
London Quantum Retirement Benefit Scheme

Report and Financial Statements For the year ended 30 April 2017

Registration number: 12005628

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**London Quantum Retirement Benefit Scheme
Principal Employer and Advisers to the Scheme**

Principal Employer

Quantum Investment Management Solutions LLP (in Liquidation)
c/o Duff & Phelps Ltd
32 London Bridge Street
London
SE1 9SG

Administrator

Dalriada Trustees Limited
Linen Loft
27 - 37 Adelaide Street
Belfast
BT2 8FE

Auditor

Johnston Carmichael LLP
227 West George Street
Glasgow
G2 2ND

Legal Adviser

Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

Investment adviser

Jagger & Associates
14 Exchange Quay
Salford Quays
Manchester
M5 3EQ

Advisory Investment Services Ltd
Burnetts
School Lane
Sussex
BN44 3AY

**London Quantum Retirement Benefit Scheme
Principal Employer and Advisers to the Scheme**

Investment managers

London Quantum One Limited
Lynton House
7 - 12 Tavistock Square
London
WC1H 9BQ

Best Asset Management Limited
Booths Park
1 Chelford Road
Knutsford
Cheshire, WA16 8GS

Malletts Solicitors Limited (in liquidation 11 November 2016)
17 Tuesday Market Place
King's Lynn
Norfolk
PE30 1JN

The Reforestation Group
Landmark Square
64 Earth Close
George Town
KY1-1107 Cayman Islands

European and Global Investments Limited
Pembroke House
28 - 32 Upper Pembroke Street
Dublin 2
D02 EK84

Dolphin Trust GmbH
In Den Kolkwiesen 68
30851 Langenhagen
Hanover
Germany

ABC Alpha Business Centres UK Limited
Booths Park
1 Chelford Road
Knutsford
Cheshire, WA16 8GS

**London Quantum Retirement Benefit Scheme
Principal Employer and Advisers to the Scheme**

Investment managers continued

Park First Glasgow Limited
Group First House
Mead Way
Padiham
BB12 7NG

Colonial Capital Group Plc
Suites 14 & 15 The Aquarium
101 Lower Anchor Street
Chelmsford
Essex, CM2 0AU

The Resort Group PLC
3 Ocean Village Promenade
Gibraltar

Bankers

Lloyds Bank
4th Floor
125 Colmore Row
Birmingham
B3 3DS

Barclays
Donegall House
Donegall Square North
Belfast
BT1 5GB

**London Quantum Retirement Benefit Scheme
Trustee's Report**

Introduction

The Trustee of the London Quantum Retirement Benefit Scheme ("the Scheme") is pleased to present its report together with the audited financial statements for the year ended 30 April 2017. The Scheme is a defined contribution scheme.

The Scheme was established on 30 April 2012, and is currently governed by the trust deed and rules dated 19 April 2014. In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004. Members of the Scheme were contracted-in to the State Second Pension (S2P, previously known as the State Earnings-Related Pension Scheme).

The Compliance Statement set out on page 21, Investment Summaries included as Appendix 1 and the Annual Governance Statement included as Appendix 2 form part of this report.

Scheme management

The Trustees who served during the year were

Dorrixo Alliance (UK) Limited (Dissolved 16 August 2016).
Dalriada Trustees Limited (Appointed: 18 June 2015).

The directors of Dorrixo Alliance (UK) Limited (Dissolved 16 August 2016) were Stephen Alexander Ward and Anthony Salih. On dissolution Dorrixo Alliance (UK) Limited ceased to be a Trustee.

The directors of Dalriada Trustees Limited are D N Copeland, C M Johnstone, A B Kennett, T Lukic (appointed 2 October 2017) and B D Spence. The directors of Dalriada Trustees Limited were appointed in accordance with that company's Memorandum and Articles of Association.

The Scheme is exempt from the requirement to appoint member-nominated trustees under the Occupational Pension Scheme (Member-nominated Trustees and Directors) Regulations 2006 as the sole Trustee is an independent corporate trustee.

In accordance with the provisions of the Pensions Act 1995 as amended, the Pensions Regulator has the power to appoint an independent trustee. Dalriada Trustees Limited was so appointed, with exclusive powers, on 18 June 2015 under section 7 of the Pensions Act 1995, and may only be removed by the Pensions Regulator.

Dalriada has appointed external specialists to advise on legal, investment and accounting matters.

Internal Dispute Resolution Procedure (IDRP)

It is a requirement of the Pensions Act 1995 that all occupational pension schemes must have a dispute resolution procedure in place for dealing with any disputes between the Trustee and the Scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to Dalriada Trustees Limited, Linen Loft, 27 - 37 Adelaide Street, Belfast, BT2 7BA. Email: mail@dalriadatrustees.co.uk.

Financial development of the Scheme

The financial statements of the Scheme for the year ended 30 April 2017 are set out on pages 12 to 18; the Trustee's summary of contributions and the Auditor's statement about contributions are set out on pages 19 and 20. The financial statements have been prepared and audited in accordance with the regulations made under section 41(1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £3,165,139 at 30 April 2016 to £2,798,877 at 30 April 2017.

**London Quantum Retirement Benefit Scheme
Trustee's Report**

Transfers at less than cash equivalent

No transfers out have been paid from the Scheme.

Membership

As at 30 April 2017, 94 members were entitled to benefits from the Scheme.

There were no changes to the membership of the Scheme during the year as set out in the following table.

	Active	Deferred	Pensioner
Membership at 01/05/2016	-	94	-
Membership at 30/04/2017	-	94	-

In 2015 two members received PCLS payments from the Scheme. This has not been reflected in the membership figures as funds are still held in respect of these members.

Pension increases

No pensions were paid in the year.

Changes to the Scheme rules

There were no changes to the Scheme rules during the year.

Governance and Risk Management

Following their appointment, Dalriada identified a number of concerns surrounding the Scheme investments and the administration of the Scheme.

Other than the funds held in cash in the Scheme's bank account, all monies transferred into the Scheme have been invested in a range of predominantly unregulated investments. Dalriada had concerns regarding a number of key investment considerations including, but not limited to lack of proper investment advice, liquidity, visibility, and commission payments.

There appears to have been limited investment advice having been taken by the previous Trustee and no evidence of an appropriate investment adviser being appointed, as required under legislation.

Dalriada has now put in place a more robust administration database and created proper accounting records, the information within which underpins the accounts appended to this Report and which have been independently audited.

Dalriada has developed and will continue to develop its business plan which set out its objectives in various key areas and, alongside the business plan, a risk register has been put in place, setting out the key risks to which the Scheme is subject and the controls in place to mitigate these.

**London Quantum Retirement Benefit Scheme
Trustee's Report**

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and was updated with effect from November 2009. Dalriada is aware of these requirements.

Further information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries.

If members have any complaints or queries regarding the Scheme, or wish to obtain further information, they should contact Dalriada Trustees Limited, Linen Loft, 27 - 37 Adelaide Street, Belfast, BT2 7BA. Email: mail@dalriadatrustees.co.uk.

The Data Protection Act 1984 covered information which was held electronically, i.e. computer based information. The Data Protection Act 1998 extended data protection laws to cover paper-based records held for individuals and new restrictions on the processing of sensitive personal data to which individuals must have given express consent. Sensitive information can include information on, for example, the health of a member.

Members' personal data will be used by the Scheme's advisers to administer the Scheme, and may be passed to other professional providers or advisers.

The Trustee and the Scheme's advisers each have a legal obligation and a legitimate interest to process data relating to members for the purposes of administering and operating the Scheme, which includes passing on data to third parties, as mentioned above.

The Trustee is regarded as 'Data Controller' for the purposes of the Data Protection Act 1998, in relation to the process referred to above. The advisers appointed by the Trustee are 'Data Processors'.

Investment report

There are concerns that the original trustee, Dorriox Alliance (UK) Limited, failed to comply with the appropriate investment regulations and did not properly carry out their fiduciary duties as required under general trust law.

Dalriada has undertaken its own research and taken advice from independent investment advisers into the various investments and these are summarised in Appendix 1.

Custodial arrangements

Dalriada Trustees has been unable to obtain details of any custodial arrangements having been put in place.

**London Quantum Retirement Benefit Scheme
Trustee's Report**

Investment principles

The mandates to be put in place by the Trustee will specify how rights attaching to the Scheme's segregated investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental factors when making investment decisions.

The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme but will review the managers' policies and statements of compliance in respect of these matters.

Whilst the Trustee of the Scheme is exempt from the requirement to produce a Statement of Investment Principles (SIP) as the Scheme has less than 100 members it feels it is prudent to produce a SIP. The Trustee is working with the Schemes' investment adviser to finalise a SIP and act upon it.

Employer related investments

Dalriada has taken legal advice on London Quantum One Ltd and whether it may be deemed to be an Employer Related Investment (ERI). That advice has concluded that it is likely to be an ERI. Based on the advice further investigations will be undertaken and reports made to HMRC and the Regulator as required. In addition Dalriada has been advised by HMRC that they are investigating payments made to members in respect of the London Quantum One Ltd Investment may be unauthorised payments. Dalriada are liaising with HMRC in relation to this.

**London Quantum Retirement Benefit Scheme
Trustee's Report**

Statement of Trustee's Responsibilities

The Scheme's Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain other information about the Scheme in the form of an Annual Report.

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Regulation 3 and 3a to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised 25 November 2014).

The Trustee has supervised the preparation of the financial statements, and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of normal contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004, to consider making reports to the Pensions Regulator and the Members.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are also responsible for the maintenance and integrity of the financial information included on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed for and on behalf of the Trustee

For Dalriada Trustees Limited.....



Date.....

29/11/2017

**London Quantum Retirement Benefit Scheme
Independent Auditor's report to the Trustee**

We have audited the financial statements of the London Quantum Retirement Benefit Scheme for the year ended 30 April 2017 which comprise the fund account, the statement of net assets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the trustee, as a body in accordance with Regulation 3(c) of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the pension scheme and the pension scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustee and auditor

As explained more fully in the Trustee's Responsibilities Statement, the scheme's trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustee's Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 April 2017, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

Johnston Carmichael LLP

Johnston Carmichael LLP
Statutory Auditor
227 West George Street
Glasgow
G2 2ND

Date : 29 November 2017

**London Quantum Retirement Benefit Scheme
Financial Statements**

For the year ended 30 April 2017

Fund Account

	Note	2017 £	2016 £
Contributions and benefits			
Transfers in	3	-	648,868
Administrative expenses	4	<u>(336,421)</u>	<u>(960,806)</u>
		<u>(336,421)</u>	<u>(311,938)</u>
Net withdrawals from dealings with members		<u>(336,421)</u>	<u>(311,938)</u>
Returns on investments			
Investment income	5	55,029	73,133
Change in market value of investments	6	<u>(84,870)</u>	<u>(127,648)</u>
Net returns on investments		<u>(29,841)</u>	<u>(54,515)</u>
Net decrease in the fund for the year		(366,262)	(366,453)
Net assets at 1 May 2016		3,165,139	3,531,592
Net assets at 30 April 2017		<u><u>2,798,877</u></u>	<u><u>3,165,139</u></u>

The notes on pages 14 to 18 form an integral part of these financial statements.

**London Quantum Retirement Benefit Scheme
Financial Statements**

**Statement of Net Assets
(available for benefits) as at 30 April 2017**

	Note	2017 £	2016 £
Investment assets:			
Other investments	6	<u>140,021</u>	<u>1,334,301</u>
		<u>140,021</u>	<u>1,334,301</u>
Current assets	9	2,677,478	1,904,969
Current liabilities	10	(18,622)	(74,131)
Net assets at 30 April 2017		<u><u>2,798,877</u></u>	<u><u>3,165,139</u></u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The notes on pages 14 to 18 form an integral part of these financial statements.

These financial statements were approved by the Trustee and authorised for issue on.....

29/11/2017

Signed for and on behalf of the Trustee

For Dalriada Trustees Limited.....



London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised 25 November 2014), published by the Pensions Research Accountants Group.

2. Accounting policies

Functional currency

The functional currency used in the financial statements is Sterling and all figures have been rounded to the nearest pound.

Investment Income

Interest on bank deposits is accounted for as it accrues.

Other income is accounted for on an accruals basis.

Transfers

Individual transfers to and from the Scheme during the year are included in the accounts on the basis of when the member liability is accepted or discharged.

There were no transfers out during the year.

Benefits

Benefits payable are included in the accounts on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving. Currently due to the inability to accurately calculate the members account due to the lack of clarity on investments and due to the clarification required on allocation of costs, Dalriada is not able to identify benefits payable.

Administrative expenses and investment management expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

Investment Assets

The European and Global Inv. Ltd investment is the purchase of shares in a unitised currency investment fund which traded in the top ten major currencies.

The Resort Group is an investment held in hotel rooms in a hotel development in Cape Verde, with a right to share in any profit generated from the hotel rooms.

For the remainder of the Investments, in the absence of evidence to contrary, the only reasonable and prudent approach that Dalriada Trustees can take in valuing these property investments is to assume that they have no value. Where the amount to be recovered or returned can be estimated with reasonable certainty investments are valued on this basis.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

3. Transfers In

	2017	2016
	£	£
Individual transfers in from other schemes	-	648,868
	<u>-</u>	<u>648,868</u>

4. Administrative expenses

	2017	2016
	£	£
Administration fees	64	297
Audit fees	3,630	2,250
Legal fees	134,163	409,527
Trustee fees	192,808	545,199
Other professional fees	5,756	3,533
	<u>336,421</u>	<u>960,806</u>

5. Investment income

	2017	2016
	£	£
Interest on cash deposits	1,598	1,375
Other income	53,431	71,758
	<u>55,029</u>	<u>73,133</u>

6. Reconciliation of investments

	Value at 30/04/2016	Purchases at cost	Sale proceeds	Change in market value	Value at 30/04/2017
	£	£	£	£	£
London Quantum One Ltd	-	-	-	-	-
Best Asset Management Ltd	-	-	-	-	-
Malletts Solicitors	-	-	-	-	-
The Reforestation Group	-	-	-	-	-
European and Global Inv. Ltd	849,149	-	(764,279)	(84,870)	-
Dolphin Trust Gmgh	-	-	-	-	-
ABC Alpha Bus Cent UK Ltd	-	-	-	-	-
Park First Glasgow Ltd	-	-	-	-	-
Colonial Capital Group Plc	-	-	-	-	-
The Resort Group PLC	485,152	-	(345,131)	-	140,021
Investments Total	<u>1,334,301</u>	<u>-</u>	<u>(1,109,410)</u>	<u>(84,870)</u>	<u>140,021</u>

The change in market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including all profits and losses realised on sales of investments during the year.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

For defined contribution Schemes, investments purchased by the Scheme are allocated to provide benefits to the individual members. The previous Trustee/administrators did not make any allocation of funds when members transferred in and, as stated earlier, some of the investments appear to have no immediate realisable value. Consequently, Dalriada has been unable to carry out an allocation of funds to members and will, in time, require further direction from the Court as to the most appropriate method to use.

During the year an investment paper provided by the Schemes' Investment Adviser highlighted the high risk nature of the fund and noted that notwithstanding the fall in the value of the investment The Trustee should exit the fund at the earliest opportunity. The Trustee acted on that advice and on 25 July 2016 £764,278.92 was received in the Scheme bank account.

7. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy in accordance with the amendments to FRS 102 in March 2016. The amendments apply to accounting periods beginning on or after 1 January 2017 however, early adoption is permitted:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	30/04/2017			Total £
	Level 1 £	Level 2 £	Level 3 £	
The Resort Group PLC	-	-	140,021	140,021
	-	-	140,021	140,021
	30/04/2016			
	Level 1 £	Level 2 £	Level 3 £	Total £
European and Global Inv. Ltd	849,149	-	-	849,149
The Resort Group PLC	-	-	485,152	485,152
	849,149	-	485,152	1,334,301

8. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Generally, trustees determine their investment strategy after taking advice from a professional investment adviser. A scheme has exposure to these risks because of the investments it makes in following its chosen investment strategy. Trustees then manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the scheme's strategic investment objectives. These investment objectives and risk limits should be implemented through the investment management agreements in place with the scheme's investment managers and monitored by the trustees by regular reviews of the investment portfolio.

(i) Investment strategy

Generally, a trustees' objective is to make available to members of a scheme an appropriate range of investment options designed to generate income and capital growth. The investments must also provide sufficient liquidity in order to provide benefits as and when required. This has not been the case for the Scheme.

The Scheme invested in a collection of predominately unregulated investments, bar one investment in a currency fund regulated by the Central Bank of Ireland and any funds held in cash in the Scheme's bank account. The proportion of members funds, if any at all, invested in the regulated currency fund did not ensure that members' individual portfolios predominately consisted of investments admitted to trading on regulated markets.

The Scheme also invested in nine separate unregulated investments, many of which are overseas. The investments provide no capital protection and a number of the investments provide no security to the Scheme by way of ownership of the underlying assets.

Many of the investments are highly illiquid and cannot be redeemed for several years. To secure an exit, a number of the investments must be sold on secondary markets however the extent of any such markets remains unclear. In addition, much of the income generated is not settled on an ongoing basis, but automatically reinvested for the investment term.

Further detail regarding the investments can be found under Appendix 1.

Dalriada will put in place a suitable Statement of Investment Principles at the point that it is able to invest assets.

With regards to the Investment Risk Disclosure Note for the Scheme, as the investments do not fall into the regular categories of investments held in a defined contribution scheme, the standard risks cannot be identified. However, Dalriada is aware that there are considerable risks associated with the Scheme's current investment portfolio.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

9. Current assets

	2017	2016
	£	£
Cash balances	<u>2,677,478</u>	<u>1,904,969</u>
	<u><u>2,677,478</u></u>	<u><u>1,904,969</u></u>

10. Current liabilities

	2017	2016
	£	£
Accrued expenses	(18,622)	(48,782)
Sundry creditors	-	(25,349)
	<u>(18,622)</u>	<u>(74,131)</u>

11. Related Party Transactions

For the year ended 30 April 2017 the fees due to Dalriada were £192,808 (2016 : £545,199) at 30 April 2017 £8,255 (2016 : £22,411) was still outstanding.

12. Contingent Liabilities

HMRC wrote to Dalriada on 31 March 2017 to indicate that it believes that payments of £600,000 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 from the Scheme. This is known as a protective assessment.

On 28 April 2017 Dalriada submitted an appeal against the assessment and on 4 May 2017 HMRC acknowledged the appeal and confirmed that 100% of the tax charged would be suspended pending further consideration of the appeal.

13. Subsequent Events

The appeal process in relation to the HMRC protective assessment to the tax charge has continued.

On 31 July 2017 a payment of £70,010 was received from The Resort Group. This represented 50% of the amount agreed to be repaid in terms of the revocation agreement for apartment 519. A final payment of £70,010 plus interest due is expected by 31 August 2017. This was received into the Scheme on 5 September 2017.

14. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains taxes.

15. Self investment

Dalriada has taken legal advice on London Quantum One Ltd and whether it may be deemed to be an Employer Related Investment (ERI). That advice has concluded that it is likely to be an ERI. Based on the advice reports were made to HMRC and the Regulator. In addition Dalriada has been advised by HMRC that they believe that payments made to members in respect of the London Quantum One Ltd Investment may be unauthorised payments. HMRC have issued a protective assessment tax charge in the amount of £240,000. Dalriada has submitted an appeal against this assessment. HMRC have suspended 100% of the tax charge pending consideration of that appeal.

**London Quantum Retirement Benefit Scheme
Summary of Contributions**

During the year ended 30 April 2017 no contributions were paid or due to the Scheme.

Signed for and on behalf of the Trustee

For Dalriada Trustees Limited.....

A handwritten signature in black ink, appearing to be 'Neil Wilson', written over a dotted line.

Date.....

29/4/2017

Independent Auditors' Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the London Quantum Retirement Benefit Scheme

We have examined the summary of contributions to the London Quantum Retirement Benefit Scheme for the Scheme the year ended 30 April 2017 to which this statement is attached.

This report is made solely to the trustees, as a body in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the pension scheme and the pension scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditors

As explained more fully in the Statement of Trustee Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Scheme rules. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Scheme rules.

Statement about contributions payable under the Scheme rules.

In our opinion contributions for the Scheme year ended 30 April 2017 as reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Scheme rules.

Johnston Carmichael LLP

Johnston Carmichael LLP
Statutory Auditor
227 West George Street
Glasgow
G2 2ND

Date: *29 November 2017*

**London Quantum Retirement Benefit Scheme
Compliance Statement**

Changes in and other matters relating to the Scheme advisers

There were no changes to the scheme advisers during the year.

Pension Tracing Service

The Pension Tracing Service provides a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone: 0345 600 2537
Website: www.gov.uk/find-lost-pension

The Pensions Advisory Service

If members or their dependants have problems concerning pension rights or are not satisfied by the information or explanation given by the Trustee or the administrators, they can consult the Pensions Advisory Service (TPAS) at any time. Normally they should try to contact a local TPAS adviser through their nearest Citizens Advice Bureau. Alternatively, they can write to TPAS at:

11 Belgrave Road
London
SW1V 1RB
Telephone: 0300 123 1047
Website: www.pensionsadvisoryservice.org.uk
E-mail: enquiries@pensionsadvisoryservice.org.uk

The Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved under the IDRPs, an application can be made to the Pensions Ombudsman to investigate and determine any complaint or dispute of fact or law involving occupational pension scheme. The address is:

11 Belgrave Road
London
SW1V 1RB
Telephone: 0207 630 2200
Website: www.pensions-ombudsman.org.uk
E-mail: enquiries@pensions-ombudsman.org.uk

**London Quantum Retirement Benefit Scheme
Compliance Statement**

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator (TPR). TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton BN1 4DW
Telephone: 0345 600 0707
Website: www.thepensionsregulator.gov.uk
E-mail: customersupport@tpr.gov.uk

London Quantum Retirement Benefit Scheme

Appendix 1

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 Dalriada 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.

London Quantum Retirement Benefit Scheme

Appendix 1

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

Dalriada continues to correspond with Dolphin regarding the possibility of an early exit from the investment.

London Quantum Retirement Benefit Scheme
Appendix 1

London Quantum One Limited

Amount Invested

£600,000

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. Dalriada are not confident that any return will be made to the Scheme.

London Quantum Retirement Benefit Scheme

Appendix 1

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

Dalriada has 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. Dalriada continues to consider the position with the Scheme's legal advisers.

**London Quantum Retirement Benefit Scheme
Appendix 1**

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 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.

Dalriada 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

Dalriada 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. Dalriada has 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.

London Quantum Retirement Benefit Scheme

Appendix 1

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.

London Quantum Retirement Benefit Scheme

Appendix 1

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. Dalriada 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 was agreed to be repaid in two tranches in July and August 2017 with additional interest for later payment to be included with the August payment. On 31 July 2017, the first tranche of £70,010.37 was paid to the Scheme, with the final tranche being paid with interest on 5 September 2017.

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

London Quantum Retirement Benefit Scheme

Appendix 1

The Reforestation Group Limited

Amount Invested

£220,000 (although actual amount invested is disputed – the contractual documents show a cumulative purchase price of £230,000).

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 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.

London Quantum Retirement Benefit Scheme

Appendix 1

ABC Alpha Business Centres UK Limited

Amount Invested

£409,000

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 investment would return £368,000 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

London Quantum Retirement Benefit Scheme

Appendix 1

Best Asset Management Ltd

Amount Invested

£189,000

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 Dalriada 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 investment would return £170,100 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.

London Quantum Retirement Benefit Scheme

Appendix 2

London Quantum Retirement Benefit Scheme (also known as the London Quantum Occupational Pension Scheme) ("the Scheme")

Annual Governance Statement by the Chair of the Trustee for the Scheme Year Ending on 30 April 2017

Introduction

As the Chair of the Trustees, I have to provide you with an annual yearly statement which explains what steps have been taken by the Trustees to meet the new governance standards in relation to the Defined Contribution section of the Scheme. This statement covers the period from 1 May 2016 to the Scheme year ending 30 April 2017.

What has to be included in the statement is set out in law. Under normal circumstances the statement will relate to a DC scheme properly established to provide appropriate benefits for its members.

As you are aware from the Announcements issued to members since its appointment, Dalriada Trustees Limited ("Dalriada") was appointed as trustee to the Scheme by the Pensions Regulator due to concerns as to how the Scheme was being run and also the investments made by the previous scheme trustees. This continues to present Dalriada with a number of challenges around governance. Nevertheless, this statement is a legal requirement and, as such, can serve as a useful reminder of the issues faced by Dalriada and, where it is still unable to meet certain governance obligations, I have explained why that it is the case.

Background

Dalriada was appointed as Independent Trustee of the Scheme by Order of the Pensions Regulator on 18 June 2015. The powers and duties exercisable by Dalriada in its capacity as trustee are to the exclusion of all other trustees of the Scheme.

The Scheme was marketed, principally, as a vehicle to allow members access to a range of predominantly unregulated investments, purportedly offering greater investment returns.

On its appointment, Dalriada undertook to investigate the suitability of the investments offered by the Scheme. Dalriada had concerns regarding a number of key investment considerations including, but not limited to, the lack of proper investment advice, the high risk nature and illiquidity of a number of the investments and, furthermore, commission payments.

Alongside the due diligence completed by Dalriada, it also sought investment advice from appropriately qualified independent investment advisers. The advice was that the investments made available through the Scheme are inappropriate for an occupational, trust based pension scheme such as this and are clearly in breach of the investment regulations governing such schemes. Also, Dalriada carried out an exercise, part of which was to determine the risk profile of Scheme members and it is evident that the investments offered are not appropriate for the Scheme membership.

Neither the previous trustees nor the members received appropriate independent, regulated financial advice.

Scheme assets have been notionally segregated per member, with each member holding his or her own individual member account. However, funds were invested in the various investments in such a way that each member's individual allocation to each investment cannot be redeemed in isolation. This is further complicated by the liquidity of the investments. This creates significant issues with regard to the administration of the Scheme.

London Quantum Retirement Benefit Scheme Appendix 2

A number of the investment providers have entered insolvency, with Dalriada having to submit proofs of debt relating to the Scheme investments made. This gives rise to further uncertainty of what may be recovered from those investment providers.

Prior to the Scheme being marketed more widely, the original trustees, together with one other member, purchased the entirety of a company which they owned between them, as a Scheme investment. The structure of this investment remains unclear and Dalriada has received notification from HMRC that they believe a tax charge may be payable. HMRC has served the Scheme with a protective assessment for this tax charge. Dalriada has appealed this and the tax charge has been suspended, pending this appeal. The Scheme may be liable for any tax charge, should it be made. This would mean that the tax would have to be met from Scheme funds. Any tax charges levied against the Scheme would ultimately affect the level of funds available to provide members' benefits.

Default investment arrangement

The Scheme was marketed by a number of introducing companies, in return for commission payments, with a member's investment allocation determined solely by which company introduced them to the Scheme. Therefore, not all members of the Scheme share in the same investments.

As such, in Dalriada's view, there has never been an appropriate default investment arrangement. There is no life-styling option available.

The previous trustees directed investment decisions without taking appropriate investment advice.

As the investments are unconventional and predominantly unregulated, they do not comply with any maximum charge requirements.

Dalriada has appointed appropriately qualified investment advisers to the Scheme and, based on advice received, is working to realise investments where it is appropriate and possible to do so. Dalriada will put in place a suitable Statement of Investment Principles at the point that it is able to invest assets.

Due to the issues still facing the Scheme, not least the illiquidity of many of the investments and the risk profiles of the members, the Scheme will employ a lower risk investment strategy.

Dalriada will send out details of the revised investment strategy to members when it is in a position to do so. An appropriate default investment fund will also be made available, determined on taking investment advice.

Ultimately, it is Dalriada's intention to wind up the Scheme as soon as it is able, giving members the opportunity to transfer any funds to a more suitable arrangement of their choice. However, it is likely that it will be significant time before this is possible.

Core Financial Transactions

Trustees have a specific duty to ensure that core financial transactions relating to DC schemes are processed promptly and accurately. These include the following:

- investing contributions in the Scheme
- transferring assets related to members into or out of the Scheme
- transferring the assets between different investments within the Scheme
- making payments from the Scheme to or on behalf of the members.

The Scheme does not currently accept contributions or transfers in and is unable to pay any level of benefit, including transfers values, to members at the present time. This is due to a

London Quantum Retirement Benefit Scheme Appendix 2

number of factors, not least uncertainty as to the value of the Scheme's investments. More information on this has been provided in Dalriada's Announcements to members.

The financial transactions the Scheme does make are, in the main, in relation to costs. These will be reported in the Scheme's annual accounts.

Given its inability to carry out routine administrative actions, unsurprisingly, over the reporting period, there have been no material administration service issues which need to be reported here by Dalriada.

Notwithstanding this, Dalriada, as a professional Independent Trustee, has processes and controls in place that are suitably designed to ensure any service objectives can be achieved once the Scheme is in a position to operate in the manner of a normal scheme.

Charges and Transaction Costs

The new governance rules require trustees to make an assessment of the charges and transactions costs borne by DC scheme members.

Since its appointment, there have been no transactions as Dalriada has not accepted any payments into the Scheme, either by way of contribution or transfers in.

Under the terms of its appointment, the fees of Dalriada and its advisers fell as a debt due from the employer, Quantum Investment Management Solutions LLP. However, this company entered liquidation and was dissolved on 17 August 2017. The liquidator confirmed that the employer had very little in the way of assets was unable to meet its financial obligations to the Scheme. In this situation the terms of appointment set out that fees should be met from Scheme funds.

Due to the issues identified around the management of the Scheme historically and the subsequent actions taken by Dalriada since appointment, it is inevitable that the Scheme has incurred, and will continue to incur, significantly higher ongoing costs than would be the case for a similarly sized but conventional scheme.

Dalriada has set out in its various Announcements to members the actions it has taken to realise, where possible, the investments made by the previous trustees. Generally, actions undertaken by Dalriada, beyond those considered necessary for the appropriate management of the Scheme, have been centered on legal advice around the allocation and realisation/recovery of funds.

Good value for members

When assessing the charges and any transaction costs which are payable by members, trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members, when compared to other options available in the market. Given the particular circumstances of the Scheme, such a comparison is simply not possible.

Generally, Dalriada's aim is to realise what assets it can, as cost effectively as it can, to clarify any position with HMRC as regards the possible taxation of Scheme assets and, thereafter, to determine the value of members' funds and provide members with appropriate options prior to, ultimately, winding up the Scheme.

Trustee Knowledge and Understanding

The law sets out the requirement for trustees to have appropriate knowledge and understanding of legal requirements relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable

**London Quantum Retirement Benefit Scheme
Appendix 2**

them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The Pensions Regulator has recently issued new guidance in relation to how trustees should demonstrate their knowledge and understanding. Dalriada is now considering this guidance and will ensure its practices reflect the requirements set out. However, I have set out below how Dalriada ensures it currently meets the knowledge and understanding requirements of trustees.

Dalriada is a professional pension scheme trustee.

Every trustee representative is required to undertake a minimum number of hours training in a year, and this is recorded centrally by human resources and, where appropriate, forms part of staff personal development plans. Training can include internal and external courses and attendance at industry events as well as a degree of self learning by way of subscriptions to professional publications and electronic information channels.

Every trustee representative is required to complete the Pensions Regulator's Trustee Toolkit and subscribes to the updates issued by the Pensions Regulator.

Those trustee representatives with professional qualifications are required to comply with their professional body's formal CPD requirements.

Each Scheme will have a dedicated Client Manager who will have in depth knowledge of the Scheme and its governing documentation. Each new appointment will follow a prescribed take on process which includes an assimilation and review of all the relevant scheme documentation.

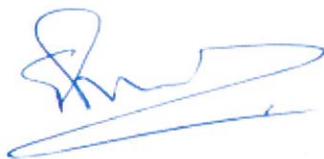
All Dalriada staff have access to Pendragon Perspective and Aries, both industry leading tools, giving access to pensions legislation.

Dalriada also has its own in house legal specialists to provide support and guidance around legislation and interpretation of scheme documentation.

Schemes such as the Scheme typically have specific issues related to their unusual nature and these are captured in scheme business plan and risk registers and, where required, there is appropriate legal advice available from external legal firms appointed by Dalriada.

As a result of the training programmes and taking into account the internal resources made available to staff, supplemented, where required, by professional external advice, Dalriada considers that its combined knowledge and understanding enables it to exercise properly its function as trustee of the Scheme.

Signed for and on behalf of Dalriada Trustees Limited (the Trustee)



Chairman

Date

29 November 2017