

Important Announcement to members of the following pension schemes ("the Schemes")

Innovation Property Retirement Benefits Scheme Merseyside Care Retirement Benefits Scheme

BACKGROUND

Dalriada Trustees Limited (Dalriada) wrote to you previously regarding your membership of the Schemes and we now want to update members on the current position and the actions we have taken since our appointment. Dalriada understands that it has been some time since our last communication and will explain the reasons for this delay throughout the course of this Announcement.

To confirm, on 19 September 2013 Dalriada was appointed by Court Order as independent trustee with exclusive powers to the Schemes. All trustee powers and rights are now held by us.

Dalriada's role as independent trustee is as follows:

- To administer the Schemes;
- To manage the Schemes' assets and understand the nature of all assets held;
- To act in the best interests of all members and beneficiaries;
- To assist the Pensions Regulator with any enquiries in relation to the management of the Schemes.

Dalriada was appointed to the Schemes because of the Pensions Regulator's concerns that they had been used for 'pension liberation' or were simply just scams where members were at risk of losing all of their pension fund.

Pension liberation occurs where individuals are encouraged to transfer their existing pensions to new schemes in the expectation of getting money from their pension fund before the minimum retirement age of 55, either by way of a loan or some other form of cash inducement, often without being given the full facts about the risks and costs involved.

Schemes used for pension liberation put members at risk of having to pay large amounts of tax. Pension savings benefit from tax relief because they are meant to provide benefits in old age. If individuals try and take money out of their pensions early, HMRC may charge tax on any payment at a rate of up to 55%.

The Pensions Regulator has been running a campaign warning of the dangers of pension liberation. Because schemes used for pension liberation are often just scams this campaign is now called "pension scams" –

www.thepensionsregulator.gov.uk/pension-liberation-fraud.aspx

Generally, schemes that are scams and/or are used for pension liberation have high charges and often invest whatever money is left after these charges in risky and unusual investments. This can result in members losing their entire pension fund. Members are not usually told about the risk of tax payments, or the charges involved made by those setting up the schemes, or about the way in which funds are being invested.

ADMINISTRATION

Dalriada received copies of the member files prepared by the previous administrators and created a database confirming those members for whom a transfer to one of the Schemes had completed.

As well as taking control of the Schemes' bank accounts, Dalriada also obtained copy bank statements for the Schemes. These have been reconciled against the member files and we have now created the necessary accounting and financial records that will enable us to prepare annual Reports and Accounts for the Schemes.

Once the Scheme Reports and Accounts have been prepared, they will be made available to members. Dalriada will contact members again at that time.

Dalriada has set up a dedicated helpline number and e-mail address (shown below) should members wish to contact us with regard to their membership of the Schemes or to provide further information – see the '**What should I do if I have any further questions?**' section below.

PREVIOUS TRUSTEES

Dalriada has had to consider the documentation relating to the Schemes, such as the trust deeds and rules that were created when the Schemes were set up. It is debatable whether steps were taken to ensure proper appointment of individuals as trustees, although the three individuals who purported to be trustees at the time of Dalriada's appointment were Hugh Mcauley, Mandy Mcauley and Stephen Hardman.

From an early stage after its appointment, Dalriada has been in touch with the original trustees. Its main point of contact has been Mr Mcauley.

INVESTMENTS

Dalriada has been working to gain control of the investments made by the previous trustees.

Dalriada has established that around £4,300,000 was transferred into the Schemes by way of individual member transfer payments.

£3,275,000 was invested in a Guernsey-based company, Arterial Distribution Limited ("**Arterial Distribution**"). Pinsent Masons, Dalriada's legal advisers, corresponded for a period of time with the solicitors for Arterial Distribution, as well as two other Arterial companies, Arterial Capital Management Limited and Arterial HPV Limited ("**Arterial HPV**"), all of which are based in Guernsey.

Through investigation into the investment and correspondence with the solicitors for the Arterial entities, Dalriada has established that the investment purportedly supports the development of a diagnostic tool used to test for the Human Papillomavirus (a common and highly contagious infection that can affect your skin).

The previous trustees entered into 3, so called, gilt option agreements (the "**Agreements**"). The Agreements entitle the Schemes to a share of the revenues due to Arterial Distribution as a result of patents Arterial Distribution hold relating to the diagnostic tool.

The share of the revenues (i) varies in percentage for each agreement and (ii) depends upon there being any revenue at the relevant anniversary date under the Agreements. The first anniversary date was 31 July 2014 and the second one was 31 July 2015.

There has been no indication so far regarding any revenue being generated and no payments have been received under the terms of the Agreements. Dalriada is enquiring about this further.

Dalriada has established that 99% of the £3,275,000 paid to Arterial Distribution was passed to Arterial HPV. At this stage, Dalriada still has no information as to how those funds have been used.

As well as the monies paid to Arterial, the Schemes also made a series of payments totalling approximately £520,000 to Innovation PS Limited, which is a company controlled by Mr Mcauley, as well as a further payment of £120,000 to CJ Parms Limited.

Through lengthy correspondence with Mr Mcauley, it became apparent to Dalriada that both of these payments were made under loan agreements and that these were not considered to be appropriate investments for the Schemes.

On 14 February 2014, Dalriada successfully applied to the High Court for a freezing order against (1) the previous trustees, Mr and Mrs Mcauley (2) Innovation PS Limited and (3) Formby Play Sports Limited, another company controlled by Mr Mcauley. Shortly after this, Dalriada issued a claim against the same individuals and companies.

After obtaining and serving the freezing order, Pinsent Masons have been in regular contact with Mr Mcauley and his solicitors seeking repayment of the monies paid to Innovation PS Limited and CJ Parms Limited and further information regarding the investment in Arterial Distribution.

Although Mr Mcauley has denied the claim, over the course of the last 16 months, he has arranged for £719,740 to be transferred back to the Schemes in relation to a variety of payments previously made out of the Schemes. However, the Court proceedings remain and there are still some outstanding issues to resolve.

Whilst recovery of these funds is clearly good news, the vast majority of funds are tied up with the Arterial investment and, as well as not receiving anything by way of our share of the revenue generated under the gilt option agreements, we are concerned that, ultimately, we will not be able to recover much, if anything, of the £3,275,000 investment.

Dalriada, and its legal advisers, are continuing to press Arterial for more information and, clearly, hope that this will not be the case but it is only fair to make members aware that this is a possibility and, if so, will clearly have a significant effect on the value of members' benefits.

CURRENT POSITION

Dalriada is continuing to get as much information as it can and, as commented above, continuing to pursue recovery of the investments.

If the Schemes were used for pension liberation and/or were just scams, Dalriada will continue to take whatever action it can to recover funds. To do this, it would be very helpful if members could:

- provide copies of any information you were provided with about the Schemes (for example a booklet or any other explanatory literature)
- say if you were provided with any information about how your pension fund would be invested
- confirm whether you were offered any form of cash payment (possibly by way of a loan) in return for joining one of the Schemes
- if you were offered a cash payment, confirm if the possible tax consequences were explained
- confirm if you received a payment and, if so, how much was it for, who arranged it and where was it paid from.

Dalriada would like to thank those members that have already been in contact and provided some information.

HMRC

As mentioned earlier, schemes involved in pension liberation potentially expose members and, also, the Schemes themselves to tax charges. Dalriada has had some initial discussions with HMRC but it will be some time before the tax position can be established and we can determine what impact this might have.

COSTS

Usually, where a scheme is an occupational scheme, some, if not all, of the costs of running the scheme would be met by the employer. The employers linked to the Schemes do not appear to have much in the way of assets or means to contribute to the costs of running the Schemes. This means that the costs of the previous trustees and its administrators and advisers, as well as Dalriada's costs and legal costs, have been, and will continue to be, met from the assets of the Schemes. The fact that there were no genuine employers behind the Schemes is further evidence that they were not conventional occupational pension schemes.

Whilst Dalriada will do all it can to minimise costs, because of the number of complex issues associated with these types of scheme, not least the work involved in setting up proper administration records and trying to identify and recover investments, costs will be significant and will impact on the value of the Schemes' funds.

WHEN WILL I BE ABLE TO GET INFORMATION ABOUT MY BENEFITS, BE ABLE TO DRAW MY BENEFITS OR TRANSFER MY BENEFITS OUT OF THE SCHEMES?

Until Dalriada is clear as to the value of the Schemes' investments and what HMRC's position will be with regard to tax charges, it is impossible for us to say what the value of members' benefits is or will be, if anything. It may be some months and possibly years before we are able to do so. Dalriada appreciates that this is frustrating and concerning for members. We will progress matters as quickly as we can (and would repeat our request above for members to provide what information they can to help us in our investigations).

Dalriada will update members whenever something significant occurs or when we have important information. In any event, we will, going forward, issue regular Announcements every few months or so.

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 Schemes, please contact us.

You can contact us as follows:

By Telephone: 02890 850934

By Post:

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Via e-mail:

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