



Scottish Friendly Nucleus Onshore Bond accounts

Plan Conditions

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Overview of Main Plan Features

Nucleus Onshore Bond account (the Bond) has been set up by Scottish Friendly Assurance Society Limited ('Scottish Friendly'). The Account is administered by Nucleus Financial Services.

Any enquiries about the Bond generally or about your entitlement to benefits under the Bond should be addressed to Scottish Friendly (Nucleus Onshore Bond account) at Nucleus Client Relations, PO BOX 26968, GLASGOW, G29DY.

This overview sets out the most important aspects likely to affect your investment in the Bond.

WHEN YOU WANT TO ALTER YOUR BOND OR ARRANGE PAYMENTS, YOU SHOULD CONTACT YOUR INDEPENDENT FINANCIAL ADVISER OR NUCLEUS.

The Bond is a non-qualifying life bond in terms of the Income and Corporations Taxes Act 1988 issued by Scottish Friendly and subject to the policy conditions as set out in this document.

The Bond can be used to invest in a range of unitised life funds offered by Scottish Friendly. Scottish Friendly will pay all appropriate taxes as the liability arises on each asset within the Bond and a Tax Liability will be deducted from the Bond as assets are encashed.

All investments within the Bond are subject to the minimum contribution as specified from time to time by Scottish Friendly. Similarly all benefits taken from the bond are subject to the minimum amount as specified from time to time by Scottish Friendly.

On your death, 100.1% of the value of units in the Bond (minus any Tax Liability) shall be paid to your estate.

The Bond can be set up on the basis of a series of separate identical policies, known as individual clusters. Any instruction given by the Policyholder in accordance with the Policy Conditions shall apply in identical terms to each of the individual clusters except that the Policyholder may instruct that any one or more of the individual clusters may be cashed in.

The Bond can be set up on a Single Life, Joint Life (first death), Joint Life (second death), or multiple life (last death) basis.

The Life (Lives) Assured under the Bond may or may not be the Policyholder, however the Policyholder must have an insurable interest in the Life (Lives) Assured.

The actual set up of the Bond shall be expressly set out in the Schedule of each Bond.

Taking Benefits

Benefits may be taken at any time by either:

- Cashing in the entire Bond.
- Cashing in one or more individual policies.
- Withdrawing capital across the entire Bond, i.e. each individual policy.

However benefits are taken Scottish Friendly will deduct a Tax Liability from the Bond before benefits are paid.

Death

If the Bond Schedule notes that the Bond is set up on a Single Life basis then in the event of the death of the Life Assured the Bond shall be valued at the date of death as the value of units within the Bond minus any Tax Liability multiplied by 100.1% and paid to the Policyholder or the Policyholder's estate.

If the Bond Schedule notes that the Bond is set up on a first death basis then in the event of the death of any one of the Lives Assured the Bond shall be valued at the date of death as the value of units within the Bond minus any Tax Liability multiplied by 100.1% and paid to the Policyholder or the Policyholder's estate.

If the Bond Schedule notes that the Bond is set up on a second death basis then in the event of the death of both of the Lives Assured the Bond shall be valued at the date of death of the last Life Assured to die as the value of units within the Bond minus any Tax Liability multiplied by 100.1% and paid to the Policyholder or the Policyholder's estate.

1. General Details

1.1 The Bond

Within the Bond the Policyholder shall have one or more individual policies as determined by Scottish Friendly. Each individual policy is a non-qualifying life policy of assurance issued by Scottish Friendly and referred to in the Bond Schedule.

The Bond is evidence of a contract between the Policyholder and Scottish Friendly and is based on the Application and Declaration made by the Policyholder on the First Application Date shown in the Bond Schedule and any associated Application(s) and Declaration(s) made by the Policyholder.

Each Plan consists of and is subject to:

- a. the Schedule,
- b. these standard Plan Conditions ("the Plan Conditions") bearing the Reference shown on the Schedule,
- c. the statutory provisions laid out in Section 1.2 of this document.

1.2 Statutory Provisions

Each Bond is issued by Scottish Friendly and is a non-qualifying life policy as defined in the Income & Corporations Taxes Act 1988.

In the event of:

- a. Scottish Friendly ceasing to be an authorised Friendly Society; or
- b. any change or anticipated change in legislation which makes it impracticable to carry out the Bond Conditions; or
- c. a change in the basis of taxation of Scottish Friendly or non-qualifying life policies; or
- d. Scottish Friendly being required by law to pay any sum in respect of the Bond to any government agency; or
- e. a change in market conditions; or
- f. any recommendations by the Financial Services Authority; or
- g. any changes to Scottish Friendly's systems, methods of operation, services or facilities; or
- h. any mistake being discovered;

Scottish Friendly will make such alterations to the Plan Conditions or to the units allocated to the Bond as it considers necessary.

1.3 Payment of Benefits

Scottish Friendly will pay any benefits under the Bond in accordance with the Rules as stated in the Schedule. Such payment will be made by Scottish Friendly subject to:

- a. due payment of investment(s);
- b. delivery of the Plan documents listed in 1.1 to Scottish Friendly; and
- c. satisfactory proof being provided to Scottish Friendly in relation to
 - i) the happening of any event on which sums become due under the Bond, and
 - ii) the title of the claimant, and
 - iii) the correctness of the stated date of birth of the Policyholder.

Scottish Friendly will deduct from any benefits payable, any Tax Liability for which it may become liable in consequence of such payment.

1.4 Definitions

The following terms will have the following meanings throughout these Plan Conditions.

“Policyholder” means the person named in the Schedule, this will normally be the proposer of the application except where the policy has been issued under Trust when the Policyholder will mean the Trustees.

“Life Assured” means the person(s) upon whose death the Bond may be terminated.

“Appropriate Life Assured” means the person(s) upon whose death the Bond will be terminated as defined by the basis of death benefit in the Bond Schedule.

“Bond” means the non-qualifying policy of assurance constituted by the Plan documents listed in section 1.1 of these Plan Conditions, and effected through the Nucleus Onshore Bond account within the Nucleus wrap.

“Bond Schedule” means the Schedule appended to these Plan Conditions and bearing the Policyholder’s name. It includes any amendments made thereto after the issue of the Plan.

“Cash in date” means the date upon which the Policyholder decides to cash in some or all of their individual policies or the Bond.

“Gross Bond value” means the value of the Bond before the deduction of the Tax Liability.

“Fund” means a Scottish Friendly life fund which may or may not be linked to an underlying investment fund with a management group outside of Scottish Friendly group.

“Net Bond value” means the value of the Bond after the deduction of the Tax Liability.

“Individual Policy” means the separate and identical individual arrangements within each non-qualifying policy of assurance constituted by the Plan documents listed in section 1.1 of these Plan Conditions.

“Investment” means contributions by the Policyholder into the Bond.

“Scottish Friendly” means Scottish Friendly Assurance Society Limited as insurer and provider of the Bond.

“Tax Liability” means the amount of debt (or credit) within the Bond based on the accumulated amount of tax paid (or reclaimed) by Scottish Friendly on behalf of the units within the Bond plus interest at rates determined by Scottish Friendly from time to time.

1.5 General

Where appropriate in these Plan Conditions, words in the singular will include the plural and the masculine will include the feminine and vice versa in both cases.

Instructions to deal with the Plan will be made in such a form as Scottish Friendly may prescribe and will be subject to such restrictions as Scottish Friendly has imposed.

The law of contract will be that of Scotland unless otherwise stated in the Special Provisions section of the Schedule.

By payment of the first investment and issue of the policy constituting the Plan the Policyholder, as detailed in the Schedule, becomes a member of Scottish Friendly under Rule 2 of the Society.

2. Fund Details

2.1 The Funds

Scottish Friendly will maintain a number of distinct Investment-Linked Funds (“the Funds”) relating to life business. Each Fund will be divided into accumulation and such other types of units as Scottish Friendly may determine, and units of a particular type will be of equal value. Scottish Friendly reserves the right to consolidate or subdivide units at any time. Benefits under the Plan are specified in terms of these units but this does not confer the right to hold the units directly and the assets of each Fund will remain the property of Scottish Friendly. Scottish Friendly may reassure the Funds in whole or in part. Scottish Friendly reserves the right to introduce further Funds, or to subdivide, close or merge existing Funds.

2.2 Investment Linked Funds

- a. No Units will be created in a Fund unless assets equivalent to these units are added at the same time to that Fund. No assets will be withdrawn from a Fund except as in sub-section b) unless units equivalent to these assets are cancelled at the same time.
- b. The investment of the Funds will be at the discretion of Scottish Friendly, which may borrow money for any other Fund on the security of the assets of that Fund. Investment income from the assets of each Fund will be credited to that Fund. Scottish Friendly may withdraw from each Fund the amount it considers appropriate in respect of the following
 - i) Management charges as described in Section 2.4 of these Plan Conditions.
 - ii) Expenses, taxes, duties and other charges for acquiring, managing, maintaining, valuing and disposing of assets.
 - iii) Interest on monies borrowed on account of the fund, including interest due on monies borrowed from any other Fund.
 - iv) Any taxes or other charges on Fund income or on capital gains in respect of the assets of the Fund.
 - v) A proportion of any tax, levy or other charge on Scottish Friendly, the Bond Administrator or the Bond.
 - vi) Any expenses, tax duties or other charges incurred in connection with the Funds and not previously taken into account.

2.3 Valuation of Investment Linked Funds

- a. Each Fund will be valued at least once in each calendar month.
- b. Scottish Friendly will derive the maximum and minimum value of a Fund from the corresponding values of the assets reduced by all loans charged against the Fund and with appropriate allowances for uninvested cash, accrued income and accrued or prospective charges.
- c. The maximum value of an asset of a Fund will not exceed the market price at which it might be purchased and the minimum value will not be less than the market price at which it might be sold.
- d. The values of Stock Exchange securities will be based on quoted prices.
- e. The values of real or heritable property will be based on valuations prepared and certified by an independent valuer appointed by Scottish Friendly and adjusted to allow for variations in property prices since the last such valuation.
- f. The values of all other assets will be determined by Scottish Friendly.

2.4 Management Charge on Investment Linked Funds

At each valuation Scottish Friendly will deduct from the parts of each Investment Linked Fund, represented by accumulation units, a management charge calculated as a proportion of the current maximum value of the relevant part of the Fund in question excluding any units held by any other Fund. The charge for each day since the previous valuation will be $\frac{1}{365}$ th, in respect of that part of the Fund represented by accumulation units, of 1.5% or such other percentage for that Fund as Scottish Friendly may specify.

Scottish Friendly reserves the right to increase the management charge, for example if costs of administration are higher than assumed or additional, unforeseen, costs are incurred as a result of changes in legislation.

2.5 Unit Prices

Unit prices will be calculated for each Fund at each valuation. The price of each type of unit in a Fund will be calculated by Scottish Friendly and will be no less than the minimum value, and no more than the maximum value, of the part of the Fund attributable to that type of unit after deduction of management charges divided by the number of units of that type in the Fund, the result being rounded down by not more than 0.1p. The actual price may vary above this level.

All amounts arising from rounding up or down of unit prices will accrue to Scottish Friendly.

In all transactions involving the allocation or cancellation of units under the Plan, the number of units will be rounded to the nearest 1000th.

2.6 Choice of Funds for Allocation and Cancellation of Units

On receipt of an investment in the Bond, units will normally be allocated in accordance with the Policyholder's (or the Policyholder's advisor's) instructions.

In the absence of any valid instructions from the Policyholder's (or the Policyholder's advisor's), contributions will be held in cash until valid instructions are received.

2.7 Switching of Units

- a. The Policyholder may instruct Scottish Friendly that the allocation to one or more of the Funds is to be cancelled and the value of the cancelled units less the charge, if any, Scottish Friendly makes for this switch is to be allocated to units of the same type in another Fund or Funds.
- b. For the purposes of such a switch, cancelled units and allocated units will be valued at the first unit price calculation after the receipt of the request at Scottish Friendly's Head Office or on some other date at Scottish Friendly's discretion.
- c. Scottish Friendly reserves the right to defer the switch in terms of Section 2.8 of these Plan Conditions.

2.8 Delayed Cancellation

Scottish Friendly reserves the right to defer for not more than six months the cancellation of units in a Fund which, directly or indirectly, holds assets in the form of real or heritable property, and not for more than one month in other cases. The unit prices applicable to the deferred transactions shall be those prevailing at the expiry of the period of deferment.

3. Bond Taxation

3.1 General

Scottish Friendly shall not normally deduct taxation from the individual investment linked funds but shall from time to time calculate an individual Tax Liability due for each Bond. The calculation of a tax charge between points in time shall be based on the growth of the fund after allowing any growth due to dividends which have already paid taxation and the tax rate which shall apply from time to time as decided upon by Scottish Friendly.

3.2 Calculation of the Tax Liability

a. Investment linked fund – dividend level,

Scottish Friendly shall from time to time assess each investment linked funds and determine the amount of growth (if any) which is in respect of dividends which have already paid UK corporation tax. This estimated level of dividend growth will be deducted from any gains or losses for the purposes of the calculation of a Tax Liability.

The estimated dividend level for each fund shall be published from time to time by Scottish Friendly.

b. Tax Liability – indexation allowance

Scottish Friendly shall from time to time determine the extent to which each investment linked fund may benefit from indexation allowance. The amount of indexation allowance shall be determined by Scottish Friendly and will be based on the published Retail Prices Index for the previous 12 month period. This estimated level of indexation allowance will be deducted from any gains or losses for the purposes of the calculation of a Tax Liability.

c. Tax Liability – tax rate

Scottish Friendly shall from time to time determine the rate of tax which shall apply to any growth between two points in time, this shall be based on UK Corporation Tax rates and any allowance for expenses deemed necessary by Scottish Friendly.

d. Tax Liability – growth

The growth in the Bond, which is assessed for taxation, shall be calculated after deducting the value of any new investments made and adding back any withdrawals or charges taken between the two points in time. Should assets be switched between the investment linked funds between the two points in time then the time weighted average of the appropriate indexation allowance and dividend level for each fund shall apply in this calculation.

e. The accumulation of Tax Liability over time

After the calculation of the Tax Liability between two points in time this shall be added to the Bond's running Tax Liability which shall increase at the rate of interest as determined from time to time by Scottish Friendly. The rate of interest shall be the same whether the Tax Liability is in credit or deficit.

3.3 Deduction of the Tax Liability

Each account has a 'final tax charge' associated with it. The aim of the 'final tax charge' is to cover the tax liability that SFA has incurred on some of the income and gains on assets held for each account.

So, in effect, the Onshore Bond account has two parts to it:

- an 'investment account' that holds the assets, growing gross of any tax; and
- a 'final tax charge' account that holds the tax liability that has accrued.

The final tax charge will only be deducted from the investment account when the bond is fully cashed in unless it reaches a value of greater than 10% of the investment account. If this happens the policyholder must reduce the final tax charge to a value of 5% of the investment account. Nucleus will review each policyholder's Onshore bond tax account quarterly and issue a communication when asset sales are required to reduce the tax account value to 5% of the investment account. Ad-hoc tax deductions can also be requested.

As payment of the final tax charge is being deferred until the bond is fully cashed-in it is increased at a rate of interest specified by SFA. This interest charge is applied whether the final tax charge is positive or negative. The final tax charge will show a negative value when tax liability is accruing. It will show a positive value if any tax-relievable losses or expenses accrue.

If the final tax charge is positive when the bond is cashed in, and the policyholder has previously made at least one payment towards the tax charge, then the minimum of the sum of all policyholder tax payments made and the positive tax charge will be added to the investment account before payment of benefits to the policyholder is made.

If the final tax charge is positive when the bond is cashed in, and the policyholder has made no prior payments towards the tax charge, then the positive tax charge is reduced to zero as there will be no future tax gains to offset accrued tax-relievable losses.

If the policyholder has made at least one payment towards the tax charge, then the minimum of the sum of all policyholder tax payments and the positive tax charge will be added to the investment account before payment of benefits to the policyholder is made.

4. Investment and Benefit Detail

4.1 Payment of investments

A policyholder may pay into the plan any amount they require provided it exceeds or is equal to the minimum investment as defined by Scottish Friendly from time to time.

4.2 Allocation of Units

On receipt of an investment, accumulation units will be allocated to the Bond by dividing the appropriate contribution for each Fund by the allocation unit price of that Fund. The percentage of each contribution to be allocated to units will be indicated on the Plan Schedule.

The unit price to be used is that obtained from the unit price calculation immediately following receipt of the contribution by Scottish Friendly, provided the Bond is in force or can be brought into force on the date of receipt. If this is not possible, the unit price to be used may be that for a later date up to the date following that on which the policy can be brought into force, at the discretion of Scottish Friendly.

4.3 Benefits Payable on Death

On the date of notification of the death of the appropriate life assured the Bond will be terminated and the death benefit, equal to the value of the units allocated to the Plan at their price on the date of notification, the deduction of the Tax Liability and multiplied by 100.1% will be payable to the Policyholder (or the

Policyholder's estate).

The Bond may be set up on a Single Life, Joint Life (first death), Joint Life (second death), Multiple Life (last death) provided the Policyholder has an insurable interest in each life assured. In the case of Single Life the appropriate life assured is the only life assured noted in the Bond Schedule. In the case of Joint Life (first death) the appropriate life assured is the first of the two lives assured to die. In the case of Joint Life (second death) the appropriate life assured is the second of the two lives assured to die. In the case of Multiple Life (last death) the appropriate life assured is the last to die of all the lives assured named in the Bond Schedule.

4.4 Cashing in

The Policyholder may at any time instruct Scottish Friendly, in a form prescribed by Scottish Friendly, that they wish to cash in part or all of their Bond or a selected number of individual policies.

Scottish Friendly shall effect this cashing in by cancelling the appropriate units in the Funds requested by the policyholder and deducting any Tax Liability. If the Policyholder does not designate units to be cancelled then they shall be cancelled at the discretion of Scottish Friendly.

The value of any units cancelled shall be an amount equal to the bid value of those units.

Scottish Friendly may decline a cash-in request of anything other than a full cash-in should the remaining value of the Bond fall below a minimum decided upon from time to time by Scottish Friendly.

The cash-in will be effected from the Bid price of units calculated on the day following a request to surrender.

4.5 Withdrawals of capital option

The Policyholder may at any time instruct Scottish Friendly, in a form prescribed by Scottish Friendly, that they wish to withdraw part of their capital from the Bond. The withdrawal shall be made equally across each Individual Policy.

Scottish Friendly shall effect this withdrawal by cancelling units in each Individual Policy and deducting any Tax Liability. The value of any units cancelled shall be an amount equal to the bid value of those units.

The withdrawal will be effected from the Bid price of units calculated on the day following a request to surrender.