

Key Features of the ASDA Child Trust Fund account



The Financial Services Authority is the independent financial services regulator. It requires The Children's Mutual, provider of the ASDA Child Trust Fund account, to give you this important information to help you decide whether it 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.

ITS AIMS

- To provide a tax-efficient way to invest for a child by taking advantage of the government's Child Trust Fund (CTF) scheme.
- To take advantage of the growth potential of company shares to produce a tax-free lump sum for the child at 18.
- To help parents teach their child about savings and investments.

YOUR COMMITMENT

- You use your child's government CTF voucher to open an ASDA Child Trust Fund account for your child with The Children's Mutual. You do not need to send us the voucher itself.
- You (or someone else who also has parental responsibility for your child) agree to become the 'Registered Contact' – this is the person who makes all the decisions about the Child Trust Fund account until your child reaches age 16.
- You don't have to make any payments into the account, but adding to the government contributions could help produce a bigger payout for your child at 18.

RISKS

- The value of the Child Trust Fund account is not guaranteed, and will move up and down over time. These movements are outside our control.
- At 18 your child could get back less than has been paid in.
- Your child cannot receive the money until their 18th birthday, even if it might be needed before then.
- The tax rules that apply to the Child Trust Fund account, or to the underlying investment, could change (for example, if there's a change of government).



QUESTIONS AND ANSWERS

What types of CTF account are there?

There are three types of CTF account. Each child can have only one type of CTF account at any time.

1) Stakeholder (ASDA Child Trust Fund is a stakeholder CTF account)

This type of CTF account is designed for inexperienced investors, so it must meet certain government requirements:

- Investment must be linked to company shares. This is because, in the past, shares have mostly produced better returns over longer periods than cash deposit accounts. But shares in more risky types of company are not allowed.
- Starting no later than the child's 13th birthday, the account must allow for the money to be moved gradually into lower risk investments (like cash and government bonds). The aim of this is to limit the effect of falling share prices on the value of the account in its later years.
- The CTF account manager can't require contributors to pay in more than £10 at a time.
- The CTF account manager can't charge more than 1.5% of the account's value each year.

But just because it meets these requirements doesn't mean that a Stakeholder CTF account is automatically suitable for everyone, or that it's guaranteed to perform well. Remember, past performance isn't a guide to the future.

There are also two types of Non-Stakeholder CTF account, which **don't** have to meet all the government requirements. For example, they don't have to move money into lower-risk investments from age 13, and there's no upper limit on charges.

2) Non-stakeholder Shares

This type of CTF account normally also invests in shares, perhaps including smaller companies, or companies operating in other countries. So, there may be a better chance of getting a good return, but the risk of losing money can also be higher.

3) Non-stakeholder Cash

This type of CTF account is similar in many ways to a bank or building society deposit account. The CTF account manager will add

interest to the money paid in, but the rate is not normally guaranteed and can be changed.

Although the child is sure to get back as much as has been paid in, it could be less than they'd get back from a stakeholder or shares-based CTF account at 18. Inflation will reduce the value of the money paid in.

How can I add to my child's ASDA Child Trust Fund?

Anyone can pay into your child's ASDA Child Trust Fund account, and as soon as money is paid in it belongs to your child. This means that whoever has made the payment cannot change their mind later and have their money back.

The minimum amount we accept is £10, and payments can be made monthly, yearly, or as one-off lump sums.

The most that can be paid in is £1,200 a year (from birthday to birthday). This is on top of government contributions.

We accept payment by:

Direct Debit; Direct Credit;
Standing Order; Cheque;
Debit Card (online or by telephone only).

Anyone making regular monthly payments by Direct Debit can also choose the 'Escalator' option. This allows us to increase their Direct Debit payments by a fixed amount each year, following your child's birthday. We'll increase the Direct Debit amount each year until your child reaches 17, or the £1,200 yearly contribution limit is reached, if sooner. The 'Escalator' option can be cancelled, or the increase amount changed, at any time. Please contact us if you'd like more information about 'Escalator'.

What do you do with the money?

Until your child reaches age 13, we use the money paid into their Child Trust Fund account to buy shares in an OEIC. An OEIC is a type of fund that offers a simple way to invest in a range of company shares or other types of investment. The OEIC fund we use for the Child Trust Fund account invests in shares traded on the London stock market. For more information about this fund, please see the Simplified Prospectus section starting on page KF6.

All OEIC shares are held in our name as the CTF Account Manager.

Starting on your child's 13th birthday, we will gradually move money into lower risk investments such as government bonds and cash, or a fund holding those types of investments. The proportion of your child's account held in lower risk investments will be one-fifth after the first year's move, two-fifths after the second year's, three-fifths after the third, four-fifths after the fourth, and then the full plan value after the fifth year. We'll also gradually invest more of any new payments into the account during this time in this way.

If we can't invest any money paid in by the next working day after we receive it, we'll pay it into an interest-bearing client money account in our name. We'll then invest the money as soon as possible after that. We don't add any interest to your child's Child Trust Fund account while the money's waiting to be invested.

What might my child get back?

Table 1 gives examples of what your child might get back from their Child Trust Fund account at age 18. The figures show the money growing at three different rates, as set by our regulator (the Financial Services Authority). At the time of preparing these Key Features we believe these should be realistic growth rates.

The figures shown take our charges into account, but are **not** guaranteed – they are not minimum or maximum amounts. Your child could get back more or less than this. Remember that inflation will reduce what could be bought in the future with the amounts shown.

How do the charges work?

Our charges are 1.5% of the value of the Child Trust Fund account each year. So, for example, if the value were £500 throughout a year, we would charge £7.50 for that year. If it were £1,000 throughout a year, our charge for that year would be £15.

Tables 2 and 3 show how the charges would affect the Child Trust Fund account over 18 years, based on the middle assumed growth rate (7% a year). The figures in the column headed 'What the value of the account might be' in each table show what could be available at the end of each year if, say, you wanted to transfer to a different CTF account manager. The figures for year 18, however, show the possible amount the child could get back.

TABLE 1

Type of payment	What the child could get back at age 18 if investments grew at:		
	The lower rate of 5% a year	The middle rate of 7% a year	The higher rate of 9% a year
Government contributions of £250 at outset and at age 7	£821	£1,090	£1,440
Government contributions of £250 at outset and age 7, plus voluntary regular payments of £50 a month	£15,700	£19,100	£23,400

TABLE 2

Effect of deductions for charges – government contributions of £250 at outset and age 7			
At end of year	Investment to date	Effect of deductions to date	What the value of the account might be
1	£250	£3	£263
3	£250	£13	£292
5	£250	£25	£325
10	£500	£81	£716
15	£500	£187	£931
18	£500	£279	£1,090

TABLE 3

Effect of deductions for charges – government contributions of £250 at outset and age 7, plus voluntary regular payments of £50 a month			
At end of year	Investment to date	Effect of deductions to date	What the value of the account might be
1	£850	£9	£880
3	£2,050	£60	£2,240
5	£3,250	£165	£3,760
10	£6,500	£767	£8,630
15	£9,500	£2,000	£14,600
18	£11,300	£3,400	£19,100

The last lines of both Table 2 and Table 3 above show the effect of the total charges and expenses over 18 years - £279 in Table 2 and £3,400 in Table 3. Putting it another way, this would have the effect of bringing investment growth from 7.0% a year down to 5.4% a year for the lump sum government contributions in both tables, and from 7.0% a year down to 5.4% a year for the regular monthly payments in Table 3.

What about tax?

There is no income tax or capital gains tax for you or your child to pay on any growth in the value of the Child Trust Fund account. However, the OEIC fund may have paid tax on dividends earned by the shares it holds, and this can't be reclaimed.

If the child is resident in the UK when the Child Trust Fund account ends on their 18th birthday, they will have no tax to pay on the amount paid out.

The tax treatment of CTF accounts or OEICs (or both) may change in future.

Has anyone given me advice, and if they have what will it cost?

Nobody has given you any advice about whether the Child Trust Fund account could be appropriate for you. However, for introducing you to us, The Children's Mutual will pay ASDA Financial Services Limited as follows:

- for the government voucher: nil
- for new payments into the account during its first year by Direct Debit: 17.5% of all such payments. For example, if you pay in £30 a month by Direct Debit in the first year, we will pay ASDA Financial Services Limited £63.00 (£30 x 12 x 17.5%)
- for all other new payments into the account: nil
- of the account's value over each year: 0.175% of such value, but excluding any payments made into the account one month or less before the date we calculate the amount payable to ASDA Financial Services Limited. We do this calculation monthly and pay the resulting amounts to ASDA Financial Services Limited every 6 months. For example, if the account was valued at £1,000 for the full year, we would pay £0.88 at the end of each 6 months (£1,000 x 0.175% divided by 12 x 6).

Depending on the number of such accounts we have already opened when you open the Child Trust Fund account, we may make an additional one-off payment to ASDA Financial Services Limited. Details are available on request.

All payments we make are already included in the charges (shown in the section above 'How do the charges work?'). There is nothing extra for you to pay.

Can I change my mind?

Yes. Once we've accepted your application we'll send you a cancellation notice; you'll have 14 days from when you receive this notice to change your mind. If you do, you must notify us in writing at the address shown under 'How to contact us'. If we haven't heard from you within 14 days, we will start to process your application. We are not allowed to open the Child Trust Fund account, to claim the government money, or to invest any other money paid to us until these 14 days have passed.

Once the Child Trust Fund account is open, you can transfer its value to another CTF account manager at any time, or switch to a different type of CTF account from us, without specific charge.

Will you tell me how my child's Child Trust Fund account is doing?

Yes. We'll send the Registered Contact a yearly statement showing what the Child Trust Fund account is worth.

As your child gets older, we hope you'll look at these statements together and talk about why putting money aside for the future is a good idea.

How does my child withdraw their money?

Shortly before your child's 18th birthday we'll send them information about the options open to them, and what they need to do next. We will also ask them to provide evidence of their identity.

If they don't withdraw their money straight away, we'll hold it for them in a cash deposit account in our name until they do. Any interest we add will be taxable.

OTHER INFORMATION

Complaints and compensation

If you're not happy about something, please tell us so that we can try to sort out the problem for you. You can either telephone or write to us – see 'How to contact us' below.

If you're not satisfied with our response, you can contact:

The Financial Ombudsman Service
South Quay Plaza, 183 Marsh Wall
London E14 9SR

Tel: 0845 080 1800

A copy of our complaints procedure is available on request.

We are covered by the Financial Services Compensation Scheme (FSCS). If we cannot meet our obligations your child may be entitled to compensation under the scheme. Most types of investment business are covered as follows:

Until 31 December 2009 – 100% of the first £30,000 and 90% of the next £20,000 (maximum compensation £48,000).

From 1 January 2010 – 100% of the first £50,000 (maximum compensation £50,000).

For further information telephone 020 7892 7300.

Law and language

The ASDA Child Trust Fund account is governed by the law of England, and any dispute would be decided by a court in England or Wales.

All communications from us will be in English.

The information in these Key Features is provided only in respect of children who are UK residents (including children of Crown employees serving overseas) at the time the Child Trust Fund account is opened.

Conflicts of interest

We aim to run our business so that conflicts of interest don't arise between The Children's Mutual and its customers, or between different types of customer. We have procedures in place to identify and handle any conflicts that do arise. We review these procedures regularly.

In the unlikely event that we identify a major conflict, we'll tell you about it promptly. We'll also tell you how we expect to resolve the conflict with as little effect as possible on you or our other customers.

Full details of our conflicts of interest policy are available on request.

How to contact us

The information in these Key Features, and on our website, is designed to help you decide for yourself if this Child Trust Fund account could help you with what you want for your child. If you have any questions about how the Child Trust Fund account works, please contact us – we're here to help! But bear in mind that we can't tell you if it is appropriate for your particular circumstances. If you're unsure, you should consider obtaining independent advice. You can find an adviser by visiting www.unbiased.co.uk.

You can contact us on 0845 077 1899 - weekdays 8am to 8pm, and Saturday 9am to 1pm - or leave an answerphone message outside these hours. We will record calls for training or security purposes.

Alternatively, you can email:

ctf@thechildrensmutual.co.uk

or write to:

The Children's Mutual
PO Box 2067
Gloucester GL4 3YU

SIMPLIFIED PROSPECTUS

Important information about the investment fund

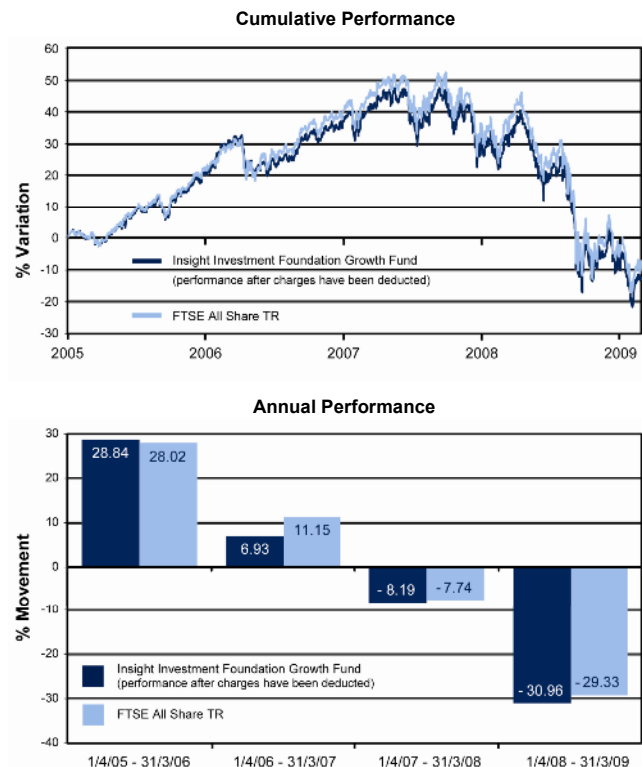
As the ASDA Child Trust Fund account is a Stakeholder CTF account, money paid in is invested over most of the period of the plan in a fund that holds company shares. The tables on the following pages contain important information about this fund. The information is taken from the fund manager's 'Simplified Prospectus', which is a document required by European regulations, and therefore includes some details of a technical nature.

We have tried to explain, in simple terms, what these mean – see the third column of the tables overleaf. You can ask us to provide you with a copy of either the fund manager's Simplified Prospectus, or their full Prospectus, at any time; however, you should be aware that both documents are complex and include information that does not apply to investing through the Child Trust Fund account.

Fund performance

The line graph shows the % movement from the Fund's inception to end March 2009. The bar chart shows the annual % movement between the dates shown at the bottom of the chart.

Please note: the ASDA Child Trust Fund account is a long term investment, so although the fund price is low as at the end of March 2009 when compared with April 2005 (when CTF began) it should be noted that The Barclays Capital Equity Gilt Study 2008 shows that shares have outperformed cash deposits for all but one 18-year period since 1899. Investing during a period when share prices are low can be an advantage in the early years of a long-term investment, as the money you pay in will buy more shares in the fund. However, past performance is not a guide to the future.



The Fund values are as at 12 noon on the day stated whereas the FTSE All Share values are as at the close of business on the same day. This can give an unfavourable comparison between the fund and the index it is tracking. As an example, between 12 noon and close of business on 29th June 2007, the index increased in value by over 1.3%.

OEIC Fund	Insight Investment Foundation Growth Fund	This is the fund that the ASDA Child Trust Fund account invests in. It is one of a number of 'sub-funds' into which the OEIC is divided.
OEIC	Insight Investment Professional Funds ICVC	This is the overall fund which includes the Foundation Growth Fund as a sub-fund. 'OEIC' stands for Open-Ended Investment Company; 'ICVC' stands for Investment Company with Variable Capital. Both terms are essentially different names for the same type of fund.
OEIC Manager	Insight Investment Funds Management Limited, 33 Old Broad Street, London EC2N 1HZ	This is the company that manages the fund. It is part of Lloyds Banking Group.
Management Company	Insight Investment Funds Management's main business is acting as Authorised Corporate Director (ACD) for a range of authorised funds.	The role of the ACD includes the day-to-day operation of the OEIC, such as managing its investments, buying and selling shares and pricing the shares.
Fund launch date	1 November 2000	This is the date the OEIC actually started to accept money from investors.
Share class launch date	4 February 2005	This is the date the particular type of shares offered for investment in the Child Trust Fund account ('accumulation shares') were first offered to investors.
Price publication	For current share prices you can call us on 0845 077 1899.	You can track the value of the Child Trust Fund account by checking the price of shares whenever you wish.
Investment Objective and Investment Policy	The fund aims to achieve long-term capital growth by investing in a representative sample of UK equities and for these assets to produce a return that before charges and expenses matches the total return of the FTSE All-Share Index.	This is the outcome the fund manager aims to produce for investors, and how it tries to achieve it.
Risk factors	<ul style="list-style-type: none"> ■ The value of shares and income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. Past performance is not a guide to future performance and when the investment is sold (the money is withdrawn from the account) the child may get back less than was originally invested. Inflation will, over time, reduce the spending power of the investments. ■ The rates of, and any relief from, taxation may change over time. ■ It is not possible to match the performance of the FTSE All-Share Index exactly. This is because of charges and tracking error. ■ Derivatives may be used for the purpose of Efficient Portfolio Management. ■ Each sub-fund of the OEIC is treated as being responsible for meeting its own liabilities. However, if at any time any sub-fund is unable to meet its liabilities, the OEIC Manager may reallocate these in a way that it believes is fair to holders of shares in all sub-funds. This could affect the total value of the OEIC fund. <p>Details of all risks can be found in the full Prospectus of the fund.</p>	'Derivatives' – Derivatives are a type of investment whose values are linked to the value of an underlying asset, for example a stock market index. They are not 'real' assets like, for example, company shares. Derivative transactions may be used as a way to reduce investment risk, manage the funds in the most efficient way and enable the investment objectives of the fund to be met.
Charges	Annual Management Charge 1.5%	This is the yearly charge to each investor and is applied, on a daily basis, to the overall value of that investor's holding in the fund. The yearly charge we pass on to investors for shares held for the Child Trust Fund account cannot be more than 1.5% under current CTF regulations.

Commission expenses	Commission is generally paid to brokers for buying and selling underlying equity (company share) investments in a portfolio. In certain circumstances, this commission also pays for research analysis.	Commission is paid by the fund manager. The cost is fully covered by its charges – see above.
Total Expense Ratio	1.5%	Total Expense Ratio (TER) is the yearly operating expenses of the fund. This figure helps when comparing the operating expenses of different funds. The TER includes, for example, the annual management charges and any depositary, registration, and audit fees.
Portfolio Turnover Rate	38.3%	Portfolio Turnover Rate (PTR) provides an indication of how much the fund manager changes the fund's investments in a year. There is a cost involved in the buying and selling of these investments. The higher the PTR, the more changes have been made, and the higher the cost of dealing paid for by the fund has been. However, active management may mean that changing investments more frequently increases the performance of the fund sufficiently to outweigh the costs.
Dilution levy	The fund manager is entitled to apply a dilution levy. If a levy is applied it is paid by the person buying or selling the shares and is paid into the fund for the benefit of all shareholders.	When there is a large inflow or outflow of cash from a fund, as a result of shares in the fund being bought or sold, the fund manager will probably have to buy or sell some of the fund's underlying company shares to invest or raise the cash. This buying and selling incurs dealing costs which are paid by the fund. This reduces (or dilutes) the value of the fund and as a result can reduce the share price. This is potentially unfair on the existing shareholders and is why the fund manager can apply a dilution levy on investors when they are making or selling their investment.
Stamp Duty Reserve Tax	Stamp Duty Reserve Tax (SDRT) costs are met by the fund.	All funds that invest in UK company shares have to pay SDRT. The amount of duty paid is the duty due on any shares the ACD buys back from one investor and sells on to another. The amount of duty paid is reduced by the proportion of the fund not invested in UK company shares. The amount due is paid out of the fund.
Fund tax	The fund is subject to UK tax laws. The tax rate is 20%. The fund does not pay Capital Gains Tax on its underlying holdings.	Investors with shares in the fund held within the Child Trust Fund account do not suffer any personal tax on any growth in the value of their holding. The Fund pays corporation tax on dividend income received from UK company shares. This tax cannot be reclaimed by the fund manager or the account holder. If the account holder is not a UK resident when they withdraw money from the Child Trust Fund account (at or after 18) they may have to pay tax on that part of the payout which arises from interest earned while they were not resident in the UK.
Income accumulated	Income accumulated will be reinvested within the fund, thereby increasing the price of the shares.	Most funds offer two types of shares – 'income shares', which actually pay out a regular amount to investors, and 'accumulation shares', for which all income earned is automatically reinvested to increase the share price. All shares held for the Child Trust Fund account are accumulation shares.
Place of Incorporation	England and Wales	The laws of England and Wales apply to the operation of the fund.
Fund currency denomination	UK Sterling	All transactions undertaken by the fund are expressed in £ sterling.

Depository	The Bank of New York Trust and Depository Company Limited, One Canada Square, London E14 5AL	The role of the Depository is to act as the appointed caretaker of the fund's assets.
Auditor	KPMG Audit PLC, 8 Salisbury Square, London EC4Y 8BB	The role of the Auditor is to ensure that the fund is operated in accordance with all relevant laws and regulations.
FSA authorisation	11 January 2000	This is the date the OEIC was authorised by the Financial Services Authority (FSA) to start trading.
Insight Investment Professional Funds ICVC – other sub-funds	As well as the Foundation Growth Fund, the Insight Investment Professional Funds ICVC also includes a number of other sub-funds, each with its own investment objective and policy. Details are included in the fund manager's Simplified Prospectus – a copy is available on request.	We only offer the Foundation Growth Fund for investment through this Child Trust Fund account.
Date of Simplified Prospectus	31 March 2009	This is the date the fund manager's Simplified Prospectus was last updated.

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The Children's Mutual, PO Box 2067, Gloucester GL4 3YU Tel: 0845 077 1899
Email: ctf@thechildrensmutual.co.uk Website: thechildrensmutual.co.uk

The Children's Mutual is a trading name of the Tunbridge Wells Equitable Group, which includes Tunbridge Wells Equitable Investments Company Limited, registered in England under the Companies Act 1985, registered no. 4315370, FSA registered no. 208027. Authorised and regulated by the Financial Services Authority and a member of the Financial Ombudsman Service. Registered office: Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8GN. You can check the details of our authorisation on the FSA's Register by visiting the FSA's website at www.fsa.gov.uk/register/home.do or by contacting the FSA on 0845 606 1234.

Terms & Conditions of the ASDA Child Trust Fund Account

Investing in Insight Investment Foundation Growth Fund



This document contains the Terms & Conditions of the ASDA Stakeholder Child Trust Fund (CTF) account provided by The Children's Mutual. It should be read in conjunction with the relevant brochure and Key Features. Please read it carefully, and keep it in a safe place.

1. Definitions

1.1 In these Terms and Conditions, the words below have the meanings shown (unless the context in which they are used requires otherwise):

The account: the ASDA Stakeholder CTF account.

The Children's Mutual: for the purposes of CTF accounts, a trading name of Tunbridge Wells Equitable Investments Company Limited.

Child Trust Fund (CTF): the scheme set up by the government under the Child Trust Funds Act, 2004.

Contribution year: the first contribution year starts on the day the CTF account is opened and ends on the day before the child's next birthday; each subsequent contribution year starts on the child's birthday and ends on the day before their next birthday.

CTF Account Manager: Tunbridge Wells Equitable Investments Company Limited (TWEICL), trading as The Children's Mutual.

FSA rules: the rules published, from time to time, by the Financial Services Authority (FSA).

HMRC: Her Majesty's Revenue & Customs.

OEIC: an OEIC is an open-ended investment company with variable capital (ICVC). It is made up of a number of different sub-funds, each with its own investment objective. The OEIC that your child's account invests in is shown in the Key Features.

OEIC fund: the sub-fund of the OEIC which we offer for Stakeholder CTF accounts. The sub-fund that your child's account invests in is shown in the Key Features.

OEIC Manager: the Authorised Corporate Director (ACD) of the OEIC. Details of the OEIC Manager are shown in the Key Features.

The ACD's responsibilities include the day-to-day operation of the OEIC, such as managing its investments, buying and selling shares, and pricing the shares.

The Registered Contact: the person authorised to control the account. (See Condition 5 'The Registered Contact').

The Regulations: the Child Trust Funds Regulations 2004 (as amended from time to time).

Stakeholder CTF account: a CTF account meeting the government's Stakeholder CTF requirements.

Valuation point: the time of day on a business day when the OEIC Manager calculates the price of shares. This is usually the same time each business day, but may have to change in exceptional circumstances.

Once the account is open, shares are bought and sold at the price on the first valuation point after we receive the payment (where relevant), the instruction, and all required paperwork. For the voucher, or an account allocated by HMRC, the instruction is the one we receive from HMRC to credit the account with the initial government payment; there could be a delay of up to several weeks before we receive this instruction.

The address to which the Registered Contact must send instructions is:

The Children's Mutual,
PO Box 2067, Gloucester GL4 3YU
Telephone 0845 077 1899.

Void account: an account which does not satisfy the Regulations, and which HMRC instructs us to cancel.

The voucher: the voucher issued automatically by HMRC to the person claiming Child Benefit for the child.

We, us: the CTF Account Manager.

You: depending on the context, either the person who receives a voucher to open a CTF account, or the Registered Contact; in each case this must be a person with parental responsibility for the child. 'You' also includes any person who makes a payment into the account.

2. About the CTF Account Manager

2.1 The CTF Account Manager is Tunbridge Wells Equitable Investments Company Limited (TWEICL), Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8GN, which is an approved CTF account manager under the Child Trust Funds Regulations 2004. TWEICL is a wholly-owned subsidiary of Tunbridge Wells Equitable Friendly Society Limited. It is authorised and regulated by the Financial Services Authority and a member of the Financial Ombudsman Service.

2.2 These Terms & Conditions explain how TWEICL conducts its CTF account business in accordance with the Regulations.

2.3 When we chose which OEIC fund to offer as the underlying investment for our Stakeholder CTF, we took into account the social, ethical, and environmental implications of the general type and mix of shares usually selected for investment by the OEIC Manager, as well as their potential for producing capital growth.

2.4 If, at any time, TWEICL stops being authorised as a CTF account manager, we will give the Registered Contact at least one calendar month's notice of this in writing. They will then need to transfer the CTF account to another CTF account manager. (See Condition 16 'Transfer to another CTF account manager'.)

3. Stakeholder CTF accounts

3.1 The account satisfies all the government's requirements for Stakeholder CTF accounts.

3.2 If, at any time, the account stops satisfying these requirements, we will tell the Registered Contact as soon as we can. They may then either switch the account to a Non-Stakeholder CTF account offered by us (see Condition 15 below – 'Transfer The Children's Mutual Non-Stakeholder CTF account'), or transfer it to another authorised CTF account manager (see Condition 16 below – 'Transfer to another CTF account manager').

4. Starting an account

4.1 The person who will be the Registered Contact (see Condition 5 'The Registered Contact'), or any other person with parental responsibility for the child, can apply to start an account. The application can be made via our website, by telephone, or by completing an application form. The person applying must agree to the requirements of HMRC.

4.2 An agreement to start an account (including an account transferred from another CTF account

manager), or to become the Registered Contact of an existing account (including one allocated by HMRC) under these Terms & Conditions, will be an 'Initial Service Agreement' for the purposes of the European Distance Marketing Directive 2002. This means that the Registered Contact authorises us to carry out regular and/or repeated actions (for example collecting, receiving, and investing payments into the account) and there is no right to cancel any such action individually.

4.3 For information about when the account starts see the Key Features.

5. The Registered Contact

5.1 Only one person may be the Registered Contact at any time.

5.2 Until the child's 16th birthday, the Registered Contact must be a person who has parental responsibility for the child; this will normally be a parent or guardian of the child.

5.3 At any time before the child's 16th birthday any other person with parental responsibility for the child can replace the Registered Contact. Both persons must complete the form and declaration we provide (except, for example, if the previous Registered Contact has died).

5.4 From their 16th birthday, only the child can be the Registered Contact, but they must apply to us to take on this position. If they don't apply, we will continue to invest payments in accordance with the most recent instructions we had from the previous Registered Contact.

6. Ownership

6.1 The child is the beneficial owner of the account and the underlying investments, and may not transfer that ownership to anyone else.

6.2 All OEIC fund shares and other investments we hold for the account are registered in our name as CTF Account Manager, and we hold evidence of title. Beneficial ownership of the investments may only be transferred to us.

6.3 The child's interest in any OEIC fund shares or other investments held for the account may only be disposed of through us.

6.4 Neither the account, nor any investment held for it, may be used as security for a loan.

6.5 We cannot lend, or borrow against the security of, any investments we hold for the account.

7. Payments exceeding the voluntary contribution limit

7.1 If any payment we receive, or are due to request by Direct Debit, would, when added to the amounts already paid in during the contribution year, be more than the contribution limit allowed by the Regulations at that time, we will:

- if the payment is due to be collected by Direct Debit, reduce the amount we request so that the contribution limit will not be exceeded. Then for the rest of the contribution year we will not collect any more money for the account under any Direct Debit instruction;
- if the payment is made by Standing Order, Debit Card or Direct Credit, keep as much of it as we can without the account exceeding the contribution limit, and return the balance to the payer's bank or building society;
- if the payment is made by cheque, return the cheque (uncashed) to the payer or, if we cannot identify the payer, to the issuing bank.

8. Lifestyling

8.1 Lifestyling means switching the investments we hold for the account from higher risk to lower risk assets over a period of time. We do this in order to limit the chance of the account losing value if share prices fall as the child's 18th birthday approaches. However, lifestyling cannot ensure that the child gets back as much as has been paid into the account.

8.2 Unless the Registered Contact has told us otherwise, we will start lifestyling on the next valuation point on or after the child's 13th birthday. On that date, we will cash-in however many OEIC fund shares are worth 20% of the then total value of the account and use the cash-in value to purchase lower risk assets. It is likely that such assets will be mainly government bonds (gilts), fixed interest money market instruments and cash deposits, or an OEIC fund holding such assets.

8.3 On the equivalent date in each year after that, unless the Registered Contact has told us otherwise, we will increase the proportion of the account invested in the lower risk assets described in Condition 8.2 above. To do this we will cash-in and reinvest however many OEIC fund shares are required to leave 40% of the account's total value invested in lower risk assets after the child's 14th birthday, 60% after their 15th birthday, 80% after their 16th birthday, and 100% after their 17th birthday.

If, in any year, immediately before we are due to apply lifestyling, the proportion of the account already invested in lower risk assets is equal to or greater than the relevant figure above, then we will not proceed with that year's lifestyling.

8.4 During the lifestyling period, unless either of Conditions 8.5 or 8.6 below applies, we will invest all new payments into the account partly in OEIC fund shares, and partly in lower risk assets, in the same proportion as the existing investments held for the account at the start of the relevant contribution year. For example, if at the start of a contribution year, and after lifestyling, 40% of the account is invested in OEIC fund shares and 60% in lower risk assets, then we will invest 40% of all new payments received during that contribution year in OEIC fund shares, and 60% in lower risk assets.

8.5 At any time after the child's 13th birthday, the Registered Contact can tell us to increase the proportion of the account invested in lower risk assets. To do this, on the next valuation date after receiving this instruction we will cash-in and reinvest however many OEIC fund shares are required to achieve the required new proportion in lower risk assets.

We will then continue to invest new payments into the account during the remainder of that contribution year into OEIC fund shares and lower risk assets in the proportions that apply after we have taken this action, unless the Registered Contact instructs us to continue investing in the same proportions as applied at the start of that contribution year.

8.6 If, at any time after the child's 13th birthday any lifestyling described in Condition 8.2 or 8.3 above has not happened, the Registered Contact can tell us to start or restart lifestyling. On the next valuation point after we receive their instruction we will cash-in and reinvest however many OEIC fund shares are required to leave the proportion of the account invested in lower risk assets the same as would have been the case if lifestyling had happened on each of the child's preceding birthdays starting on their 13th.

We will then continue to invest new payments into the account during the remainder of that contribution year into OEIC fund shares and lower risk assets in the proportions that apply after we have taken this action, unless the Registered Contact instructs us to invest in the same proportions as applied at the start of that contribution year.

9. Tax matters

9.1 We will make all necessary claims for repayment of income and capital gains taxes arising on income or gains generated by the OEIC fund shares and any other investments held for the account.

9.2 Please see Condition 13 'Void CTF accounts' for the tax implications if the account should be made void.

10. Fund management charges and expenses

10.1 Fund management charges and expenses, and the circumstances in which they are, or may be, applied by the OEIC Manager, are set out in the simplified prospectus section of the Key Features.

11. Prospectus, simplified prospectus, reports, meetings, and voting rights

11.1 The Registered Contact may ask to receive a copy of the relevant prospectus or simplified prospectus issued by the OEIC Manager. We will not charge for providing this.

11.2 The Registered Contact may ask to receive copies of any relevant reports and accounts issued by the OEIC Manager. We may make a reasonable charge for providing these. However, such reports and accounts may be available free of charge on request direct to the OEIC Manager.

11.3 The Registered Contact may ask us to arrange for them to attend any meeting of shareholders in the OEIC fund, but they will not be able to exercise any voting rights. We may make a reasonable charge for making such arrangements.

11.4 We will not exercise any voting rights on behalf of the Registered Contact.

12. Liability

12.1 We are liable for any act of negligence, or omission, on our part, whether or not it gives rise to a breach of the FSA rules, or the Regulations, or these Terms & Conditions.

12.2 We are not liable for any loss the child may suffer due to:

- a) a fall in the value of any OEIC fund shares or other investments held for the account, or
- b) a delay in clearing any payment made into the account.

12.3 We do not accept any responsibility for the account (or for a CTF account transferred from another CTF account manager) until we have received all relevant cleared funds. Regardless of how money is paid to us, if we do not receive cleared funds within 7 business days of accepting instructions from a payer, we will be entitled to cancel any transaction for the purchase of investments for the account.

12.4 The Registered Contact agrees to indemnify us against any liability we may incur in connection with the account arising from any action they have taken or failed to take.

13. Void CTF accounts

13.1 If we are told to void the account by HMRC, we will notify the Registered Contact of this as soon as possible. We will cash-in the OEIC fund shares at the price on the first valuation point after we receive the instructions from HMRC. If voiding happens while lifestyling is in progress, we will also cash-in any other investments held for the account at the same time. We will pay the resulting amounts, less any amount we may reasonably deduct to cover the cost of voiding the account (including any tax liability), to the person or persons who had made the payments to the account. If we cannot establish the identity of any payer, we will pay the money to the child, care of the Registered Contact. We will repay the government contribution(s) to HMRC.

13.2 If the CTF account is made void, any income or growth it has already earned will be subject to income tax and/or capital gains tax. Any such tax due will be payable by the person(s) who made the payment(s) into the account. If we cannot establish the identity of any payer, any tax due will be payable by the child (if their relevant personal allowance(s) are exceeded) and the Registered Contact must account for it to HMRC on the child's behalf.

14. Transfer from another CTF account manager

14.1 At any time we will accept a transfer from another authorised CTF account manager of an amount equal to the value of a CTF account held with that CTF account manager.

14.2 We will only accept transfers from another CTF account manager in the form of a cheque, electronic money transfer, or equivalent.

14.3 The Registered Contact must complete the transfer application form we provide. We will wait 14 days from receipt of this form before applying to the existing CTF account manager to transfer the value of the CTF account. The Registered Contact will have the right to change their mind during this period.

14.4 We do not make a charge for accepting a transfer from another CTF account manager.

15. Transfer to The Children's Mutual Non-Stakeholder CTF account

15.1 At any time the Registered Contact can ask us to transfer the Stakeholder CTF account to a Non-Stakeholder CTF account, if we are then offering one.

15.2 We will cash-in the OEIC fund shares on the next valuation point after we receive the instruction to transfer. If the transfer happens while lifestyling is in progress, we will also cash-in any other investments held for the account at the same time.

15.3 We will immediately use the cash-in value of the OEIC fund shares, and any other investments, to purchase shares in such other OEIC fund or funds, and/or other relevant investments (if the transfer happens while lifestyling is in progress), as the Registered Contact instructs.

15.4 We do not make a separate charge for transfer to a Non-Stakeholder CTF account, but as the transfer value will be treated as a new investment our standard charges for Non-Stakeholder CTF accounts will apply.

16. Transfer to another CTF account manager

16.1 At any time the Registered Contact can ask us to transfer to another authorised CTF account manager an amount equal to the then total value of the account. In the first instance, the Registered Contact must contact the new CTF account manager, which will provide them with an appropriate form for completion.

16.2 We will only make transfers to another CTF account manager in the form of a cheque, electronic money transfer, or equivalent.

16.3 To make the transfer we will cash-in all OEIC fund shares at the price on the first valuation point after either (1) we receive the instruction to transfer or (2) all payments into the account (other than government contributions) have been cleared, whichever is the later, or, if the Registered Contact asks to transfer at a later date, the last valuation point before that date. If the transfer happens while lifestyling is in progress, we will also cash-in any other investments held for the account at the same time. We will pay the total resulting amount to the new CTF account manager.

16.4 We do not make a charge for making a transfer to another CTF account manager.

17. Withdrawals

17.1 Except as explained in Conditions 17.4 and 17.6 below, nobody may make any withdrawals from the account before the child has reached age 18. On their 18th birthday, the child may apply to withdraw the total value of their account. They will have no UK tax to pay on the amount withdrawn. They may reinvest any amount not withdrawn in any suitable product (other than a CTF account) which we then offer, but future income and growth may not be tax-free.

17.2 On withdrawal we will cash-in all investments held for the account at that time, and pay the resulting amount to the child. If the investments include any OEIC fund shares, we will cash them in at the price on the next valuation point on or after the child's 18th birthday. We will make payment by cheque drawn in the child's favour, or by direct credit to a UK bank account in their name. We may request evidence of their identity as required by international anti-money laundering regulations.

17.3 We will close the account on the child's 18th birthday. If all the money is not then withdrawn, and we have received no instruction for its reinvestment with us, we will place the cash-in value of the account in an interest-bearing client money account in our name with an appropriate institution authorised under the Financial Services & Markets Act, 2000. Any interest earned by the money will be taxable, and the child must account for the tax to HMRC.

17.4 If the child becomes terminally ill at any time before their 18th birthday, HMRC may allow withdrawals to be made from the account by a person with parental responsibility for the child (or by the child if aged 16 or over). The Registered Contact must apply for permission to make withdrawals directly to HMRC. For this purpose, 'terminally ill' means that the child suffers from a progressive disease with an expectation of survival of no longer than 6 months.

17.5 If we receive permission from HMRC, we will allow the withdrawal of any amount(s), requested on behalf of the child (or by the child if aged 16 or over). For each withdrawal we will cash-in however many OEIC fund shares as are needed, at the price on the first valuation point after either (1) we receive the instruction to withdraw or (2) all payments into the account (other than government contributions) have been cleared, whichever is the later, or, if we are asked to make the withdrawal on a later date, the last valuation point before that date, to produce the requested withdrawal amount. If the withdrawal happens while lifestyling is in progress, we will, if necessary, also cash-in other investments held for the account at the same time, so as to produce the requested withdrawal amount. We will maintain the account in force until the child's 18th birthday, regardless of how much it is worth after the withdrawal(s) have been made. New payments may continue to be made into the account, subject to the limits shown in the Key Features.

17.6 We will make withdrawals from the account in respect of our charges. These are explained in the Key Features.

18. Death of the child

18.1 If the child dies before they reach age 18, the account will end and we will close it as explained in Condition 18.3. The value of the account on closure will pass to the child's estate and form part of that estate for inheritance tax (IHT) purposes.

18.2 Before we can pay out the value of the account to the child's personal representative(s), they will have to provide (at their own expense) documentary evidence of the child's death and of their entitlement to claim payment. An original Registrar's copy Death Certificate will normally be sufficient evidence of death. If the child was old enough to make a will and had done so, a copy of the will (or Grant of Probate) will also normally be required as evidence of entitlement to claim.

18.3 We will close the account by cashing-in all OEIC fund shares held for account at the price on the first valuation point after we receive notification of the child's death. If death happens while lifestyling is in progress, we will also cash-in any other investments held for the account at the same time. We will pay the resulting amount into an interest bearing account with an appropriate institution authorised under the Financial Services & Markets Act 2000. We will pay the amount due to the child's personal representative(s) when we have received the documentary evidence referred to in Condition 18.2 above.

18.4 All growth in the value of the investments held for the account up to and including the date of the child's death will be free from tax. Any income or growth arising after the date of death, but before we can pay out the value of the account to the child's personal representative(s), will be subject to tax. We will deduct such tax from the amount we pay them and account for it to HMRC.

19. Schemes of arrangement

19.1 If the OEIC fund is subject to a scheme of arrangement (for example, it is transferred to or merged with another OEIC fund), the holding will continue into the new OEIC fund unless we do not offer that new OEIC fund for Stakeholder CTF accounts. If this happens the Registered Contact will have to switch the holding to another OEIC fund or other collective investment scheme that we do offer for Stakeholder CTF accounts, or transfer the value of the account to another authorised CTF account manager.

20. Data Protection

20.1 The Data Protection Act 1998 regulates the way we can use data we have collected from anyone, and requires us to obtain their consent before we can use their personal data. The Registered Contact gives this consent in respect of both themselves and the child by making the declaration in the application. Consent covers all organisations trading under The Children's Mutual name, their agents and administrators, and also (for marketing purposes only) selected third parties.

20.2 We use personal data solely for the purposes of:

- a) setting up and administering any investments with any organisation trading as The Children's Mutual, and
- b) business analysis, and
- c) the prevention of fraud, and
- d) to send details of other goods and services we can offer or promote (unless you have indicated that you do not wish to receive such material).

21. Rights of third parties

21.1 Neither the Registered Contact, nor any person making payments into the account for, or on behalf of, the child, will obtain any rights under the Contracts (Rights of Third Parties) Act, 1999 to the account or to any of the investments we hold for it.

22. Changing these Conditions

22.1 Subject to the FSA rules and the Regulations, and to giving the Registered Contact written notice at least 30 days beforehand, we have the right to change, or add to, these Terms & Conditions at any time.

22.2 The purpose of any change will be to:

- a) make the Terms & Conditions fairer, or easier to understand, or
- b) correct any mistake or omission, or
- c) give effect to any change to the FSA rules and/or the Regulations, or
- d) reflect new practices or developments, or
- e) reflect operational changes, or
- f) protect the interests of the child, or of our other customers, or
- g) enable us to take remedial action in the event that the OEIC fund (or any other asset in which, as the result of lifestyling, the account is invested) becomes unavailable or, in our opinion, unsuitable, for investment by Stakeholder CTF accounts.

The Children's Mutual, PO Box 2067, Gloucester GL4 3YU Tel: 0845 077 1899
Email: ctf@thechildrensmutual.co.uk Website: thechildrensmutual.co.uk

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