

OCTOPUS PORTFOLIO MANAGER TERMS AND CONDITIONS

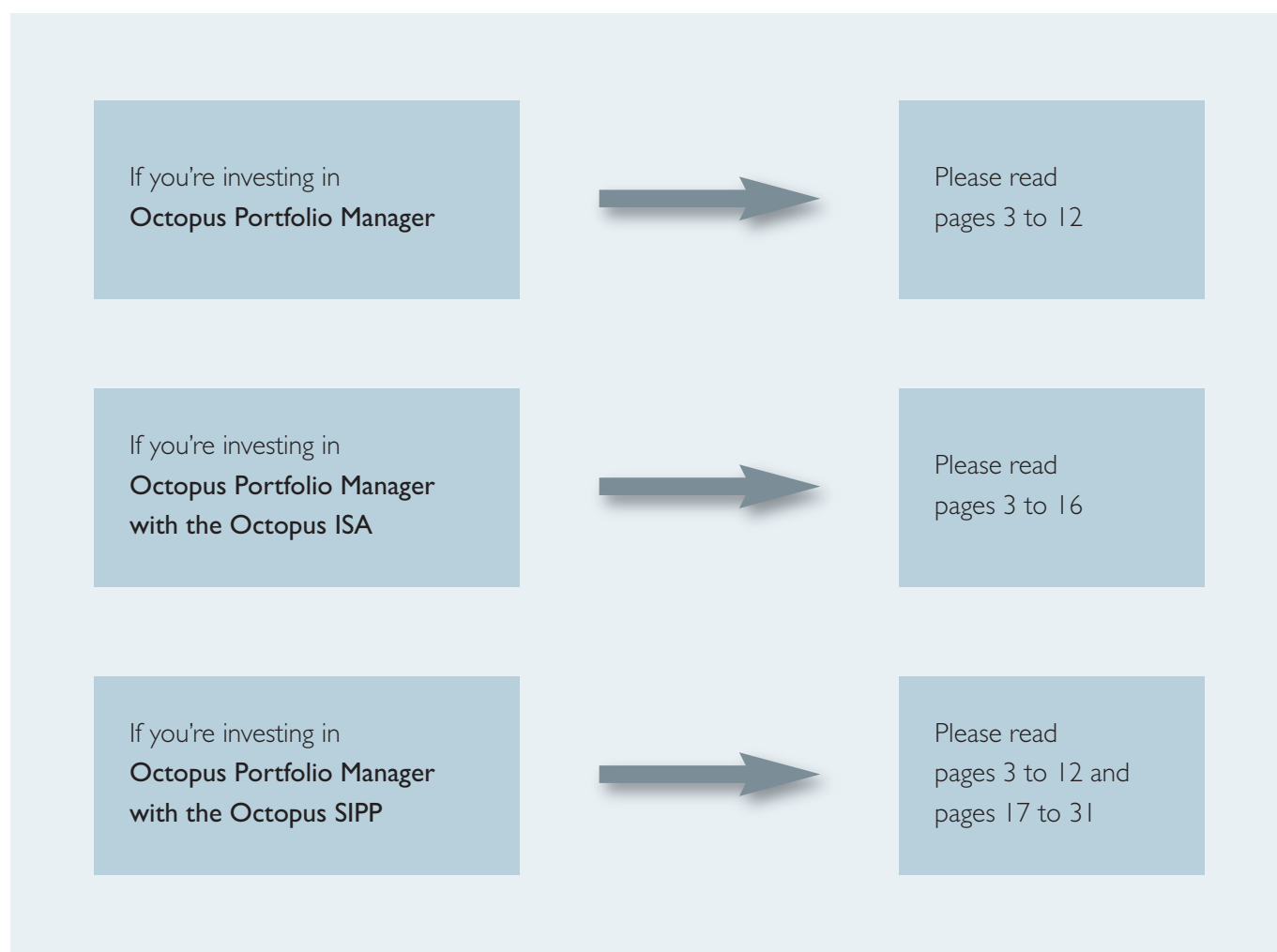
This document contains a Customer Agreement for:

- **Octopus Portfolio Manager**
- **The Octopus ISA**
- **The Octopus SIPP**

We've also included a questions and answers document for each product, which we hope you will find useful.

Definitions of some of the terms used within this document are provided on page 2.

We know there's lots of information here, but it's important that you read and understand the terms for each of the products you're investing in. If you have any questions speak to your financial adviser or call us on **0800 294 6855**.



OCTOPUS PORTFOLIO MANAGER DEFINITIONS

The definitions below are designed to assist your reading and understanding of the Terms and Conditions within this document. References to statutes, FSA Rules and any other rules or regulations shall be taken to mean any amendments made to them from time to time.

Application Form

A separate document, which you will need to complete in order to apply for Octopus Portfolio Manager; the Octopus ISA or the Octopus SIPP. Please note there are separate application forms for each product;

Applicable Rules

All applicable laws and regulations, and, if applicable, the prevailing rules, regulations, requirements, determinations, directives, practice and guidelines of any governmental, market or regulatory authority to which we or any Associate are subject, in each case for the time being in force;

Approved Bank

HSBC Bank plc, or such other bank appointed by us to hold client money in accordance with applicable FSA Rules;

Associate

Any holding, sister, or subsidiary company of Octopus;

Brochure

The Octopus Portfolio Manager investor brochure published by Octopus from time to time;

Business Day

Any day on which The London Stock Exchange is open for business;

Fees and Charges Document

The separate document which sets out details of the fees and charges that we will charge from the Portfolio for our services;

Foundation Fund(s)

The underlying investment funds within Octopus Portfolio Manager;

FSA

Financial Services Authority or any successor authority or relevant supervisory body;

FSA Rules

The rules made by the FSA under FSMA;

FSMA

The Financial Services and Markets Act 2000;

Investment Profiles

Fact sheets produced by us from time to time which describe the various types of portfolio profiles available as part of Octopus Portfolio Manager;

HMRC

HM Revenue & Customs;

ISA

An Individual Savings Account which, in the case of these Terms and the ISA Terms, means a stocks and shares ISA that forms all or part of your Portfolio;

Phased Investments

A client's lump sum is held in the portfolio, as cash, and gradually invested over a period of time;

Portfolio

The portfolio of assets (including uninvested cash) entrusted from time to time by you to our management in accordance with these Terms;

Tax Year

Tax year beginning on 6 April and ending 5 April the following year;

You or you

The person(s) named in the duly completed Application Form applying for the services pursuant to these Terms.

OCTOPUS PORTFOLIO MANAGER QUESTIONS AND ANSWERS

Q: What is Octopus Portfolio Manager?

A: Octopus Portfolio Manager is a discretionary managed portfolio service.

Q: How does the discretionary managed portfolio service work?

A: The fund managers take the cash you put into your Investment Account and invest it in a portfolio of holdings designed to meet your agreed investment profile. They have discretion to make all the day to day investment decisions for you, ensure your portfolio stays within the profile's objectives and will report progress to you periodically.

Q: How will I hold the investments?

A: You will be able to hold the portfolio in one of three ways:

- An Investment Account subject to the normal UK taxation
- A tax efficient, ISA Account reflecting the ISA rules in the year of purchase.
- A SIPP or Self Invested Personal Pension Account

There are separate ISA and SIPP Questions and Answers sections within this document. Irrespective of which account you use, our fund managers will manage your holdings in exactly the same way.

Q: What is the investment objective?

A: Octopus Portfolio Manager takes a multi manager, multi asset, multi structure approach to give you access to the returns of global capital markets balanced against your risk preferences. Our multi manager approach is to find the best investment strategy by using the right investment approach and the right managers at the right time. Each investment profile will have a slightly different set of objectives as outlined in the Investment Profile Fact Sheet.

Q: Why the multi manager approach?

A: In general, a single fund manager, who may outperform in a specific sector or using a particular strategy, won't produce consistent returns across all markets. Historically in highly efficient markets, active fund managers struggle to generate excess returns and their performance is hampered by management charges. The multi manager fund of funds approach aims to solve this by selecting from both 'passive' and 'active' funds. Passive funds typically track a market or index, with little managerial involvement to keep costs low. In active funds, the fund manager looks to make investment decisions to try to outperform the market, but this brings with it the extra cost of paying for that manager's activity. The Octopus multi manager funds use passive investments where we think that active management won't outperform the market enough to justify the higher costs.

Q: What will I hold in my portfolio?

A: The fund managers will create a portfolio of holdings made up of the Octopus multi manager OEICs or 'Foundation Funds'. These Foundation Funds have been designed by the fund managers to be used for Octopus Portfolio Manager. They have a sector focus, for example, UK Equities or Fixed Income. These funds are then blended together to create

a portfolio that your financial adviser will match with your risk preferences.

Q: What is an OEIC?

A: An open ended investment company ('OEIC') is a company which manages an investment fund or funds. When you invest in an OEIC, your money is pooled with that of other investors in the fund. Your holdings in an OEIC are known as 'shares'. A fund is considered 'open-ended' because as people invest in the fund more shares are created and the fund increases in size. Consequently, when investors withdraw their money from the fund shares are cancelled and the fund decreases in size. The price of the shares that you buy is based on the market value of the investments in which the OEIC has invested.

Q: What is risk profiling and why is it relevant to the portfolio style?

A: Everyone has a different appetite for investment risk. Some people are prepared to take on greater risk to get greater return, whilst others are risk averse and less willing to expose themselves to market fluctuations. Risk profiling is part of the process of defining how much risk you are prepared to take in your investments. Your financial adviser will do this as part of the advice process.

Investment risk tolerance needs to be considered with other factors like personal investment objectives and time horizons. Your financial adviser will pull these separate strands together and once he or she has all of this information, they will be able to recommend the investment profile that most closely matches your needs.

Q: What is the minimum and maximum amount that I can invest?

A: There are no maximum or minimum amounts for the Investment Account.

Q: Who can invest?

A: Anyone can invest in an Octopus Portfolio Manager Investment Account, however, if clients are under 18, they will need to use a designated account in the name of their parent or guardian.

Q: How do I apply?

A: Please complete the Octopus Portfolio Manager Investment Account application form.

Q: How do I pay for my investment?

A: There are three methods of payment. Cheques should be made payable to '**Octopus Portfolio Manager – Client Account**' and sent along with your application form and client suitability disclosure to:

**Octopus Investments Ltd
20 Old Bailey
London
EC4M 7AN**

You can also pay by BACS or by CHAPS. When using these

electronic methods please ensure you **reference the payment with your name**. Again please send us your application forms and client suitability disclosures. Without these your money could be returned.

Bank: **HSBC**
Branch: **Holborn**
Sort code: **40-03-28**
Account no: **42509148**

Please note that there are different details if you wish to use the Octopus SIPP. Please refer to instructions in the SIPP section.

Q: How quickly is my money invested?

A: We will bank your cheque on the day of receipt. Once the funds have cleared, we will begin investing your money into the portfolio profile that you have chosen. We would expect this to happen within four working days.

Q: Can I invest on a regular basis?

A: You can invest on a monthly basis in both the Investment Account and the ISA Account. This is a two step process. First you need to fill out the investment section on the relevant application form. You will then need to outline the cash amount you want to invest each month and your preferred investment profile. Then complete the BACS mandate form with your name, bank account number, sort code and the address details of your bank.

Once a month we request a payment be taken from your account. We will request money from your bank on the 7th of each month with an intention to deal and purchase assets by the 8th but occasionally timings may vary. It can take several days to set up or amend a direct debit. We are generally able to action any instructions received by the 20th of each month.

Q: Can I do a phased investment?

A: Yes. A phased investment allows you to invest your money gradually over a period of time. For example, you could invest £1,000 per month for a six month period. You will need to fill out the relevant section of the application form to outline the amount of money you would like to invest each month. You will also need to set the month you wish to start and the month you wish to stop. When we receive your initial investment we will hold the cash in your portfolio ready for dealing. Each month we will take the amount as instructed. We will aim to invest the money by the 8th of each month but occasionally timings may vary.

If you have questions on this please give one of the team a call.

Q: What are the charges?

A: There is an initial commission of up to 3% which will be paid to your financial adviser.

There is an annual management charge on the value of your portfolio, paid quarterly in arrears, subject to a minimum charge per portfolio. There may be transfer out charges. These charges are outlined in full in the Octopus Portfolio Manager Fees and Charges document.

There are no charges for transferring from your Investment Account to the ISA or SIPP Account or for standard rebalancing of the portfolio.

If you have any questions about the charges, please call one of the team on **0800 294 6855**.

Q: Can I withdraw money from Octopus Portfolio Manager?

A: Yes, you can ask us to liquidate your holdings in writing or over the phone at any time and we will electronically transfer the proceeds into your nominated bank account or alternative investment manager or ISA provider by BACS. This process will typically take up to 10 working days. Please note that for ISA and SIPP products specific processes may apply and you should refer to the relevant Terms of Business sections later in the Terms and Conditions document.

Q: What are the tax consequences of investing in Octopus Portfolio Manager?

A: There are tax efficient ways of investing in Octopus Portfolio Manager through both a SIPP and an ISA. The rules around these tax products can be complex. If you have queries you should speak to your financial adviser or tax consultant.

Q: What should I expect after I invest?

A: We will acknowledge receipt of your application into the Investment Account or ISA Account by return post. Once your cheque has cleared, we will begin the investment process.

Investments into SIPP may take several weeks to set up, however, we will keep you informed of progress at each stage.

Q: How does regular income work?

A: You select the frequency and amount of regular income in cash which you require. It can be on a monthly, quarterly, semi-annual or annual basis. You can expect the money in your account by the end of the month in which the income occurs. Please note, your holdings will be sold to raise the cash to provide the income. Information on the timing of income payments is provided below:

- Monthly income will be paid at the end of each calendar month.
- Quarterly income will be paid in March, June, September and December.
- Semi-annual income will be paid in June and December.
- Annual income will be paid in December.

Q: How do I check the progress of my portfolio?

A: A formal valuation will be sent to you quarterly, but you can call us at any time, or view your portfolio online on our website www.octopusinvestments.com. Please follow the registration instructions to gain access to the system. Your portfolio will be available to view in a secure online environment within 24 hours of the investments being made.

Q: Can I cancel my investment?

A: Yes. You have 14 days to cancel your investment with us. We will sell your holdings and return the proceeds to you. If the value of your investment has fallen you may not receive the full amount of your investment. Please refer to section 4 in the Terms and Conditions for full details.

OCTOPUS PORTFOLIO MANAGER CUSTOMER AGREEMENT

These terms and conditions, the Application Form, the latest Brochure, Fees and Charges document and Investment Profile(s) (including any documents which may be annexed to any of them and agreed between us from time to time) (which, together we refer to as the “Terms”) sets out the basis upon which Octopus Investments Limited (“Octopus”, “We” or “Us”) will manage your Portfolio.

If all or part of your Portfolio is held through the Octopus ISA then, in respect of those investments so held the Octopus ISA terms and conditions set out on pages 13 to 16 apply in addition to these Terms (which we refer to as the “ISA Terms”).

If all or part of your Portfolio is held through the Octopus SIPP then, in respect of investments so held the Octopus SIPP terms and conditions set out on pages 19 to 31 apply in addition to these Terms (which we refer to as the “SIPP Terms”).

It is very important that you read these Terms and, if applicable, the ISA Terms and the SIPP Terms carefully. If you are unclear about any matter relating to any of the terms or the services to be provided then you should seek independent professional advice.

1. These Terms

1.1 These Terms, the ISA Terms and the SIPP Terms are based on our understanding of current law and the applicable FSA Rules. They are governed by and are to be construed in accordance with English law. The English Courts have non-exclusive jurisdiction in respect of any claim between you and us.

1.2 Neither party intends any provision of these Terms, the ISA Terms or the SIPP Terms to be enforceable by any person other than themselves or their permitted successors or assigns although it is accepted that the SIPP Terms are enforceable by the Scheme Trustee and Scheme Administrator as defined in the SIPP Terms.

2. Regulatory Status

2.1 Octopus Investments Limited is authorised and regulated in the United Kingdom by the FSA under Firm Reference Number: 194779. Details of our registration can be located via the FSA's website at www.fsa.gov.uk. The FSA's current address is 25 The North Colonnade, London E14 5HS.

3. Start Date

3.1 These Terms will come into force (and therefore we are able at our discretion to start managing your Portfolio) once we have received your duly completed and signed Application Form and have received possession of the assets of the Portfolio (including cleared funds where applicable). We reserve the right not to accept any application where to do so may lead to a breach of applicable laws or regulations. With this in mind, we will not accept any application until we have completed to our satisfaction certain compliance checks including, but not limited to, those which we are required to carry out in order for us to comply with our obligations under the Money Laundering Regulations 2007.

3.2 The compliance procedures referred to in clause 3.1 above include requiring proof of your identity and of your address. Under the Money Laundering Regulations 2007, we are required to check the identity of clients. Octopus may therefore undertake an electronic search for the purposes of verifying your identity. To do so, Octopus may check the details you supply against your particulars on any database (public or other) to which we have access. Octopus may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If we cannot verify your identity, we may ask you to provide, among other things, a recent, original bank statement and an original HM Revenue & Customs Tax Notification, or a copy of your passport certified by a bank, solicitor or accountant or a client verification certificate from your professional financial adviser. By agreeing to these Terms you consent to Octopus

carrying out the checks referred to in this clause 3.2.

4. Cancellation Rights

4.1 When we first receive your Application Form, we will write to you enclosing our form of cancellation notice. If you wish to exercise your right to cancel, you must notify us in writing within 14 days of receipt of that form (30 days for SIPP), by sending it duly completed to us at our address as printed in the Brochure.

4.2 If you exercise your cancellation rights, we shall refund any monies paid by you less any charges we have already incurred for any service undertaken in accordance with these Terms, although this would exclude the initial charge stipulated in the Brochure (if relevant).

4.3 If you wish to cancel, you are entitled to have repaid to you any money you have paid to us, subject to a deduction of the amount, if any, by which the value of your investment has fallen at the time at which the cancellation form is received and processed by us.

4.4 If you do not exercise this right to cancel within the requisite time period, you will still be entitled to exercise your right under clause 18 below to terminate these Terms which is a separate right.

4.5 The right to cancel under the FSA Rules does not give you the right to cancel/terminate/reverse any particular investment transaction executed for the account of your Portfolio before cancellation takes effect.

5. Client Categorisation

5.1 We have categorised you as a retail client for the purposes of the FSA Rules. This categorisation has taken place based on our internal client categorisation process. Different rules and different levels of protection apply to you depending on your client categorisation, and retail clients are generally afforded the highest degree of protection. Please note that irrespective of whether you could be categorised as a professional client for the purposes of FSA Rules, we have categorised you as a retail client for the purposes of FSA Rules. Even if you are categorised as a retail client, it does not necessarily mean that you will have rights under the UK Financial Ombudsman Services or the UK Financial Services Compensation Scheme.

5.2 Under the European Directive on Distance Marketing of Financial Services to consumers we are obliged to provide certain information in respect of agreements entered into with consumers (a natural person who is acting for purposes outside

his trade, business or profession) that are concluded by the exclusive use of one or more means of distance communication (eg telephone, internet, fax or mail). If you are such a consumer, the required information is included within these Terms, the Fee Schedule, Brochure, Investment Profiles and your Application Form.

5.3 You warrant that all information that you have provided to us (including the information provided in your Application Form) is true, accurate and complete in all material respects and you have not omitted any information which may be material to the services to be provided to you. We will have no responsibility or liability to you if such information is untrue, inaccurate or incomplete in any material way. You shall notify us in writing as soon as reasonably practicable if any information you have provided requires to be updated or is no longer correct.

6. Investment Management Services

6.1 Octopus Portfolio Manager is a discretionary investment management service. By entering into these Terms, you grant to us the right to manage, at our discretion, the Portfolio subject to the investment objectives and restrictions as set out in the Brochure and the specific Investment Profile(s) you have selected in the Application Form. Subject to such investment objectives and restrictions and the specific Investment Profile(s) selected we will, normally acting as your agent, have complete discretion to buy, sell, retain, convert, exchange or otherwise deal in investments and other assets of your Portfolio, make and withdraw deposits, apply for issues and offers for sale and accept placings, underwritings and sub-underwritings of any investments, effect transactions on any markets or exchanges, negotiate and execute counterparty and account opening documentation, take all routine or day to day decisions and otherwise act as we think appropriate in relation to the management of the Portfolio, but subject always to the provisions of these Terms.

6.2 You agree that we are not responsible for and have not provided you with advice as to the suitability or appropriateness of the specific Investment Profile(s) selected by you as stated in your Application Form. You warrant and represent to us that your Application Form has been completed following the receipt of advice from a professional financial adviser. If you do not have a financial adviser and would like to find one, please visit www.unbiased.co.uk. We reserve the right to decline any application where the applicant has not received professional financial advice. If you do not have an investment adviser but choose to proceed with our services on the basis set out in the Application Form, we will invest for you on an execution-only basis applying your selected Investment Profile.

6.3 It is your responsibility (on the advice of your professional financial adviser if appropriate) to keep your financial circumstances, objectives and appetite for risk under review and to assess whether the specific Investment Profile(s) selected by you remain(s) suitable for your needs. We shall not be liable for any losses you suffer or incur as a result of your selection (whether or not you have received advice from a professional financial adviser) of a specific Investment Profile and cannot and do not make any representation that such selection is suitable or appropriate for your specific needs and requirements.

6.4 We may from time to time accept individual investment instructions and/or specific client preferences as to portfolio weightings and/or asset allocations in addition to those set out in the Investment Profiles, however this will be decided by us on a case by case basis. Notwithstanding the generality of this clause

and also to clause 14.2 below (aggregation of orders) all transactions for your Portfolio will be undertaken in accordance with applicable FSA Rules.

6.5 Save as otherwise provided in these Terms there shall be no restriction on the amount invested in any one investment, or on the proportion of your Portfolio in any one investment, or on the markets on which transactions are effected.

6.6 The investment objectives and restrictions applicable to your Portfolio as stated in your selected Investment Profile will not be treated as breached as a result of events or circumstances beyond our reasonable control including changes in the price and/or value of assets of the Portfolio as a result of market movements.

6.7 As stated above, given the nature of the Investment Profiles we may make the same investment decisions for a number of clients, including you.

6.8 We will have complete discretion over the investment and disinvestment of your Portfolio assets which are held within the Octopus ISA and Octopus SIPP.

6.9 If we receive your completed Direct Debit mandate before the 20th of the month, the first payment will be collected on the 7th of the following month. For example if the mandate is received on the 15th March, the first payment will be set up for the 7th April. If we receive the mandate on the 25th March the first payment will be set up for the 7th May. Cancellations and amendments must be received before the 20th of each month. In the usual course of events, the monthly contributions will be invested by the 8th, however, as we are discretionary managers, there may be occasions where dealing occurs outside of this timeframe.

6.10 If you want your investment to be phased, your cash will be held in the portfolio, earning interest where appropriate. We will take the cash amount as instructed and aim to invest on the 8th of each month over the period requested. As discretionary managers, there may be occasions when dealing occurs outside of this timeframe.

7. Investment Advice

7.1 Octopus does not give non-discretionary investment advice or tax advice. This does not mean that we shall not provide you with information on investments held within your Portfolio from time to time such as key features documents or prospectuses. If we give you information on investments or markets such as research recommendations, market trends, investment analysis or commentary on the performance of selected companies this should not be viewed as a personal recommendation or advice – this is for information purposes only.

7.2 Where you have submitted your Application Form through a financial adviser or other professional agent, then you warrant and represent that such person is acting as your agent and therefore we may, subject to applicable FSA Rules, accept instructions and deal with such agent rather than dealing with you directly. In that respect we may share with your agent details of your accounts with us unless you advise us to the contrary in writing. You will notify us in writing as soon as reasonably practicable if the person previously notified to us ceases to be your agent.

8. Fees and Expenses

8.1 Octopus will levy initial commission with any relevant taxes and this will be paid to your financial adviser if you have one. Octopus is also entitled to an annual management charge based

on the value of your Portfolio. This is payable quarterly in arrears and a proportion of that charge may be paid to your financial adviser in the form of trail commission. Octopus Portfolio Manager is subject to a minimum charge for the year. This charge is accrued on a daily basis. In the situation where the charges accrued for the period are less than the pro-rated minimum, we will take the pro-rated minimum from the portfolio. The applicable fee rates and charges are set out in the Fees and Charges document.

8.2 To the extent your Portfolio is invested in collective investment schemes managed by Octopus or any of its Associates there will be no initial charge or annual management charges levied at the level of your investment in the relevant scheme such that you will only bear such charges at the level of your Portfolio as explained above and as set out in the Fees and Charges document.

8.3 The initial commission shall be deducted from the amount of cash that you subscribe before the balance is invested in your Portfolio.

8.4 Our management charge will be deducted from any uninvested monies in your Portfolio. In circumstances where there are insufficient monies available to meet the fees and charges, then we may at our discretion elect either: (i) to roll this up interest free to be deducted proportionally across the Portfolio on a later occasion when sufficient monies may be available to cover such fees and charges, whether such monies are derived from dividends, investment liquidity events, additional investments made by you, or otherwise; or (ii) liquidate a sufficient amount of assets proportionally across the Portfolio in order to meet such fees and charges.

8.5 We shall give you 30 days prior notice in writing before making any changes to our fees and charges as set out in the Fees and Charges document.

8.6 Fees will be charged with appropriate taxes applied for example, VAT.

8.7 If we receive a commission or other form of monetary benefit in the course of providing the Octopus Portfolio Manager to you our policy is to reinvest any such remuneration back into your Portfolio.

9. Delegation and Use of Agents

9.1 We may delegate any of our functions under these Terms to any Associate or third party of our choosing which is competent (and if relevant, appropriately regulated) to perform such functions. We will give you written notice of any such delegation which involves the exercise of our discretionary investment management powers and will not, without your consent in writing, delegate the whole or substantially the whole of such powers.

9.2 We will act in good faith and with due diligence in the selection, use and monitoring of third party delegates.

9.3 Where we have delegated any of our functions to an Associate, we will accept responsibility for the acts and omissions of such Associate as if they were our own.

9.4 We will use reasonable skill and care in our selection and use of agents.

10. Custody

10.1 You appoint us to act as your Custodian to hold all investments in your Portfolio in safe custody on the following basis:

- (a) title documents to investments in respect of which such documents are issued will be physically held by us;
- (b) any registerable investment acquired for your Portfolio will normally be registered in the name of our nominee company; and
- (c) any documents of title to investments in bearer form will be held by us.

10.2 Please note that investments we hold for the account of your Portfolio may be pooled with other holdings held by us. Such investments may not be identifiable by separate certificates, other physical documents of title or equivalent electronic records and, should we default, any shortfall between the total investments held and the sum of each clients share held by us or our nominee may be shared proportionately among all our clients whose investments are registered in the same name.

10.3 We have discretion to exercise (or if we so choose, not to exercise) any conversion, subscription, voting or other rights (such as may arise in merger or takeover situations, other offers and capital reorganisations) relating to investments held in your Portfolio. By entering into these Terms, you hereby authorise Octopus to act on your behalf and exercise all rights attaching to shares held in your Portfolio as it shall deem fit and at its discretion.

10.4 As soon as reasonably practicable, we will claim and account to you for all dividends, interest and other payments or entitlements received in relation to investments in your Portfolio, but we are entitled to deduct or withhold any sum on account of any tax required to be so deducted or withheld and provide you with evidence of such deduction or withholding for your tax records.

10.5 Where assets are pooled with third parties, distribution of entitlements to any benefits or entitlements arising from corporate events will be allocated pro rata. Fractions of entitlements arising from this process will be rounded down to the nearest whole unit or share.

10.6 We may (where this is market practice) use the services of a clearing system (being any market clearance facility, settlement system, dematerialised book entry system, centralised custodial depository or similar facility, system or depository) on such terms as we believe to be appropriate, for the purposes of holding and transferring uncertificated investments.

11. Client Money

11.1 All uninvested cash received or held for the account of your Portfolio shall be treated by us under the FSA Rules as 'client money'. We will deal with such cash in accordance with the FSA Rules. In that respect we will deposit the cash in the United Kingdom with an Approved Bank. The Approved Bank will hold the cash on our behalf in a trust account separate to any account used to hold money belonging to us in our own right. We will not, however, be responsible for any acts or omissions of the Approved Bank. If the Approved Bank becomes insolvent, we will have a claim on behalf of our clients against the Approved Bank. If, however, the Approved Bank cannot repay all of its creditors, any shortfall may have to be shared proportionately between them.

11.2 Following our acceptance of your application, interest earned on uninvested cash within your Portfolio will accrue daily at a rate equal to the prevailing HSBC base rate less 1% and will be credited to your Portfolio quarterly.

11.3 Where appropriate we may also place your money in a

qualifying money market fund (which is a regulated collective investment scheme which complies with the requirements of the FSA in relation to client money).

11.4 We may cease to treat your money as “client money” after termination of these Terms if it remains unclaimed for a period of at least six years and after we have taken reasonable steps to trace you and return the balance.

12. Valuations and Reports

12.1 You will receive periodic statements, comprising the cost, current value, and dividends of all holdings within your Portfolio as at the last Business Day of the period in question. Statements will be produced for the period ended 5 April, 30 June, 30 September and 31 December in each year. We will provide all such reports within 25 Business Days of the end of the period in question.

12.2 Your portfolios will be valued at closing price on the last Business Day of the quarter or, if there is no such price, at the value which is, in our opinion, a reasonable valuation as at that date. Periodic statements will also show income and interest credited to your Portfolio, fees charged and transactions made within the period.

12.3 We will provide you with suitable tax reporting in the form of a Consolidated Tax Voucher at the end of each tax year.

12.4 You may, by notice in writing to us, elect to receive paper contract notes. Unless such election has been made, a statement setting out all transactions carried out on your behalf in respect of your Portfolio will be provided at the end of the next reporting period.

13. Order Execution

13.1 In accordance with the FSA rules, we have implemented an order execution policy which sets out the reasonable steps that we will take in order to obtain the best possible result for our clients. Details of our order execution policy are set out in Annex I of these Terms.

13.2 Our order execution policy is set out on our website at www.octopusinvestments.com. Any changes to our order execution policy will be posted on our website from time to time.

13.3 We (or any of our Associates where applicable) may trade outside a regulated market or multi-lateral trading facility.

14. Dealing, Counterparties and Aggregation

14.1 We will act in good faith and with due diligence in our choice and use of counterparties. All transactions will be effected in accordance with the rules and regulations of the relevant market, exchange or trading facility, and we may take all such steps as may be required or permitted by such rules and regulations and/or by appropriate market practice.

14.2 We may aggregate your transactions with those of other customers and of our employees in accordance with the FSA Rules. It is likely that the effect of such an allocation will not work to your disadvantage however occasionally this may not be the case. We will allocate aggregated transactions promptly on a fair basis in accordance with the requirements of FSA Rules.

15. Conflicts of Interest

15.1 We take the identification and management of conflicts of interest seriously. We have implemented a conflicts of interest policy that identifies those circumstances that constitute, or may

give rise to, conflicts of interest that pose a material risk of damage to our clients. This policy also addresses the effective organisational and administrative arrangements that we maintain and operate in order to manage those conflicts. A copy of our conflicts policy is available on request from the Compliance Officer.

15.2 Your Portfolio may comprise of collective investment schemes which are either managed or owned by us or an Associate. Additionally we (or an Associate) may effect transactions in which we or an Associate or another client of ours has, directly or indirectly, a material interest or a relationship with another party which involves or may involve a potential conflict with our obligations to you. We shall take steps to ensure that such transactions are effected on terms which are not materially less favourable to you than if the conflict or potential conflict had not existed.

16. Our Liability

16.1 We will act in good faith and with due diligence in managing your Portfolio in accordance with these Terms. We accept responsibility for loss to you only to the extent that such loss is due to our negligence, wilful default or fraud or that of our Associates.

16.2 In the event of any failure, interruption or delay in the performance of our obligations resulting from acts, events or circumstances not reasonably within our control (including, but not limited to: acts or regulations of any governmental or supranational bodies or authorities; breakdown, failure or malfunction of any telecommunications or computer service or services; disruption to stock market dealings; and acts of war, terrorism or civil unrest) we shall not be liable to you for consequent loss in the value of, or failure to perform investment transactions for the account of, your Portfolio.

16.3 We accept no responsibility for any loss of tax benefits that you may suffer as a result of any transactions that we carry out for your Portfolio.

16.4 Nothing in these Terms is deemed to limit any liability we may have to you under FSMA, any regulations made under FSMA or the FSA Rules.

16.5 In addition to clauses 16.1 and 16.4 and save as otherwise provided in the ISA Terms or the SIPP Terms we shall not be liable for any loss or damage of any direct or indirect nature caused by the retraction by HM Revenue & Customs of its approval of any ISA or SIPP tax benefits or any changes in law.

16.6 We are not responsible for loss of goodwill, profit, opportunity or any special or indirect losses.

17. Withdrawals and Transfers

17.1 If you wish to withdraw money or investments from your Investment Account portfolio, you must provide us with written or telephone instructions, however we will only accept written instructions in respect of your Octopus ISA. We will realise the cash sum required and pay the net sale proceeds over to you upon receipt of such proceeds by us into your nominated bank account. This process may take up to ten working days depending on settlement dates and clearance of funds.

17.2 Where you elect to withdraw or transfer investments third party administration and/or custody fees and costs may apply.

17.3 We will normally only accept written or telephone instructions from you, however in the event we decide to accept electronic instructions the following provisions will apply:

- (a) any communication between us using electronic signatures shall be binding as if it were in writing;
- (b) you authorise us to communicate with you via email or other electronic means;
- (c) you acknowledge that we may rely and act on any instruction or communication given by you to us without further enquiry and that we shall not be liable in respect of anything done in accordance with such communication;
- (d) you acknowledge that email and facsimile communications may be subject to delays, misroutings, breakdown or other errors that are not attributable to us and that this may result in the non-receipt or delayed receipt of email and facsimile communications that may not be apparent to us. You further acknowledge and accept that as a result of the nature of the Internet, we cannot guarantee that email communications sent to or from us will not be viewed or intercepted whilst en route, you therefore acknowledge and accept that the use of email and facsimile in the course of performing these Terms is at your sole risk.

18. Termination

18.1 You may terminate these Terms at any time by immediate written notice to us and we may terminate these Terms by giving you 30 days written notice. Where required to do so by applicable law or regulation or where it becomes impossible, impractical or unreasonable for us to continue to manage your Portfolio we may terminate these Terms immediately, in which case you will be notified in writing.

18.2 In the event these Terms are terminated in accordance with 18.1 above, and we also provide you with an Octopus ISA we may also elect to terminate the Octopus ISA in accordance with the Octopus ISA Terms and Conditions which are set out further on in this document.

18.3 Termination will take effect on the date stated in the written notice of termination or some later date that we agree with you and shall be without prejudice to the completion of transactions already initiated, which will be completed in an orderly manner.

18.4 You will provide us with written instructions confirming what you would like us to do with your Portfolio investments and cash, including whether you would like us to liquidate the investments or whether you would like us to transfer the investments and cash.

18.5 Further to clause 6.4, you should be aware that if on termination we are required to liquidate your Portfolio, we cannot guarantee that we will be in a position to obtain the best result for you in accordance with our order execution policy.

18.6 Termination will not affect accrued rights, or any contractual provision intended to survive termination.

18.7 On termination, you will be liable to pay (meaning that we may debit from your Portfolio):

- (a) all fees and other charges mentioned at clause 8 above, pro rata to the date of termination;
- (b) any additional expenses necessarily incurred by us in terminating these Terms; and

(c) our charges in connection with transferring or registering your Portfolio into your name or as you may direct.

18.8 On termination, we may retain and/or realise such assets within your Portfolio as may be required to settle transactions already initiated and to pay your outstanding liabilities. If there is a dispute as to the payment of fees to us, you may require the disputed amount to be held in an escrow account pending resolution of the dispute.

18.9 After all outstanding transactions have been accounted for, we will provide you with a closing valuation of the Portfolio prepared in the manner described above. Our management responsibility for the Portfolio will then cease entirely.

19. Trustee Accounts

19.1 We shall be entitled to assume that if you are the trustee(s) of a trust, you have full power to deal in the assets of the Portfolio being trust property and we shall not be liable to the beneficiaries of the trust for any action that we properly take on your behalf.

20. Joint and Sole Accounts

20.1 Where there are more than one of you, your obligations under these Terms will be joint and several and any notice given to any of you will be considered to be given to all of you and we may act on the instructions of any one of you.

20.2 Where there are more than one of you, on the death of any of you, these Terms will not terminate and we may treat the survivor(s) as the only person(s) entitled to or interested in the Portfolio.

21. Data Protection and Confidentiality

21.1 We are registered under the Data Protection Act 1998, and as such may keep records in which your name and certain personal information provided by you to us will be stored. We may share this information with other persons (including Associates) if we consider that they have products or services to draw to your attention that may be of interest. However, if you so indicate when executing these Terms, we will not do so.

21.2 You have the right, upon payment of a reasonable fee, to receive a copy of the information that Octopus holds about you to the extent that it constitutes personal information. For more details, please write to the Compliance Officer.

21.3 We will keep confidential any data or other information which we hold on you. We may however share some or all of this with the FSA if we are required to do so in accordance with FSA Rules, and with other governmental, judicial, law enforcement or regulatory bodies if similarly required to do so.

22. Risk Warnings and Further Disclosures

22.1 Any stock market investment involves risk. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual funds. Before you decide to invest, it is important to understand these risks. Investment in collective equity-based schemes should only be considered for the medium to longer term. For further information on suggested minimum holding periods, please refer to the Investment Profile factsheets.

(a) Market Fluctuations

The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. There is no assurance that

the investment objective of the Funds will actually be achieved. The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region.

(b) Effect of Initial Charge

Where an initial charge is levied, an investor who realizes their shares may not realise the amount originally invested, depending on the rise of the investment versus the amount of the initial charge.

(c) Tax Risk

Tax laws currently in place may change in the future which could affect the value of your investments.

(d) Inflation Risk

Real returns will depend on the funds' growth, interest rates and the effects of inflation over time.

(e) Performance Risk

There will be a variation in performance between funds with similar objectives due to the different assets selected.

(f) Open Ended Investment Company (OEIC) Liabilities

If one of the funds of an OEIC has liabilities that exceed its net assets, the legal structure of an OEIC makes it possible for other funds within that OEIC to meet these liabilities, although this is not a likely situation. Investors are not liable to make any further payments to the OEICs after the price on the purchase of the shares has been paid.

(g) Custody

There may be a risk of a loss where the assets of the Funds are held in custody that could result from insolvency, negligence or fraudulent action of the custodian or sub-custodian.

22.2 The Foundation Funds have different areas of investment and their investment objectives are listed in the key facts document for each Foundation Fund. The specific risks detailed below may also apply to your investment. Please note that these risks may be more relevant to some investors than others depending on their personal circumstances. It is important that you read and understand these risks.

(a) Currency Exchange Rates

Funds investing in overseas securities are exposed to, and can hold, currencies other than pounds sterling (GBP). As a result, exchange rate movements may cause the value of investments to decrease or increase.

(b) Derivatives For Investment Purposes

Derivatives are used by the funds for investment purposes. The funds however, are not expected to have high volatility, due to the investments held and the investment techniques employed by the Investment Manager.

(c) Emerging Markets

Emerging markets tend to be more volatile than more established stock markets and therefore your money is at greater risk. Risk factors such as political and economic conditions should also be considered. The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments within the funds. A Counterparty may not pay or deliver on time or as expected. Lack of liquidity or efficiency in certain stock markets or foreign exchange markets in certain

emerging markets may mean that from time to time the Investment Manager may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

(d) Warrants

Whilst warrants may be utilised for the management of investment risk they can also be volatile. A warrant allows within a subscribed period the right to apply for shares, debentures, loan stock or government securities from the issuer of the underlying security. A small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable in the price of the warrant. Therefore the larger the fund holding in warrants the larger the risk of volatility.

(e) Non-UCITS Retail Schemes (Nurs)

Such funds can have wider investment and borrowing powers than Undertaking for Collective Investment in Transferable Securities (UCITS) schemes with higher investment limits in various areas. They can also invest to a greater extent in areas such as property and unregulated schemes and have the option to borrow on a permanent basis. Such additional powers can increase potential reward, but may also increase risk.

(f) Deferred Redemptions

The Authorised Corporate Director (ACD) may defer redemptions at a particular valuation point to the next valuation point where the requested redemptions exceed 10% of a Fund's value. The ACD will ensure the consistent treatment of all holders who have sought to redeem shares at any valuation point at which redemptions are deferred. The ACD will pro-rata all such redemption requests to the stated level (ie 10% of the Fund's value) and will defer the remainder until the next valuation point. The ACD will also ensure that all deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered. In such cases, investors will be exposed to any rise or falls of the respective markets prior to the next valuation point.

(g) Liquidity

The investments of the Funds may not always be easily sold and/or turned into cash.

23. Complaints Procedure and Compensation

23.1 If you have a complaint, you can contact us via phone, email or in writing. We will investigate the circumstances and report back to you. If we have given you our final response and you are still dissatisfied you may refer your case within six months to the Financial Ombudsman Service (FOS). The FOS is an independent body that arbitrates on complaints. It will only consider complaints after we have provided you with written confirmation that our internal complaints procedure has been exhausted. The FOS can be contacted at South Quay Plaza, 183 Marsh Wall, London E14 9SR. A copy of our complaints handling procedure is available on request.

23.2 We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. In relation to investment business, the maximum amount payable by the scheme is the first £50,000 claimed. Further information about compensation arrangements is available from the Financial Services Compensation Scheme. The address of the Financial Services Compensation Scheme is 7th Floor, Lloyd's Chambers, Portoken Street, London E1 8BN.

24. General

24.1 We may assign these Terms to any appropriately authorised and regulated person, such assignment being effective upon written notice to you. These Terms are personal to you and you may not assign them.

24.2 Amendments to these Terms shall be effective only if in writing and agreed by both parties, provided that we may amend these Terms on prior written notice to you in circumstances where we are required to do so in accordance with applicable law or to reflect changes in regulations and any such amendment will be effective when notified to you in writing.

24.3 We may send any communication to you at the address which you provide to us in the Application Form (or to any provided address). You may communicate with us at Octopus Investments Limited, 20 Old Bailey, London EC4M 7AN. Notice sent by first class post is deemed to have arrived on the second Business Day after posting. Notice sent by fax or email or hand-delivered is deemed to be delivered immediately (or on the next Business Day if sent after 5pm on a Business Day or on a non-Business Day). Our telephone number is 020 7710 2800. Telephone calls may be recorded or monitored for our mutual protection.

24.4 These Terms are supplied in English, and we will only communicate in English during the course of our relationship with you.

Annex I

Order Execution policy

Execution factors and execution criteria

Octopus has an obligation when executing orders on behalf of a client or a collective investment scheme (CIS) for which it acts as the appointed manager to obtain the best possible outcome. The FSA's Conduct of Business sourcebook, and specifically section COBS 11.2 Best Execution requires Octopus to take into account various execution factors including price; cost; speed; market impact; likelihood of execution and settlement; size; or any other consideration relevant to the execution of the order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, we may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result. We will determine the relative importance of the execution factors by using our commercial judgment and experience in light of market information available and taking into account the execution criteria.

The execution criteria are defined as the characteristics of the client or CIS, order (orders placed in the market will indicate a price range that is suitable for the investment decision), type of financial instrument (some shares are more liquid than others, and illiquid shares will be less easily tradable in volume, CIS may only be available at a single, forward looking, NAV determined price) and the execution venue.

Venues

Octopus's policy on execution venues when placing orders for stocks whose principal listing is in London will be through FSA regulated brokers/market makers who are members of The London Stock Exchange and/or Plus markets. When placing orders for CIS, Octopus will choose whatever venue is deemed to best

meet the below defined factors of best execution. When placing orders for stocks and CIS overseas then Octopus will choose brokers/market makers to transact through who are reputable, of good standing and in any event, where required, are authorised by the competent authorities of the relevant jurisdiction.

Factors

When executing an order, Octopus will take into account any specific instructions from the client and a number of key factors including but not limited to:

- Financial instrument subject to the order
- Price of the financial instrument
- Size of the order
- Speed and likelihood of execution
- Market conditions
- Execution venues available to the order

The above are defined as:

Price

The Firm believes that price is the most significant factor and therefore rates the price as being of primary importance and all subsequent factors as secondary. When transacting in market quoted instruments through brokers/market makers, Octopus' authorised dealers will, where possible with reasonable effort, cross check the broker quote to an appropriate life price feed. When transacting in CIS, Octopus will have regard to bid and offer spreads vs the mid NAV and where reasonably possible will choose transaction formats which minimise the adverse price impact of these within the legal and regulatory framework.

Where CIS are quoted on a forward pricing basis, we will monitor that the prices we eventually realise for our own CIS or clients match and are consistent with the respective published prices.

Size and speed

The market may be quoting a price that represents trading in a particular size but this may not be the size that Octopus wishes to trade in. Large size trades in equities are negotiated as they have gone beyond the size where a transaction within the normal market size would take place and subsequently the orders are given to a dealer to negotiate and execute. In situations where Octopus works an order, it is impossible to compare the result with what another similar firm might have achieved. Speed is also related to size and this means that Octopus may execute the order on a staggered basis to limit the market impact of an unusually large order. In other instances Octopus may execute the order as a single trade. It is the policy of Octopus to execute business through FSA-regulated market makers and brokers trading in the applicable instruments while taking into account the price and size they are making in the instrument. When transacting in CIS, we will not attempt to avoid triggering manager imposed dilution levies by staggering larger transactions over longer periods of time, as this is deemed unethical. However, the Octopus fund managers and dealers will nevertheless endeavour to minimise the adverse impact of CIS dealing spreads by exploring flow matching opportunities with the respective CIS managers, where reasonable and permissible.

Cost

In non-CIS securities, Octopus does not believe that cost is relevant to giving the client best execution as we charge commission but do not pass onto clients the costs of execution ie transaction reporting fee, brokers' charges. We do not structure

or charge our commissions in such a way as to discriminate unfairly between execution venues. In transacting in CIS, Octopus will, as a rule, favour lower fee share classes over share classes paying retrocession.

Probability of execution

Transactions in quoted shares and AIM-listed shares are settled through the CREST clearing system. Transactions in CIS are settled through appropriate, industry best practice clearing systems, where settlement responsibility resides with the appointed custodian. As such Octopus does not regard the probability of settlement in either case as relevant to its execution policy.

Specific instructions

Where the client or the trustee of an Octopus managed CIS has provided Octopus with specific instructions regarding an order, we will execute the order in accordance with those specific instructions. The client should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in this execution policy to obtain the best possible result in respect of the elements covered by those instructions.

Monitoring and review

Octopus will, on a periodic basis, carry out monitoring of the best execution standards to ensure these are being maintained, and additionally review its execution policy and order execution arrangements on an annual basis.

Whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients or CIS we manage, we will update our execution policy by posting a revised version on our website.

OCTOPUS PORTFOLIO MANAGER ISA QUESTIONS AND ANSWERS

This Questions and Answers section is specific to the Octopus ISA and are in addition to the Octopus Portfolio Manager Questions and Answers document.

Q: What is an ISA?

A: An ISA is an Individual Savings Account on which HM Revenue & Customs gives tax benefits on your investments.

Q: Who can invest in an ISA?

A: Anyone over the age of 18 who is resident or ordinarily resident in the UK for tax purposes can invest in an ISA. Crown employees, who are working overseas and paid by the Government, and their spouses are also eligible.

Q: How much can I invest into my ISA?

A: Under the regulations, the ISA allowance for 2010/11 is £10,200 with up to £5,100 into a Cash ISA. Octopus Portfolio Manager only offers a Stocks and Shares ISA in which you are able to invest up to £10,200, however, if you also want a Cash ISA, you will need to hold that with another plan manager and the maximum you'll be able to invest in the Octopus Portfolio Manager ISA is £5,100.

Q: What are the ISA tax benefits?

A: You pay no tax on any dividends, aside from the 10% tax credit you are already deemed to have paid. You pay no tax on interest and bonuses you receive from your ISA Account. Capital Gains Tax is not payable on any profits you make from the sale of your holdings. You don't have to declare income tax or capital gains to HM Revenue & Customs.

Q: What are the ISA charges?

A: There is an initial commission of up to 3% which will be paid to your financial adviser.

There is an annual management charge on the value of your portfolio, paid quarterly in arrears, subject to a minimum charge per portfolio. There are some additional charges if you transfer your ISA to another plan manager.

These charges are outlined in full in the Octopus Portfolio Manager Fees and Charges document.

Q: How do I transfer other ISA plans in?

A: Where you hold ISAs with other plan managers, you can transfer the ISA tax wrapper to us without losing your tax benefits. To do this, please complete the ISA transfer section in the ISA Application Form. We will get in touch with your previous plan manager and advise them that you want to transfer. They will sell your holding and send us the proceeds which we will invest into your Octopus Portfolio Manager ISA Account. The ISA will retain its tax benefits. More details of the process are provided on the ISA transfer form. This process can take several weeks and depends on how quickly your previous plan manager responds to us.

Q: Can I transfer a Cash ISA into my Octopus ISA?

A: We offer and manage a Stocks and Shares ISA. As per HMRC ISA Regulations, you are allowed to transfer a Cash ISA into a Stocks and Shares ISA. You should be aware that once a Cash ISA is transferred into a Stocks and Shares ISA, it cannot be transferred back into a Cash ISA. It will remain a Stocks and Shares ISA. If you have any questions on this please speak to your financial adviser.

Q: How do I withdraw from my ISA?

A: You can write and instruct us to sell your holdings, either in full or in part. We will liquidate the units that you hold in your portfolio and either send you a cheque, or transfer the money electronically to your account. This process can take up to 10 working days. If you sell your ISA holdings you will not have to pay CGT on any profits. However if you reinvest this money the ISA tax benefits will be lost.

Q: What should I expect from the account?

A: The ISA Account works in exactly the same way as the Investment Account. You will receive the same rebalancing and reporting.

Q: Can I cancel my investment?

A: Yes. You have 14 days to cancel your ISA with us. We will sell your holdings in the ISA and return the proceeds to you. If the value of your investment has fallen you may not receive back to full amount of your investment. Please refer to section 4 in the Customer Agreement for Octopus Portfolio Manager for full details.

OCTOPUS PORTFOLIO MANAGER ISA CUSTOMER AGREEMENT

These terms will apply where we agree to provide you with an Octopus Individual Savings Account (the “**Octopus ISA**”) and are **supplemental** to the terms and conditions for Octopus Portfolio Manager (the “**Main Terms**”). These terms are based on our understanding of the current law and HM Revenue & Custom’s practice.

1. Introduction

1.1 As an ISA Manager, approved by HM Revenue & Customs in respect of the management of the Stocks and Shares component of an ISA, we will manage your ISA in accordance with the ISA Regulations. We will also manage your ISA in accordance with the FSA Rules.

1.2 You should be aware that rules on taxation can change. There can be no guarantee that the nature, basis or incidence of taxation may not change during the lifetime of an investment. This may cause potential tax liability and you should be aware of the tax treatment of any investment product before you invest.

1.3 If you are uncertain about this or any aspect of how an investment may relate to your tax position, please seek professional advice.

1.4 You are responsible for ensuring that you do not exceed ISA limits in any tax year.

2. Eligibility

2.1 You can open an ISA if you are aged 18 or over and resident and ordinarily resident in the UK. If you are a Crown employee working overseas but being paid out of UK public revenue or are married to, or in a civil partnership with, such a person. You cannot open an ISA jointly. You cannot apply by fax or email, you must apply in writing on the attached application form.

2.2 You can subscribe to a Stocks and Shares ISA and a Cash ISA in each tax year. Please note that we do not offer a Cash ISA. You can not invest in more than one Stocks and Shares ISA or Cash ISA in the same tax year. If you do, the plan manager will have to render a subscription void for the year.

3. Types of ISA Account

3.1 As part of the Octopus Portfolio Manager service we offer a discretionary portfolio service ISA. This means that we will manage the investments in your ISA on a discretionary basis in conjunction with your main account investments and on the basis of the information supplied by you, or your agent. This means that we will effect investment transactions within your ISA without prior reference to you.

4. ISA Application

4.1 Your ISA begins when your subscription is paid into that ISA. Any future subscriptions must comply with ISA regulations. You may withdraw monies from your Octopus Portfolio Manager Investment Account to transfer into an ISA in each tax year by ticking the box in section 4 of the Octopus ISA Application Form. The transaction may trigger capital gains tax liabilities, however, once the funds have transferred into the ISA Account, the investment will be subject to the ISA Regulations and tax benefits that apply in the year of investment.

4.2 By ticking the appropriate box on the Investment Application

Form, we will treat the application as your continuous authority to transfer the maximum allowable subscription to your ISA Account from your main non-ISA Account each tax year, until you write to cancel this authority. We will give you at least 14 days’ notice each year before we collect the subscription. Your application to subscribe will remain valid for subscriptions made in the next and consecutive tax years. We will not require you to complete another application form unless there has been a break in your contributions to your ISA for a complete tax year or more, if you have previously cancelled your continuous authority, or if you transfer to us from an ISA from another manager.

5. ISA Investments

5.1 You should note that by subscribing the maximum investment allowance you will be prevented from investing in a Cash ISA in the same tax year. In any tax year an investor may subscribe to only one Stocks and Shares ISA.

5.2 The ISA Regulations specify the types of UK and foreign securities which may be included in an ISA. Depending on the service provided on the main non-ISA Account, these may include UK and overseas equities, a range of UK Gilts and Fixed Interest Securities and a range of Unit Trusts, OEICs and Investment Trusts. Cash may only be held within your ISA for the purposes of purchasing the investments referred to above. The above description does not purport to supersede the detailed requirements of the ISA Regulations in relation to qualifying investments for inclusion in ISAs which must be applied strictly to your ISA.

6. Withdrawals from your ISA

6.1 If you wish to withdraw cash or any investment from your ISA you must instruct us in writing. You should be aware that once you have reached the ISA subscription limit for a tax year you may make no further subscriptions to your ISA, regardless of any withdrawals.

7. Termination

7.1 You may terminate your ISA at any time by giving us a minimum of 30 days’ written notice. We will either liquidate the holdings in your ISA and transfer the cash realised to you subject to any retentions or deductions we may be entitled or bound to make hereunder or under the ISA Regulations; or re-register the holdings into your name or another non-ISA Account. These terms will continue to apply to your ISA until all outstanding transactions and liabilities have been completed and discharged. Any termination is subject to the discharge of all your tax, settlement and other obligations relating to your accounts with us. You authorise us to retain or deduct from your ISA Account such assets as we may consider necessary to meet our obligations under the ISA Regulations, any of your tax obligations or any other obligations owed to us under these terms or any other agreements with us to apply them to the discharge of those obligations. Charges relating to the closure of your ISA (if any) are

set out in the Fees and Charges document and may also include third party administration and custody charges.

7.2 We may terminate your ISA on notice in accordance with the ISA Regulations. We will notify you if your ISA has become or will become void because of any failure, either on our part or on your part, to satisfy the ISA Regulations. If an ISA is made void, you may lose part or all of your tax exemption relating to the ISA. We are required to provide HM Revenue & Customs with full details of any void ISA, including the personal details of the investor.

7.3 Your ISA will automatically cease to be exempt from tax from the date of your death but we will continue to act on any authorisation previously given to us until we are notified of your death. We will then continue to act on the instructions of your personal representatives in accordance with the ISA Regulations, as applicable, until your ISA is closed.

7.4 Cancellation rights are outlined in section 4 of the Customer Agreement for Octopus Portfolio Manager.

8. ISA Transfers

Transfer from another Manager

8.1 We will accept the transfer of your existing ISA from another ISA Manager in cash. We will not accept in specie transfers. You will be required to complete a transfer authority form and return this to us, and your existing ISA Manager, with your written instructions.

8.2 We accept no responsibility for any loss or delay caused in the transfer or payment of proceeds to us. You must ensure that the transferring manager complies with instructions given by us for transfers.

Transfer to another Manager

8.3 On your written instructions and within the time you stipulate (subject to a minimum of 30 days) we will transfer your ISA to another ISA Manager provided that they agree to the transfer. Whilst under normal circumstances, we will carry out the ISA transfer within the time stipulated, occasionally it may take longer to complete due to circumstances outside our control. We will only transfer your ISA in full to another ISA Manager; no partial transfers will be allowed. You may be liable to pay the fees and charges of third party administrators and/or custodians arising from any transfer.

8.4 We will either liquidate the holdings in your ISA and transfer the cash realised, or transfer the holdings and any cash balance in your ISA, to your new manager subject to any retentions or deductions we may be entitled or bound to make under these terms or under the ISA Regulations. Please note that where assets are being transferred rather than encashed, we will not complete the transfer until any monies owing to us have been paid in full. Where cash and/or investments are transferred directly to another ISA Manager, all rights and obligations of the parties to the ISA are transferred with it to the new manager. Your new ISA Manager should require you to complete a transfer application form.

9. Your Assets

9.1 Your ISA investments will be registered in the name of one of our nominees but will be and must remain in your beneficial ownership. The title documents for these investments will be held by us (or to our order) and we will be responsible for their safe custody as described in the Custody section of our main terms

and conditions relating to non-ISA investment accounts.

10. Your Money

10.1 In accordance with the ISA Regulations, your ISA must be fully invested into qualifying investments at all times. Cash may only be held temporarily for the purposes of purchasing qualifying investments.

10.2 Dividend payments, tax credits and interest received into the account will be paid to you or re-invested. All cash will be held in designated accounts at a bank as permitted by the FSA's Client Money Rules and segregated from our money and from the money we may hold in respect of your non-ISA Accounts with us. Where we consider that cash has remained uninvested for an excessive period within your ISA Account, and we have been unable to obtain investment instructions from you, we reserve the right to return such cash to your non-ISA Account and to treat this as a withdrawal. We will make every effort to contact you before taking such action. Interest received on cash held within the ISA will be subject to a flat rate charge equivalent to income tax (currently 20%) which we must deduct from your ISA Account and pay to HM Revenue & Customs. There is no requirement for you to inform HM Revenue & Customs of the interest received or the flat rate charge made on your ISA Account.

11. Shareholder Activity

11.1 In relation to your ISA investments, we will at your request on at least 14 days' prior written notice, arrange for you to:

- (a) be sent a copy of the annual report and accounts;
- (b) attend shareholders and unit trust holders' meetings;
- (c) vote (as proxy for our nominee); and/or
- (d) receive such other information issued to shareholders, unitholders or securities holders.

12. Charges and Commission

12.1 Details of charges in respect of your ISA are set out in the Fees and Charges document. Dealing commission and other related charges (including stamp duty) where applicable, will be deducted from your ISA when transactions are executed on your behalf. In order to maximise the tax benefits to your ISA, all other charges may be deducted from your main-non-ISA Account. The management fee is calculated daily as an accrual and charged quarterly in arrears and is subject to VAT. If there are insufficient funds in your non-ISA Account to meet these charges, you will be notified of this. Should there still be insufficient funds 30 days after we notify you, we may sell sufficient ISA investments to enable us to deduct the charges as set out in 8.4 in the Main Terms. In the case of closure of your ISA, the charge will be calculated by reference to the averaged value of your ISA on the date of closure and each previous month-end as above, pro-rated for the period from the last fee billing date to the date of closure.

13. Confidentiality

13.1 Subject to clause 21 of the Main Terms, we undertake not to use confidential information, including your date of birth and national insurance number, which you are required to give us in the ISA application form for tax purposes, for any other purpose. You authorise us to disclose to HM Revenue & Customs or any other applicable regulatory body all information required by law or regulation.

14. Delegation

14.1 We reserve the right to delegate any of our administrative or accounting duties under these terms to another company and you authorise us to disclose to that company such information about your ISA Account as is necessary for this purpose. We will satisfy ourselves that any person to whom we delegate any of our functions or responsibilities under these terms is competent to carry them out.

15. Additional Risk

15.1 You should be aware that, once you have made the maximum subscription allowed to an Octopus ISA in a particular tax year, you will not be able to subscribe to another stocks and

shares ISA in the same tax year as you make that contribution. Further, by subscribing the maximum amount, you will also be prevented from investing in a cash ISA in the same tax year.

15.2 References to tax rates and concessions given in our published materials in relation to ISAs are those applicable at the date of going to print. You should be aware that these may change in the future.

OCTOPUS PORTFOLIO MANAGER

SIPP KEY FEATURES

keyfacts®

The Octopus SIPP ('the Scheme') is administered by EBS Management Plc ('EBS'). This document sets out the most important things you should know about the Octopus SIPP, including where you elect to draw your pension as an Unsecured Pension or an Alternatively Secured Pension. It should be kept with your Personal Illustration. Further details are contained in the Octopus SIPP Terms of Business, the Scheme Rules, our fees and charges and any amendments thereto. Copies are available upon request.

The Financial Services Authority is the independent financial services regulator. It requires EBS Management Plc to give you this important information to help you to decide whether the Octopus SIPP 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.

You should be aware that Stakeholder Pension Schemes are generally available and might meet your needs as well as this Self-Invested Personal Pension (SIPP).

Helping You Decide

What you should know to help you make a decision.

What is the purpose of this document?

To give you a summary of information to help you decide whether the Octopus SIPP is right for you and, when appropriate, to help you decide whether you want to elect to take an Unsecured Pension or an Alternatively Secured Pension.

What questions should I ask before I invest?

These are set out in the following pages under 'Questions and Answers' and may help you to make a decision. You should be comfortable that you understand the features of the SIPP before you make a decision as to which option is right for you.

You should seek a personal recommendation from an appropriately qualified person, such as your financial adviser, if you have any doubt as to whether the Octopus SIPP is suitable for you.

It's Aims

- To build a pension fund in a tax efficient manner.
- To give you the flexibility of accessing active investment management via Octopus Investments Limited (Octopus).
- To allow you to indicate your preference for the provision of benefits on death before your 75th birthday and before you have taken any benefits.
- To enable you to take a pension income directly from your SIPP fund, without buying a lifetime annuity, either through an Unsecured Pension before reaching age 75, or an Alternatively Secured Pension on reaching age 75.
- To enable you to take a Pension Commencement Lump Sum (a tax-free lump sum under current legislation), if one has not already been drawn, and before the age of 75.
- To allow you flexibility as to the amount of pension income you receive each year, subject to any minimum and maximum set by HM Revenue & Customs (HMRC), to suit your own circumstances.
- To allow flexibility in the timing of the purchase of a lifetime annuity, allowing you to consider changes in market and annuity rates.
- To allow you to indicate your preference for the provision of benefits on death before your 75th birthday whilst receiving an

Unsecured Pension, in the form of dependants' pensions and/or lump sums (less tax).

- To allow you to indicate your preference for the provision of benefits on death on or after your 75th birthday whilst receiving an Alternatively Secured Pension, in the form of dependants' pensions or, where you have no surviving dependants, in the form of one or more lump sums to charity.

Your Commitment

- To make at least one payment (contribution or transfer) into your SIPP.
- To notify us if you make, or anyone else (other than your employer) makes, contributions to your SIPP, which when aggregated with any such contributions to other registered pension schemes (of which you are a member) in the same tax year, exceed the value of your Relevant UK Earnings (see Glossary) for that tax year.
- To determine and review regularly with your financial adviser (and with regard to the Scheme Rules), your investment strategy, contribution levels and benefit levels when receiving income from your SIPP.
- To start taking your benefits between your minimum pension age, which will normally be 55 and age 75.
- To draw a pension income from your SIPP within the limits set by HM Revenue & Customs (HMRC).
- To notify us of any changes to your personal circumstances which are relevant to your SIPP such as your eligibility for tax relief on personal contributions or your marital status.
- To pay any fees and charges in relation to your Octopus SIPP.

If you do not review regularly the level of pension required or your investment strategy, you could run the risk of **additional tax charges**, or find that the investments have not performed as expected and therefore the ongoing pension is reduced.

Charges

There is an annual SIPP administration charge of £150 + VAT, paid quarterly in advance.

There is also a charge of £100 + VAT for pension payroll and £100 + VAT for a benefits calculation. The following fees apply in respect of transfers: transfer in (per transfer) £50 + VAT, transfer

out (in cash) £100 + VAT, transfer (in specie) £150 + VAT.

For charges on specific products, please see the associated brochures or fee schedules as appropriate.

If you have any questions about the charges, please call one of the team on **0800 294 6855**.

Risks

Factors which affect the level of your benefits include investment performance, lifetime annuity rates, charges and tax. The Octopus SIPP allows you to invest in a wide range of different investments. Each of these will carry its own investment risks and may incur additional costs and charges. A number of factors could affect the benefits you could take at retirement. For example, you could get a smaller pension if

- the investment performance of the underlying assets is worse than that assumed in any illustrations we provide;
- charges increase;
- there are changes in legislation affecting taxation and SIPP contribution limits;
- part of your SIPP fund has to be transferred away following a Pension Sharing Order on divorce;
- there are changes in legislation affecting SIPPs;
- contributions into your SIPP fund are insufficient to provide the desired level of benefits at retirement;
- withdrawals or a short-term annuity may erode the value of the remaining fund, especially if the investment returns are poor, and a high level of income is taken in future. High levels of income may not be sustainable, and this may also affect the value of any future annuity;
- when you purchase an annuity, annuity rates are at a lower level; or

- inflation affects the level of benefits in real terms.

Other risks include

- The value of investments (and income from them) within your Octopus SIPP may fall as well as rise and is not guaranteed and you may not get back the amount invested.
- If you transfer funds to your SIPP from other pension arrangements you may be giving up rights under those other arrangements such as guaranteed benefits, or you may suffer transfer penalties imposed by the transferring arrangement (eg loss of terminal bonuses in relation to with-profit funds).
- If you and/or your employer (and/or anyone else) pay tax relieviable contributions to your SIPP, which, together with any contributions paid for or by you to any other registered pension schemes in Pension Input Periods (see Glossary) ending in the same tax year, exceed the Annual Allowance you will be personally liable to pay a tax charge on the excess.
- If the total funds you build up in your SIPP and any other registered pension schemes exceed the Lifetime Allowance when you take your benefits, the excess will be subject to an additional tax charge (unless you have a relevant Certificate of Protection from HMRC).
- There is the potential for significant tax charges on lump sum death benefits under Alternatively Secured Pensions.
- By drawing pension directly from your SIPP fund (under an Unsecured Pension or Alternatively Secured Pension) you do not benefit from the cross subsidy from annuitants who die early, as would be the case if you had purchased a lifetime annuity.

OCTOPUS PORTFOLIO MANAGER

SIPP DEFINITIONS

'Alternatively Secured Pension' means payment of pension direct from your SIPP to you or a dependant, where you or the dependant is aged 75 or over.

'Authorised Payments' are payments specifically authorised under the pension tax legislation (eg Pension Commencement Lump Sum, Unsecured Pension and Alternatively Secured Pension).

'Charity' means a body of persons or trust established for charitable purposes only.

'Crystallise' means to designate all or part of your SIPP fund for the provision of benefits before age 75.

'Dependant' means:

- (a) a person who was married to you, or your civil partner; at the time of your death;
- (b) a person who was married to you, or your civil partner; when you first became entitled to a pension under the SIPP;
- (c) a child of yours who has not attained age 23 or; in the opinion of the Scheme Administrator; was dependent on you because of physical or mental impairment whatever the child's age; and
- (d) any other person (who was not married to you, nor your civil partner; nor your child) if, in the opinion of the Scheme Administrator; at the time of your death, the person was financially dependent on you, or you and the person were financially dependent on each other; or the person was dependent on you because of mental or physical impairment.

'Enhanced Protection' means that (where you have a valid Certificate of Enhanced Protection from HMRC) whatever the value of your benefits at the time they are crystallised, they are not subject to the Lifetime Allowance, provided that since 5 April 2006, no contributions or pension input (in relation to defined benefit schemes) have been made for you to your SIPP, or any other registered pension scheme of which you are or have been a member.

'Lifetime Allowance' is the upper limit on tax favoured pension savings you can build up in aggregate in all of your registered pension schemes.

'Lifetime Annuity' means an annuity contract purchased under a money purchase arrangement from an insurance company of the member's choosing that provides the member with an income for life, and which meets the conditions imposed through paragraph 3, Schedule 28 to the Finance Act 2004.

'Market Value' is defined in section 272 of The Taxation of Chargeable Gains Act 1992 (TCGA 1992) and means the price which an asset would reasonably be expected to fetch on a sale in the open market, except in the case of securities listed on the Stock Exchange Daily Official List (SEDOL). Market value for securities listed on SEDOL is defined in section 272(3) of TCGA 1992 and is often referred to by stockbrokers and investment managers as the 'quarter-up basis'.

'Pension Commencement Lump Sum' means a tax-free lump sum benefit paid to you (where you are aged under 75) in connection with an arising entitlement to a pension benefit under your SIPP (other than a short-term annuity).

'Pension Input Period' means the period (sometimes less than a year) ending in a tax year, for which the total tax relievable contributions/pension inputs made by or for an individual to registered pension schemes are tested against the Annual Allowance for that tax year.

'Qualifying Recognised Overseas Pension Scheme (QROPS)' means a recognised overseas pension scheme for which the scheme manager has signed an undertaking to inform HMRC if the scheme ceases to be a recognised overseas pension scheme and comply with any prescribed information requirements imposed on the scheme manager by HMRC.

'Relevant UK Earnings' means:

- employment income,
- income which is chargeable under Schedule D and is immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner acting personally in a partnership), and
- income to which section 529 of Income and Corporation Taxes Act 1988 (ICTA) (patent income of an individual in respect of inventions) applies.

Relevant UK Earnings are to be treated as not being chargeable to income tax if, in accordance with arrangements having effect by virtue of section 788 of ICTA (double taxation agreements), they are not taxable in the United Kingdom.

'Scheme Administrator' means the person(s) appointed to be responsible for the discharge of the functions conferred or imposed on the scheme administrator of the pension scheme by HMRC. In the case of the Octopus SIPP this is EBS Management Plc.

'Short-term Annuity' means an annuity contract purchased from funds relevant to a member's Unsecured Pension that provides the member with an Unsecured Pension for a term of no more than five years (not reaching to or beyond their 75th birthday).

'Taxable Property' means residential property and tangible moveable property unless specifically exempted under HMRC legislation.

'Unauthorised Payments' are payments which are not authorised payments (eg payment of Unsecured Pension in excess of the maximum authorised, payment of lump sum benefits on your death whilst in receipt of Alternatively Secured Pension, and non arm's length transactions with connected parties).

'Unsecured Pension' means payment of a pension direct from your SIPP fund, or from a short-term annuity purchased from funds relevant to an Unsecured Pension, to you or a dependant (where you or the dependant is aged under 75).

OCTOPUS PORTFOLIO MANAGER

SIPP QUESTIONS AND ANSWERS

Q: What is a SIPP?

A: A SIPP is a personal pension which provides a tax-efficient way to save for retirement and allows you to make your own investment decisions, or with the assistance of your financial adviser, within the range of investments permitted by the SIPP Administrator.

Q: Is the Octopus SIPP a Stakeholder Pension Scheme?

A: No it is not. However, Stakeholder Pension Schemes are generally available and might meet your needs as well as a SIPP. If you want further information on Stakeholder Pension Schemes you should contact your financial adviser.

Q: What are the tax benefits?

- A:
- Your contributions to your SIPP attract tax relief at your highest rate, subject to any limits imposed by HMRC.
 - Your employer can make gross contributions to your SIPP.
 - However, if you have annual income of £150,000 (including investment income) or more, you may be subject to a 'special allowance charge' on part, or the whole of, the value of the contributions made in a tax year.
 - Investments within your SIPP can grow free of income and capital gains tax, although it is not possible to reclaim tax paid on UK share dividends within a pension fund. Whether any overseas tax deducted at source in relation to overseas investments can be reclaimed will depend on any relevant dual tax treaty arrangements in force between the UK and the overseas jurisdiction.
 - Before age 75 you can usually take up to 25% of your SIPP fund as a tax-free Pension Commencement Lump Sum, subject to the Lifetime Allowance.
 - Benefits paid out in the event of your death before age 75 will normally be free of inheritance tax.

Please note that the tax treatment of pensions depends on your individual circumstances and may be subject to change in future.

Q: If I am a higher rate tax payer will I receive additional tax relief?

A: Yes, but the Finance Act 2009 introduced rules for the period between 22 April 2009 (Budget Day) and 5 April 2011 to restrict higher rate tax relief, for the tax years 2009/10 and 2010/11, by imposing a 'special annual allowance charge'.

However, the special annual allowance charge will apply only if:

- the individual's 'relevant income' is £150,000 or more in the tax year in question or in either of the two preceding tax years; and
- the individual's 'pension savings' for the tax year in question – in relation to all pension schemes of which the individual is a member – exceed the greater of the

amount of his/her 'normal ongoing pension savings' and the 'special annual allowance' (which will be between £20,000 and £30,000). Normal ongoing pension savings are protected from the special annual allowance charge as are tax relievable contributions paid between 6 April 2009 and 21 April 2009 inclusive.

Q: What is 'relevant income'?

A: Please note that this is not the same as Relevant UK Earnings.

'Relevant income' is a six step calculation in which the individual's total income that is within the charge to income tax is ascertained. Broadly, it includes the following:

- Earnings from employment and self-employment/partnerships.
- Most pensions income (State, occupational and personal pensions).
- Interest on most savings, dividend income from shares, rental income and income received from a trust.
- Contributions made by the individual to an employer's pension scheme in the tax year under the net pay arrangements (ie contributions deducted by the employer from the individual's gross earnings).
- Contributions made under post 22 April 2009 salary sacrifice arrangements between the individual and the individual's employer.

Deductions can be made in respect of tax relievable contributions – other than employer contributions – paid net of basic rate tax under the relief at source system (eg an individual's personal contributions to a SIPP), up to a maximum of £20,000, and in respect of any qualifying 'gift aid' donations in the tax year.

'Pension savings' include contributions for the individual paid by the individual the individual's employer and/or anyone else, and/or benefit accrual under a defined benefit/final salary scheme.

'Normal ongoing pension savings' means, broadly, quarterly or more frequent contributions (eg monthly) for the individual paid by the individual, the individual's employer and/or anyone else, and/or benefit accrual under a defined benefit/final salary scheme – in existence since before 22 April 2009.

The special annual allowance is not in addition to normal ongoing pension savings and any other protected pension savings. It is reduced by the amount of those normal ongoing pension savings and/or other protected pension savings.

Q: What is the special annual allowance charge?

A: The rate of the special annual allowance charge for the tax year 2010/11 is between 20% and 30%.

Please note that if you have relevant income of £150,000 or more the charge will apply to the amount by which all

contributions paid to your SIPP, including employer contributions, which are not protected pension savings, exceed your special annual allowance.

Pre-Budget Report 2009

In the Chancellor's Pre-Budget Report on 9 December 2009 the following changes to the rules restricting higher rate tax relief were announced:

- With effect from 9 December 2009, the rules are to apply to those with relevant income of £130,000 or more.
- The special annual allowance charge for the tax year 2010/11 will be whatever rate is required to limit an individual's tax relief to basic rate tax in relation to the excess of non-protected pension savings above the individual's special annual allowance.
- With effect from 6 April 2011, new rules restricting higher rate relief are to be introduced.

Q: Am I eligible for a SIPP?

A: A SIPP can be established for anyone provided a contribution or a transfer from another registered pension scheme is paid in. A SIPP for a child under the age of 18 must be established by a parent or legal guardian.

Q: How do I set up a SIPP with Octopus?

A: Your SIPP would constitute a separate account (defined as an 'Individual Fund' in the Scheme Rules) within the Octopus SIPP (part of the Alpha SIPP) which was established under irrevocable trust on 27 July 2004 and is a registered pension scheme under section 150(2) of Finance Act 2004). EBS is the sole managing Trustee of your SIPP.

Scheme assets and bank accounts would be held by Alpha Trustees Limited, which acts as a bare trustee for EBS.

Octopus will provide the application form and all necessary documentation and EBS will liaise with HMRC on behalf of your SIPP.

Q: Who can pay contributions to my SIPP and how much?

A: Broadly, if you are resident in the UK and/or have earnings subject to UK income tax, you, your employer or anyone else can pay contributions to your SIPP on your behalf.

There is no minimum contribution that you must pay. Contributions may be paid on an ad hoc or regular basis.

Your contributions, and those paid by anyone else (other than your employer) must be paid net of basic rate income tax. We will reclaim this element of tax from HMRC and pay it into your SIPP bank account. You must reclaim any higher rate tax you are entitled to via your self assessment tax return. It normally takes between eight to twelve weeks to reclaim basic rate tax from HMRC.

For example, if you wanted to pay a gross contribution of £10,000, you would pay a net contribution of £8,000 (ie £10,000 less basic rate income tax, which is currently 20%) and we would reclaim the basic rate tax of £2,000.

Tax relief on such contributions will only be available where the total gross contribution does not exceed the greater of

£3,600 and the amount of your Relevant UK Earnings. These earnings are subject to income tax for the tax year in which the contributions are made.

Employer contributions are paid gross and there is no specified limit on the amount that your employer can pay in. According to guidance on the HMRC website, a contribution by an employer to a registered pension scheme, in respect of any director or employee, will be an allowable expense unless there is a non-trade purpose for the payment.

In cases where the contribution is part of a remuneration package paid wholly and exclusively for the purposes of the trade, then the contribution is an allowable expense. General guidance on deductions for remuneration paid to directors and close relatives of directors can be found on the HMRC website via the following internet link:

<http://www.hmrc.gov.uk/manuals/bimmanual/BIM46001.htm>

If total tax relievable contributions (from whatever source other than minimum contributions in relation to contracted out Protected Rights benefits) to all your registered pension schemes in any 'Pension Input Periods' ending in a tax year exceed the Annual Allowance for that tax year, you will be personally liable to tax at 40% on the excess.

Tax Year	Annual Allowance
2010/11 – 2015/16	£255,000

Pension Input Periods will normally coincide with the tax year. However, you can notify us, having consulted your financial adviser, if you wish a Pension Input Period to end on a different date.

We will not accept contributions on or after your 75th birthday.

Payments received into your SIPP will need to be treated in accordance with Joint Money Laundering Steering Group Guidelines. In such cases, we may require sight of identity verification documentation and may also require additional information to be provided.

Q: Can I pay contributions in the form of assets rather than cash?

A: This is quite a difficult area as HMRC insist that in the first instance a legally binding debt must be created between you (or your employer in the case of an employer contribution) and the SIPP for the amount of the contribution. Detailed information is available in our Terms of Business.

Q: What if I have Enhanced Protection?

A: If you have registered for Enhanced Protection of your pre 6 April 2006 pension rights with HMRC then any contribution paid on your behalf to this or any other registered pension scheme will result in the loss of that Protection.

Q: What are Protected Rights?

A: Protected Rights benefits can arise where you are, or have been, contracted out of the State Second Pension (previously the State Earnings Related Pension Scheme or SERPS) in relation to employment.

Q: What is contracting out?

A: By contracting out you give up your right to benefit from the State Second Pension for the period you are contracted out and your State Second Pension is reduced accordingly. HMRC then pay contracted out rebates of National Insurance (known as 'Minimum Contributions') at the end of each tax year you are contracted out – to make up for the State Second Pension given up. When contracting out you may end up with a smaller pension than you would with the State Second Pension.

Q: Can the SIPP be used to contract out of the State Second Pension?

A: You will not be able to use the SIPP to contract out and receive minimum contributions.

The Department for Work and Pensions (DWP) has announced that contracting out for money purchase pension schemes (which includes the Octopus SIPP) and Minimum Contributions are to be abolished in 2012 and Protected Rights funds will then be subject to the same rules that apply to the rest of your SIPP funds.

Q: Can I transfer my contracted out benefits in existing pension arrangements to the SIPP?

A: Yes, provided the existing pension arrangement is a registered pension scheme and its rules allow the transfer. However, as mentioned above, you will not be able to use the SIPP to contract out and receive Minimum Contributions.

Contracting out in one tax year does not commit you to do the same in future years, so you should review regularly, with your financial adviser, whether to contract out or to remain contracted out.

Q: Can I transfer my non contracted out benefits in existing pension arrangements to the SIPP?

A: Yes, provided the existing pension arrangement is a registered pension scheme and its rules allow the transfer.

You can also transfer where you are in receipt of pension in the form of income withdrawals (either as Unsecured Pension or Alternatively Secured Pension) under the existing arrangement as long as, on receipt of the transfer, your SIPP continues to pay the pension subject to the HMRC limits and review dates which applied under the transferring scheme.

Your financial adviser and Octopus will be responsible for arranging any transfers.

Transfers can be in the form of cash and/or acceptable assets such as quoted stocks and shares, unit trusts, managed funds etc.

Q: Can I transfer my benefits from the Octopus SIPP to another pension scheme?

A: You can normally transfer part or all of your SIPP in the form of cash and/or assets, at any time, to another registered pension scheme or a Qualifying Recognised Overseas Pension Scheme (QROPS) of which you are a member, subject to the receiving scheme rules and HMRC requirements.

Where you are drawing an Unsecured Pension or an Alternatively Secured Pension from the SIPP, the whole of that part of your SIPP would have to be transferred.

Transfers must be made directly to the Trustees or Administrator of the receiving scheme.

Your financial adviser and Octopus will be responsible for arranging any such transfer.

Q: What can my Octopus SIPP invest in?

A: Please refer to Appendix I of the Octopus SIPP Terms of Business.

Q: What investments are not allowed in the SIPP?

A: Please refer to Appendix I of the Octopus SIPP Terms of Business.

Q: Is there a limit on the funds I can build up in my SIPP?

A: No. However, there is a limit on the amount of tax favoured pension rights you can build up in aggregate in your SIPP and any other registered pension schemes of which you are a member. This limit is known as the Lifetime Allowance and has been set by the Government for each tax year up to and including 2010/11 as follows

Tax Year	Lifetime Allowance
2010/11 – 2015/16	£1,800,000

If you have no remaining Lifetime Allowance when crystallising part or the whole of your SIPP fund, the amount of the excess over the Lifetime Allowance will be subject to tax charges totalling 55% (unless you have applied for and received from HMRC a relevant Certificate of Protection).

Q: Are Protected Rights funds taken into account for the purposes of the Lifetime Allowance?

A: Yes. All funds in your SIPP have to be taken into account when assessing whether the Lifetime Allowance has been exceeded, unless you have a relevant Certificate of Protection from HMRC.

Q: What happens if I die before taking any benefits?

A: If you die before you reach age 75 the Scheme Trustee, operating under its discretionary powers, will have the following options in respect of any part of your SIPP fund that you have not crystallised:

- to pay the value of your SIPP fund (subject to the Lifetime Allowance, unless you had a relevant Certificate of Protection) as one or more lump sums, currently tax-free, to your beneficiaries;
- to purchase lifetime annuities, which are taxable, for dependants;
- to provide dependants with Unsecured Pensions or Alternatively Secured Pensions, depending on their age, which are taxable; or
- to provide combinations of the above.

Q: What happens if I die before taking any benefits from the Protected Rights Fund?

A: If you die before you reach age 75 and you are survived by a spouse or civil partner, he or she is entitled to a pension from any Protected Rights funds in your SIPP.

If you have no surviving spouse or civil partner the Scheme Trustee must pay out any Protected Rights funds as one or

more lump sums in accordance with your directions, which will be binding on the Scheme Trustee. If you do not give any directions, or they cannot be followed, the Protected Rights funds will be paid to your estate and may be subject to Inheritance Tax.

(See previous question for details of what happens if you die once you have started to take your benefits.)

Q: When can I take my benefits?

A: You can crystallise your benefits at any time between age 55 and age 75 or earlier if you are in serious ill-health or have a pre 6 April 2006 protected pension age.

Your Protected Rights can be crystallised at any time between age 55 and age 75 but not before you have crystallised non-Protected Rights benefits.

Q: What is an Unsecured Pension?

A: An Unsecured Pension is an alternative to buying an annuity. It allows you to draw an income from your pension fund, whilst leaving it invested. A person under the age of 75 can take out an Unsecured Pension, and either draw an income by using income withdrawal (also known as pension fund withdrawal or pension drawdown), or by buying a 'short term annuity'. During the period your Unsecured Pension is being paid, your SIPP investments continue to be managed (except in the case of a short term annuity) as they were before you started to draw Unsecured Pension subject to liquidity needs to meet pension payments.

However, where X% of your total SIPP fund consists of Protected Rights funds, then no more than X% of your total Unsecured Pension payments in each Unsecured Pension year can be derived from your Protected Rights funds.

An Unsecured Pension will stop at age 75. At this point, you must secure a pension income from your SIPP fund, which generally means buying a lifetime annuity, or taking an Alternatively Secured Pension.

Q: What is an Alternatively Secured Pension?

A: An Alternatively Secured Pension is the pension that can be paid directly from your SIPP fund including Protected Rights from age 75 where you do not wish to purchase a lifetime annuity. If you do not purchase a lifetime annuity by age 75 you will automatically be paid an Alternatively Secured Pension from age 75.

Q: Am I entitled to a Lump Sum?

A: You can normally take a Pension Commencement Lump Sum before age 75, equal to 25% of the SIPP fund crystallised including Protected Rights, to provide your benefits, provided this does not exceed 25% of your unused Lifetime Allowance. Your Unsecured Pension is then based on the residual fund, after payment of the Pension Commencement Lump Sum.

For example, if the value of your SIPP fund was £400,000 before age 75, and you crystallised £200,000 of it, you should be able to have a Pension Commencement Lump Sum of £50,000 and, from the balance of £150,000, an Unsecured Pension of between zero and the maximum amount permitted. Both the crystallised (£150,000) and the uncrystallised (£200,000) parts of your SIPP fund continue to be invested as you wish.

Each time you crystallise part of your SIPP fund to provide benefits you use up part of your Lifetime Allowance.

A Pension Commencement Lump Sum is not available in relation to an Alternatively Secured Pension.

Q: Can I use my Pension Commencement Lump Sum to pay a new contribution to my SIPP?

A: With effect from 6 April 2006 HMRC introduced new rules to discourage individuals from intentionally pre-planning and carrying out the following activities (known as 'recycling');

- taking Pension Commencement Lump Sums from their pension schemes in order to pay significantly increased contributions back into their pension schemes and gain the tax relief associated with such contributions; or
- paying significantly increased personal contributions or having significantly increased contributions paid to their pension schemes by their employer or an other person (gaining the tax relief associated with such contributions) in order to take Pension Commencement Lump Sums.

Where the 'recycling' rules apply, the lump sum will be treated as an 'unauthorised member payment' and give rise to tax charges on the individual of up to 55%. There may also be a further tax charge on the scheme of between 15% and 40%.

These tax charges will not apply to any part of the lump sum that is subject to tax charges because the Lifetime Allowance has been exceeded.

The individual must report any 'recycling' to the Scheme Administrator within 30 days of the 'unauthorised member payment' occurring, which is when all the conditions for the 'recycling' rules to apply are met.

Detailed guidance on 'recycling' is clearly something you should discuss with your financial adviser prior to taking benefits and further details are available on the HMRC website at the following link:

<http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM04104900.htm>

Q: Do I have to buy a lifetime annuity?

A: It is not compulsory to purchase a lifetime annuity. However, you can do so at any time, from age 55, including when receiving Unsecured Pension or Alternatively Secured Pension.

Buying a lifetime annuity means giving up your involvement in the investment of your SIPP fund and exchanging it for the security of a regular taxable pension income from an insurance company for the rest of your life.

The amount of a lifetime annuity will depend on the value of your SIPP fund and lifetime annuity rates at the time of purchase. If you are in poor health you may be able to obtain a higher lifetime annuity rate from insurance companies who offer 'impaired life' annuities.

Your pension from a lifetime annuity may have built-in annual increases, be guaranteed for up to ten years and continue, usually at a reduced rate, for your surviving spouse or dependant.

Q: Do I have to buy a lifetime annuity in respect of my Protected Rights funds?

A: It is not compulsory to use Protected Rights funds to purchase a lifetime annuity. However, as with your other SIPP funds, you can do so at any time, from age 55, including when receiving an Unsecured Pension or an Alternatively Secured Pension.

If you buy a lifetime annuity with Protected Rights funds and you have a spouse or civil partner, the annuity must include provision for a surviving spouse's or civil partner's annuity in the event of your death of at least 50% of your annuity.

Q: How much Unsecured Pension can I take?

A: The maximum amount of Unsecured Pension is specified in legislation. There is no minimum amount that must be drawn so you do not have to draw any pension if you do not wish to.

The maximum amount of Unsecured Pension (including Protected Rights Fund) is 120% of the relevant single-life annuity rate from tables published by the Government Actuary's Department known as the 'GAD' annuity rate. You, along with your financial adviser, must decide what level of pension to take between nothing and the maximum. However, the amount of pension can be varied from year to year based on your requirements.

Q: How much Alternatively Secured Pension can I take?

A: You should be aware that at age 75 the maximum pension income that can be withdrawn under an Alternatively Secured Pension is often less than the maximum Unsecured Pension that applies before age 75. There is also a minimum level of pension income that must be withdrawn.

The maximum and minimum amounts of Alternatively Secured Pension (including from Protected Rights funds) set out in legislation are 90% and 55% of the relevant GAD annuity rate for a 75 year-old respectively.

Q: How often is my pension reviewed?

A: HMRC require your maximum Unsecured Pension to be reviewed every five years, but you can request an earlier review on any anniversary if desired. Your maximum Unsecured Pension must also be reviewed at any time part of it is used to buy a lifetime annuity.

HMRC require the maximum and minimum amounts of Alternatively Secured Pension to be reviewed annually on your birthday, but always with reference to the relevant GAD annuity rate for a 75-year old (ie age progression cannot be taken into account).

At each review we will provide an updated illustration.

Q: How is the amount of my pension determined?

A: To enable us to determine the HMRC limits on your pension payments we need a valuation of the underlying assets held within your SIPP. Any shares listed on the Stock Exchange Daily Official List (SEDOL) must be valued in accordance with section 272 of the Taxation of Chargeable Gains Act 1992.

The HMRC limits are calculated by applying the relevant percentage of the relevant GAD annuity rate to the amount of your SIPP fund you wish to put into payment (ie 'crystallise') less any Pension Commencement Lump Sum you also wish to receive.

Pension payments which are not within HMRC limits will constitute unauthorised payments and tax penalties will be incurred.

Q: Should I change my investment strategy?

A: It is your decision whether or not to change your investment strategy, but you must consider the cash flow needs of your SIPP. For instance, if you decide to take a pension from the fund and the investments are in an illiquid form, there will be no investment income from which your SIPP could pay your pension. This might not necessarily be a problem in relation to an Unsecured Pension where you have the option to draw no pension. However, in relation to an Alternatively Secured Pension, you must receive a minimum pension of 55% of the relevant GAD annuity rate for a 75 year old.

Your pension can be paid from investment income received into your SIPP and/or by encashment of assets.

Q: How is my pension taxed?

A: Your Unsecured Pension and Alternatively Secured Pension income withdrawals (together with any subsequent annuity) and any dependant's pension or annuity paid following your death will be treated as earned income and taxed accordingly. The Scheme Administrator, EBS Management Plc, will be responsible for deducting tax at source before paying the net pension, under the EBS payroll service. Neither your pension nor pensions paid to your dependants should be subject to National Insurance.

The tax treatment of pensions depends on the individual circumstances of each client and may be subject to change in the future. Please ask an appropriately qualified person such as your financial adviser for further information. Tax treatment and reliefs, and benefits highlighted within this document are subject to budgetary review and change.

Q: How is the pension paid?

A: Your pension can be paid monthly, quarterly, six-monthly or annually and in arrears or in advance. Under the EBS pension payroll system all pensions are paid with effect from the first of each relevant month, and a minimum of sixteen days' notice is required prior to the first of the relevant month for any changes or additions to the pension payroll.

Q: What happens on my death whilst taking a pension?

A: *1. Death before age 75 whilst taking an Unsecured Pension*
Any funds remaining in your SIPP could be used to provide one or more dependants with pensions directly from the SIPP or to purchase annuities for them.

Alternatively, the remaining funds could be paid out to your beneficiaries as one or more lump sums less a free-standing tax charge, which is currently 35%. The Scheme Trustee is able to pay such lump sums at its discretion, which should not, therefore, form part of your estate for any further tax charge.

It is also possible to provide combinations of dependants' pensions, annuities and lump sums.

There are certain circumstances where inheritance tax can apply, and further information can be obtained from an appropriately qualified financial adviser.

2. *Death before age 75 whilst taking Unsecured Pension from Protected Rights*

If you are survived by a spouse or civil partner, he or she will be entitled to a pension from any Protected Rights funds held in your SIPP in the form of an Unsecured Pension, Alternatively Secured Pension or annuity.

If you are not survived by a spouse or civil partner, any remaining Protected Rights funds must be paid out as one or more lump sums (less a free-standing tax charge, which is currently 35%) in accordance with your directions, which will be binding on the Scheme Trustee. If you do not give any directions or they cannot be followed, the Protected Rights funds will be paid to your estate (less the freestanding tax charge) and may then be subject to Inheritance Tax.

3. *Death after age 75 whilst taking Alternatively Secured Pension*

Your remaining SIPP fund must be used to provide one or more dependants with pensions or annuities. 'Dependant', at the date of your death, includes a surviving spouse or civil partner, a person who was your spouse or your civil partner when you first became entitled to a pension under your SIPP and your children who have not attained age 23 or were dependent on you because of physical or mental impairment whatever their age, and can also include any other adult (who was not your spouse, civil partner or child) if they were financially dependent on you, or you were financially dependent on each other, at the time of your death. Whether someone is a dependant is a matter for the Scheme Administrator.

On cessation of all dependants' pensions (due to their death at or after age 75 or ceasing to be a dependant) or if you have no dependants at the date of your death, your SIPP fund can be paid to one or more charities nominated by you (or if you had not made a nomination, one or more charities selected by the Scheme Administrator), without any tax consequences.

On the death of a dependant before their 75th birthday whilst in receipt of a dependant's Unsecured Pension, the relevant part of your remaining SIPP fund can be paid out to your beneficiaries as one or more lump sums less a free standing tax charge as in 1 above but will also be assessable for Inheritance Tax in relation to your estate.

If the remaining SIPP funds are paid out in any other way, it will constitute an 'unauthorised payment'. Such a payment will give rise to tax charges on both your SIPP and the recipient, which, in most cases, will total 70% of the value of your remaining SIPP funds. In addition, the SIPP fund could be subject to Inheritance Tax taking the overall tax charge to 82% where Inheritance Tax is chargeable at the full rate.

Whether such unauthorised payments will be allowed under the Octopus SIPP will be decided at the absolute discretion of the scheme administrator.

4. *Death after age 75 whilst taking Alternatively Secured Pension from Protected Rights funds*

Any remaining Protected Rights funds must be used to provide a surviving spouse or civil partner with a pension or annuity.

On the death of your spouse or civil partner before age 75 whilst in receipt of a dependant's Unsecured Pension, the remaining Protected Rights funds must be paid out as one or more lump sums (less a free-standing tax charge, which is currently 35%). The payment(s) must be made in accordance with your directions or those of your spouse or civil partner, which will be binding on the Scheme Trustee. If no directions have been given or they cannot be followed, the Protected Rights funds will be paid to your estate (less the free-standing tax charge).

Such lump sums will also be assessable for Inheritance Tax.

If, at the date of your death, you had no surviving spouse or civil partner or on the death of your surviving spouse or civil partner at or after age 75 whilst in receipt of a dependant's Alternatively Secured Pension, the remaining Protected Rights Funds must be paid out as one or more lump sums. The payment(s) must be made in accordance with your directions or those of your spouse or civil partner which will be binding on the Scheme Trustee. If you do not give any directions or they cannot be followed, the Protected Rights funds will be paid to your estate.

Such lump sums, unless paid to charity, will constitute unauthorised payments and give rise to the relevant tax penalties, which, in total could be as much as 82%, including Inheritance Tax.

Q: What are the charges?

A: The charges/fees in relation to your SIPP (including the calculation of benefits and operation of pension payroll) are listed in the Fees and Charges document, which should be read prior to completing any forms. Further details concerning the effects of charges we take for running your SIPP are given in your Illustration, which is provided once we receive a contribution or a transfer into your SIPP and should also be read with this document.

For charges on Octopus Portfolio Manager, please see the Fees and Charges document.

The exact fees and charges you pay will depend on the types of investments and services you buy.

Q: Can EBS Management Plc, Alpha Trustees Limited or Octopus Investments provide me with financial planning advice?

A: No, none of the companies will provide advice. If you need advice you must consult a suitably qualified financial adviser, who can provide you with a personal recommendation as to whether the Octopus SIPP is suitable for you.

Q: Can I change my mind?

A: After setting up your SIPP we will send a cancellation notice to you. You will have 30 days from the date you receive the notice to cancel your SIPP if you change your mind. If you do cancel then we will repay any sums we have received directly from you.

If money resulting from a pension transfer is paid into your SIPP at any time, we will send a cancellation notice to you. Again, you will have 30 days from when you receive the notice to cancel to change your mind and cancel the pension transfer.

If you cancel a pension transfer, we will attempt to repay the transferring scheme. However, the transferring scheme may refuse to accept the repayment, or only accept it on different terms to those applying prior to the transfer, in which case we will require your instructions on whether to pay the amount to another registered pension scheme.

If you choose to receive an Unsecured Pension or Alternatively Secured Pension, we will send you a cancellation notice once you have completed and returned a 'benefit request' form to us. If you cancel you will need to repay any Pension Commencement Lump Sum and Unsecured Pension or Alternatively Secured Pension income, which has been paid to you. Any monies that are returned to your SIPP that are then subsequently invested may incur additional charges and will be subject to market conditions at the time of purchase.

If you do not exercise your cancellation rights, your SIPP will continue as usual.

To exercise your cancellation rights you will be required to sign and return the cancellation notice within 30 days of receipt to Octopus Investments Limited, 20 Old Bailey, London EC4M 7AN.

If assets have been purchased during the cancellation period, only such monies invested will be subject to investment fluctuations. As a result, the value of the repayment may be higher or lower than the amount originally invested. If you decide to cancel, we may deduct charges for any services we have provided during the cancellation period.

FSA Factsheets

The Financial Services Authority (FSA) has produced two factsheets in relation to an individual's options at retirement covering both lifetime annuities and income withdrawal (another name for Unsecured Pension), which you may find helpful. These can be found on the FSA's website at the following links:

http://www.moneymadeclear.fsa.gov.uk/pdfs/retirement_options.pdf

http://www.moneymadeclear.fsa.gov.uk/pdfs/income_withdrawal.pdf

Terms of Business

This Key Features document does not include the detailed Scheme terms, which are contained in the Scheme Rules and Octopus SIPP Terms of Business. If you would like a copy of any of these documents please contact us.

How to Complain

If you require further information or wish to complain about the service you have received please contact us at the address below. A copy of our complaints procedure is available upon request.

Octopus Investments Limited, 20 Old Bailey, London EC4M 7AN.
Tel: 0800 294 6855.

If you are 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).

Further to this, complaints may be referred to the Pensions Advisory Service (TPAS), which can provide free help and advice in relation to your complaint. A complaint about the administration of your SIPP may be referred to the Pensions Ombudsman, if it has not been resolved to your satisfaction.

The address of both organisations is: 11 Belgrave Road, London SW1V 1RB.

Making a complaint will not prejudice your right to take legal proceedings.

Compensation

We are a participant in the Financial Services Compensation Scheme. We understand that this offers protection to eligible claimants in respect of all the investment services which we are authorised to conduct. In relation to investment business, the maximum amount payable by the Scheme, in the event of our default, is the first £50,000 claimed. In relation to non-investment insurance mediation business, the amount payable by the Scheme is 100% of the claim where the claim is in respect of a liability subject to compulsory insurance, or, in all other cases, 90% of claims with no upper limit. Further details, including whether you might qualify as an eligible claimant, will be provided on request, or can be found at www.fscs.org.uk.

All correspondence will be and has been made in English, including this document. In legal disputes the Law of England and Wales will apply.

About EBS Management Plc

EBS Management Plc is the Scheme Administrator and Scheme Trustee of the Octopus SIPP (the Scheme) and is responsible for the day to day administration and management of the Scheme.

EBS Management Plc is authorised and regulated by the Financial Services Authority (FSA). Its FSA register number is 134908, which can be checked by visiting the FSA's website at www.fsa.gov.uk/register/home.do, or contacting the FSA by phone on 0845 606 1234. The FSA can be contacted at the following address:

Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Important

The information contained in this Key Features document is based on our understanding of current law, practice and taxation, all of which may be subject to change.

EBS Management Plc and Alpha Trustees Limited are wholly owned subsidiaries of Charles Stanley Plc.

OCTOPUS PORTFOLIO MANAGER

SIPP TERMS OF BUSINESS

This document (the '**Terms**') sets out the way that your Self Invested Personal Pension fund (**'your SIPP'**) within the Octopus SIPP (**'the Scheme'**) will be operated. By signing your application form you are agreeing to accept these Terms, including the charges set out in the separate Fees and Charges document.

Appointments

The Scheme is a registered pension scheme as defined in section 150(2) Finance Act 2004. Bank of Scotland established the Scheme and has appointed EBS Management Plc (registered in England no. 00998606) as the Scheme Administrator and Scheme Trustee under the Scheme's Governing Trust Deed and Rules, a copy of which is available on written request from the Scheme Trustee.

Alpha Trustees Limited (registered in England no. 05136530) has been appointed by the Scheme Trustee to operate SIPP bank accounts to its order. All monies received by the Scheme on your behalf will be applied to your SIPP for your benefit alone, in accordance with the relevant investment service undertaken on your behalf by Octopus Investments Limited (Octopus), registered in England no. 3942880 registered office 20 Old Bailey, London EC4M 7AN. The Scheme Trustee and Alpha Trustees Limited have their registered offices at 25 Luke Street, London EC2A 4AR.

The operation of your SIPP is governed by a combination of these Terms, your Scheme application form, the Scheme's Governing Trust Deed and Rules, and the Octopus Key Features document. These form a contract between you, the Scheme Trustee and Octopus which starts from the date that the Scheme application form is received and accepted by the Scheme Trustee.

The Scheme Trustee and Octopus are authorised and regulated by the Financial Services Authority ('FSA'). Alpha Trustees Limited does not conduct any regulated activities and is therefore not regulated. For the purposes of the FSA rules, EBS Management Plc, and not you, will be treated as the client of Octopus. Under the rules of the FSA, Octopus will classify EBS Management Plc as a Retail Client although EBS Management Plc may not necessarily have rights under the Financial Ombudsman Service or the Financial Services Compensation Scheme.

The terms 'we' and 'us' used in this document refer to the Scheme Trustee, EBS Management Plc.

Cancellation

You may cancel your SIPP within thirty days of its commencement by giving us written notification at our registered office shown above. We shall either return to you your money or transfer your SIPP to another registered pension scheme. Monies invested will be subject to investment fluctuations if assets have been purchased during the cancellation period. As a result, the value of the repayment may be higher or lower than the amount originally invested.

There are special cancellation rules for pension transfers: if money resulting from a pension transfer is paid into your SIPP at any time we will send a cancellation notice to you. You will have thirty days to cancel the pension transfer.

If you cancel a pension transfer, we will attempt to repay the transferring scheme. However, the transferring scheme may refuse to accept the repayment, or only accept it on different terms to those applying prior to the transfer, in which case we will require

your instructions on whether to pay the amount to another registered pension scheme.

You also have similar cancellation rights should you opt for Unsecured Pension/Income Withdrawals or an Alternatively Secured Pension when you decide to take benefits from the SIPP. However, please note that you would be required to return any tax-free lump sum and pension paid to you.

Contributions

You, your employer or anyone else can pay contributions to your SIPP on your behalf. Standing order forms for regular contributions are available in the Application Form.

Provided you are UK resident and/or you have earnings subject to UK income tax, your contributions and those paid by anyone else (other than your employer) are paid net of basic rate tax. We will reclaim the basic rate tax and apply this to your SIPP once received from HMRC. Higher rate tax may be reclaimed by you directly through your Tax Office where appropriate. You are responsible for advising us if you are not entitled to tax relief on the whole or part of the contribution. If you have made contributions in excess of the amount on which you are entitled to tax relief, we may agree to a repayment of the excess to you, provided that sufficient funds are available in your SIPP and any amounts of tax due to be repaid to HMRC have been repaid. If you have taken benefits or transferred the cash/assets of your SIPP to another registered pension scheme, you agree to indemnify and keep us indemnified in respect of any tax due to HMRC as a result of the above.

The basic rate tax we reclaim on your behalf will normally be reclaimed and received from HMRC between eight to twelve weeks after the contribution has been paid. This tax reclaim is made as part of an aggregate reclaim for all relevant members of the Scheme. HMRC pay the aggregate reclaim into an EBS Management Plc client account, from which the appropriate distribution is made to your designated SIPP bank account (see later section headed 'Bank Accounts'). Any interest received on this client account in relation to your reclaim will not be distributed with the tax reclaim to your designated SIPP bank account unless such interest exceeds £10 at the time of the distribution.

Your employer can also pay contributions to your SIPP. These are paid gross and should not, when combined with your own contributions in a Pension Input Period, exceed the Annual Allowance set by HMRC for the tax year in which the Pension Input Period ends. If they do, you will be liable for a tax charge on the excess. Employer contributions are normally allowed for tax relief against the employer's profits provided they are 'wholly and exclusively paid and/or expended for the purposes of the trade, profession or vocation' of the employer.

'Employer' for this purpose includes any company of which you are an employee or a director and any other person in relation to whom you are an employee.

'Pension Input Period' is the period in which contributions made to all your registered pension schemes are tested against the Annual Allowance. The last day of your first and subsequent Pension Input Periods for your SIPP will be the 5th April following the payment of the first contribution to your SIPP unless you inform us otherwise.

The Scheme Trustee reserves the right to decline any contribution at its absolute discretion.

Transfers In

You can arrange for a transfer of benefits from other registered pension schemes to your SIPP by means of the transfer section of the Scheme application form. Transfer values may be received either in cash and/or assets, provided the assets fall within the guidelines in Appendix 1. We reserve the right to decline any transfer at our absolute discretion.

It is your responsibility alongside your financial adviser, if any, to ensure that a transfer of other pension benefits is in your best interests. We do not give advice, nor do we check your transfer application for suitability other than to confirm that the transfer is a 'recognised transfer' for the purposes of Finance Act 2004.

The Scheme cannot be used to receive contracting-out rebates but your SIPP can accept transfers of Protected Rights and Guaranteed Minimum Pensions.

Transfers Out

You can request a transfer out of part or your entire SIPP fund to another registered pension scheme or a Qualifying Recognised Overseas Pension Scheme ('QROPS') at any time subject to applicable legislation, HMRC rules and the agreement of the receiving scheme.

This will be done as soon as reasonably practicable and without penalty save that your SIPP will be liable for investment manager or nominee charges on the transfer of ownership of assets (where assets themselves are transferred). Where the receiving scheme is a QROPS and you do not have a relevant and valid Certificate of Protection from HMRC, we will be required to test the transfer value against your remaining Lifetime Allowance and, where necessary, deduct and pay to HMRC any Lifetime Allowance Charge.

We reserve the right to decline a transfer out until we have received confirmation from the receiving scheme that it is a registered pension scheme or a QROPS and is willing to receive the transfer payment, whether in the form of cash and/or assets.

We do not accept any liability for any unauthorised payment charges that might arise in the receiving scheme in respect of the transfer of any assets that were authorised whilst in your SIPP but constitute unauthorised payments in the receiving scheme.

Third party custodial charges may be applicable for in specie transfer outs.

Bank Accounts

All monies relating to your SIPP will be banked in a designated account in the name of the Scheme Trustee with the Bank of Scotland. Alpha Trustees Limited will be the authorised signatory on this account.

The designated account with Bank of Scotland will attract interest on credit balances. Interest rates may be varied at any time.

Overdrafts are not permitted. No bank charges other than for a CHAPS or a SWIFT payment are currently made on the designated account. Other bank accounts may bear specific charges. Payment or receipt of monies in foreign currencies may also attract charges. We do not accept liability for default by any bank or authorised institution that holds cash for the purpose of your SIPP. Cheques paid into this account take five working days to clear following receipt at Bank of Scotland.

We will receive a commission from Bank of Scotland based on aggregate cash balances held across all client accounts. This commission payment has no effect on the rates of interest provided by Bank of Scotland in respect of your account.

Statements for the designated bank account will be sent to you or your financial adviser on a quarterly basis.

Investments

The Scheme permits a choice of investments, details of which are set out in Appendix 1. The Scheme may engage in investment transactions with you or a member of your family, or a company or firm in which you (or a member of your family) has or had an interest subject to an independent valuation to ensure that it is a commercial transaction. All cash received into the Bank of Scotland account, once cleared, will be moved directly to Octopus' client account for investing.

Stock Custody

We will make the relevant arrangements regarding the designation of bank and client accounts in accordance with your instructions. It is your responsibility to ensure that you understand the charges that will apply (see the charges set out in the Fees and Charges document). Your SIPP investments may be registered collectively in the name of the nominee company. Where this is the case your SIPP investments may not be separately identifiable by certificates or other documents of title and in the event of an irreconcilable shortfall after our default or that of the nominee you may share in that shortfall pro-rata.

Annual Summary of Assets And Statutory Illustration of Benefits

An annual summary of the assets held in your SIPP will be provided as at 5th April each year within twelve months of that date. Unless you are already within two years of your chosen retirement date or in receipt of a pension from your SIPP, you will also receive with the annual summary a statutory money purchase illustration of the benefits you might receive at your chosen retirement date based on various statutory assumptions.

Payment Of Your Benefits

Once you reach age 55 but before age 75 you can opt to take benefits from your SIPP. This can include a tax-free lump sum (known as a Pension Commencement Lump Sum) normally of up to 25% of the value of your SIPP from which benefits have not already been taken (subject to any unused Lifetime Allowance you may have) and a pension which will be subject to income tax. Under current legislation your SIPP must be used to provide benefits by age 75. Your pension can, if you are under age 75, be paid from your SIPP fund as an Unsecured Pension (ie it has not been secured by purchasing a lifetime annuity with an insurance company) or you can use the balance of your SIPP after payment of the Pension Commencement Lump Sum to purchase a lifetime annuity.

At age 75 you can opt to have your pension paid from your SIPP as an Alternatively Secured Pension or you can use the balance of

your SIPP to purchase a lifetime annuity. If at age 75 you have not used the whole of your SIPP fund to buy a lifetime annuity, and not informed us of your intentions, the whole of your remaining SIPP fund will automatically be used to provide you with an Alternatively Secured Pension. If you do not request payment of any remaining entitlement for a Pension Commencement Lump Sum before you attain age 75, that entitlement will be lost.

If you opt for an Unsecured Pension or an Alternatively Secured Pension the Scheme Trustee will call for money from Octopus to meet both the net pension payments and income tax due under your relevant tax coding. When you are receiving an Alternatively Secured Pension the Scheme Trustee will ensure that there are sufficient liquid assets in your SIPP to pay you the statutory minimum amount of Alternatively Secured Pension due in the first and in each subsequent Alternatively Secured Pension year (the first Alternatively Secured Pension year starting on your 75th birthday and each subsequent Alternatively Secured Pension year starting on each successive birthday).

You may at any time from age 55 exercise your right to use your SIPP, in whole or in part, to purchase a lifetime annuity from any annuity provider.

We will not pay benefits or purchase a lifetime annuity in accordance with the above terms unless

- (a) we have received a signed request from you or the appropriate person to make the relevant payment;
- (b) we have received all required documentation and information from you that we in our reasonable opinion believe is necessary;
- (c) we have received all charges due to us; and
- (d) all costs chargeable to your SIPP and all liabilities of your SIPP have been satisfied.

We reserve the right, in circumstances which in our absolute discretion we consider exceptional, to defer the payment of benefits or the purchase of a lifetime annuity where it is not possible to realise all or any of the investments of your SIPP or it is not possible to do so on what we consider to be reasonable terms, and defer the encashment of your SIPP until it is possible to realise the relevant investments or it is possible to do so on what we consider to be reasonable terms. We will inform you when this is the case.

In particular and without limiting the generality of the previous term, we may defer payment of benefits or encashment in such circumstances until the relevant investment is realised, in any case where such investment consists indirectly of property.

Where it has not been possible to realise an investment, the Scheme Trustee may, if it so chooses

- (a) transfer that investment to you in part or full satisfaction of any payment of benefits under your SIPP subject to satisfying HMRC requirements in this respect; or
- (b) require you to buy the investment from your SIPP at fair market value or £1, whichever is the greater.

You must do all things and execute all documents that we may reasonably require to give effect to our rights under this term.

Up to your 75th birthday your SIPP fund will normally consist of a single 'arrangement' (or pot), containing

- funds not yet used to provide benefits ('uncrystallised funds'); and/or
- funds underpinning an Unsecured Pension which came into payment on or after 6 April 2006 ('crystallised funds').

You can put any part of your uncrystallised funds into payment at any time subject to the age restrictions mentioned above.

Your SIPP fund may also consist of separate arrangements for each of the following

- funds underpinning an Unsecured Pension which came into payment before 6 April 2006;
- funds received as a transfer from another registered pension scheme which were underpinning an Unsecured Pension which came into payment before 6 April 2006; and
- funds received as a transfer from another registered pension scheme which were underpinning either an Unsecured Pension or Alternatively Secured Pension which came into payment on or after 6 April 2006

On and from your 75th birthday any funds remaining in your SIPP will be funds underpinning your Alternatively Secured Pension.

Charges

These are set out on the separate Fees and Charges document. The fees and charges of any custodian relating to stock custody and settlement shall be borne by your SIPP, and we remind you that in addition there may be bank charges as set out in the section 'Bank Accounts' above. Also, there may be third party custodial charges as outlined in the section 'Transfer Out' above.

The product specific charges are outlined in the relevant brochure.

You hereby agree to grant to the Scheme Trustee a first fixed charge over investments held in the Scheme as a continuing security for the payment of any charges, claims or costs made or incurred by the Scheme Trustee under this agreement, and agree that the Scheme Trustee may accordingly realise on not less than three days notice sufficient of such investments for its benefit in the event that such fees, charges and costs are not met.

Variation

The operation of your SIPP as set out in these Terms may be varied from time to time on giving you fourteen business days' notice in advance, but where this is not practicable we shall notify you as soon as we can thereafter.

Termination

Subject to the cancellation provisions above, your SIPP shall continue until terminated by the payment of the whole of your SIPP as one of the following in accordance with the Scheme Rules

- (a) a transfer to one or more other registered pension schemes, upon you serving written notice to terminate these Terms on us at any time (with no obligation to give any reason for the termination) or;
- (b) the purchase price of an annuity (or annuities) with an insurance company in your own name after we give you not

less than ten business days notice to terminate these Terms (with no obligation to give any reason for the termination); or

- (c) one or more lump sums in the event of your death.

Complaints

If you are not happy with any aspect of our product or service, you may wish to make a formal complaint. In the first instance, please write to us at the registered office of Octopus Investments set out previously in this document, and your complaint will be handled in accordance with our internal complaints procedure, a copy of which is available on request.

If you are not satisfied with our reply to your concerns, you can refer complaints to:

- Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR; Telephone: 0845 080 1800
- Further to this you may be referred to The Pensions Advisory Service (TPAS)

The Pensions Advisory Service (TPAS), 11 Belgrave Road, London SW1V 1RB; Telephone: 0845 601 2923

This does not affect your legal rights.

Compensation

We are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation under the FSCS if we cannot meet our obligations. The amount of compensation available under the FSCS depends on the type of business and the circumstances of the claim. Further details are available at its website www.fscs.org.uk.

Confidentiality

We undertake not to disclose at any time information coming into our possession during the continuance of your SIPP to a third party except where expressly authorised to do so or where compelled to do so by law or regulatory authority.

As email messages may not be secure and may be intercepted by third parties we advise you not to send confidential information or that which requires our immediate attention by email.

Limits of Liability

We and Octopus shall not be liable for any losses, costs, liabilities or expenses incurred by your SIPP in connection with these Terms, save for such reasonably foreseeable losses, costs, liabilities and expenses resulting directly from the negligence, wilful default or fraud of either company. You agree to indemnify us and Octopus against all losses, costs, liabilities or expenses suffered or incurred by them in exercising their lawful duties and responsibilities in relation to your SIPP except in the case of negligence, fraud or wilful misconduct by them or a Person connected with them. This indemnity remains in force following the termination of your SIPP.

Representations

You hereby represent to us and to Octopus both now and on each occasion that you use their services, as follows

- (a) that you have all requisite power, authority and approvals to enter into and perform your obligations under these Terms;
- (b) that we or Octopus have not made, and you are not relying upon, any statements, representations, promises or

undertakings whatsoever that are not contained herein;

- (c) that we have not advised you in relation to any transaction and that via a separate agreement you have appointed Octopus to act as discretionary fund manager on your behalf.
- (d) your performance pursuant to the Octopus Key Features document and these Terms and each transaction thereunder does not and will not violate, contravene, conflict with or constitute a default under any law, regulation, rule, decree, order, judgment or charge, contract, trust deed or other instrument binding on you or any of your assets; and that
- (e) you agree that you will supply to us in writing, and as soon as reasonably practicable, any information which we may reasonably request. You warrant that all information that you supply to us is and shall be correct to the best of your knowledge and belief, and that you will notify us promptly of any material change.

You accept full responsibility for the monitoring of your SIPP. You agree to notify us immediately in writing if you become aware of any apparent errors, including

- (a) receipt by you of a contract note or confirmation of an instruction, order or transaction which you did not place; or
- (b) any inaccurate information in your SIPP balances, records or assets or money held or transaction history.

Data Protection

In the course of providing our services, EBS and Octopus receive information from you and about you. In accordance with Data Protection legislation we process this information lawfully and fairly, to which you consent, and we maintain procedures to protect it. We may in exceptional circumstances in connection with your SIPP process sensitive data as defined under the Data Protection Act 1998, to which you consent. This could include information relating to your physical or mental health or condition.

The collection and processing of sensitive information would be on a strictly need-to-know basis. EBS and Octopus will take all reasonable technical and organisational security measures to prevent the unauthorised or unlawful processing of your personal data and accidental loss or destruction of, or damage to, such data.

On the basis that they are subject to similar obligations EBS and Octopus may disclose information orally, in writing (including by email) or via the internet concerning you and your SIPP

- (a) to any person anywhere in the world in the proper performance of our obligations under the Scheme, including to any other companies within the Charles Stanley Plc group of companies, companies associated with Octopus and any of our agents, delegates and advisers; or
- (b) as required by law or any competent authority; or
- (c) to any person we reasonably believe to have been appointed by you or an investment manager or other adviser; or
- (d) with your prior written consent; or
- (e) to investigate or prevent fraud or other illegal activity.

We may use sources that we consider appropriate, including electronic data sources, for the purpose of verifying your identity

or any other information you provide to us. We use voice-recording facilities on our telephone lines as part of our usual procedures in connection with receiving instructions.

Jurisdiction

These Terms together with the Octopus Key Features document, your application form and any other written agreement between you and us constitute the entire agreement between the parties relating to your SIPP and supersede and extinguish any prior drafts, representations and arrangements of any nature whether in writing or oral relating to your SIPP.

These Terms are governed by the laws of England and Wales. You agree that legal action relating to them may only be dealt with by the Courts of England and Wales. These Terms are based upon our understanding of current legislation and HMRC guidance, but these may change from time to time and are applicable to UK residents for tax purposes only.

Appendix I

Range of Acceptable Investments Within The Octopus SIPP

The list of acceptable investments is restricted as part of the product offering and other applicable regulations (which may vary from time to time) and in addition we reserve the right to decline to accept any investment instruction. We will not assess the advisability of any proposed transaction. We also reserve the right to dispose of any investment which, in our opinion, is likely to give rise to tax charges on you as a member of the Scheme, or on your SIPP, and we do not accept liability for any loss suffered by your SIPP as a result.

Stocks/shares/derivatives

Stocks and shares of companies (including investment trust companies) listed on any HMRC Recognised Investment Exchange (including the Alternative Investment Market) including

- Fixed interest securities issued by governments or other bodies
- Equities
- VCT Shares
- Debenture stock and other loan stock
- Permanent interest bearing shares
- Convertible securities
- Warrants (equity)

Unit Trust Collective Investments

- Any unit trust resident in the UK and authorised for the purposes of the Financial Services and Markets Act 2000.

- Most 'tax exempt' unauthorised unit trusts within the UK.
- Most unit trusts, resident outside the UK, that are either a recognised scheme or a designated scheme within the meaning of section 264 and 270 of the Financial Services and Markets Act 2000.
- Investment policies or unit linked funds of any UK insurance company within the EU appropriately authorised under EEC legislation.
- Shares in an Open Ended Investment Company which is listed on a recognised stock exchange.

Others

Foreign currency may be held for the purpose of facilitating stock purchase to be settled in the relevant currency.

We will not allow investment in

- Unquoted Shares
- Plus-quoted
- Commercial or residential property (including land)
- Tangible moveable assets
- Loans to anyone (including unconnected third parties)
- Any investment that cannot be held by Octopus Investments' appointed custodian
- Options
- Contracts for Difference

Risk Warnings

The value of investments and the income from them may fall as well as rise and you may not recover the amount of your original investment. Where investments are denominated in a currency other than sterling, changes in rates of exchange may have an adverse or favourable effect on the value, price or income of the investments. It should be remembered that with any type of investment past performance is not a reliable indication of future results.

Warrants often involve a high degree of gearing so that a relatively small movement in the price of the security to which the warrant relates may result in a disproportionately large movement, unfavourable as well as favourable, in the price of the warrant.



Please contact us on
0800 294 6855

or email us at
info@octopusinvestments.com

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