

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

[Incartus Investments Pension Scheme 1](#)

[Incartus Investments Pension Scheme 2](#)

[Incartus Investments Pension Scheme 3](#)

[Incartus Investments Pension Scheme 4](#)

[Incartus Investments Pension Scheme 5](#)

[Incartus Investments Pension Scheme 6](#)

[Incartus Investments Pension Scheme 7](#)

[Incartus Investments Master Pension Scheme](#)

Background

Dalriada Trustees Limited (“Dalriada”) wrote to you previously regarding your membership in one of the above named schemes. This is an update on the current position.

Please find below the latest information regarding investments made by Incartus Ltd (“Incartus”), previously Incartus Investments Ltd, and the steps Dalriada has taken to date to secure the Schemes’ funding.

Current Position

As set out within our previous announcement, the Schemes invested solely by making a series of loans to Incartus which then used the funds to invest in both UK based property and a number of oil and gas projects based in the United States. Dalriada has been working to gain a better understanding of the investments made by Incartus and ultimately their ability to support repayment of the loans made from the Schemes to Incartus.

Since its appointment, Dalriada has worked, and continues to work, closely with Incartus who has indicated to Dalriada that they intend to fully repay the loans made by the Schemes, plus interest and a proportion of the costs associated with Dalriada’s appointment. Repayments would be funded by both sales of the UK property portfolio and also revenues from the US based oil and gas investments.

Incartus has provided Dalriada with cashflow forecasts which initially indicated they were hopeful the loans would be repaid by the summer of 2018. However, the latest indication is that it might be into 2019 before that happens.

Investments

As we have set out above, the Schemes invested solely by way of a series of loans to Incartus which were then used principally to fund a property portfolio and a number of oil and gas projects in the US. We have set out below an update on these underlying investments but would make the point that investing funds entirely in such loans was high risk as the security of the investments and, as such, members' benefits was entirely dependent on the success or otherwise of Incartus. They were also in breach of the investment Regulations that govern how trustees are required to invest funds, as they did not meet the need for such things as diversification, liquidity and the need to invest in easily tradeable investments. Further, trustees are required to take investment advice on investment strategy and Dalriada does not believe the advice taken by Incartus was appropriate or met the necessary legislative requirements.

Property portfolio

Incartus implemented a property development and sale programme of which Dalriada now has oversight. The sale of property is expected to return approximately £13 million in funds to the Schemes.

Dalriada has a degree of control over the realisation of the property portfolio under the terms of the Debenture originally entered into by Incartus and the previous trustees. Dalriada has also undertaken its own independent valuations of the properties to ensure that the forecast and actual sale values properly reflect market conditions.

Again, against forecast, it was expected that the majority of the property portfolio would be sold by the end of Quarter 1 2018. To date, it stands at around 40%, with c. £6m repaid back to the Schemes. Incartus is, therefore, significantly behind the projected position for the sale of the properties, although Dalriada does appreciate that the sale process can be hard to predict and those properties which have been sold to date have generally realised values equal to or ahead of expectations. Incartus has indicated that it expects the remaining sales to complete during the course of 2018, but this cannot be guaranteed.

Oil and gas investments.

Incartus invested in a number of oil and gas projects in the United States. Oil and gas projects are generally complex and returns are far from guaranteed. In order to gain a better understanding of the projects, Dalriada has sought advice from an independent oil and gas specialist who has been instructed to evaluate the projects and provide a view as to the likelihood that the projects hold sufficient value to support the proposed repayment plan. To date, there have been a number of delays in both the provision of the information required and requested of Incartus and queries arising on the information once it was supplied. However, the specialist commissioned to prepare the report now has everything he needs and it is expected that the review will be complete by the end of June 2018.

To date the oil and gas investments have not generated the level of revenue predicted by Incartus and, indeed, we have seen little in the way of repayments back to the Schemes from these investments. This is the principal reason for the repayment period being pushed back to the end of 2018 and beyond. While this is frustrating, Dalriada continues to correspond with Incartus regarding when the projects will begin to generate revenue. However, until it has sight of the results of the independent review, Dalriada is not in a position to say whether these investments will ultimately deliver the required returns.

Return of Scheme funds

As of 7 June 2018, Incartus has repaid £6.09m to the Schemes out of a total owed of approximately £21m. As commented above, Incartus had originally estimated full repayment of the loans by the summer of 2018, but it has now revised its proposals and extended the estimated final repayment date to the end of 2018 and possibly into 2019.

However, this is highly dependent on the oil and gas investments delivering the projected income within the period, which cannot be guaranteed. Dalriada continues to monitor the repayment plan closely and will keep members updated of any material changes.

Scheme membership

All of the Schemes, with the exception of Scheme 6, contain a provision within their rules which limits the number of members within each scheme, at any one time, to 99 members. Dalriada understands that members originally joined Scheme 2 and that a number of the members were then subsequently transferred to one of the other schemes so as to ensure that the membership of Scheme 2 at no point exceeded the 99 member cap. Having reviewed the administration records, Dalriada has identified a potentially significant issue in that, as a result of the timing of transfers in and out of Scheme 2, there were occasions when members purportedly transferred into Scheme 2 when the Scheme already had 99 members. This, in turn, created some uncertainty as to whether those affected were, in fact, members. Dalriada made an application to Court to ensure it was able to administer the Schemes until such time as the matter was resolved and subsequently has worked with its legal advisers to determine an appropriate solution.

Dalriada is now hopeful that it has a solution that means it is able to determine membership across the Schemes and that this solution can be implemented without the need for protracted and expensive legal action. We will update members on this issue in our next Announcement.

What does this mean for you?

Dalriada is currently not in a position to calculate member benefits as there is no certainty as to the amount which Incartus will ultimately return to the Schemes or when repayments will be made. Once Dalriada has some certainty as to the value of the amounts to be repaid, it will be in a position to calculate the value of members' benefits.

Dalriada will keep matters under review and will continue to correspond with members via Announcements as the position develops.

What should I do if I have further questions?

Should you have any queries in relation to this Announcement or to your membership of the Schemes, please contact us.

You can contact us as follows:

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