

The SIT ISA



Individual Savings Account

A more considered choice

Founded in 1887, The Scottish Investment Trust PLC (SIT) has been working to produce wealth for investors for over 120 years.

When you invest in SIT you are buying shares in a company that invests in the stocks and shares of companies listed or traded on the world's major stockmarkets.

Our aim is to provide you with above-average returns over the long term.

Your investment has the potential to grow both through income from dividends and through capital growth from increases in share price.

Worldwide market volatility over the past few years has reminded investors that stockmarkets can go down as well as up. However history suggests that the real benefits of equity investment come from a long-term approach.



Strength Independence Team-work

SIT maintains a diversified equity portfolio by investing in a broad spread of international equities. Although there is always an element of risk involved in any stockmarket investment, we aim to lower this by spreading investment over numerous companies and sectors around the world while actively searching for opportunities to benefit our investors and increase returns.

Our independence is important. It allows us to maintain a focused approach to investing SIT's assets and leaves us free to choose what's best for SIT and the delivery of

long-term returns.

SIT's management team uses disciplined investment techniques to search for good investments the world over. You gain exposure to their professional expertise without the high costs often associated with buying individual stocks and shares.

For up-to-date information on our performance visit our website at www.sit.co.uk

Please refer to the insert at the back of the brochure for standardised past performance.

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Please read this first:

Some things you should bear in mind as you consider The SIT ISA.

- The capital value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and cannot be guaranteed. This means you may not get back the amount you originally invested. Past performance may not be repeated and is no indicator of future performance.
- The Scottish Investment Trust PLC has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns for shareholders. However, if markets fall, these borrowings will magnify any losses on these investments.
- When planning for your financial future, please consider an investment in The Scottish Investment Trust PLC as a long-term commitment.
- Freedom from tax in an ISA applies directly to the investor. The tax treatment of your investment depends on your individual circumstances. Tax rules and your personal tax circumstances can change over time. The 10% tax credit on dividends ceased to be reclaimable for ISA investors from 6 April 2004. This may affect the suitability of an ISA for your personal circumstances.
- If you have any doubts about whether The SIT ISA is a suitable investment for you, please consult your professional financial adviser.
- We are unable to give individual investment or taxation advice.
- Our aim in producing this brochure is to give you information only. It does not constitute a specific recommendation to purchase shares of The Scottish Investment Trust PLC.
- In providing The SIT ISA, we are not required to assess the suitability of The SIT ISA for your individual circumstances and therefore you do not benefit from the protection of the Financial Services Authority (FSA) rules on assessing suitability.
- Information in this brochure is based on our understanding of law and practice current at the date of publication. When you telephone us, the calls may be monitored and recorded so we can constantly improve our service.

Please read and retain this document for future reference.

The SIT ISA



The SIT ISA offers tax-free capital growth potential over the long term.

ISAs

Individual Savings Accounts (ISAs) have proved to be popular and are a well-established way to invest. They offer tax-efficiency, in particular for the higher-rate tax payer.

Investments in an ISA are sheltered from income and capital gains tax and you do not have to declare income received or gains made in an ISA on your tax return.

What is an ISA?

An ISA is a tax-efficient wrapper placed around investment(s). There are two different types of ISA – stocks and shares ISAs and cash ISAs.

Stocks and shares ISAs combine tax-efficiency with a straightforward route into the stockmarket with its opportunity for long-term reward.

ISA investment limits

Changes from 6 April 2011

From 6 April 2011, the annual ISA investment limit is indexed annually in line with the Retail Prices Index (RPI) for the September before the start of each new tax year. Increased contribution limits are rounded to the nearest £120 to make the calculations easier for those who save monthly.

Tax year 2011/2012

The maximum total investment into an ISA per individual for the tax year 2011 - 2012 is £10,680. The full £10,680 can be invested in a stocks and shares ISA with one provider.

Alternatively, up to £5,340 may be placed in a cash ISA and the balance can be invested in a stocks and shares ISA with either the same or another provider.

Please bear in mind that you cannot invest in more than one cash ISA or more than one stocks and shares ISA in the same tax year – to do so breaches the ISA rules.

Tax benefits of an ISA

ISAs can be a very tax-efficient way to invest, in particular for the higher-rate tax payer.

- You do not have to pay tax on any of the income received from or capital gains made on an investment held in an ISA. Please note: The 10% tax credit on dividends ceased to be reclaimable for ISA investors from 6 April 2004.
- An ISA does not have to be included in your tax return.
- As the income from an ISA is not taxable, it is not counted for the purposes of the reduction of the age-related personal allowance available to persons over 65.

The SIT ISA

The SIT ISA is a stocks and shares ISA which invests in the shares of The Scottish Investment Trust PLC.

If you buy a cash ISA with another manager, you may still use The SIT ISA for your stocks and shares ISA.

You should remember that any investment in a stocks and shares ISA should be for the long-term.

Investment trust companies

History suggests that, over the long term, investing in the stockmarket may be one of the best ways to generate wealth. It carries a level of capital risk – but can offer greater potential for both income and capital growth.

One of the easiest ways to invest in the stockmarket is through an investment trust company.

An investment trust is a listed company which invests in the stocks and shares of other companies, most of which are quoted or traded on one or more of the world's stockmarkets.

Investment trust companies pool investors' money and employ professional fund managers to invest in tens, sometimes hundreds of companies, many more than you could practically invest in yourself. This allows you to gain exposure to a diversified and professionally run portfolio, spreading the risk of your investment.

Investing in an investment trust company means you become a shareholder in that trust, with the potential to benefit from capital growth if the share price rises and to receive income in the form of dividends.

You should remember, however, that the value of stockmarket investments can go down as well as up and you may not get back the amount originally invested.

If you are unsure whether this type of investment is suitable for you, you should obtain independent financial advice.

ISAs

The Scottish Investment Trust PLC

The Scottish Investment Trust PLC (SIT) is an actively-managed global growth investment trust company which offers an attractive combination of spread of risk and opportunity for reward.

SIT invests in a broad range of companies worldwide with the aim of providing above-average returns for investors over the long term.

Our approach has generated real long-term growth in both capital and income.

SIT's global strategy

SIT has a fully integrated global approach and focuses on 'bottom up' stock selection. This means it seeks to identify some of the most promising equity investment opportunities from around the world.

SIT looks for well-managed companies generating good and/or improving levels of profitability which are undervalued - that is, their market value does not fully reflect their true economic value. SIT is not tied to any one investment style, preferring to maintain a flexible approach.

Expert investment management

The company is independently managed and directly employs a team of professional fund managers led by the manager.

The investment team uses a disciplined investment process to search for and assess investment opportunities worldwide.

The SIT ISA - flexible, simple, tax-efficient

With its flexibility and potential tax advantages, The SIT ISA can be used to help meet a variety of long-term goals such as school or university fees or buying a second home.

The SIT ISA can also help if you are looking at ways to boost your retirement income, provide an investment for children or grandchildren, or simply to build some long-term investment.

Transparent charges

Our approach to charges is simple and transparent.

Our low charges mean that, unlike some other ISAs, less of the money you invest is taken up on management fees - so your money goes further.

This is how our charges work:

No initial charge

The SIT ISA has no initial plan charge.

As with all shares, there is compulsory government stamp duty on purchases and a different buying and selling price applies (average spread 0.5%). For every £100 of SIT shares purchased, 50p is paid in government stamp duty (which is currently levied at the rate of 0.5% of the amount invested). There is also a PTM (Panel on Takeovers and Mergers) levy of £1 for any purchase or sale of shares over £10,000.

Capped annual charge

The SIT ISA annual management charge of just 0.6% (including VAT) of the value of your investment is currently capped at £30 + VAT regardless of how much your ISA investment grows or how many years' ISA allowances you have invested with SIT.

The table below shows how SIT's capped flat rate ISA annual charge compares to an example of a modest uncapped percentage ISA annual charge.

SIT's capped flat rate ISA annual charge of £30 + VAT compared to an example of an uncapped percentage ISA annual charge

ISA Value £	0.5% ISA annual charge £	SIT's ISA annual charge £
10,680	53	36
15,000	75	36
30,000	150	36
50,000	250	36
75,000	375	36

No withdrawal charge or closure fee

Withdrawals are free and they can be made at any time.

Transfer charges

We make no transfer-in charge to transfer an existing ISA into The SIT ISA.

There is a transfer-out charge of £30 + VAT to transfer your SIT ISA.

Total expense ratio

As in any public limited company (PLC), the overheads of running the trust are clearly identified as expenses in SIT's annual report. These expenses are not levied directly on the investor, they are paid out of the income of the trust.

SIT dividends are paid to shareholders after these costs have been met. Last year, SIT's management expenses were 0.7% of average shareholders' funds.

Interest

Interest is paid at the Administrator's prevailing rate on any uninvested cash balance over £1.

For further information please see The SIT ISA [Terms & Conditions](#).

Flexible investment

There are a number of ways to invest in The SIT ISA. You can invest in your SIT ISA with a lump sum, or on a monthly basis, or a combination of both.

Monthly investment

If you are unsure as to the best time to invest and would like to spread your investments over time, saving regularly every month may be an attractive option.

You can invest from as little as £50 per month. You can increase or decrease the amount you pay each month subject to the £50 minimum and the ISA annual investment limit.

You can stop and restart regular investments or add one-off lump sums at any time up to the ISA annual investment limit.

Lump sum investment

You can start your ISA with a lump sum from as little as £500 up to the ISA annual investment limit.

Additional lump sums (minimum £500) can be added at any time throughout the tax year up to the ISA annual investment limit.

Tax-efficient

The SIT ISA can be a very tax-efficient way to invest.

You do not have to pay tax on any of the income received from or capital gains made on an investment held in an ISA, nor does an ISA have to be included in your tax return.

If you are unsure whether this type of investment is suitable for you, you should obtain independent financial advice.

Applying for your SIT ISA



It is easy to apply. There is an application form at the back of this brochure, or you can download one from our website www.sit.co.uk

Simple to apply

Applying for your SIT ISA

You can apply by completing the application form which can be found at the back of this brochure, or on our website www.sit.co.uk

Simply follow the steps below:

1. Read the important information

You should know about The SIT ISA before you apply. Please read the **Key Features** and **Terms & Conditions** of the scheme before completing your application form.

2. Decide how much you want to invest

If you are investing a lump sum, the minimum amount is £500 up to the ISA annual investment limit.

For regular investment, made by Direct Debit, the minimum is £50 per month up to the ISA annual investment limit.

3. Choose your investment options

Lump sum

You can open your SIT ISA with a lump sum.

Lump sum investment must be by personal cheque drawn on an account in your name made out to **The SIT ISA**.

Monthly investment

You can also open your SIT ISA by investing on a monthly basis. You can increase or decrease the amount you pay each month, subject to the minimum and maximum amounts permitted.

Monthly investments are made by Direct Debit together with a personal cheque drawn on an account in your name made payable to **The SIT ISA** for the first monthly investment.

You can also combine lump sum and monthly investments.

Dividends

Dividends are reinvested automatically. However, if you wish your dividend to be paid into your bank or building society account, please complete and sign the income distribution request form.

4. Complete the form

Please make sure you complete all the relevant sections and sign the form before you send it to The SIT ISA Administrator.

5. Send your application to the Administrator

Please send your cheque, completed and signed application form and, where applicable, Direct Debit Instruction and income distribution request form, to The SIT ISA Administrator in the reply-paid envelope provided.

The purchase of your shares will not take place until all details are complete and correct and any identification checks have been satisfactorily completed.

Once your application has been accepted by our Administrator, you will be sent a welcome letter containing your SIT ISA Account Code. You will also receive a contract note after each investment you make into your SIT ISA confirming the cost of your shares.

Cancellation

If you change your mind after opening your SIT ISA account, you have 14 days to inform the Administrator or SIT Savings. Your holding will be sold and the proceeds returned to you (or the holding may be transferred into the SIT Savings STOCKPLAN investment trust savings scheme).

For full particulars, please see The SIT ISA **Key Features** and **Terms & Conditions**.

ISA transfers

We can accept the transfer of an existing stocks and shares ISA from other qualifying managers at any time without losing your ISA's tax status.

We can also accept the transfer of a cash ISA into The SIT ISA. This would turn the cash ISA you are transferring into a stocks and shares ISA.

SIT makes no charge for transfers in. However, your previous manager may charge for administering the transfer out.

There are many reasons why you may consider transferring your ISA:

- your current ISA may have high charges,
- you may want to combine your investments to reduce the overall burden of plan charges,
- you may consider changing any poorly performing ISAs with a view to improving overall returns over the long term,
- you may wish to streamline your personal portfolio,
- your personal circumstances may have changed and your investments no longer meet your needs in terms of risks or returns.

If you wish to transfer an existing ISA into The SIT ISA - please ask for SIT's ISA Transfer Pack by telephoning **0800 42 44 22** free of charge, or download the forms from our website www.sit.co.uk

Key Features of The SIT ISA

The Financial Services Authority is the independent financial services regulator. It requires us, SIT Savings Ltd, to give you this important information to help you decide whether The SIT ISA is right for you.

You should read this document carefully so that you understand what you are buying and keep it safe for future reference.

Its aims

The SIT ISA provides a simple and cost-effective way for private investors to purchase and hold shares in The Scottish Investment Trust PLC (SIT) tax-efficiently.

SIT's investment policy and objectives are:

- To provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation.

Individual Savings Accounts

The Individual Savings Account (ISA) was introduced on 6 April 1999. The aim was to make tax-efficient saving more easily accessible.

You can have either:

- A cash ISA and/or
- A stocks and shares ISA

SIT Savings Ltd, the Plan Manager for The SIT ISA, offers a stocks and shares ISA.

If you are in any doubt as to the suitability of an ISA for your personal circumstances, you should obtain advice from your financial adviser.

The basics

In any one tax year, you may choose to invest in a stocks and shares ISA only, a cash ISA only, or a combination of both through either one or two different managers.

6 April 2011

From 6 April 2011, the annual ISA investment limit is indexed annually in line with the Retail Prices Index (RPI) for the September before the start of each new tax year. Increased investment limits are rounded to the nearest £120 to make the calculations easier for those who save monthly.

Tax year 2011 / 2012

The overall ISA annual investment limit is £10,680.

Up to the full £10,680 can be invested in a stocks and shares ISA with one provider.

Alternatively, up to £5,340 of the ISA allowance can be saved in a cash ISA with one provider. The remainder of the £10,680 can be invested in a stocks and shares ISA with either the same or another provider.

Your investment

- Your investment is best viewed as a long-term one.
- You can invest lump sums and/or on a regular monthly basis.
- The minimum investments are £500 for a lump sum and £50 for regular monthly savings. Additional lump sums can be added during the tax year at a minimum of £500 up to the ISA annual investment limit.
- You may stop your monthly investments - and restart them - at any time.
- You may sell all or part of your SIT ISA holding whenever you wish.

Risk factors

All stockmarket investments carry an element of risk, and you should ensure that you understand the associated risks before you choose to invest. The following are the principal risk factors that apply to an investment in The SIT ISA.

- Equity investments (stocks and shares) are generally considered higher risk than other investments. They may be subject to sudden and large falls in value.
- Investment trusts are listed UK public limited companies and are not authorised or regulated by the Financial Services Authority.

Market risk

- As with any stockmarket-based investment product, the value of your investment and the income you receive from it can go down as well as up and you may not get back the amount you originally invested.
- Past performance may not be repeated and is no indication of future performance.

Investment trust company discount risk

- An investment trust company is a "closed end" fund. That is, there is a fixed number of shares in issue. The market price of these shares is affected by supply and demand and may not represent the underlying value of the assets (the net asset value or NAV) of an investment trust company.

If the share price of an investment trust company is lower than the net asset value per share, the trust is valued at a discount. If the share price of an investment trust company is higher than its net asset value per share, the trust is valued at a premium.

Key Features of The SIT ISA

The discount is shown as a percentage of the net asset value. For example, if the net asset value of an investment trust company is 100p per share and the market price per share is 90p, the investment trust company would be valued at a 10% discount to net asset value.

The growth of your capital depends upon the movement of the discount and/or premium over the period that you own the shares, as well as the growth of the assets of the trust.

From January 2006, SIT's intention has been to buy back shares actively with the aim, in normal market conditions, of maintaining a discount to net asset value of 9% or less.

Gearing (or borrowing) risk

- As an investment trust company, SIT has the ability to borrow money with which to make investments. Where borrowings are applied to make equity or other investments, this is called "gearing". When the gain on investments bought with borrowed money exceeds the cost of borrowing, the overall return to SIT investors is increased.

Similarly, when the return on investments bought with borrowed money is negative or lower than the cost of borrowing, there are losses and the overall return to SIT investors is reduced.

The higher the level of gearing used, the higher the potential gains or losses will be.

- SIT can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing.
- Investment trust companies, such as SIT, can also use gearing by investing in the shares of other investment companies which are themselves geared. SIT invests in other investment companies from time to time to gain exposure to specific asset classes (eg Japanese small companies). Such investments may be geared. It is the policy of SIT's board not to invest in such a company if the level of gearing is inappropriate in relation to the underlying asset class in which the company is investing. It is the policy of SIT's board not to invest more than 15% of SIT's gross assets in other UK quoted investment companies. In practice, it is unlikely to have more than 5% of gross assets invested in such companies.
- SIT has the ability to invest in derivatives such as warrants, futures and options. Derivatives can be used to offset (hedge) possible unfavourable currency and market movements and in a rising market potential gains could be restricted. It is the policy of SIT's board to only use derivatives as a defensive mechanism (eg to hedge a foreign currency exposure), or to help the movement of funds between different investment areas, or lower the exposure to equities.

Corporate bonds

- From time to time SIT invests in corporate bonds. These bonds give exposure to the risk of non-payment by the issuer and prices are sensitive to changes in interest rates.

Overseas investment risk

- Investments which SIT makes in overseas markets might be affected by dealing hold ups, settlement difficulties, variations in exchange rates and different custody practices in those markets.
- Overseas investments may be affected by political risk in the chosen geographical areas.

Liquidity risk

- SIT may have difficulty in selling investments in unquoted securities (1.4% of total assets at 31 October 2010).

Charges risk

- Your returns will be limited by the charges in the plan and/or the expenses of the investment trust company. These charges and expenses may increase in the future.

Inflation risk

- The value of any investment gains may be reduced over time by increases in the general level of prices, i.e. inflation.

Taxation risk

- The favourable tax treatment given to Individual Savings Accounts - or your personal tax circumstances - may change over time. The tax treatment of your investment depends on your individual circumstances.

Transfer risk

- Investors should note that, during an ISA transfer, the money will be uninvested for a period of time (between the sale of their existing holding and the receipt and reinvestment of the proceeds) and therefore they are exposed to the risk of missing any rise in the market during that time.
- If you change your mind during an ISA transfer, your previous ISA manager does not have to accept your money back - in which case all tax benefits will be lost. If your previous ISA manager does accept your money back, there may be costs involved.

Cancellation risk

- If you decide to cancel, we will give you your money back. If, however, in the meantime the value of the investment has fallen, you may not get back the full amount you paid in. Any reduction will also reflect the government stamp duty paid in connection with the original investment and bid/offer spread.

Key Features - Questions & Answers

Is The SIT ISA suitable for me?

The SIT ISA is aimed at investors who:

- want to invest monthly and/or with lump sums
- are looking for a cost-effective, flexible and tax-efficient investment vehicle
- are financially aware or who have taken financial advice
- are prepared to take the risks associated with stockmarket investment
- are looking for a long-term investment
- are UK residents (or Crown employees serving overseas, or a person married to, or in a civil partnership with, such a person)
- are aged 18 years or over.

Where is my money invested?

You are investing in shares of The Scottish Investment Trust PLC, which will be held on your behalf by the ISA Administrator.

What are the general product characteristics of investment trust companies?

Buying an investment in an investment trust company means you are investing in shares of a public company quoted on the London Stock Exchange which invests in the shares of other companies, most of which are quoted on one or more of the world's stockmarkets.

SIT has the freedom to invest in any asset of its choosing but usually invests in quoted equities in the UK and overseas, with a small component in unquoted investment funds in the UK and US.

Retention of income

Investment trust companies can keep up to 15% of each financial year's income from the underlying investments and transfer this amount to their revenue reserves. These reserves may be built up in good years, to support dividends in poorer years.

The effect is that the managers can, to some degree, smooth out the payment of dividends over a period of time.

How do I invest in The SIT ISA?

You can invest in The SIT ISA by completing a SIT ISA application form. This should be sent to our ISA Administrator, Halifax Share Dealing Limited (HSDL), together with:

- your personal cheque, for the lump sum or the first month's instalment, drawn on an account in your name, payable to **The SIT ISA**, and
- a completed Direct Debit Instruction (if applicable).

The Administrator will, upon receipt of:

- funds,
- a valid application form, and
- confirmation of identity,

invest on the next normal dealing day after the account is activated in shares, registered on the investor's behalf in the name of the Administrator's nominee company, HSDL Nominees Limited.

Any cash balances over £1 held on your behalf at any time attract interest at the Administrator's prevailing rate. Please read the **Terms & Conditions** for further information.

You have 14 days (the cancellation period) to notify the Administrator that you wish to cancel your ISA, in which case any shares already bought will be sold and the proceeds of the sale returned to you. These proceeds may be less than the amount invested.

The Administrator will issue a welcome letter to confirm your SIT ISA application, followed by a contract note.

Share certificates are not issued to SIT ISA investors.

Lump sum investments are made by personal cheque drawn on an account in your name.

Regular monthly investments are made by Direct Debit, drawn on an account in your name. You can find the instruction for this in The SIT ISA application form.

The first monthly instalment is made by a personal cheque drawn on an account in your name and sent with the application form. If wished, this cheque can be for an amount greater than the monthly Direct Debit.

Investments are normally dealt daily. The Administrator will buy shares through the stockmarket at the current buying price - and sell them at the current selling price.

The Administrator will try to ensure that all funds are invested at the first appropriate opportunity. However, the requirements of the EU Directives on Money Laundering may mean that there could be a delay in investment and/or the despatch of documents whilst necessary verification procedures are carried out. Please read the **Terms & Conditions** for details of these procedures. We will attempt to verify your identity electronically. If we require further documentation, we will contact you directly.

If you are an existing investor and wish to add a lump sum to your SIT ISA, you may do so by telephoning the Administrator on **0845 850 0181** to make a lump sum investment using your debit card. If you are currently investing monthly, payment may be taken using your nominated payment method.

Alternatively, you may write to the Administrator quoting your SIT ISA Account Code and enclosing a personal cheque drawn on your bank account made payable to **The SIT ISA**.

Please note: such cheques will normally be dealt within 3 dealing days of receipt.

Who manages The SIT ISA?

The Scottish Investment Trust PLC is self-managed. The SIT ISA is managed by a wholly-owned subsidiary company - SIT Savings Ltd.

SIT Savings Ltd is authorised and regulated by the Financial Services Authority (FSA), 25 The North Colonnade, Canary Wharf, London E14 5HS.

The Administrator of The SIT ISA is Halifax Share Dealing Limited (HSDL), which is part of the Lloyds Banking Group. HSDL is authorised and regulated by the Financial Services Authority.

For full details of The SIT ISA, including charges for transactions and arrangements for ending, changing or cancelling the scheme, please see our **Terms & Conditions** which follow.

Key Features - Questions & Answers

Further copies of the ISA brochure are available from our brochure request line on **0800 42 44 22**, or can be downloaded from our website www.sit.co.uk

How much can I invest in SIT using The SIT ISA?

You are limited by ISA rules to a maximum investment limit in any one tax year.

In any one tax year, you may choose to invest in a stocks and shares ISA only, a cash ISA only, or a combination of both through either one or two different managers. SIT does not offer a cash ISA.

6 April 2011

From 6 April 2011, the annual ISA investment limit is indexed annually in line with the Retail Prices Index (RPI) for the September before the start of each new tax year. Increased contribution limits are rounded to a multiple of £120 to make the calculations easier for those who save monthly.

Tax year 2011 / 2012

The maximum total investment into an ISA is currently £10,680 per individual per tax year. The full £10,680 can be invested in a stocks and shares ISA with one provider.

Alternatively, up to £5,340 of the ISA allowance can be saved in a cash ISA with one provider. The remainder of the £10,680 can be invested in a stocks and shares ISA with either the same or another provider.

How do I alter my monthly payments?

If you want to alter the amount you invest monthly, please contact the Administrator by telephone on **0845 850 0181**, giving details of the new amount you wish to invest regularly.

Please allow 5 working days after receipt of instruction to change either the amount or the date.

How do I suspend my monthly payments?

If you want to suspend the amount you invest monthly, please contact the Administrator by telephone on **0845 850 0181**.

Please allow 5 working days after receipt of instruction to suspend the monthly payment.

How will I be able to follow the progress of my investment?

- You can view your SIT ISA account online by registering with halifaxsharedealing-online, which can be found through the links in the ISA section of our website www.sit.co.uk or by visiting www.halifaxsharedealing.co.uk/online

Please note: you will need your Share Dealing Personal Reference Number (PRN) to access the online service.

New investors will receive this in their welcome letter.

If you do not have your PRN, please contact the ISA Administrator, Halifax Share Dealing Limited, on **0845 850 0181**.

- The ISA administrator will also supply, on request, information about the status of any order.
- You will receive a contract note after every purchase and sale of shares in your ISA.
- Each May and November you will automatically receive a consolidated statement which gives you the valuation of your ISA as at 5 April and 5 October, together with details of all the transactions, dividends and interest received for the period. This will also show any cash balances being held in your account.

Statements may also be ordered at any other time, at a charge of £10 + VAT per statement.

- Every six months you will receive SIT's annual or interim report.
- You can track the price of SIT shares in a number of daily UK newspapers in the 'investment trust companies' section of the UK share prices page. Most listings also show the year's high and low and the current dividend yield. The Financial Times provides an estimate of the latest NAV and the current discount or premium.
- Information is available through a number of financial sites on the internet. The code for SIT is often shown as SCIN.
- Share price information and an up-to-date financial summary are also available from our website www.sit.co.uk
- In order to minimise your own paperwork, all investments will be held on your behalf by our Administrator in the name of its nominee, HSDL Nominees Limited.
- ISA investors are entitled to attend SIT shareholders' meetings and vote on a poll by completing the form of direction they will be sent with SIT's annual report or notice of meeting.

How may I receive my dividends?

Dividends are automatically reinvested into SIT shares.

The interim dividend is normally paid in July and the final dividend is normally paid in February of each year. The minimum amount which may be reinvested is the price of one share plus stamp duty.

However, you may decide to have your dividends paid twice yearly (normally in May and November) into your UK bank or building society account. To arrange this, please complete an income distribution request which can be found in The SIT ISA application form.

How do I sell my SIT ISA holdings?

You simply telephone the Administrator, HSDL, on **0845 850 0181**, quoting your account code and giving instructions as to the number of shares that you wish to sell. Investors may also give their instructions in writing to the Administrator.

Alternatively, your financial adviser can act on your behalf, if the Administrator has your written instructions for them to do so.

Key Features - Questions & Answers

There is no sales charge on your SIT ISA.

Shares will be sold as soon as practicably possible for the best price at the time of dealing in accordance with our Administrator's Order Handling Policy. We aim to send you the proceeds, which will be paid directly in to your bank account, within five working days. Alternatively, it may be possible to request the proceeds be sent to you by cheque, although any amounts under £5 cannot be paid by this method.

If all of the shares in your SIT ISA are sold and no monthly investment is being made, the account will be closed on settlement of the trade.

How do I close my SIT ISA account?

You may close your SIT ISA by telephoning our Administrator, HSDL, on **0845 850 0181**, quoting your account code and instructing the closure of your account.

Alternatively, your financial adviser can act on your behalf, if the Administrator has your written instructions for them to do so.

Please note: if you close your account you will lose the tax-efficiency of the ISA on the proceeds.

If you wish to transfer your SIT ISA holding to another ISA manager or to a certificated shareholding, there is a transfer-out charge of £30 + VAT.

Small outstanding account balances can only be paid directly into your bank account as amounts under £5 cannot be paid to you by cheque.

Investors may also give their instructions in writing to the Administrator.

What happens if I change my address?

If you move home, please either write to, or telephone, our Administrator, HSDL, giving your old and new address, the date of your move and, if possible, your ISA account code.

Please note: it is important that you notify the scheme Administrator of any change of address. Failure to do so may result in restrictions being applied to your account which could delay or prevent investment, including dividend reinvestment.

Moving overseas

Investors who move overseas should note that our Administrator is unable to send any correspondence to an overseas address. In this instance, please provide our Administrator with a UK correspondence address.

You can only invest in an ISA if you are resident and ordinarily resident in the UK for tax purposes. If you move overseas once you have opened an ISA, you cannot continue investing into the ISA (unless you are a Crown employee working overseas or the spouse or civil partner of a Crown employee working overseas). However, you can keep your ISA and you will still get tax relief on investments held in the ISA. When you return to the UK, you can start investing in the ISA again (subject to the ISA annual investment limits).

What is the tax position of investing in an investment trust company?

SIT

SIT is exempt from tax on the capital gains realised in its portfolio of investments. It is subject to corporation tax on the excess of the taxable income it receives from foreign companies and deposit interest over the total of the management expenses and any loan interest it has paid.

Your own position

ISAs can be a very tax-efficient way to invest. You do not have to pay tax on any of the income received from or capital gains made on an investment held in an ISA, nor does an ISA have to be included in your tax return.

As the income from an ISA is not taxable income, it is not counted for the purposes of the reduction of the age-related personal allowance available to individuals over 65.

Taxation levels, bases and reliefs can change, depend on individual circumstances and are based on our understanding of current UK law and HM Revenue & Customs practice.

What cancellation rights do I have?

You may cancel your application at any time within fourteen days of receipt of your welcome letter.

If you decide to cancel, we will sell your SIT shares at the current price and will return the money to you. **Please note:** this price may be different from the price the shares were bought at. If the price is lower, you will have to bear the loss. Any reduction in the money you get back will also reflect the government stamp duty paid in connection with the original investment and bid offer spread.

Details of your cancellation rights will be sent to you with your welcome letter.

If something goes wrong, am I entitled to compensation?

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. Most types of investment business are covered for 100% of the first £50,000.

Further information about compensation arrangements is available from the:

Financial Services Compensation Scheme
7th Floor
Lloyds Chambers
Portsofen Street
London
E1 8BN
Telephone: 0800 678 1100

Key Features - Questions & Answers

What if I have a complaint?

Administrative queries should be referred to the Administrator on **0845 850 0181**.

If you have any complaints about the service you have received, please contact the ISA Manager on **0131 225 7781**, or write to the address shown on [page 21](#).

If your complaint is not dealt with to your satisfaction, you can then contact the:

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

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

Who is eligible to subscribe to stocks and shares Individual Savings Accounts?

You must be resident and ordinarily resident in the UK for tax purposes and aged 18 or over to be eligible for a stocks and shares ISA. You are also eligible if you are a Crown employee serving overseas or are married to, or in a civil partnership with, such a person.

How will charges and expenses affect my investment?

Charging details

Actual plan charges

There is no charge for buying SIT shares other than compulsory government stamp duty of 0.5% of the amount invested and the PTM (Panel on Takeovers and Mergers) levy of £1 for any purchase or sale of shares over £10,000.

The annual management charge for The SIT ISA is 0.6% (including VAT) of the value of your investment capped at £30 + VAT.

Up to £15 + VAT will be retained in your ISA account to meet the ISA annual management charge which is collected pro rata every six months.

Bid-offer spread

As with all stockmarket transactions, there will be a difference, or spread, between the buying and selling price of SIT shares on any particular day (The Scottish Investment Trust's spread has averaged 0.5% over the last 3 years).

The spread varies with the number of shares being traded and the availability of shares on the market.

An average spread is included in the calculations in the table which follows and up-to-date information is available from The Scottish Investment Trust PLC.

Total expense ratio

In addition there are charges and expenses relating to the management of The Scottish Investment Trust PLC (such as SIT's investment management and administrative costs). These are not directly applied to the value of your ISA, they are deducted from the income and capital of the company.

Last year, SIT's management expenses were 0.7% of average shareholders' funds.

Each of these costs will affect your investment returns.

Other charges

Should HM Revenue & Customs instruct the Administrator to close your ISA - caused as the result of your breaching the ISA Regulations - then a charge of £50 + VAT will be made.

An illustration of the effect of the charges

The effect of the charges detailed below on an investment of £7,000, assuming growth of 7% per year and dividends reinvested, is set out in the table. These figures are not guaranteed and are based on a notional rate of growth which may not be achieved and are no indicator of future performance. They serve only to demonstrate the effect of the stated charges on an investment in The SIT ISA.

End of Year	Investment to date (£)	Effect of Deductions to Date (£)	What you might get back, with 7% per year growth (£)
1	7,000	166	7,320
2	7,000	269	7,740
3	7,000	383	8,190
4	7,000	509	8,660
5	7,000	647	9,170
10	7,000	1,560	12,200

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £1,560.

Putting it another way, this would have the same effect over 10 years as bringing the investment growth from 7.0% per year down to 5.7% per year.

Key Features - Questions & Answers

How much might any investment advice cost?

SIT Savings Ltd staff are not permitted to advise you on the suitability or otherwise of any investment. If you wish to take the advice of a professional adviser, he or she will give you details about the cost of that advice.

How will I be advised of any corporate activity or alterations to The SIT ISA?

You will be given at least 14 days' written notice of any significant alteration to the scheme - further details are available in The SIT ISA [Terms & Conditions](#).

If SIT is involved in a rights issue, an issue of new shares or anything similar, you will be given written information which will allow you (and your adviser, if applicable) to proceed appropriately.

Is there a transfer facility?

You may transfer an ISA held with other managers into The SIT ISA by completing a transfer form, available from our brochure request line on **0800 42 44 22**, or from our website www.sit.co.uk. We can accept either the cash value of a stocks and shares ISA, or a cash ISA - which would then be turned into a stocks and shares ISA.

If you hold SIT shares in the ISA you wish to transfer to The SIT ISA, these shares can be transferred without being liquidated.

You can transfer:

- current year ISA subscriptions in whole, and/or
- previous years' ISA subscriptions in whole or in part

If you only have current year subscriptions, the entire account must be transferred.

We make no transfer-in charge to transfer an existing ISA into The SIT ISA. However, your previous manager may charge for transfers out.

There is a transfer-out charge of £30 + VAT if you wish to transfer your SIT ISA holding to another ISA manager.

Please note: subscriptions to a stocks and shares ISA can only be transferred to another stocks and shares ISA. However, subscriptions to a cash ISA can be transferred to another cash ISA or to a stocks and shares ISA.

Order Handling Policy

We have delegated all of the dealing functions in respect of The SIT ISA to The SIT ISA Administrator (Halifax Share Dealing Limited) and set out below a summary of The SIT ISA Administrator's Order Handling Policy.

The buying and selling of shares in SIT on your behalf will take place in accordance with The SIT ISA Administrator's Order Handling Policy as summarised below. A copy of the full policy can be obtained by contacting The SIT ISA Administrator.

The SIT ISA Administrator's Order Handling Policy

We are committed to helping you make informed investment decisions. One way we do this is to explain how we will handle your investment instructions. Further details are contained in our Terms & Conditions¹.

Our Approach to Order Handling

We will endeavour to arrange the completion of your order in accordance with the following policy.

We will take all reasonable steps to obtain the best possible results when completing a buy or sell order for you.

To do this, we rely on three core components:

1. State-of-the-art technology for routing, completion and monitoring orders.
2. Careful consideration of the elements of order execution.
3. Regular examination of overall execution quality.

Trading Venues

We have carefully considered the available trading venues for your orders and have selected the following organisations as being able to provide the best possible result on a consistent basis.

Orders in respect of shares in UK listed companies will be routed to the associated Member Firms of the London Stock Exchange, PLUS Markets and AIM (including Retail Service Providers (RSPs) and Market Makers) - collectively referred to as "market counterparties".

UK Markets

- (a) We use automated systems to request quotes from a large number of market counterparties. Upon receipt of these quotes we will automatically ascertain the best price available from those returned and then transmit your order to the appropriate market counterparty who will execute it at that price.
- (b) For orders which cannot be completed automatically, for example because the size of your order is greater than that available from our market counterparties to trade electronically, you will be given the option of routing the order to one of our dealers who will then contact a market counterparty and negotiate the order on your behalf. Where appropriate the dealer will obtain multiple price quotes to determine the best price available.

- (c) On very rare occasions market conditions are such that we may be unable to receive and process quotes from all market counterparties, or it becomes impractical for us to do so. These conditions are likely to exist at times of extreme market volatility or where electronic connections to the market counterparties are interrupted. At these times and in order that we can ensure your orders are completed in a timely manner, we may route orders to just one specific trading venue. In these circumstances we will, of course, endeavour to ensure that you continue to receive the best price reasonably available.

Key Factors

There are a number of factors including price, costs, speed, likelihood of execution and settlement, size and nature of your order which could affect the outcome. We will take all of these into account, although the principal factors used to determine how your order is carried out are:

1. **Price.** We understand that price is probably the most important element and endeavour to achieve the best possible result for your order, taking into consideration elements such as the size and nature of the order.
2. **Speed.** We seek to provide you with a facility that allows you the ability to complete your order as quickly as possible to minimise the risk of the market moving against your interests.

Regular Review of Completed Orders and Order Handling Policy

We regularly evaluate the overall quality of completed orders to ensure our high standards are maintained and will take appropriate action if a process can be enhanced.

We will carry out a review of our Order Handling Policy on at least an annual basis to ensure that it allows us to obtain the best overall outcome for our clients. If, as a result of such review, we make any changes to our policy the revised policy will be published on our website. Any material changes will be dealt with in accordance with our Terms & Conditions.

¹ In the event that there is a conflict between this policy and our terms and conditions, the terms and conditions will take precedence.

Conflicts of Interest Policy

Since we have delegated all of the dealing functions in respect of The SIT ISA to The SIT ISA Administrator (Halifax Share Dealing Limited) and only buy and sell shares in SIT on your instructions on an execution-only basis (i.e. without giving you advice), we believe there is limited scope of a conflict of interest arising between your and our interests, or between the interests of different clients. However, in the unlikely event that any such conflict may or does arise, we will ensure fair treatment of our clients' interests in accordance with The SIT ISA Administrator's Conflicts of Interest Policy, a summary of which is provided below. A copy of the full policy can be obtained by contacting The SIT ISA Administrator.

The SIT ISA Administrator's Conflicts of Interest Policy

We have set a policy on the management of conflicts of interest with the objective of taking all reasonable steps to identify and manage conflicts that may arise, which might result in a material risk to the interests of our clients.

Our approach has been to identify those aspects of our service, including how we interact with other Lloyds Banking Group companies and third party suppliers, which could result in a conflict between your and our interests, or between the interests of different clients.

Below is a summary of those types of conflicts and the way we manage them. In all cases we believe that our current organisational arrangements, systems and controls provide an effective way of preventing your interests being unfairly affected.

Decision Criteria for Dealing

We have in place an Aggregation and Allocation Policy, which sets out the criteria by which aggregated client orders are managed and promptly allocated to individual client accounts.

In addition, all client orders are dealt in a timely manner and in fair and due turn. No unfair priority is given to orders from other clients, colleagues or from other parts of the Lloyds Banking Group.

Confidentiality and Protection of Inside Information

We operate information barriers which limit the flow of potentially price sensitive information between colleagues and different areas of the Lloyds Banking Group. Our internal dealing rules prevent colleagues in possession of price sensitive information from taking advantage of that information by dealing in the respective security, or arranging for someone else to do so on their behalf.

Organisational Arrangements

The organisational structure we have implemented provides for the segregation of duties and so prevents conflict arising through inappropriately apportioned roles and responsibilities by ensuring that no one individual can exercise inappropriate influence over a particular process.

Though we are part of the Lloyds Banking Group, we do not receive any details of commercial arrangements entered into by other parts of the Lloyds Banking Group, e.g. loans, financing, acquisition or merger activities extended to individuals, partnerships or companies.

Nor are we subject to any other conflicts arising from the structure of business activities of other members of the Lloyds Banking Group.

Our management team operates independently from other Lloyds Banking Group companies and there are appropriate controls on cross-board membership. If we were to acquire information that gave rise to a conflict of interest in a Lloyds Banking Group context, we would take steps to manage that conflict.

The dealing arrangements for personnel of key service providers can be relevant to our conflict management responsibilities. Potential conflicts are controlled in these circumstances through the use of contractual provisions together with regular monitoring of the dealing arrangements of the staff of these providers.

Personal Conflicts

Contracts of employment prevent colleagues from accepting roles or directorships with companies outside the Lloyds Banking Group, including those with whom we have commercial relationships, unless prior approval has been received from the divisional CEO.

We are mindful that a conflict may arise should colleagues have other business interests which involve clients who are also Lloyds Banking Group clients, or which conflict with their duties to Halifax Share Dealing Limited or Lloyds Banking Group. Potential conflict may in theory also arise where our colleagues have friends and relatives who are clients of Halifax Share Dealing Limited. To overcome this type of potential conflict we have specific internal controls and dealing arrangements which also comply with FSA rules.

We do not display preference to any client, group of clients or clients who are also colleagues, over another in the provision of our dealing and safe custody services.

In addition to the above, colleague bonus and remuneration arrangements are carefully considered to ensure that conflicts do not inadvertently arise through inappropriately set targets. Furthermore, an internal Whistleblowing Policy is in operation which affords colleagues a high level of protection should they report any wrongdoing by others.

Conflicts of Interest Policy

Selection of Suppliers

We prevent conflicts arising regarding the selection of suppliers by refusing to accept or provide fees, commissions and non-monetary benefits which do not directly enhance the service offered.

Any personal relationships are disregarded in the selection of service providers, agents, third party suppliers, distributors and equity partners to prevent inappropriate selection.

Commission and Income Disclosure

There are limited circumstances in which we receive payments in relation to the services we provide to you.

Money held by us in your SIT ISA will be placed in a bank account which will generate a rate of interest linked to the Bank of England Base Rate. Out of this income we will pay you a rate of interest as described in our Terms & Conditions which can be found on our website or by calling us. The balance of such income is retained by us.

Dealing charges which we apply to your trades may be shared with other members of the Lloyds Banking Group or other third parties. We will not show details of any remuneration or sharing arrangements of this kind on your contract note but, if you ask us to, we will make them available to you. In any case you will not be liable to pay more commission than is disclosed in our brochure.

We acknowledge that gifts and entertainment arrangements common in the stockbroking industry, may give rise to adverse influence. We address this by limiting the receipt of gifts/entertainment to that of a non-material nature.

Summary

The above summary reflects our detailed Conflicts of Interest Policy that is in place to ensure fair treatment for our clients through the effective management of potential conflicts. We are not aware of any further material conflicts of interest. A full copy of the Conflicts of Interest Policy is available on request.

Key Features - Terms & Conditions

1. Appointment

- a. This is an agreement between you and us in relation to the Scheme. We are SIT Savings Limited, a limited company incorporated in Scotland (registered number SC091859) having its registered office at 6 Albyn Place, Edinburgh EH2 4NL. Our VAT registration number is 634715537. We are authorised and regulated by the Financial Services Authority and entered on the FSA Register (number 125495). Our main business is to provide an investment trust savings scheme and an ISA wrapper around this Scheme.

References to we, us and our shall include our successors and assignees, where necessary. You are the holder of the ISA.

- b. You appoint the ISA Manager to manage the Scheme, on your behalf as beneficial owner, subject to the **Terms & Conditions** set out in this Agreement, the Regulations and applicable law (including but not limited to the FSA Rules).
- c. We will treat you as a retail client for the purposes of our relationship. This classification provides the highest level of protection under the FSA rules.

We and the ISA Administrator will act for you on an execution-only basis which means neither we, nor the ISA Administrator, can give you investment or taxation advice.

- d. You shall be entitled to cancel your application for the Scheme by completing a Notice of Cancellation and returning it to the ISA Administrator before the end of the Cancellation Period. If you exercise your right to cancel during the Cancellation Period any shares already purchased will be sold and the proceeds of the sale returned to you (provided we have satisfactorily completed our client identification and anti-money laundering procedures).

Please note: the sale price may be different from the price the shares were bought at. If the price is lower, any loss must be borne by you.

If you do not exercise your right to cancel during the Cancellation Period, this Agreement will become binding on you once the Cancellation Period ends.

2. Definitions

the **Cancellation Period** means the 14-day period commencing on the day you receive your welcome letter.

the **FSA** means the Financial Services Authority.

the **FSA Rules** means the handbook of rules and guidance published by the FSA as amended, updated or replaced from time to time.

the **ISA Administrator** means the company we appoint from time to time to carry out the day to day administration of the Scheme. The current administrator is Halifax Share Dealing Limited (HSDL). Halifax Share Dealing Limited is registered in England No 3195646. Registered office: Trinity Road, Halifax, West Yorkshire, HX1 2RG. Authorised and regulated by the Financial Services

Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS. The ISA Administrator will act as our agent in its dealings with you.

the **ISA Administrator's Conflicts of Interest Policy** means the policy for managing conflicts of interest, should they arise, as summarised in the **Key Features**.

the **ISA Administrator's Order Handling Policy** means the execution policy developed by the ISA Administrator, as summarised in the Key Features.

the **ISA Manager** means SIT Savings Limited.

the **Key Features** means the key features of The SIT ISA.

a **Notice of Cancellation** means the notice of cancellation sent to you with your welcome letter.

the **Regulations** means the Individual Savings Account Regulations 1998, as the same may be varied from time to time.

the **Shares** means shares in The Scottish Investment Trust PLC.

the **Scheme** or the **ISA** means your Individual Savings Account.

3. Investment Objective

The investment objective of the Scheme is to achieve both capital and income growth, by investment in shares in The Scottish Investment Trust PLC.

4. Investment

- a. We will apply the monies initially subscribed to the Scheme or thereafter available for investment to purchase Shares, up to the limit permitted for the time being by the Regulations. We may sell any of such Shares if and to the extent that they cease to be a qualifying investment under the Regulations, but otherwise we shall retain all such Shares until the termination of the Scheme. If we sell any (or all of) such Shares at a time when they have ceased to be a qualifying investment, whether in whole or beyond any limit prescribed in the Regulations, and if such Shares shall once again become a qualifying investment or a qualifying investment to a greater extent, we will repurchase such amount as may then be permitted of such Shares.

- b. Creditor interest is paid on all cash balances held on your behalf at the ISA Administrator's prevailing rate. No interest will be paid on the initial subscription during the Cancellation Period.

Key Features - Terms & Conditions

5. Benefits and Rights

- a. We will collect all dividends and other cash distributions and shall receive all bonus and other free capitalization issues and capital distributions in respect of investments, but shall not be obliged to obtain for you any benefit or perks made available to the holders generally of the Shares.

We will not exercise any voting rights in respect of the Shares.

- b. Where The Scottish Investment Trust PLC offers cash or scrip dividends we will, subject always to the ISA Administrator's Conflicts of Interest Policy, accept the cash dividend.
- c. We may take up, sell or allow to lapse (in whole or in part) any rights offered in respect of the Shares. Fractional entitlements will be disregarded and retained for the benefit of the ISA Manager.
- d. If any issue or offer is made which would otherwise result in the Scheme acquiring an investment which does not comply with the Regulations, we will, if possible, decline such issue or offer, but if not possible, will realise such investment as soon as possible.
- e. We will arrange for you to receive a copy of the Annual Report and Accounts and other information issued by The Scottish Investment Trust PLC to its shareholders generally. Should you wish to attend shareholders' meetings, vote or receive company information other than the Annual Report and Accounts, you should follow the instructions in the information received.
- f. The ISA Administrator's Conflicts of Interest Policy, as amended from time to time, shall be incorporated into and form part of this Agreement.

6. Remuneration and Expenses

- a. Details of our charges are set out in the Key Features. We reserve the right to amend our charges or levy additional charges as and when we deem it necessary. We will give advance notice to participants about any proposed amendments or introduction of additional charges.
- b. You agree to pay us a fee per year or part thereof for our services and such other fees as may be applicable at such rate as we may publish from time to time. No increase in any fees charged by us shall have effect unless at least 14 days' notice has been given to you.
- c. You, your personal representative(s), or your transferee will be liable for any stamp duty or other tax arising on any sale, purchase or transfer of investments in your Scheme. Other taxes and costs may be incurred by you in connection with the establishment, operation and termination of the Scheme which are not imposed by or paid through us.

- d. To the extent permitted by law, we can make tax claims, conduct appeals and agree liabilities and tax relief on your behalf in relation to the Scheme. You agree to give us any information that we reasonably require in order to do so.

- e. We will be entitled to realise investments to cover any sums due from you.

7. Dealings

- a. The ISA Administrator may, without prior reference to you, aggregate transactions on behalf of more than one client. Such aggregation may sometimes achieve a better result and sometimes a worse result for you than if the transactions had been carried out separately.
- b. The ISA Administrator's Order Handling Policy, as amended from time to time, shall be incorporated into and form part of this Agreement.

8. Delegation

- a. The ISA Manager may delegate the administration of the Scheme to any person, whether or not connected with the ISA Manager.
- b. The ISA Manager will satisfy himself that any such person to whom any ISA functions or responsibilities under this Agreement is delegated is competent to carry out such functions and responsibilities.

9. Custody of Investments

- a. You are, and will remain, the beneficial owner of all your Scheme investments.
- b. Title to Scheme investments will be registered in the name of the ISA Administrator's chosen nominee, HSDL Nominees Limited, or in the name of such eligible nominee we may consider appropriate from time to time. The ISA Administrator has accepted responsibility under the FSA Rules for any custodian function carried out by its chosen nominee in its capacity as an eligible nominee.
- c. Your Scheme investments will be pooled with investments held for other clients. This means that your investments will not be identified by separate certificates. The current nominee is a company owned by the ISA Administrator so if such nominee company defaults, the ISA Administrator will accept full responsibility for it. The ISA Administrator will not disclaim losses arising directly from the fraud, wilful default or negligence of such nominee.
- d. Scheme investments and certificates or other evidence of title in respect thereof may not be lent to any person nor may money be borrowed against the security thereof.

Key Features - Terms & Conditions

- e. Until we receive in cleared funds any outstanding amounts that you owe us, you authorise our nominee to keep your holding, Share certificate(s) and/or connected rights and we may also refuse to carry out any instructions relating to your holding, Share certificate(s) and/or connected rights. Title to the Shares shall not pass to you until you have paid for the purchase costs and any related charges in full. You cannot transfer the Shares out of our nominee until you have paid for them and they are held in your account.
 - f. We can employ agents on such terms as we think fit and we can delegate any of our functions under these conditions. We will satisfy ourselves that any person to whom we delegate any functions under these conditions is competent to carry out those functions.
 - g. By entering into this Agreement you agree that we will hold your client money in a Halifax Share Dealing Limited client bank account. We may hold money with approved banks in the UK.
 - h. If we hold at least £1 in cash in your ISA, we will pay interest on it. Interest is accrued daily and paid annually. Under the Regulations we must deduct a flat rate charge, currently 20%, from interest on your ISA and pay this charge to HM Revenue & Customs. The current interest rate(s) can be found on the website www.halifax.co.uk/sharedealing/charges/interest_rates.asp or by telephoning HSDL on 0845 850 0181.
 - i. By signing the application form you give us your express consent to the handling of your orders in accordance with the ISA Administrator's Order Handling Policy and deal with any conflicts of interest in accordance with the ISA Administrator's Conflicts of Interest Policy.
- d. We will notify you if by reason of any failure to satisfy the provisions of the Regulations, an ISA has, or will, become void.

11. Restrictions on the Manager's Authority

- a. Save as may be imposed by the Regulations, and subject to the ISA Administrator's Order Handling Policy, there are no restrictions upon the markets in which we may effect transactions nor upon the amount or proportion of the Scheme which may be invested in any category of investments or any single investment.
- b. We may not commit you to any obligation to underwrite any issue or offer for sale of any investment.
- c. We may not commit you to supplement the funds in the Scheme, either by borrowing on your behalf or by committing you to a contract the performance of which may require you to supplement the funds in the Scheme.

12. Withdrawal and Transfers

- a. You may elect to have the income from your Shares paid to you half-yearly.
 - b. You may withdraw cash or investments (of such minimum amount or value as we may prescribe from time to time) at any time from the Scheme (subject to the completion of any outstanding transactions). If you sell all the Shares in the Scheme and no monthly investment is being made, the Scheme will be closed on settlement of the trade.
 - c. Either party may terminate this Agreement at any time, without penalty, by notice in writing to the other, whereupon (subject to the completion of any outstanding transactions and payment of all accrued fees and expenses) we shall transfer or arrange the transfer of the Scheme to you or as you may direct. If you so elect, we will first sell the investments in the Scheme or any of them nominated by you.
 - d. At your request, and within 30 days, or such lesser time as may be agreed, an ISA or part of an ISA with all rights and obligations of the parties to it, may be transferred to another ISA manager.
 - e. On your instruction, and within 30 days, or such lesser time as may be agreed, all or part of the investments held in the ISA and proceeds arising from those investments shall be transferred or paid to you.
 - f. We shall be entitled to retain any amount which we reasonably consider may be accountable to HM Revenue & Customs in respect of the Scheme.
 - g. Notwithstanding the termination of the Scheme or an instruction to transfer the ISA to another ISA manager, this Agreement shall remain in force until all transactions have been performed and all liabilities discharged.
- a. Neither we, nor the ISA Administrator, shall be liable for any loss (of any nature) you suffer (directly or indirectly) as a result of any delay in the settlement of any transaction, the fluctuation in the value of investments or the income derived from them or any failure to achieve your investment objective howsoever arising by reason of the exercise or non exercise of our, or the ISA Administrator's, powers hereunder, unless resulting directly from our, or the ISA Administrator's, fraud, wilful default or neglect and further provided that this Agreement shall in no way exclude or restrict any duty or liability we and the ISA Administrator may have to you under the regulatory system.
- b. Neither we, nor the ISA Administrator, will be in breach of this Agreement, nor will be liable to you in any way, for any delay or failure to perform any of our obligations which is due to circumstances beyond our reasonable control.
- c. To the extent permitted by applicable laws and regulations and the FSA rules, we shall not be liable for any loss suffered as a result of the acts or omissions or insolvency of any agent or delegate unless, and only to the extent, such loss arises directly as a result of our own fraud, wilful default or negligence in the selection or monitoring of such agent or delegate.

Key Features - Terms & Conditions

13. Death

- a. The ISA and its associated tax benefits shall terminate on your death, provided that your estate and personal representatives shall be bound by any transactions we carry out after the date of your death but before actual receipt by us of notice of your death.
- b. We shall (subject to payment of all accrued fees and expenses) transfer or arrange the transfer of the Scheme to your personal representatives or as they may direct, subject to receiving evidence of the title of the personal representatives to the Scheme. If the personal representatives so elect, we will first sell the investments in the Scheme or any of them nominated by the personal representatives.

14. Reports and Valuation

- a. Every six months we will provide you with a statement detailing all cash movements in the Scheme since the date of the last statement and with a list of the investments currently held in the Scheme and their values.
- b. We will advise you if, by reason of any failure to satisfy the Regulations, the ISA has or will become void, and you may be liable for payment of the relevant fee.

15. Instructions, Calls and Notices

- a. Instructions shall be given to us and the ISA Administrator by telephone or in writing and may be relied upon by us and the ISA Administrator if purporting to be instructed/signed by you. Such notices will only be deemed to have been given to us and the ISA Administrator if we actually receive them. Instructions shall remain in place until cancelled or replaced.
- b. We and the ISA Administrator reserve the right not to accept instructions if they are unclear, contrary to the terms of this Agreement or they would cause us to breach the Regulations or applicable law (including but not limited to the FSA Rules). We and the ISA Administrator will notify you within a reasonable time if we are unable to carry out any instructions.
- c. We and the ISA Administrator shall be entitled to contact you otherwise than in writing in regard to matters concerning the Scheme and any investments held or proposed to be acquired.
- d. Unless we, or the ISA Administrator, tell you otherwise, you may send notices and other communications to us in writing to:
SIT Savings Limited
6 Albyn Place
Edinburgh
EH2 4NL
or to the ISA Administrator by calling **0845 850 0181**.
- e. We and the ISA Administrator will send all written notices, statements and other communications to you by post to the address that you gave us when you applied for your ISA or the latest address that you have

given us. They will be treated as arriving 72 hours after posting (if sent to an address in the UK) or 10 days after posting (if sent abroad).

If you register for the ISA Administrator's online service, you must supply the ISA Administrator with an up to date email address. Emails will be treated as arriving immediately upon sending by the ISA Administrator. The ISA Administrator may keep any emails sent to or from it. The ISA Administrator does this to check what was written and also to help train its staff.

16. Complaints and Compensation

- a. We and the ISA Administrator are participants in the Financial Services Compensation Scheme. As you are a retail client, you may be able to make a claim on this compensation scheme if we default in our obligations to you. Compensation is available to eligible claimants under the Financial Services Compensation Scheme. If you ask, we will send you a summary of your rights under the Financial Services Compensation Scheme. Further information can also be obtained from the FSA.
- b. If you have a complaint about the way The SIT ISA is operated, you can write to us at the following address:

Compliance Officer
SIT Savings Limited
6 Albyn Place
Edinburgh
EH2 4NL

A copy of our internal complaints handling procedure is available on request and we will give you a copy if you make a complaint.

- c. If you cannot settle your complaint with us, you may subsequently take your complaint to the Financial Ombudsman Service:
Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR
Telephone: 0845 080 1800

17. EU Directive on Money Laundering

- a. To comply with UK legislation and EU Directives on Money Laundering, the ISA Administrator is required to verify the identity of investors. This may involve the electronic verification of names and addresses through a reputable agency. Some investors may be asked to supply additional evidence of identity.
- b. The ISA Administrator will endeavour to ensure that all funds are invested on the appropriate day. However, where positive verification is considered to be required, this must be obtained before any share purchase is made or documents of title, investment proceeds or income payments can be despatched.

Key Features - Terms & Conditions

- c. The ISA Administrator is legally obliged to collect, verify and record information confirming customer identity and to report details of suspicious transactions to the Serious Organised Crime Agency. For more details please contact the ISA Administrator, HSDL, at Halifax Share Dealing Limited, Lovell Park Road, Leeds, LS1 1NS.
- d. The ISA Administrator may use credit scoring methods to assess your application and verify your identity. Members of the Lloyds Banking Group and other companies may use credit searches and other information supplied to them and/or the credit reference agencies about you and someone linked financially with you, including previous and subsequent names, to make credit decisions about you or other members of your household. Any of this information may also be used for identification purposes, debt tracing, preventing money laundering and managing your account.
- e. The ISA Administrator may disclose any information you provide to it to a licensed credit reference agency that may retain a record of its search. The ISA Administrator will use the results of the search to check your identity and to determine your credit worthiness, although it will not extend a line of credit to you.
- f. The ISA Administrator has systems that protect it, us and our customers against fraud and other crime. Customer information can be used to prevent crime and trace those responsible. The ISA Administrator may check your details with fraud prevention agencies. If false or inaccurate information is provided and fraud is identified, details will be passed to fraud prevention agencies. Law enforcement agencies may access and use this information. We, the ISA Administrator and other organisations may also access and use this information to prevent fraud and money laundering, for example, when:
- checking details on applications for credit and credit related or other facilities;
 - managing credit and credit related accounts or facilities;
 - recovering debt;
 - checking details on proposals and claims for all types of insurance;
 - checking details of job applicants and employees.
- Please contact the ISA Administrator at: Compliance & Risk, Halifax Share Dealing Limited, Lovell Park Road, Leeds, LS1 1NS if you require details of those credit reference agencies and fraud prevention agencies from whom it obtains and with whom it records information about you. The ISA Administrator and other organisations may access and use from other countries the information recorded by fraud prevention agencies. You have a legal right to these details.
- g. Occasionally, the ISA Administrator searches credit reference and fraud prevention agency files as well as its own internal group records to manage your account and take decisions such as whether to offer or continue to offer its service. Lenders who may assess your ability to obtain credit may see these searches.
- h 'Associations' linking your financial records may be created on credit reference agency records when you apply for accounts in joint names. Your financial records, and those of anyone financially associated with you, may be considered in any future applications you make.

18. Disclosure of Information

We and the ISA Administrator may, when requested (and whether compelled by law or not), disclose or permit disclosure to any relevant authority of any information relating to any transaction effected under this Agreement and shall incur no liability for any disclosure made in good faith in response to such request.

19. Data Protection Act

- a. The Data Protection Act places obligations on users of personal information and sets down principles for its use. One principle states that information has to be processed fairly and lawfully. This means that you are entitled to know how we and the ISA Administrator intend to use any information you provide. You can then decide whether you want to give it to us. We need accurate customer information. You can help by informing the ISA Administrator whenever your circumstances change.
- b. Organisations must lodge a notification with the Information Commissioner describing the purposes for which they process personal information. The details are publicly available from the Commissioner's office at Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF. Telephone 01625 545745, Fax 01625 524510. Alternatively, see the Commissioner's website: www.informationcommissioner.gov.uk
- c. The ISA Administrator may ask any other member of the Lloyds Banking Group to provide information about you which will help to identify you. The ISA Administrator and other members of the Lloyds Banking Group may exchange information about you for administrative purposes.
- d. The main use of your personal information is to look after your account or to provide the specific service you require.
- e. Without prejudice to clause 14, we and the ISA Administrator disclose personal information only with your consent, or if required to do so by law. Sometimes we, or the ISA Administrator, need to give information to agents and subcontractors so that they can provide a particular service for us. Sometimes these companies may be located abroad in countries that do not have data protection laws. In these circumstances, great care is always taken to ensure that your personal information is kept safe and secure.
- f. The ISA Administrator may record telephone conversations to offer you additional security, resolve complaints and improve its service standards. Conversations may also be monitored for staff training purposes.

Key Features - Terms & Conditions

- g. If you send us, or the ISA Administrator, an e-mail over the Internet, remember that it will be 'insecure' and could be intercepted. If you do send us, or the ISA Administrator, an 'insecure' e-mail, please keep the amount of confidential information you include to a minimum. We and the ISA Administrator will do likewise when we reply.
- h. Certain information collected may be classified as sensitive and this data can only be used where your explicit consent has been given. This data relates to racial or ethnic origin, political opinions, religious beliefs, trade union membership, physical or mental health, sexual life, criminal proceedings and offences and will only be processed in order to provide the service requested.
- i. Under the Data Protection Act you have the right of access to information we and the ISA Administrator hold about you on our records. The Act allows us, or the ISA Administrator, to charge a fee of £10 for this service. If anything is inaccurate or incorrect, please let us, or the ISA Administrator, know and your records will be corrected.
- j. Without prejudice to clause 14, the ISA Administrator may disclose any information that it has about you, or your account, to any governmental or regulatory body entitled by law to that information. Any information you provide will be held by Halifax Share Dealing Limited which is a member of the Lloyds Banking Group of Companies. Data may be shared with other Lloyds Banking Group members for administrative purposes only. Halifax Share Dealing Limited may pass information to, among others, SIT Savings Ltd, the London Stock Exchange and HM Revenue & Customs. Relevant information may also be given to Halifax Share Dealing Limited's agents and service providers for administrative purposes.
- k. No member of the Lloyds Banking Group will contact you for marketing purposes unless you give your consent as a result of another relationship you have with the Lloyds Banking Group.
- l. By signing the declaration on The SIT ISA application form, you agree that your information may be used in the ways described above.

20. Variation

The terms of this Agreement may be varied by us in such a manner as we may in our absolute discretion determine (so long as such variation shall not cause the ISA to cease to qualify under the Regulations) on giving not less than one month's notice in writing to you.

21. General

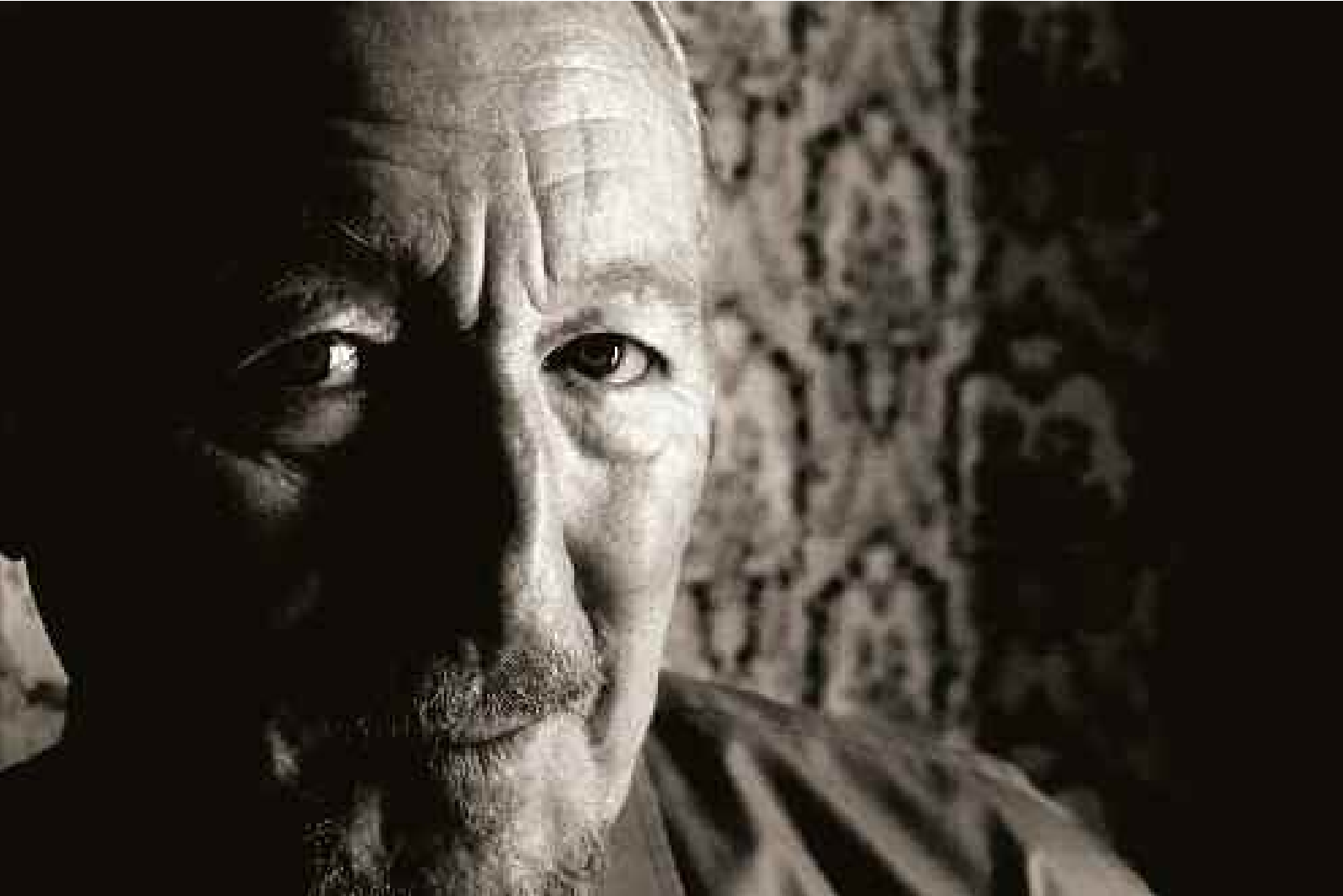
- a. We can assign and transfer our rights and obligations under this Agreement.
- b. Any invalidity, illegality or unenforceability of a term of this Agreement will not affect the validity, legality or enforceability of the remaining terms.
- c. This Agreement shall be governed by and construed in accordance with the law of Scotland and the parties accept the jurisdiction of the Scottish Courts.
- d. All communications between us, either oral or written, will be in English.

Administrator:
The SIT ISA
Halifax Share Dealing Limited
Lovell Park Road
Leeds
LS1 1NS
Telephone: 0845 850 0181

If you require further information, please contact:

SIT Savings Limited
Freepost EH882
Edinburgh
EH2 0BR
Telephone: 0131 225 7781

Applying for The SIT ISA



SECTION 3 Declaration

Before you proceed with your application you must read the attached **Terms & Conditions** and **Key Features**. You must also read the online Terms & Conditions which you will receive in your welcome letter from HSDL. If you would like a copy of the online Terms & Conditions prior to submitting your application, please telephone 0845 850 0181. If you are in any doubt as to the content of these Terms & Conditions, we recommend you seek appropriate advice in order to gain a full understanding. We also recommend you save a copy for your records.

To: SIT Savings Ltd, a company authorised and regulated by the Financial Services Authority (FSA registration number 125495).

I hereby apply for a stocks and shares Individual Savings Account for the tax year stated and each subsequent tax year until further notice and agree to

- (a). the following terms and conditions;
- (b). the ISA **Terms & Conditions** enclosed which contain the statements, warnings and provisions prescribed by the FSA Rules and which are to be read as an integral part of this application.
- A. I declare that:
- (i). I am 18 years of age or over;
 - (ii). I have not subscribed and will not subscribe more than the overall subscription limit in total to a cash ISA and a stocks and shares ISA in the same tax year;
 - (iii). I have not subscribed and will not subscribe to another stocks and shares ISA in the same tax year that I subscribe to this stocks and shares ISA; and
 - (iv). I am resident and ordinarily resident in the United Kingdom for tax purposes or, if not so resident, either perform duties which, by virtue of Section 28 of the Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving

overseas), are treated as being performed in the United Kingdom, or I am married to, or in a civil partnership with, a person who performs such duties. I will inform SIT Savings Ltd if I cease to be so resident and ordinarily resident or to perform such duties or be married to, or in a civil partnership with, a person who performs such duties.

- B. I hereby authorise SIT Savings to hold my cash subscription, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash, to make on my behalf any claims to relief from tax in respect of ISA investments and on my written request to transfer or pay to me, as the case may be, ISA investments, interest, dividends, rights or other proceeds in respect of such investments or any cash.
- C. I acknowledge that my investment objective in making this application and the subscriptions payable in terms thereof is solely to invest monies in the shares which may be held in terms of the Individual Savings Account to which this application relates.
- D. I hereby declare that all cash subscriptions made, and to be made, are made out of cash belonging to me.
- E. I declare that the information given in this application is correct to the best of my knowledge and belief and I undertake to notify SIT Savings promptly of any changes to these particulars.
- F. I declare that this application form has been completed to the best of my knowledge and belief.
- G. I agree to be an execution only client and will not seek investment advice from SIT Savings Ltd or Halifax Share Dealing Limited. I understand that I will be categorised as a retail client.

Applicant's Signature:

Date:

Data Protection Act:

By signing the above declaration, you agree to the use of your personal information in accordance with the **Terms & Conditions**.

From time to time, we would like to send you information via e-mail or post regarding other products and services we provide. Please tick this box if you object to receiving this information. Your personal details will not be passed on to any third parties for marketing purposes.

Important Notes

1. The SIT ISA qualifies as either:-
 - (a) A stocks and shares ISA, your only ISA in the tax year
 - or
 - (b) A stocks and shares ISA, leaving you the option to select another manager for a cash ISA in which you wish to invest.
2. If this application relates to a new ISA with SIT, you may cancel your Application within 14 days of receipt of the Administrator's welcome letter.
3. This agreement shall take effect from the date specified in the Administrator's welcome letter.

SECTION 4

SIT ISA Income Distribution Request

INCOME WILL NORMALLY BE REINVESTED. However if you wish to have your income paid directly into your Bank or Building Society account, please complete the following.

Please note: this must be the same account that any contributions to your SIT ISA are paid from.

TO: THE SIT ISA
Halifax Share Dealing Limited
Lovell Park Road
Leeds
LS1 1NS

(Please complete all sections in BLOCK CAPITALS)

Full name and address of Plan Holder:

Name
Address
Postcode

Name of Bank/Building Society
Branch
Address
Postcode

Sort Code Number

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Account Number

--	--	--	--	--	--	--	--	--	--

Name of Account Holder(s)

Signature:	Date:
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Please fill in the whole form, excluding the official use box, using a ball point pen and send it to:

The SIT ISA
Halifax Share Dealing Limited
Lovell Park Road
Leeds
LS1 1NS

Instruction to your Bank or Building Society to pay by Direct Debit

Originator's Identification Number

7	2	8	7	9	8
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Name and full postal address of your Bank or Building Society

To: The Manager Bank/Building Society

Address

Postcode

FOR HSDL OFFICIAL USE ONLY

This is not part of the instruction to your Bank or Building Society.

Branch Sort Code

--	--	--	--	--	--

Bank/Building Society Account Number

--	--	--	--	--	--	--	--	--	--

Name of Account Holder

Instruction to your Bank or Building Society

Please pay Halifax Share Dealing Direct Debits from the account detailed in this Instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with Halifax Share Dealing Limited and, if so, details will be passed electronically to my Bank/Building Society.

Signature

Date

Reference Number (for HSDL use only)

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Banks and Building Societies may not accept Direct Debit Instructions for some types of account

This guarantee should be detached and retained by the Payer.

The Direct Debit Guarantee



- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.
- If there are any changes to the amount, date or frequency of your Direct Debit, Halifax Share Dealing Limited will notify you 3 working days in advance of your account being debited or as otherwise agreed. If you request Halifax Share Dealing Limited to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit by Halifax Share Dealing Limited or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society.
- If you receive a refund you are not entitled to, you must pay it back when Halifax Share Dealing Limited asks you to.
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

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Checklist

Have you enclosed:

1. Your completed and signed **The SIT ISA Application Form**?
2. Your **personal cheque** for the lump sum, or the first month's instalment, payable to **The SIT ISA**?
3. A **Direct Debit** instruction (if applicable)?
4. The completed **Income Distribution Form** (if applicable)?

All of these items may be enclosed in the reply-paid envelope provided, or sent to the following FREEPOST address:

Freepost RRXS-HLAZ-BUGY
The SIT ISA
Halifax Share Dealing Ltd
PO Box 93
1 Lovell Park Road
Leeds LS1 1NS

This is an important document - please keep it in a safe place

It is important that you read the **Terms & Conditions** and **Key Features** before joining the Scheme. Please retain these for future reference.

If you have any questions please do not hesitate to contact us - or your professional adviser.

Further Information

**SIT Savings Limited
Investor Services
FREEPOST EH882
6 Albyn Place
EDINBURGH
EH2 OBR**

Telephone: 0131 225 7781

E-mail: info@sit.co.uk

Website: www.sit.co.uk

Brochures are also available for The SIT ISA Transfer, SIT STOCKPLAN and our Investing for Children product, STOCKPLAN: A Flying Start.

For copies, please call our Brochure Request Line free on **0800 42 44 22**.

Brochures and application pack for The SIT SIPP can be downloaded from our website **www.sit.co.uk**

**Registered Office:**

6 Albyn Place, Edinburgh EH2 4NL
Telephone: 0131 225 7781 Fax: 0131 226 3663
Email: info@sit.co.uk www.sit.co.uk

Administrator:

The SIT ISA
Halifax Share Dealing Limited
Lovell Park Road
Leeds
LS1 1NS
Helpline: 0845 850 0181

ISA 04/11

The SIT ISA is managed by SIT Savings Ltd, a wholly-owned subsidiary of The Scottish Investment Trust PLC, authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

This document was prepared in April 2011. It is normally reviewed once per year, so some of the information in it may have changed since the last printing.

If you are in any doubt concerning any of its content, please consult SIT Savings Ltd.