

Important Announcement to members of the following Pension Schemes (“the Schemes”)

Mendip RBS Pennines RBS

This is our twelfth Announcement.

Our eleventh Announcement was just over a year ago and we appreciate the length of time since the last update. However, as previously, we wanted to be able to report on material progress.

As members are aware, we are working with the Hedge companies to reach a negotiated settlement. We said in our last Announcement that much of the detail was “without prejudice” and so couldn’t be disclosed publically. However, the idea of the settlement was to enable Dalriada to take control of the assets of the Hedge companies and, so, the underlying investments. Further, we said that the process was complicated and that it could still take some time to conclude.

All of this remains the case. However, at this time, both parties are prepared to share some additional details regarding the nature of the intended settlement:

On conclusion of the settlement, the ownership of Hedge Capital Investment Group (HCIG), including wholly owned subsidiary companies, will be transferred to Dalriada.

HCIG has now been re-registered as a limited company (previously it was a plc). It was agreed by both parties that, whilst this process would take some time, it would ultimately make it easier to manage the transfer of ownership of HCIG to Dalriada.

Hedge Capital Limited (the company responsible for making loans to members) will be dealt with separately but in such a way as to ensure the benefit of the repayment of the loans passes back to the Schemes. The Director and shareholder of Hedge Capital Limited will be party to the settlement agreement.

Dalriada is in separate discussions with another party that paid monies to HCIG. Whilst it is important to determine what their entitlement to funds might be ultimately, if any, the Pennines and Mendip schemes are by far the major contributor of funds to HCIG (over 95% of the funds originally paid).

The majority of the necessary documentation required to bring the settlement to a conclusion has now been agreed by all parties and their respective legal advisers. Provided there are no significant areas of dispute during the next few weeks, we would hope and expect the documentation to be finalised in the next few weeks.

However, as we set out in our last Announcement, there still remain several more stages to be gone through.

Primarily, the settlement agreement needs to be approved by the Court before it can be formally followed. It is very difficult to say how long that might take, however the necessary application to Court will be made as soon as the settlement documentation is signed.

The intention is that all steps required under the settlement will happen quickly, within a matter of days, after the Court approval is received.

Assuming Court approval is given and the settlement concludes, as we have commented previously, Dalriada will then need to set about dismantling the corporate structure that overlays the investments such that we can, where appropriate and possible, look to realise funds and invest them elsewhere.

At this stage, we do not know what the underlying investments are worth. Again, as we have commented previously, we need to know this and, thereafter, work out the extent of any investment losses and how any losses (and, also, the costs incurred) should be apportioned across members. This may require directions from the Court.

Finally, we will need to be clear on the potential tax implications, both for members and the Schemes generally. We have had some discussions with HMRC but, to date, no clear indication from them as to the approach they might take.

Unfortunately, therefore, it remains the case that we are still some way off being able to provide members with an indication of the value of their benefits under the Schemes. However, crucially, the conclusion of the settlement will mean that matters will be, up to a point, under our control and we will look to progress the above issues as quickly as possible.

For completeness, we would say that the settlement documentation is drafted such that, if the Court, for some reason, does not approve the settlement, we will be able to continue with the legal action that is currently 'stayed' (on hold).

Sustainable Wealth Group

In our last Announcement, we commented that Hedge Capital Investment Limited (HCIL) had embarked on legal action in the US to recover £2m of funds paid to Sustainable Wealth Group and used to purchase land, something that HCIL claimed had not been sanctioned. The legal action was unsuccessful but subject to appeal. This appeal was, ultimately, successful. However, in the meantime, it was established that the land purchased using the Schemes' money had actually been sold and any proceeds likely to have been repatriated to the UK. Hedge Capital has, therefore, taken initial steps towards fresh action in the UK.

We will update members further on this in our next Announcement.

Interest payment on loans

As a reminder, we would repeat that any loan you may have received from Hedge Capital Limited (HCL) is subject to an agreement between you and HCL, and the action that Dalriada is taking on behalf of the Schemes does not impact directly on your obligation to make any contractual interest payments.

As before, this Announcement will be uploaded onto our website:

www.dalriadatrustees.co.uk/pennines-and-mendip

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