

Important Announcement to members of the London Quantum Retirement Benefit Scheme (also known as the London Quantum Occupational Pension Scheme) (“the Scheme”)

This is the sixth Announcement to members and is the annual update for members on what actions have been taken in relation to our appointment.

As you will recall our appointment was ordered by the Determinations Panel of The Pensions Regulator (the Regulator) under the statutory powers it holds. Our appointment gave us exclusive control over the Scheme. Our appointment was confirmed by the Regulator in the Final Determination Notice which followed an oral hearing on 16 December 2015. This oral hearing was requested by the Trustee in place prior to our appointment Dorrixo Alliance (UK) Limited (Dorrixo), and the sponsoring employer, Quantum Investment Management Solutions LLP (Quantum). The action by the Regulator was in relation to decisions and actions taken by Dorrixo and Quantum prior to Dalriada’s appointment.

Dorrixo continued as a Trustee but was unable to exercise any powers in relation to the Scheme. Dorrixo applied to Companies House for voluntary strike off and was dissolved on 16 August 2016. Since that date Dalriada has been the sole Trustee.

Dalriada has also taken on the administration of the Scheme which means that all contact between members and the Scheme should now be via Dalriada. Please bear this in mind if you are contacted by any other party about the Scheme.

The reasons why the Regulator felt it necessary to make an appointment such as this were set out in our first Announcement. One of our jobs is to look carefully at what has happened and report objectively. That is what we have done and continue to do.

What has happened since the last announcement?

In common with similar appointments there are a number of matters to resolve before we can pay benefits or transfer values. We will set these out in more detail below. As is required by a prudent Trustee we have attended to the legal and governance obligations in relation to the Scheme. This has included holding trustee meetings, undertaking risk reviews, preparing accounts for the last 3 scheme years, preparing a Chairman’s Statement and appointing a regulated investment adviser to advise in relation to the investments. In addition we provide quarterly reporting to the Regulator on progress. Copies of the accounts and the Chairman’s Statement can be found on the members’ website. Details are set out later in this Announcement.

Investments

One of the reasons that the Regulator sought the appointment of an independent trustee was its concerns over the nature of the investments made by the previous trustees and whether they were appropriate investments for an occupational pension scheme. We set out details of the investments made and the concerns about these in our second Announcement. One of the specific

areas of concerns was that many of the investments required the money to be “locked in” for a number of years and the inability to “unlock” these investments is one of the major barriers Dalriada face in calculating and paying out benefits or transfer values to members.

When considering the investments made by a scheme and changes to those investments, trustees should take investment advice from an appropriately qualified adviser. That is what we have done. In summary, the advice we received is that the investments are inappropriate for the Scheme and, where possible, the Scheme should exit the investments. Because the investments are locked in for a variety of periods the investment provider has to agree to an early exit and the terms of such an exit. Dalriada has approached all the investment providers to request confirmation of the terms on which they would permit an early exit from the investments.

We have set out below a summary of progress with each of the investments in an Appendix to this Announcement. Whilst we believe it is important that members have an overview of the entire investments made by the previous trustees, we would stress that due to the way that membership of the scheme was introduced to members, members do not have their personal accounts invested in all of the investments set out below. We will be issuing to each member a short document setting out where their personal accounts have been invested.

HMRC Protective Assessment

HMRC has written to us to indicate that it believes that payments of £600,000.00 made from the Scheme in respect of the London Quantum One Limited investment may constitute unauthorised payments. Unauthorised payments can attract a tax charge and HMRC have indicated that to protect their position they will be seeking a tax charge of 40% of the amount paid which is an amount of £240,000.00 from the Scheme. This is known as a protective assessment. We are considering our response to this and the actions we need to take.

Taking Benefits and Transfers

One of the most common questions that we get from members is when can I get my money? The answer to that question is not straightforward but it is unlikely that benefits can be taken or transfers made for the foreseeable future. The reasons for this are as follows.

When we took over the Scheme £6,171,000.00 had been transferred into the Scheme. Taking into account the cash frozen in the bank, recoveries made and costs incurred to date the amount of assets in the Scheme bank account is, at 1 April 2017, £2,691,891.27.

Whilst it is positive that we have recovered in excess of £1 million of members funds there are considerable difficulties with unlocking some of the other investments, as outlined in the Appendix to this announcement. We are negotiating with the remaining investment managers to recover funds where possible. Some of the investment managers have entered insolvency and we have submitted a proof of debt with a view to protecting the Schemes position to the extent it is possible to do so. However, due to the nature of the investments there is a lot of uncertainty about what level of further recovery will be made.

As we have mentioned above, the Scheme has been presented with a protective assessment claim to tax from HMRC of £240,000.00.

Finally, we have to consider the allocation of costs. The position on this is the same as we set out in our previous announcements. The Scheme has been set up in such a way that every member has a ‘personal account’ to which specific investments are allocated. This causes difficulties when considering how to allocate investment recoveries and allocate costs to members. Due to the

complexities we require a direction from the Court on how we approach this. To save costs to the Scheme, and also to get a quicker decision, we are awaiting the outcome of a similar approach to the Court on another scheme. It is hoped that the decision in that case can guide us without having to ask the Court for specific directions but that cannot be ruled out. The Court's decision is not expected until July 2017 at the earliest.

Until we resolve all of these points we cannot value members' personal accounts and cannot pay members' benefits, make transfers or issue statements of benefits.

What should I do if I have any further questions?

Should you have any queries in relation to this Announcement or your membership of the Scheme, please contact us. As above, please also supply copies of all correspondence or other communications which you may have received in relation to your membership of the Scheme.

There is a website set up for members at

www.dalriadatrustees.co.uk/london-quantum

We have included Frequently Asked Questions (FAQs) on this page and will update the website when further information becomes available. We will also upload all Announcements to this page. You will also find links to the Chairman's Statement and the Report and Accounts.

As you will be aware, the costs of answering queries have to be met from the assets of the Scheme. In order to minimise these costs it would be very helpful if you could, in the first instance, check the FAQs to see if your question is answered there.

Should you, however, have any specific personal queries in relation to this Announcement, your membership of the Schemes or should you wish to provide us with further information, please contact us.

You can contact us as follows:

By Telephone: 028 9041 2009

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Issued by Dalriada Trustees Limited

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Appendix

LONDON QUANTUM RETIREMENT BENEFIT SCHEME (ALSO KNOWN AS THE LONDON QUANTUM OCCUPATIONL PENSION SCHEME)

INVESTMENT UPDATE

The Quantum PYX Managed FX Fund

Amount Invested

£1,028,238.86

Investment Type

The Scheme purchased shares in a unitised currency investment fund which traded in the top ten major currencies. The fund was regulated by the Central Bank of Ireland.

Investment Summary

The fund was regulated, although we have been advised by a regulated investment advisor that the fund was inappropriate in terms of risk for the Scheme.

Investment Returns

The fund prospectus did not specify a predicted rate of capital growth however the scheme sponsor has previously stated a predicted return of 12% - 15% per annum. Over the period of the investment, the fund performed poorly and fell over the period of investment.

Current Position

Dalriada received advice that, due to the high risk nature of the fund and, notwithstanding the fall in the value of the investment, the Trustee should exit the fund at the earliest opportunity, and to avoid further losses being incurred. Dalriada has acted on that advice and on 25 July 2016 £764,278.92 was received in the Scheme bank account. The fund was closed by the investment manager on 29 July 2016.

Dolphin Trust GmbH

Amount Invested

£424,641.88

Investment Type

Between 9 October 2014 and 27 April 2015 the Scheme purchased nine corporate loan notes. Dolphin specialises in the purchasing of derelict and listed German property. The property is then sold off plan to German investors who take advantage of a specific German tax advantage which allows for the recovery of renovation costs through tax allowances when purchasing a listed building.

Investment Term

The corporate loan notes are for a period of 5 years with no early exit options. The loans are due to be repaid at various dates between 9 October 2019 to 27 April 2020 depending on when the loans were made.

Investment Returns

The loan notes have varied rates of return ranging from 12% to 13.8% per annum. All interest is rolled forward and paid at the end of the 5 year period.

Investment Summary

This is an unregulated investment and is high risk in nature. There is no guarantee that the capital and interest will be fully repaid at the end of the relevant 5 year period. Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

We continue to correspond with Dolphin regarding the possibility of an early exit from the investment.

London Quantum One Limited

Amount Invested

£600,000.00

Investment Type

The Scheme has purchased 600,000 shares in London Quantum One Limited ("LQOL") at a cost of £1 per share. LQOL holds rights to a social media application called VIP Greetings which provides personalised messages with the use of celebrity endorsement. The original trustees paid for the LQOL shares from scheme funds.

Investment Term

The underlying investment in VIP Greetings is long term and no returns are expected for several years. No early exit options exist and there is no evidence of a secondary market to sell the investment.

Investment Returns

The returns from the VIP Greetings application are highly speculative. There is no guaranteed minimum return or definitive payment date. Investors hold no security over any physical asset.

Investment Summary

A number of valuations in relation to the VIP Greetings investment were received prior to our appointment. The valuations appear highly speculative. In addition, the valuations were not made at the time that the Scheme purchased the investment.

Current Position

It is suspected that the investment holds little, or more likely, no value. We are not confident that any return will be made to the Scheme. (It should be noted that this particular purported investment relates to just three individual members.)

Park First Glasgow Limited

Amount Invested

£340,000.00

Investment Type

Between 30 September 2014 and 20 April 2015 the Scheme purportedly invested in 17 car parking spaces in a carpark near Glasgow airport. The investment is offered by Park First Glasgow Limited who lease parking spaces to investors, in this case the Scheme, and then sub lease the parking space back.

Investment Term

The investor enters a lease for a period of 175 years (the maximum allowed under Scottish law). The parking spaces are then sub-leased back for a period of 6 years. The sub-leases can be terminated by Park First after 2 or 4 years, or at any time with not less than 10 days' notice if it has found a substitute sub-tenant.

There is a 'guaranteed buy back' policy which outlines under what circumstances Park First will buy back the parking spaces. Park First has full discretion in this regard and is under no obligation to buy back the spaces at any point. In short, there is no guaranteed exit option.

Investment Returns

The investment offers a guaranteed rate of return of 8% per annum for the first 2 years. To date payments in line with the 8% return have been received. £27,200 was received in February 2015 and a further £27,200 was received in February 2016. No payment has been received for February 2017.

Investment Summary

This is an unregulated investment. Park First operate the car parking space on behalf of the investor for an annual fee. The parking spaces generate income which is ultimately passed back to the investor each year.

Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

We have tried to recover the monies paid to Park First arguing that the legal documentation was never fully completed by the previous trustee and that the contracts were ineffective. Park First has rejected this request and is insisting that the contracts are valid and that there is no scope for Dalriada to be refunded. We continue to consider the position with the Scheme's legal advisers.

Malletts Solicitors Limited

Amount Invested

£8,000.00

Investment Type

On 20 August 2013 the Scheme has invested in an unsecured loan note issued by the law firm Malletts Solicitors Limited.

Investment Term

The loan note has an investment period of 6 years with an obligation for the note holder to redeem 25% of the note per annum after year 2. No early exit options exist.

Investment Returns

The loan note is purported to return 8% per annum payable half yearly.

Interest or redemption payments have not been made by Malletts. To date, the Scheme should have received payments totaling £3,280.00 as per the contractual documentation.

Investment Summary

Loan notes have been issued by Malletts in an attempt to raise funding for an internal 'legal hub' project. The loan note is unsecured.

We contacted Malletts to obtain additional information in relation to the investment. Malletts have refused to explain how the Scheme came to be invested with them and have only provided minimum details.

Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

We sent Malletts a number of formal requests to exit the investment however Malletts did not respond.

Malletts Solicitors Limited went into liquidation on 11 November 2016. We have submitted a proof of debt in respect of the loan note but the fact it has gone into liquidation suggests prospects of recovery are poor.

Colonial Capital Group Plc

Amount Invested

£24,000.00

Investment Type

On 31 January 2015 the Scheme invested in a corporate bond with Colonial Capital Group Plc. Colonial operates in the distressed US social housing market and have issued a number of bonds.

Investment Term

The corporate bond is for a period of 3 years. No early exit options exist.

Investment Returns

The bond has a fixed return of 12% per annum. Interest will be rolled forward and paid at the end of the 3 year investment period.

Investment Summary

This is an unregulated investment. Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

Dalriada sent Colonial a formal request to exit the investment. Colonial responded and confirmed that an early exit was not available as Colonial may only redeem all or part of the bonds on a pro rata basis for all investors. It would therefore not be possible to facilitate an early exit for the Scheme.

Colonial Capital Group PLC was then placed into administration on 8 March 2017. Dalriada has issued a proof of debt in relation to the corporate bond but, again, the fact the company has gone into administration suggests prospects of recovery are unpromising.

The Resort Group

Amount Invested

£485,151.52

Investment Type

The investment is in hotel rooms in a hotel development by The Resort Group. The hotel has recently been completed in Cape Verde and investors purchase a right to benefit from the profits and interests of specific pieces of the development. Investors do not own the land nor do they have a charge over it. An investor has simply a right to share in any profit generated from the hotel rooms.

Investment Term

The investment could not be exited prior to completion of the hotel rooms. Now that these have been completed they can be sold on the secondary market.

Investment Returns

Before completion of the hotel rooms a guaranteed return is paid. After completion the return is based on room occupancy. The expected returns have been paid to the Scheme.

Investment Summary

This is an unregulated investment. Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

The Resort Group offered to repay the amount transferred to it by the Scheme. That offer was to release one plot every two months from 31 October 2016 subject to completion of legal agreements. We agreed to this offer and signed the agreements in December 2016. The following payments have been received

16 December 2016 – payment of £115,202.25.

13 January 2017 - payment of £115,202.25.

28 February 2017 - payment of £114,726.28.

The final payment of £140,020.74 plus interest is scheduled to be repaid by the end of June 2017.

In addition all income has been paid for each of the plots up to the date they were bought back.

The Reforestation Group Limited

Amount Invested

£220,000.00 (although actual amount invested is disputed – the contractual documents show a cumulative purchase price of £230,000.00).

Investment Type

The purported nature of this investment is that the Scheme has purchased 'land rights' to 21 plots of Brazilian farm land that is to be used for growing eucalyptus trees. The investment term is 21 years as it covers three cycles of seven years, which is the projected time period to grow and harvest the trees. The investment purportedly offers returns of 28-32% compounded over each seven year cycle.

Investment Term

The crop cycle of the eucalyptus tree is seven years. Accordingly, with the investment being made in 2014, the first return on any of the Land Rights Agreements ("LRA") would not be realised until around 2021.

Investment Returns

The estimated return after 7 years is £19,000.00 per hectare, which is a 90% return.

Investment Summary

There are a number of issues with this investment which Dalriada finds concerning and are being investigated.

Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

Dalriada, through the Scheme's legal advisers, has written to Reforestation to seek further details regarding this investment and to seek justification for the apparent high level of returns promised.

ABC Alpha Business Centres UK Limited

Amount Invested

£409,000.00

Investment Type

The investment consists of 11 Bonds over three different series and made between 27 October 2014 and 15 May 2015.

Investment Term

The Bonds mature after four years from issue but can be redeemed early after three years (upon six months' notice) or otherwise with "the express consent of the directors of ABC Alpha Business Centres Limited".

Investment Returns

Investment returns depend on the series of the Bond and range from 8.11% to 8.25% with an additional bonus if the Bonds are not redeemed early.

In relation to the two series of Bonds, the Scheme has elected not to have "rolled up" interest. This means that interest is due and payable to the Scheme on a quarterly basis. These payments were made until Q4 2016 but stopped when ABC Alpha Business Centres UK Limited and ABC Alpha Business Centres VI UK Limited went into administration on 20 January 2017. In total income of £65,577.06 was expected but only £46,106.15 was received, a shortfall of £19,470.91.

Investment Summary

The Bonds are corporate bonds in ABC UK Limited. ABC UK Limited is the capital raising vehicle for the investments.

ABC UK Limited is wholly owned by a United Arab Emirates (UAE) entity, ABC LLC. ABC LLC owns and operates the investment portfolio of real estate investments.

ABC LLC is wholly owned by another UAE entity, the Property Store. The Property Store purportedly provides security of 200% of the value of the invested funds.

Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

An offer was made to buy back the Bonds subject to a 10% reduction. The £409,000.00 investment would return £368,000.00 plus the income received to date (£24,199.14 - 5.92% return). As noted above, interest payments stopped, and the offer was withdrawn when ABC Alpha Business Centres UK Limited, and ABC Alpha Business Centres VI UK Limited, were put into administration on 20 January 2017. Dalriada has prepared a proof of debt in relation to the investment but, as with others above, there is a risk that recovery prospects will be poor

Best Asset Management Ltd

Amount Invested

£189,000.00

Investment Type

This unregulated investment consists of a "lease" on 7 car parking spaces in a new office development in Dubai taken out between 1 October 2014 and 17 April 2015.

Investment Term And Returns

Under the Operator's Agreement, there is 5 years guaranteed rental income.

The Scheme is liable to pay the car park operator, The Property Store, 10% of any income greater than the guaranteed rental income. Once the guaranteed income period comes to an end the Scheme must pay The Property Store 10% of any income that is received from the car parking spaces.

The guaranteed rental income is paid monthly. It had been paid on time up to Q4 2016 when an issue with car park operator, which we are seeking detail of, meant payments were stopped. In total income of £24,094.80 was expected but only £16,146.00 was received, a shortfall of £7,948.80.

Investment Summary

All of the car parking spaces that the Scheme has leased are located at Churchill Towers, Dubai. NCP Ltd owns the freehold of these car parking spaces.

The contractual position is not clear due to incomplete documentation however it would appear that the investment operates as follows:

NCP Ltd owns the freehold and has assigned full commercial rights over the car park spaces to Horizon Properties SA;

Horizon Properties SA has granted the Scheme a 99 year lease over each of the seven car park spaces;

The Scheme has entered into an Operator's Agreement with The Property Store with no set term for each of the seven car park spaces.

Dalriada has received advice that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

Current Position

An offer was made to buy back the car park spaces subject to a 10% reduction. The £189,000.00 investment would return £170,100.00 plus the income received (£13,165.20 - 6.97% return). The offer was within a range that might have been acceptable however before it could be accepted Best Asset Management Limited removed the offer from the table. Dalriada are corresponding with Best in relation to the options for the investment.