the fund such as dealing costs, stamp duty and any stamp duty reserve tax on the buying and selling of investments in the fund.
- The total expense ratio which covers operating expenses and the yearly management charge is set out under the heading ‘What information is shown for each fund?’.
- The two examples in the illustration of benefits on the opposite page are designed to show you how the total charges and expenses affect the value of your child’s investment. Their effect on an investment of £250 at outset and £250 at age 7 assuming investment growth of 7% a year is set out below and opposite. These tables assume that the term of the CTF is a full 18 years.

How much will any advice cost?

- You have not received any advice on the CTF but have made your own decision as to the suitability of this investment for your child, on the basis of information given. There are no sales costs that apply.

Can I transfer the CTF?

- If you want to transfer the cash value of the CTF to another manager without losing any tax relief, you’ll need to contact the new manager who will then

contact us to arrange the transfer. We’ll then sell the shares and pay the proceeds to the new CTF manager.

What about tax?

- This is only a general summary of the tax position in the United Kingdom and is based on our understanding of current law and practice. The overall value of tax benefits your child receives and the tax consequences for your child of an investment in the Child Trust Fund depend on the tax laws applicable to your child and/or to the place where the capital is invested. Tax rules and rates may change in the future.
- Under the current law relating to CTFs, we will manage the CTF so that it will be free from personal tax. This does not take into account tax that may have been paid on any investments held within the sub fund or taxes paid by the sub fund before reaching your child.
- The income generated from parental investments into a CTF does not count towards the parent’s income under current tax law.
- There will be no liability for personal UK taxes, such as income tax or capital gains tax on any income or capital growth from the CTF.
- Any income or growth from the CTF will not have to be declared on your child’s tax return.
- We cannot reclaim the 10% tax credit on dividend income accumulated in the CTF. However, your child will have no further tax liability on this dividend income, irrespective of their tax status, and there is no need to declare this, or any other income from the CTF, to HM Revenue & Customs (HMRC) whilst the investment remains within a CTF.
- A stamp duty reserve tax charge (SDRT) of up to 0.5% is made on the value of shares sold by investors. We currently meet these costs from the property of the fund.

- The CTF will end on your child's 18th birthday. After this date, the child may be liable to tax on any income from their investment or any growth on disposal of their investment.
- The value of your child's CTF is treated as part of their estate so it may need to be declared for inheritance tax purposes.
- OEIC taxation - At fund level, net taxable income is chargeable to corporation tax, currently at a rate of 20%. The funds are exempt from corporation tax on capital gains.
- The Government have announced that on maturity it will be possible to rollover a CTF into an ISA.
- If you need any further help, please seek advice from a professional tax adviser.

£250 Government payment at outset and at age 7 only

At end of year	Investment to date	Effect of deductions to date	What the transfer value might be
1	£250	£3	£263
3	£250	£13	£292
5	£250	£25	£325
10	£500	£81	£716
15	£500	£187	£932
18	£500	£279	£1,091

The last line in the table shows that over 18 years the effect of the total charges and expenses could amount to £279. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.4% a year. Their effect on a lump sum investment of £250 at outset and a further £250 investment at age 7 with a regular contribution of £50 a month assuming investment growth of 7% a year is set out below.

The figures shown above and below are not guaranteed and are only intended to demonstrate the effect of charges and expenses on an investment. They are not a reliable indicator of future performance.

£250 Government payment at outset and at age 7 plus your contribution of £50 a month

At end of year	Investment to date	Effect of deductions to date	What the transfer value might be
1	£850	£9	£880
3	£2,050	£60	£2,240
5	£3,250	£165	£3,760
10	£6,500	£773	£8,620
15	£9,500	£2,100	£14,600
18	£11,300	£3,420	£19,100

The last line in the table shows that over 18 years the effect of the total charges and expenses could amount to £3,420. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.4% a year.

There is a yearly charge of 1.5% of the value of the fund your child accumulates. If the fund is valued at £250 throughout the year, this means we deduct £3.75 that year. If the fund is valued at £500 throughout the year, this means we deduct £7.50 that year.

Can I change my mind?

- When we accept your application, you will receive a notice of your cancellation rights. You then have 30 days to change your mind. If you have invested a lump sum it will be placed in a deposit account until the end of the 30 day cancellation period. We will not pay you any interest for the time that any money is held. If you have chosen to make monthly payments we will not collect any payments and the Government payment will not be collected within the 30 day cancellation period. If you do decide to change your mind, you will need to sign the cancellation notice and return it to us at our administration unit (see 'How to contact us').
- You will not receive a cancellation notice for any further lump sum or monthly payments you make into the plan.

How will I know how my CTF is doing?

- You will not receive a share certificate.
- We will send your child a statement every 12 months to keep you up to date with the value of your child's investment.
- If you require further information such as a valuation of your plan, please call our helpline on **0845 609 0064**.
- Details of share prices and yields can be found on our website- **www.bankofscotlandhalifax.co.uk/investments/fundprices.asp** – or by calling us on **0845 850 2976**.
- You can ask for a value of the CTF at any time, by writing to us. Please see 'How to contact us'.

What happens when my child reaches age 18?

- The CTF will end and we will write to your child for instructions regarding their plan.
- If your child asks us, we will arrange for the shares to be sold and for the proceeds to be paid to them. Please see 'How to contact us'.

- If your child does not ask us to arrange to sell the shares at age 18, any shares held will be registered in the name of your child. After the CTF ends, your child may become liable to tax on any income from their investment or on any growth on disposal of their investment.
- The Government have announced that on maturity it will be possible to rollover a CTF into an ISA.

How to contact us

If there is anything you don't understand you can contact our administration unit at: HBOS Investment Fund Managers Limited PO Box 2066, Gloucester GL4 3YT Telephone **0845 609 0064**.

Other Information

How to complain

We want you to be entirely happy with the high quality service we aim to provide. However, if you're not completely satisfied with any part of our service, please let us know. You can make your complaint directly to:

HBOS Investment Fund Managers Limited
PO Box 2066
Gloucester GL4 3YT

You can also complain by calling us on **0845 609 0064**.

If your complaint isn't dealt with to your satisfaction you can complain to:

Financial Ombudsman Service
South Quay Plaza,
183 Marsh Wall
London E14 9SR
Telephone **0845 080 1800**

Making a complaint will not affect your right to take legal action.

You can contact the Financial Services Authority at:

25 The North Colannade
Canary Wharf
London E14 5HS
or by telephoning **(020) 7066 1000**

Conflict of interest policy

HBOS Investment Fund Managers Limited (HIFML) is part of the Lloyds Banking Group which has a policy on the management of conflicts of interest, covering all companies in the Group, to ensure that our customers are not adversely affected. This policy includes:

- A requirement for all parts of the business to identify potential conflicts of interest, and document how they will be managed.
- Formal organisational structures designed to restrict the flow of confidential information.
- Procedures for monitoring the personal dealings of Lloyds Banking Group colleagues who have access to certain kinds of 'inside information'.
- The limitation and management of personal conflicts of interest that individual colleagues might face, including limits on gifts and hospitality they may give or receive.

Further details of our conflict of interest policy are available on request.

Terms and conditions

This booklet is a summary of the key features of the CTF. You will find full details of the CTF in the plan conditions, which are evidence of the contract between you and us. You can find full details of the OEIC in the full prospectus, or in the annual and half yearly reports and accounts. You can get copies of these free of charge by writing to us. Please see 'How to Contact Us'. The plan conditions are at the back of this booklet. We will give you 10 working days notice in writing of any changes to the plan conditions.

Law

It is agreed that the CTF is governed by *the laws of England and Wales*. It is agreed that any dispute will be dealt with by the English courts. The plan conditions for the CTF and further communications will be supplied in English.

Financial Services Compensation Scheme

We are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the FSCS if we can't meet our obligations. This depends on the type of business, the circumstances of the claim and the date of the failure. The Child Trust Fund is classified as investment business and is covered for compensation as follows:

- Until 31 December 2009, 100% of the first £30,000 of your claim and 90% of the next £20,000, so the maximum is £48,000.
- From 1 January 2010, 100% of your claim up to a maximum of £50,000.

Further information about compensation scheme arrangements is available from the FSCS at: 7th Floor, Lloyds Chambers, Portsoken Street, London E1 8BN.

Telephone: **(020) 7892 7300**.

Website: **www.fscs.org.uk**.

Equalisation

- We operate equalisation of the income on all our OEIC funds. This means that whenever shares are bought on your child's behalf in the UK FTSE 100 Index Tracking Fund, they will be Group 2 shares.
- The first accumulation on Group 2 shares will include an amount that is treated as a return of capital, known as equalisation. The amount accumulated will be the same for Group 1 and Group 2 shares.
- The Group 2 shares will automatically be changed to Group 1 shares after the first accumulation. There is no difference in the share price between Group 1 and Group 2 shares.
- Equalisation may also apply if funds are switched and when lifestyleing starts. Differences may apply to the amounts payable on Group 1 and Group 2 shares in other funds.

Dilution Adjustment

The value of the shares in the fund is worked out using the mid-market value of the investments in that fund. However, the actual cost of buying or selling these investments may vary from the mid-market value due to the dealing charges, taxes and any spread between the buying and selling prices of the investments. To counter the effects of this and in order to protect the best interests of all our shareholders, it may be necessary for an adjustment to be made to the share price within a fund. This is known as a dilution adjustment and may occur on any day where the total amount of money coming in or going out from the fund exceeds the higher of £1,000,000 or 2% of the Net Asset Value of the fund (i.e. the value of the fund less expenses) or in other circumstances where we consider it is in the best interests of shareholders. We will not benefit from applying a dilution adjustment.

Depository

The depository of the OEIC is the Royal Bank of Scotland plc, whose registered office is at 36 St Andrew Square, Edinburgh EH2 2YB, and whose head office is at RBS Head Office, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ. Please see the plan conditions and full prospectus for more details about the OEIC.

Auditors

The Auditors of the OEIC are KPMG Audit plc, 1 The Embankment, Neville Street, Leeds, West Yorkshire, LS1 4DW

CTF Manager

The CTF is managed in the UK by: HBOS Investment Fund Managers Limited PO Box 2066, Gloucester GL4 3YT.

UCITS

The HBOS UK Investment Funds ICVC* has been granted an 'undertaking for collective investment in transferable securities' (UCITS) certificate that allows us to sell shares in the OEIC in member states of the European Community and countries of the European Economic Area. However, local laws will apply.

The UK FTSE 100 Index Tracking Fund is a sub fund of the HBOS UK Investment Funds ICVC which was created on 27th September 2000 and is incorporated in the United Kingdom.

* ICVC stands for an Investment Company with Variable Capital and is another name for an OEIC.

Bank of Scotland trading as Halifax is part of the Lloyds Banking Group is authorised to promote the HBOS OEICs. The HBOS OEICs are provided by HBOS Investment Fund Managers Limited, whose head office is at Lovell Park Road, Lovell Park, Leeds, LS1 1NS, United Kingdom and are authorised by the Financial Services Authority.

The UK FTSE 100 Index Tracking Fund has the ability to invest in financial derivative instruments for Efficient Portfolio Management (EPM) purposes only where the objective is to achieve one of the following results:

- (i) Reduce risk;
- (ii) Reduce cost; or
- (iii) Generate additional capital or income with an acceptably low level of risk.

All information, limits, and charges are correct at the time of publication (July 2009) but may change in the future.

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We are committed to meeting the needs of all our customers. If you have a hearing or speech impairment, you can use TYPETALK whenever you contact us, or contact us using Textphone on 0845 732 3436 (lines open 9am to 5.30pm, 7 days a week). For visually impaired customers, we can provide documents in large print, Braille or on audio cassette. Please speak to a member of staff.

What information is shown for each fund?

For the UK FTSE 100 Index Tracking Fund, we have included the following information, which is correct as at December 2008:

Investment Objective – the investment aim of the fund.

Investment Policy – the investment approach of the fund.

Risk/Return Relationship – the risk versus return profile of the fund.

Total Expense Ratio (TER) – this shows the annual operating expenses of the fund. It does not include transaction expenses. All OEIC funds highlight the TER to help you compare the annual operating costs and expenses of different funds. This provides the current expense ratio for the fund including both the operating expenses and the yearly management charge.

Portfolio Turnover Rate – this shows what percentage of fund assets are bought and sold each year. This gives an indication of the level of asset management activity within the fund.

Past Performance – This shows the fund performance on both a yearly return and a cumulative basis since the launch of share class D of this fund. Performance is shown in complete calendar years. Data is taken from Lipper Hindsight (December 2008). The past performance information given in the graphs below is net of tax and charges and does not include the effect of subscription and redemption.

Please note the fund risks can also be found in the full prospectus.

What is the UK FTSE 100 Index Tracking Fund ?

Launch date share class D of the fund
06/04/2005

Investment Objective

This fund aims to match, as closely as possible, subject to the effect of charges and regulations in force from time to time, the capital performance and net income yield of the FTSE 100 Index.

Investment Policy

The policy is to invest primarily in companies comprising the FTSE 100 Index. Index futures may be used for efficient portfolio management purposes only.

Risk/Return Relationship

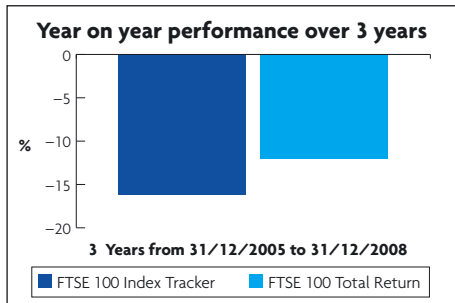
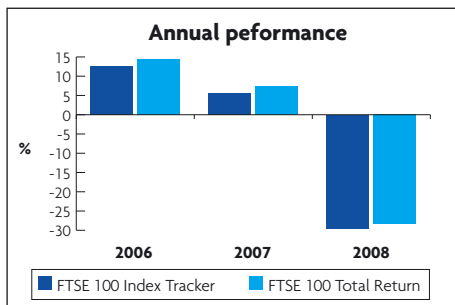
The UK FTSE 100 Index Tracking Fund is a below-average risk fund. It benefits from the significant diversification of investing in the 100 stocks comprising the FTSE 100 Index.

It must be appreciated however, that a tracking fund will track an index down as well as up and will, therefore, directly reflect the movement of the market.

The value of investment may go down as well as up and you may get back less than you invested.

Total Expense Ratio: 1.50%

Portfolio Turnover Rate: 23.87%



Child Trust Fund Plan Conditions

1 HOW DO THESE CONDITIONS WORK?

- a These conditions explain the relationship between you and us. You should read these conditions carefully to understand how they work and your and our rights and duties under them.
- b When we use the word “you” in these conditions, we mean the registered contact for a **Child Trust Fund** from time to time except in condition 10 where “you” means any person who makes an investment(s) into a **Child Trust Fund**. When a child reaches 16, only they can be the registered contact for a **Child Trust Fund**.
- c When we use the word “child” in these conditions, we mean the eligible child for whom a **Child Trust Fund** is opened.

2 WHO PROVIDES THE CHILD TRUST FUND?

HBOS Investment Fund Managers Limited provides the **Child Trust Fund**. When we use the words “we”, “our” or “us” in these conditions, we mean HBOS Investment Fund Managers Limited. We are approved as a child trust fund provider by HMRC and authorised and regulated by the **FSA**. We will manage the **Child Trust Fund** in line with the **CTF Regulations** and these conditions.

3 WHAT DO WORDS AND PHRASES IN BOLD TYPE MEAN?

In these conditions we have put the following words and phrases in bold type because they have a special meaning.

- The **Child Trust Fund** is a stakeholder child trust fund described by these conditions.
- The **CTF Regulations** are the Child Trust Funds Act 2004 and the Child Trust Funds Regulations 2004, as amended or replaced.
- The **COLL Sourcebook** is the new Collective Investment Schemes Sourcebook, as amended or replaced.
- The **FSA** is the Financial Services Authority, an independent organisation that regulates us, whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS.
- The **HBOS OEIC** is the HBOS UK Investment Funds ICVC, an authorised umbrella open-ended investment company of which we are the authorised corporate director.
- **Lloyds Banking Group** is the corporate group of which we are a member. **Lloyds Banking Group** includes us and a number of other brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies. More information on the **Lloyds Banking Group** can be found at www.lloydsbankinggroup.com.
- The **prospectus** of the **HBOS OEIC** is the full prospectus setting out the rules that apply to the **HBOS OEIC**, its **sub fund** and its **shares**. Those rules are modified by these conditions.
- A **share** is an accumulation share in Retail Share Class D of the UK FTSE 100 Index Tracking Fund. We offer and manage **shares** through the **Child Trust Fund** so that they comply with the requirements for stakeholder child trust funds in the **CTF Regulations**.
- The **share price** is the price at which **shares** are bought and sold for a **Child Trust Fund**.
- The **sub fund** is the UK FTSE 100 Index Tracking Fund which is a sub fund of the **HBOS OEIC**.
- An **account** is a cash account with a bank or building society which is capable of sending electronic fund transfer payments.
- Our current **administration address** is HBOS Investment Fund Managers Limited, PO Box 2066, Gloucester GL4 3YT. We may change it from time to time.

- A **year** normally runs from the child's birthday to the day before their next birthday. However, for the year in which a **Child Trust Fund** is opened, a **year** runs from the date that the **Child Trust Fund** is opened to the day before the child's next birthday.
- A **working day** is any day from Monday to Friday (excluding English public holidays) or any other day on which we choose to carry out a valuation of the **sub fund**.

4 WHAT TYPE OF CHILD TRUST FUND DO I HAVE? HOW MUCH CAN BE INVESTED?

- a A child cannot have more than one child trust fund. When you apply to invest in a child trust fund, you must choose whether this will be a stakeholder or a non-stakeholder child trust fund. A child cannot have a mix of the two types. We only offer a stakeholder child trust fund.
- b There is a limit on the amount that can be invested in a **Child Trust Fund** each **year** in addition to any government payment(s). This limit may change in the future.
- c To open a **Child Trust Fund**, you must be:
 - aged 16 or over;
 - either the child named on the voucher or the person with parental responsibility for the child named on the voucher; and
 - the registered contact for the **Child Trust Fund**.

5 WHEN WILL A CHILD TRUST FUND START?

- a Subject to condition 5b, a **Child Trust Fund** will start on the **working day** on which all of the following conditions have been met:
 - we have received a voucher from you not later than 7 days after the expiry date on the voucher or, if you are transferring a child trust fund to us from another provider, the cash proceeds of that transfer, at our **administration address**;

- we have received and accepted a valid and correctly completed application (including the declaration) from you at our **administration address**;
 - where there is any right to cancel an application for a **Child Trust Fund**, the cancellation period has ended (see also condition 6 below); and
 - where an application is not in writing, you have agreed or are treated as having agreed a copy of the declaration.
- b For the purposes of the **CTF Regulations**, a **Child Trust Fund** could not start until 6th April 2005.

6 WHAT RIGHTS DO I HAVE TO CANCEL?

- a When an application for a **Child Trust Fund** is received and accepted, we will send you a cancellation notice. This is subject to condition 6d. The cancellation notice will tell you about your right to cancel that **Child Trust Fund**.
- b You can cancel a **Child Trust Fund** by filling in and returning the cancellation notice within 30 days of receiving it.
- c If you make a lump sum investment when an application is made for a **Child Trust Fund**, it will be held in an account in our name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group**) that is designated as a child trust fund client money bank account until the end of the 30 day cancellation period. We will not pay interest on any cash that we hold in connection with a **Child Trust Fund**. If you decide to cancel a **Child Trust Fund**, we will give you your money back. If you have chosen to make monthly investments, we will not collect any payments within the 30 day cancellation period.
- d You do not have a right to cancel a **Child Trust Fund** where you make further lump sum investments or, further monthly investments.

7 WHAT ARE SHARES AND HOW DO THEY WORK?

- a A **share** is a share in the property of the **sub fund**.
- b The investment aim of the **sub fund** is to match as closely as possible, subject to the effect of charges and regulations in force from time to time, the capital performance and net income yield of the FTSE 100 Index.
- c All **shares** are accumulation **shares**. This means that we reinvest the income from these **shares** back into the **sub fund**. The price of **accumulation shares** increases to reflect this reinvestment.
- d We will manage the **HBOS OEIC** so that the **shares** will be qualifying investments under the **CTF Regulations**.

8 WHO OWNS THE SHARES AND CASH IN A CHILD TRUST FUND?

- a We will hold the legal title to any **shares** and cash in a **Child Trust Fund**.
- b The child will be the beneficial owner of any **shares** and cash in a **Child Trust Fund**. You must not use any **shares** and cash in a **Child Trust Fund** as security for a loan.
- c You will not be given certificates for any **shares**. The **shares** in a **Child Trust Fund** will be pooled with **shares** held for other customers and will not be identified by separate certificates, other physical documents or equivalent electronic record. Details of the **shares** will be recorded on a register in our name or the name of our nominee. If the **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 a **Child Trust Fund** will be identified separately in our records. If we or our nominee lose any of the **shares** or cash in a **Child Trust Fund**, we will be liable to you. If we or our nominee defaults and is 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 other legal rights.

- d If we hold any cash in relation to a **Child Trust Fund**, we will deposit it in an account in our name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group**) that is designated as a child trust fund client money bank account. We will not pay interest on any cash that we hold in connection with a **Child Trust Fund**.
- e Provided that we have complied with the rules of the **FSA**, you agree that we can cease to treat as client money any unclaimed cash balance that we hold for you where there has been no movement in the balance for a period of at least 6 years and we can demonstrate that we have taken reasonable steps to trace you and to return the balance.

9 HOW ARE SHARE PRICES WORKED OUT?

- a We value the property of the **sub fund** at a 12 noon valuation point on each **working day** to work out the **share price** of the **shares** of the **sub fund**. The **share price** for **shares** of the **sub fund** is based on the value of the **sub fund**.
- b Dealing is on a forward pricing basis. This means that **shares** are bought and sold at the **share price** that applies at the next valuation point.
- c The **share price** for the shares of the **sub fund** is worked out in line with the instrument of incorporation and **prospectus** which apply to the **sub fund** and the **COLL Sourcebook**, each of which can change. To avoid dilution of the **sub fund**, we may make an adjustment to the **share price** in line with the **prospectus** and the **COLL Sourcebook**.
- d The **share price** is available on our website, currently <http://www.halifax.co.uk/investments/fundprices.asp> or by calling our helpline.

e We may buy or sell **shares** for a child and other customers as part of the same deal. Whilst in some other situations this aggregation may work to customers' disadvantage, when we buy or sell **shares** in line with these conditions, we will always do so on terms at least as favourable as those a child would receive if we had bought or sold their **shares** separately.

10 HOW DO I INVEST IN A CHILD TRUST FUND? WHERE ARE PAYMENTS IN A CHILD TRUST FUND INVESTED?

- a You can invest government payments in the form of a voucher(s), lump sums and/or monthly investments to buy **shares** through a **Child Trust Fund**.
- b You can make lump sum investments either by cheque or direct credit from an **account**. You are responsible for making sure that any investments that you make will not affect any benefits under your **account**. Lump sum investments must be at least £10. However we may accept a smaller amount to allow you to invest the maximum amount permitted in a **year**.
- c You can make monthly investments by direct debit or standing order. You must invest at least £10 a month to buy **shares** by direct debit or standing order.
- d We cannot invest any government payments, lump sums and/or monthly investments into a **Child Trust Fund** until that **Child Trust Fund** has started (see also condition 5).
- e We will use the amount of any government payments to buy **shares** at the **share price** at the first valuation point after we have received the payment from HMRC at our **administration address**. This is subject to condition 10d.
- f If you make a lump sum investment when an application is made for a **Child Trust Fund**, we will hold it in an account in our name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group**) designated as a child trust fund client money bank account. We will hold this until the **Child Trust Fund** starts (see also condition 5). We will not pay interest on any cash that we hold in connection with a **Child Trust Fund**. We will use an initial lump sum investment to buy **shares** at the **share price** at the first valuation point after the **Child Trust Fund** starts.
- g We will use any lump sum investments received after a **Child Trust Fund** has started to buy **shares** at the **share price** at the first valuation point after we receive the investment at our **administration address**.
- h If you make a monthly investment when an application is made for a **Child Trust Fund**, we will not collect that investment until the **Child Trust Fund** has started.
- i We will normally arrange to collect monthly investments on the same day each month (or, if that day is not a **working day**, the first **working day** after that day). This is subject to condition 10h. We will invest monthly investments at the **share price** on the day on which we do the deal.
- j You can transfer the cash value of a child trust fund with another provider into a **Child Trust Fund**. We will invest the cash transfer in the **Child Trust Fund** following the procedure for lump sum investments described in condition 10g above. Such a transfer will be accepted free of charge (except for charges such as stamp duty and any other dealing costs connected with the disposal or acquisition of assets to the property of the **sub fund** (see also condition 15c).
- k We will use all investments in a **Child Trust Fund** prior to the 13th birthday of a child to buy **shares** in the **sub fund**. (Please see also condition 11 for details of how we use investments on or after the 13th birthday of a child.)
- l You can apply to:
- increase or decrease your monthly investments within the child trust fund limits; and

- stop and restart your monthly investments at any time.

In each case, we will begin to make the change within five **working days** of receiving your instructions at our **administration address**.

11 LIFESTYLING

- a Except where instructed by the registered contact, all stakeholder **Child Trust Funds** are subject to lifestyling. Lifestyling means that the provider must adopt an investment strategy which aims to progressively reduce the variation, or potential variation, in capital value of the **Child Trust Fund** as the **Child Trust Fund** approaches maturity. Lifestyling must start at the latest when a child reaches 13, or from when a **Child Trust Fund** is opened if the child is older. Lifestyling continues until a child is 18.
- b We will write to you with details of the lifestyling option for the **Child Trust Fund** prior to the 13th birthday of a child. The lifestyling option will be in line with the requirements of the **CTF Regulations** for stakeholder child trust funds.
- c Unless you instruct us otherwise, we will invest all payments in a **Child Trust Fund** which are made on or after the 13th birthday of a child in an appropriate fund to meet the requirements of the lifestyling option. If you instruct us not to invest in line with the lifestyling option, payments will continue to be used to buy **shares** in the **sub fund**.
- d Unless you instruct us otherwise, we will also switch a percentage of the **shares** in a **Child Trust Fund** into an appropriate fund to meet the requirements of the lifestyling option. **Shares** will be switched on each birthday of the child (or, if that day is not a **working day**, the next **working day**) starting at age 13 and ending at age 17.
- e Unless you instruct us otherwise, you authorise us to manage the **Child Trust Fund** in line with these conditions and, in particular, to invest all government and additional payments in a **Child Trust Fund**,

and switch investments in a **Child Trust Fund**, in line with conditions 11c and 11d.

12 CAN I SWITCH SHARES?

- a Subject to condition 12b below, you cannot switch between **shares** in the **sub fund** and shares in any other sub fund in the **HBOS OEIC** under a **Child Trust Fund**.
- b You can switch between **shares** in the **sub fund** and shares in the fund selected to meet the requirements of the lifestyling option (and vice versa) under a **Child Trust Fund** on or after the 13th birthday of a child. (**Shares** of the **sub fund** are sold at the **share price** to buy shares of the fund selected to meet the requirements of the lifestyling option at the share price (and vice versa), using the prices that apply at the first **valuation point** after we receive your request at our **administration address**).
- c Currently, we do not charge for switches but we may charge for switches in the future in line with condition 16.

13 HOW DOES TAXATION AFFECT A CHILD TRUST FUND?

- a Under the current law relating to tax relief for child trust funds, we will manage a **Child Trust Fund** so that it will be free from all personal tax. When these conditions refer to personal tax, they mean income tax and capital gains tax. This does not take into account any tax that may have been paid on any investments held within the **sub fund** or taxes paid by the **sub fund**. The income generated from parental investments into a **Child Trust Fund** does not count towards the parent's income under current tax law. When these conditions refer to tax relief, they mean the tax relief that applies at the date of publication of these conditions. But, tax relief could change in the future. If the tax relief that applies to child trust funds changes, the **Child Trust Fund** will continue but it will be affected by that change. We can change these conditions

to take account of that change in line with condition 16.

- b The information about tax relief in these conditions only applies to people who pay UK tax. The value of tax relief depends on personal circumstances.
- c We will make claims, conduct appeals and agree tax reliefs and liabilities relating to a **Child Trust Fund**.
- d We will give HMRC any information about a **Child Trust Fund** that we are required to give them.

14 HOW WILL YOU CARRY OUT YOUR DUTIES?

- a We will act with reasonable skill, care and diligence as required by the rules of the **FSA**.
 - b We may not accept any instruction, request or notice or make any payment until we receive at our **administration address** any documents, information and consents for which we have asked and which we reasonably consider are necessary.
 - c If we cannot perform any of our services under these conditions due to circumstances beyond our reasonable control, then we will take all reasonable steps to bring those circumstances to an end, but we will not be liable for our non-performance except to the extent required by the Financial Services and Markets Act 2000 (including any replacement Act), any regulations issued under that Act and the rules of the **FSA**.
 - d If we delegate any of our functions or responsibilities under these conditions to any person, we will make sure that person is competent to carry them out.
 - e We may appoint another company in the **Lloyds Banking Group** authorised to act as such, to be the provider of the **Child Trust Fund** in our place. In such circumstances that company will manage the **Child Trust Fund** in line with these conditions and the **CTF Regulations**.
- f We will not be liable for any loss arising directly or indirectly from the late collection of a direct debit payment that is not due to our fault, including any loss of investment opportunity or loss of tax relief.

15 WHAT ARE THE CHARGES UNDER THE CHILD TRUST FUND?

- a The only charges are those normally associated with buying, selling and holding **shares** in the **sub fund** of the **HBOS OEIC**. There are no extra charges for investing through a **Child Trust Fund**. These charges can be increased only in line with the relevant **prospectus** and the **COLL Sourcebook**. Charges under this condition 15 will not be increased if this would cause the way in which we offer and manage **shares** to breach the requirements for stakeholder child trust funds under the **CTF Regulations**.
- b There is no initial charge when you buy **shares**. There is an annual management charge of 1.5% of the value of the assets of the **sub fund**. We take the management charge from the property of the **sub fund** in line with the **prospectus**.
- c In line with the requirements for stakeholder child trust funds under the **CTF Regulations**, for assets of the **sub fund** attributable to **shares**, we charge only certain expenses such as dealing costs, stamp duty and stamp duty reserve tax on deals in the assets to the property of the **sub fund**. They are reflected in the **share price** and are taken from the **sub fund** each month. Full details of all fees and expenses are explained in the **prospectus**.

16 WHEN CAN THESE CONDITIONS CHANGE?

- a Subject to conditions 15a and 16c, by giving you reasonable notice in advance, we can change any of these conditions for one or more of the following reasons:
 - to make them easier to understand or fairer to you;

- 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 **plan**;
- to reflect changes in market conditions;
- to reflect changes in general market practice (including the terms on which similar products are offered);
- to reflect changes to the way we look after your **plan** or child trust funds generally;
- to reflect changes to the tax relief that applies to child trust funds (see also condition 13a);
- to reflect legitimate changes to our costs of selling and/or administering plans and/or managing the **sub fund**;
- to allow us to introduce new or improved systems for looking after your **plan**; or
- to correct mistakes.

We will give you at least 10 **working days** notice of any change under this condition. You will be free to transfer your **plan** to another provider under condition 22c.

Where we refer to "changes" in the above list, we mean changes we know will happen or we reasonably believe will happen or changes that have already taken place.

Any change under this condition will be a proportionate response to the reason for that change.

- b** Subject to conditions 15a and 16c, we can also change these conditions if it is fair and reasonable to make the change. We will give you reasonable notice of at least 10 **working days** in advance of any change made under this condition. You will be free to transfer your **plan** to another provider under condition 22c.

- c** The conditions relating to **shares** of the **sub fund** (including those relating to charges) can be changed only in line with the **prospectus** and the **COLL Sourcebook**.
- d** If we delay in enforcing any term which forms part of these conditions, this will not affect our right to enforce it or the rest of those terms.
- e** If we choose not to enforce any term which forms part of these conditions, this will not affect our right to enforce the rest of those terms.
- f** Each paragraph and sub-paragraph in these conditions is separate from the others. This means that if we cannot enforce any one paragraph or sub-paragraph in these conditions, this will not affect our right to enforce any other paragraph or sub-paragraph.
- g** We will not make a change under this condition 16 that will cause the way in which we offer and manage **shares** to breach the requirements for stakeholder child trust funds under the **CTF Regulations**.

17 WHAT INFORMATION DO I RECEIVE?

- a** We will tell you about the progress of the investments in a **Child Trust Fund** in the following way.
- We will send you a letter to let you know we have received your application for a **Child Trust Fund**.
 - We will send you a full valuation of the **Child Trust Fund** at least every twelve months, including a statement of the deals carried out over the previous twelve months. The valuation will be based in the number of **shares** in your **plan** multiplied by the **share price**, both of which will be calculated as at the date set out in the valuation.
 - After a **Child Trust Fund** ends, we will send you a final statement of the deals carried out since the last valuation.

b We will not send you a contract note in relation to **shares** we buy or sell for a **Child Trust Fund**. A statement of the deals carried out for a **Child Trust Fund** will be included with a valuation of the **Child Trust Fund** which will be sent to you at least every twelve months (see also condition 17a above).

c If you ask, we will arrange for you to:

- go to and vote at meetings of shareholders; and
- receive any information we send to shareholders including copies of half-yearly and annual reports for the **HBOS OEIC**.

d If you ask, we will send you a summary of the rights under the Financial Services Compensation Scheme.

e You can get the **prospectus** for the **HBOS OEIC** by writing to us at our **administration address**.

18 HOW CAN WE CONTACT EACH OTHER? WHAT INFORMATION CAN YOU GIVE AND RECEIVE ABOUT A CHILD TRUST FUND?

a We will send all notices and other post to the address that you gave us when you applied for a **Child Trust Fund** or the latest address that you have given us. We will assume that everything we send arrives 48 hours after posting if it is sent to an address in the United Kingdom or 10 days after posting if it is sent abroad.

b You must write to us straight away at our **administration address** if you, or the child for whom a **Child Trust Fund** has been opened, 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 be effective. You should make sure that the arrangements for receiving mail at your address are safe.

c Unless these conditions say differently, any notice, request, instructions or other information that relates to a **Child Trust Fund** will only be valid if they are in writing.

d We may ask any other member of the **Lloyds Banking Group** to give us information about you that will help us to identify you.

e We can tell any other person you allow us to tell, about a **Child Trust Fund** and any changes to it.

19 WHAT HAPPENS IF A CHILD TRUST FUND IS MADE VOID?

a We will tell you if a **Child Trust Fund** is or will be made void by reason of any failure to satisfy the provisions of the **CTF Regulations**.

b If a **Child Trust Fund** is made void for the purposes of the **CTF Regulations**, we will sell any **shares** in the **Child Trust Fund** in line with condition 21b and return:

- the sale proceeds of all **shares** purchased with government payments to HMRC; and
- the balance of the sale proceeds to the child or the person(s) who made the investments in line with the **CTF Regulations**.

20 WHAT HAPPENS IF A CHILD DIES? WHAT HAPPENS IF I DIE?

a If a **Child Trust Fund** is in force when the child for whom it has been opened dies, its tax exempt status will end on that date and we will stop collecting monthly investments, but the **Child Trust Fund** will continue.

b When we have received evidence of the child's death that is satisfactory to us and the personal representatives or any other person entitled to them ask us to sell the **shares**, we will sell those **shares** in line with condition 21b and pay the proceeds (less any money owed to us and HMRC) to them.

c Until we sell the **shares**, they will be subject to daily price movements as normal. When we know who the personal representatives are, we will tell them the value of the **shares** at the **share price** on the date of the child's death.

d If a **Child Trust Fund** is in force when you die, subject to receiving evidence of your death that is satisfactory to us, we will amend the details we hold for the registered contact in line with the **CTF Regulations** and the **Child Trust Fund** will continue.

21 WHEN CAN WITHDRAWALS BE MADE FROM A CHILD TRUST FUND?

- a** You can make withdrawals from a **Child Trust Fund** by telling us in writing to sell shares only where a terminal illness claim made on behalf of the child has been agreed.
- b** We will carry out your instructions as soon as reasonably practicable in line with **FSA** rules. We will normally send you a cheque within four **working days** of receiving your instructions at our **administration address**.

22 WHEN CAN A CHILD TRUST FUND BE CLOSED? HOW CAN IT BE TRANSFERRED?

- a** A **Child Trust Fund** can only be closed in the following circumstances:
 - on the death of the child (see also condition 20);
 - where HMRC tell us to do so (where a Child Trust Fund is void) (see also condition 19); and
 - when the child reaches their 18th birthday (see also condition 23).
- b** If our appointment as provider of the **Child Trust Fund** is ended for whatever reason, we will give you certain options and notify you of your right to transfer a **Child Trust Fund** to another provider. If you do not choose an option within a reasonable period or ask us to transfer a **Child Trust Fund** to another provider, we will choose the option that we reasonably think is best for you.
- c** If you ask us, we will transfer in line with the **CTF Regulations** the cash value of all of the **shares** under a **Child Trust Fund** to another provider without affecting the tax

relief. We will do this by selling the **shares** and paying the proceeds (less any money owed to us and HMRC) from the sale to the new provider. You must transfer the total cash value of all **shares** under a **Child Trust Fund**. Partial transfers of a **Child Trust Fund** are not allowed. You may tell us the time within which you wish us to act on your instructions under this condition. We will carry out your instructions within a reasonable time (not exceeding 30 days). The transfer will be free of charge (except for charges such as stamp duty and any other dealing costs connected with the disposal or acquisition of assets to the property of **sub fund** (see also condition 15c).

23 WHAT HAPPENS WHEN THE CHILD REACHES 18?

On the 18th birthday of the child (or if that day is not a **working day**, the next **working day**), the **Child Trust Fund** will end. Unless the child instructs us otherwise, we will register the legal title to any **shares** and cash in a **Child Trust Fund** in the name of the child. The facility to switch into shares in the other **sub funds** of the open-ended investment companies managed by us will then become available.

24 WHAT CONDITIONS APPLY TO PREVENT MONEY LAUNDERING?

We may ask for proof of your identity and 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 a **Child Trust Fund**;
- end a **Child Trust Fund**; or
- refuse to make payments to you from a **Child Trust Fund**.

The price at which we then buy or sell **shares** for a **Child Trust Fund** could be higher or lower than the price at the time we received your application or instructions.

25 HOW DO I COMPLAIN?

We have a procedure to help us investigate all complaints from our customers effectively. If you have a complaint about a **Child Trust Fund** or would like details of our complaints procedures, please write to our compliance officer at our **administration address**. If we cannot resolve your complaint to your satisfaction, you also have a right to complain direct to the Financial Ombudsman Service whose address is South Quay Plaza, 183 Marsh Wall, London E14 9SR.

26 WHICH COUNTRY'S LAWS APPLY?

- a It is agreed that these conditions are governed by the laws of England and Wales.
- b It is agreed that any dispute will be dealt with by the English courts.

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