
London Quantum Retirement Benefit Scheme

**Report and Financial Statements
For the year ended 30 April 2019**

Table of Contents

Principal Employer and Advisers to the Scheme	3
Trustee's Report	5
Trustee's Responsibilities Statement.....	9
Independent Auditor's Report	10
Financial Statements	13
Notes to the Financial Statements	15
Summary of Contributions	20
Independent Auditor's Statement about Contributions	21
Compliance Statement.....	22
Investment Summaries.....	Appendix 1
Annual Governance Statement.....	Appendix 2

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

Principal Employer

Quantum Investment Management Solutions LLP (dissolved 17 August 2017)
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

Advisory Investment Services Ltd
Burnetts Cottage School Lane
Ashurt
Steyning
West Sussex BN44 3AY

Investment managers

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

Best Asset Management Limited
Moseley Hall Farm
Chelford Road
Knutsford
Cheshire, WA16 8GS

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

Investment managers continued

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

The German Property Group (formerly known as Dolphin Trust GmbH)
In Den Kolkwiesen 68
30851 Langenhagen
Hanover
Germany

ABC Alpha Business Centres UK Limited (in administration 20 January 2017)
Park View House
58 The Ropewalk
Nottingham
Nottinghamshire NG1 5DW

Harley Scott Residential Limited (formerly known as Park First Glasgow Limited)
Group First House
Mead Way
Padiham
BB12 7NG

Colonial Capital Group Plc (in liquidation 8 November 2017)
7th Floor Dashwood House
69 Old Broad Street
London
EC2M 1QS

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 2019. 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 22, the Investment Summaries included as Appendix 1 and the Annual Governance Statement included as Appendix 2 form part of this report.

Scheme management

The Trustee of the Scheme throughout the year was Dalriada Trustees Limited.

The directors of Dalriada Trustees Limited are DN Copeland, CM Johnstone, AB Kennett, T Lukic, CR Roberts (appointed 18 October 2019), BD Spence and V Vassou (appointed 18 October 2019). 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.

The Trustee 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 8FE. Email: LondonQuantum@dalriadatrustees.co.uk

Financial development of the Scheme

The financial statements of the Scheme for the year ended 30 April 2019 are set out on pages 13 to 19; the Trustee's summary of contributions and the Auditor's statement about contributions are set out on pages 20 and 21. 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 £2,628,960 at 30 April 2018 to £2,463,607 at 30 April 2019.

**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 2019, 96 members were entitled to benefits from the Scheme.

Changes to the membership of the Scheme during the year are set out in the following table.

	Active	Deferred	Pensioner
Membership at 01/05/2018	-	94	-
Adjustment	-	2	-
Membership at 30/04/2019	-	96	-

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.

The adjustments are due to further work having been carried out to reconcile the membership.

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. As a professional trustee, Dalriada Trustees Limited, maintains an ongoing training programme for all of its staff.

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 8FE. Email: LondonQuantum@dalriadatrustees.co.uk

The General Data Protection Regulations 2016/679 (Regulations) cover information which is held electronically, i.e. computer based information and extend data protection laws to cover paper-based records held for individuals. The Regulations contain restrictions on the processing of special categories of data as defined in the Regulations, to which individuals must give their consent. This category of data can include information on, for example, the health of a member or marital status.

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 'Controller' for the purposes of the Regulations, in relation to the process referred to above. The advisers appointed by the Trustee are usually 'Processors', however, some advisers, such as the auditors are considered to be controllers by the various professional regulatory bodies. Under the Regulations where two or more controllers jointly determine the purposes and means of processing, they shall be joint controllers of the data.

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.

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.

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 Pensions 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 and were advised by HMRC on 29 May 2019 that the appeal process in relation to the HMRC protective assessment to the tax charge had been agreed and the tax charge cancelled.

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

Trustee's Responsibilities Statement

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

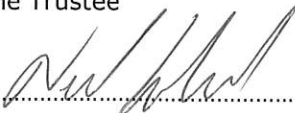
In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the scheme in the form of an Annual Report.

The Trustee also 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 Trustee is responsible under pensions legislation for securing that a payment schedule is prepared, maintained and from time to time revised showing the rates of 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 adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the payment schedule. 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.

Signed for and on behalf of the Trustee

For Dalriada Trustees Limited 

Date 29/11/2019

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

Opinion

We have audited the financial statements of the London Quantum Retirement Benefits Scheme (the 'scheme') for the year ended 30 April 2019 which comprise the fund account, the statement of net assets and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2019, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The trustee is responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees

As explained more fully in the trustee's responsibilities statement the scheme's trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intend to wind up the scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the scheme's trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's 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 scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

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

Date: *29 November 2019*

**London Quantum Retirement Benefit Scheme
Financial Statements**

**Statement of Net Assets
(available for benefits) as at 30 April 2019**


	Note	2019 £	2018 £
Current assets	6	2,486,943	2,659,407
Current liabilities	7	(23,336)	(30,447)
Net assets at 30 April 2019		<u><u>2,463,607</u></u>	<u><u>2,628,960</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 15 to 19 form an integral part of these financial statements.

These financial statements were approved by the Trustee and authorised for issue on 29/11/2019

Signed for and on behalf of the Trustee

For Dalriada Trustees Limited.....

**London Quantum Retirement Benefit Scheme
Financial Statements**

For the year ended 30 April 2019

Fund Account

	Note	2019 £	2018 £
Contributions and benefits			
Administrative expenses	3	<u>(174,278)</u>	<u>(174,942)</u>
		<u>(174,278)</u>	<u>(174,942)</u>
Net withdrawals from dealings with members		<u>(174,278)</u>	<u>(174,942)</u>
Returns on investments			
Investment income	4	<u>8,925</u>	<u>5,025</u>
Net returns on investments		<u>8,925</u>	<u>5,025</u>
Net decrease in the fund for the year		(165,353)	(169,917)
Net assets at 1 May 2018		2,628,960	2,798,877
Net assets at 30 April 2019		<u><u>2,463,607</u></u>	<u><u>2,628,960</u></u>

The notes on pages 15 to 19 form an integral part of these financial statements.

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

During the year ended 30 April 2019 no contributions were paid or due to the Scheme.

Signed for and on behalf of the Trustee

For Dalriada Trustees Limited.....

Date.....*29/11/2019*.....

**London Quantum Retirement Benefit Scheme
Notes to the Financial Statements**

11. 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 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.

HMRC has confirmed in a letter on 29 May 2019 that the appeal process in relation to the HMRC protective assessment to the tax charge had been agreed and the tax charge had been cancelled.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

	Credit risk	Currency risk	Interest rate risk	Other price risk	2019 £	2018 £
Cash held in Scheme bank account	✓	x	x	x	2,486,943	2,659,407

6. Current assets

	2019 £	2018 £
Cash balances	2,486,943	2,659,407
	<u>2,486,943</u>	<u>2,659,407</u>

7. Current liabilities

	2019 £	2018 £
Accrued expenses	(23,336)	(30,447)
	<u>(23,336)</u>	<u>(30,447)</u>

8. Related Party Transactions

For the year ended 30 April 2019 the fees due to Dalriada were £94,679 (2018 : £91,124) at 30 April 2019 £6,242 (2018 : £8,678) was still outstanding.

9. Contingent Liabilities and Subsequent Events

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.

HMRC has confirmed in a letter on 29 May 2019 that the appeal process in relation to the HMRC protective assessment to the tax charge had been agreed and the tax charge had been cancelled.

10. 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.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

(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 for these investments, although they have been for the balance in the Scheme bank account. However, Dalriada is aware that there are considerable risks associated with the Scheme's current investment portfolio.

(ii) Credit Risk

The Scheme is subject to direct credit risk within the investment portfolio to the extent of the balance held in the Scheme bank account.

This risk is mitigated by the Scheme bank account which is held with Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No.122702) and is a member of the London Stock Exchange and NEX.

(iii) Currency Risk

The Scheme is not directly exposed to currency risk.

(iv) Interest Rate Risk

The Scheme is not directly exposed to interest rate risk.

(v) Other price risk

The Scheme is not directly exposed to other price risk.

London Quantum Retirement Benefit Scheme
Notes to the Financial Statements

3. Administrative expenses

	2019	2018
	£	£
Audit fees	3,000	2,448
Legal fees	77,313	81,363
Trustee fees	94,679	91,124
Other professional fees	(714)	7
	<u>174,278</u>	<u>174,942</u>

4. Investment income

	2019	2018
	£	£
Interest on cash deposits	8,925	1,840
Other income	-	3,185
	<u>8,925</u>	<u>5,025</u>

5. 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.

- 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.

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

In the absence of evidence to contrary, the only reasonable and prudent approach that Dalriada Trustees can take in valuing these 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.

Independent Auditor's 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 Benefits Scheme for the scheme year ended 30 April 2019 to which this statement is attached.

Statement about contributions payable under the scheme rules

In our opinion contributions for the scheme year ended 30 April 2019 as reported in the summary of contributions and payable under the payment schedule and scheme rules have in all material respects been paid at least in accordance with the payment schedule and scheme rules.

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 payment schedule and 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 payment schedule and scheme rules.

Respective responsibilities of trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the scheme's trustee is responsible for securing that a payment schedule is prepared, maintained and from time to time revisited and for monitoring whether contributions are made to the scheme by the employer in accordance with the payment schedule.

It is our responsibility to provide a Statement about Contributions paid under the payment schedule and to report our opinion to you.

Use of our report

This report is made solely to the trustee, 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 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 Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustee as a body, for our work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

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

Date: *29 November 2019*

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: 0800 731 0193
Website: <https://www.gov.uk/find-pension-contact-details>

The Money and Pensions Service

The Money and Pensions Service creates one organisation from the three existing providers of government-sponsored financial guidance:

- The Money Advice Service
- The Pensions Advisory Service
- Pension Wise

The Money and Pensions Service brings together for the first time the provision of debt advice, money guidance and pensions guidance. For pensions guidance the Money and Pensions Service will provide information to the public on matters relating to workplace and personal pensions.

Telephone: 0115 965 9570
Email: Email: contact@maps.org.uk
Website: www.moneyandpensionservice.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 Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU
Telephone: 0800 917 4487
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 1011
Website: www.thepensionsregulator.gov.uk
E-mail: customersupport@tpr.gov.uk

London Quantum Retirement Benefit Scheme

Appendix 1

The German Property Group ("GPG") (formerly known as Dolphin Trust GmbH)

AMOUNT INVESTED

£424,641.88

INVESTMENT TYPE

The Scheme has purchased nine corporate loan notes. GPG specialise in the purchasing of derelict and listed German property. The property is then sold off plan to German investors who benefit from 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.

INVESTMENT SUMMARY

This is an unregulated investment and has been deemed high risk by the Scheme's investment adviser. The Scheme's investment adviser has noted that the investment is illiquid and therefore inappropriate for the Scheme. The Trustee has been advised that the Scheme should consider an early exit from the investment should the option be available.

INVESTMENT RETURNS

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

CURRENT POSITION

Payments from the nine GPG corporate loan notes are due to begin in October 2019 and be fully realised by April 2020. At the date of signing the Scheme had not received any funds due from the loan notes for October 2019.

Dalriada Trustees Limited has investments with GPG in other schemes to which it is appointed and payment due this year and we are monitoring GPG's actions in relation to making these payments as this will indicate its ability to pay what it is due to the Scheme.

London Quantum Retirement Benefit Scheme

Appendix 1

London Quantum One Limited

AMOUNT INVESTED

£600,000

INVESTMENT TYPE

The Scheme purchased 600,000 shares in London Quantum One Limited at a cost of £1 per share. The company holds rights to a social media application called VIP Greetings which provides personalised messages with the use of celebrity endorsement. The rights were valued at £600,000 at the time of purchase.

INVESTMENT TERM

The underlying investment in VIP Greetings has no fixed term and the Trustee has been advised that it is unlikely any return will be made to the Scheme in the near future. No early exit options exist and the Trustee is currently unaware of a secondary market on which the Scheme could sell the intellectual rights.

INVESTMENT SUMMARY

The Scheme's investment adviser has noted that the investment is highly illiquid and therefore inappropriate for the Scheme. The Trustee has been advised to consider an early exit from the investment should the option become available.

INVESTMENT RETURNS

There is no guaranteed minimum return or definitive maturity date. Investors hold no security over any physical asset.

CURRENT POSITION

The Trustee's view is that this investment is highly unlikely to return anything to the Scheme. To pursue recovery would cost more than any return that might be realised. The Trustee cannot see that to be good use of Scheme funds so it has written the value of this investment down to zero.

London Quantum Retirement Benefit Scheme

Appendix 1

Harley Scott Residential Limited (formerly known as Park First Glasgow Limited)

AMOUNT INVESTED

£340,000.00

INVESTMENT TYPE

The Scheme has purportedly invested in 17 car parking spaces in a carpark near Glasgow airport. The investment is offered by Harley Scott Residential Limited who lease the parking spaces to an investor 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 Harley Scott Residential Limited 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 Harley Scott Residential Limited will buy back the parking spaces. Harley Scott Residential Limited holds full discretion and is under no obligation to buy back the spaces at any point. In short, there is no guaranteed exit option.

INVESTMENT SUMMARY

This is an unregulated investment. Harley Scott Residential Limited leases individual parking spaces to investors for periods of 175 years. The investor then enters into a sub-lease with Harley Scott Residential Limited for a period of 6 years. Harley Scott Residential Limited 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.

The Scheme's investment adviser has noted that the investment is illiquid and inappropriate for the Scheme and an early exit is therefore recommended.

INVESTMENT RETURNS

The investment offers a guaranteed rate of return of 8% per annum for the first 2 years. Potential returns for years 3 to 4 are estimated at 10% and at 12% for years 5 to 6. Actual returns for years 3 to 6 will depend on the physical usage of the car parking spaces. To date payments in line with the 8% return have been received.

London Quantum Retirement Benefit Scheme

Appendix 1

CURRENT POSITION

In December 2017, the Financial Conduct Authority (FCA) announced that it had taken action in respect of Harley Scott Residential Limited in relation to investments made through Self Invested Personal Pension Schemes. The FCA took the view that the Harley Scott Residential Limited investment constituted a Collective Investment Scheme. These are often high risk investments and only an authorised firm can operate/promote them. As Harley Scott Residential Limited is not authorised by FCA, the company is unable to provide a Collective Investment Scheme to investors.

Following the FCA's finding Harley Scott Residential Limited agreed to stop operating and promoting the original schemes. It offered investors, including the Scheme, the choice of:

- Return of the initial investment back, with no interest (the "Buy Back" option)
- Moving into a new Lifetime Leaseback scheme (the "Lifetime Lease" option)

The Trustee has taken independent investment advice on the options. Having done so the Trustee has been advised to pursue the "Buy Back" option. This has been communicated to Harley Scott Residential Limited and a number of discussions have taken place with them regarding aspects of this offer.

Harley Scott Residential Limited have acknowledged the Trustee's decision and have advised that these "sales" had not legally completed therefore title had not transferred to the Scheme. Harley Scott Residential Limited are therefore classifying our request as a refund and not a buy back but in their view the result is the same. The terms are deduction of rental income for the refund and payment to be made within 12 months from date of request.

It has been noted as a risk that in the event of an insolvency event (i.e. if Harley Scott Residential Limited were to go under) during that time, it is highly likely the Scheme would receive nothing. On 4 July 2019 four of the Harley Scott Residential Limited companies entered administration and an insolvency practitioner was appointed. Having sought repayment from Harley Scott Residential Limited by 8 August 2019 the Trustee has been referred by Harley Scott Residential Limited to the insolvency practitioner. The Trustee has written to the insolvency practitioner and the Trustee's interest has been noted. No statement has been made regarding what payments may be made and when.

London Quantum Retirement Benefit Scheme

Appendix 1

Colonial Capital Group Plc

(in liquidation 8 November 2017)

AMOUNT INVESTED

£24,000.00

INVESTMENT TYPE

The Scheme invested in a corporate bond with Colonial Capital Group Plc. Colonial operate 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 SUMMARY

This is an unregulated investment. The Scheme's investment adviser has noted that the investment is illiquid, inappropriate for the Scheme, and an early exit is recommended.

INVESTMENT RETURNS

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

CURRENT POSITION

Colonial Capital Group Plc went into insolvency (creditors voluntary liquidation) on 22 February 2018. The Trustee's view is that this investment is highly unlikely to return anything to the Scheme. To pursue recovery would cost more than any return that might be realised. The Trustee cannot see that to be good use of Scheme funds so it has written the value of this investment down to zero.

London Quantum Retirement Benefit Scheme

Appendix 1

The Reforestation Group Limited

AMOUNT INVESTED

£220,000

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, the first return on any of the Land Rights Agreements ("LRA") would not be realised until around 2021.

INVESTMENT SUMMARY

The Schemes' investment adviser has noted that the investment is illiquid and inappropriate for the Scheme. An early exit is recommended.

INVESTMENT RETURNS

The estimated return after 7 years is £19,000 per hectare, which is a 90% return.

CURRENT POSITION

The Trustee held a meeting with the Reforestation Group and their legal advisers to clearly set out the Scheme's position in relation to this investment and why it is inappropriate for the Scheme. As a result of negotiations arising from that meeting an agreement was signed with the Reforestation Group in which they committed to paying £230,000 by 30 June 2018. This has not been received by the Trustee. The Trustee has pointed out to the Reforestation Group that they are in clear breach of this agreement. The Reforestation Group has informed the Trustee that the reason for the delayed payment is the time it is taking to sell assets to make the payment. The Trustee has had a number of assurances from the Reforestation Group that they are committed to making the payment and the Trustee has been advised that a restructuring deal is being negotiated. The Trustee will continue to pursue this matter via the Scheme's legal advisors.

London Quantum Retirement Benefit Scheme

Appendix 1

Best Asset Management Ltd – Car Parks

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.

INVESTMENT TERM AND RETURNS

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

If the car parking spaces generate any income that is greater than the guaranteed income, the Scheme is liable to pay the car park operator 10% of all income greater than the guaranteed rental income. Once the guaranteed income period comes to an end the Scheme must pay the car park operator 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 a party connected to the investment meant payment were stopped.

The rental income following the expiration of the five year guaranteed period will be agreed between the parties no later than 45 days before the fifth anniversary of the commencement of the contract.

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 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;

There does not appear to be a set term for each of the seven car park spaces.

The Schemes' investment adviser has noted that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

CURRENT POSITION

This investment is subject to legal action being taken in the United Arab Emirates. The action is being taken collectively on behalf of the investors and we are not a direct party to it. The Trustee continues to engage with Best International (Best) regarding this action. Best has established a Car Park Owners Association to deal with matters collectively. However the Trustee has concerns about joining it due to guarantees the Trustee would have to make to Best in relation to its liabilities. The Trustee is discussing matters with the Scheme's legal advisers as to the best course of action.

London Quantum Retirement Benefit Scheme

Appendix 1

Best Asset Management Ltd - ABC Corporate Bonds (in administration 20 January 2017)

AMOUNT INVESTED

£409,000 in corporate bonds with Alpha Business Centres ("ABC") UK Ltd.

INVESTMENT TYPE

The investment consists of 11 Bonds over three different series.

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 SUMMARY

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

The Scheme's investment adviser has noted that the investment is illiquid and inappropriate for the Scheme and early exit is recommended.

INVESTMENT RETURNS

Investment returns depend on the series of the Bond and range from 8.11% to 8.25% with bonus interest rates 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 to date until Q4 2016 when an issue with a party connected to the investment meant payment were stopped.

CURRENT POSITION

This investment is also subject to the legal action being taken in the United Arab Emirates mentioned above, as it is the same people behind this investment that are behind the Dubai car park investment. Further information is due to be circulated by Best to investors regarding progress. It is not anticipated that there will be a quick resolution to the issues being faced with this investment, nor an early exit. We are also discussing this matter with the Scheme's legal advisers.

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 2019

Introduction and background

This statement has been prepared in accordance with regulation 23 the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and related Pensions Regulator guidance.

It relates to the London Quantum Retirement Benefit Scheme ("the Scheme") which is a money purchase scheme.

This statement covers the period 1 May 2018 to 30 April 2019.

As you are aware from the Announcements issued to members since its appointment, Dalriada Trustees Limited ("Dalriada") was appointed as sole Independent Trustee of the Scheme by Order of the Pensions Regulator ("TPR") 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. TPR also had concerns over the competence of the previous trustee, Dorrixa Alliance (UK) Limited ("Dorrixa"), to run the Scheme. Since Dalriada's appointment Dorrixa has been struck off and the two individuals involved with Dorrixa have been prohibited from acting as trustees by TPR.

All of this has presented 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 cannot meet certain governance obligations, I have explained why that it is the case.

Alongside the due diligence completed by Dalriada, it also sought investment advice from appropriately qualified independent investment advisors. 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.

The previous trustee did not receive 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

London Quantum Retirement Benefit Scheme

Appendix 2

isolation. This is further complicated by the liquidity of the investments. This creates significant issues with regard to the administration of the Scheme.

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. In our last statement we advised that, due to the structure of this investment, HMRC was intending to impose a tax charge on the scheme. We further advised that Dalriada had appealed this decision and that the appeal was successful. HMRC have now confirmed that they will not be imposing a tax charge on the Scheme in relation to this investment.

Default arrangement

A number of requirements of the Administration Regulations, which are referred to in this statement, relate only to a "default arrangement" as defined in the Administration Regulations. The Scheme does not have a default fund for ongoing accrual. It is not a qualifying scheme within the meaning given by section 99 of the Pensions Act 2008. It is not used to meet any auto-enrolment obligations and no contributions are being paid into the Scheme.

The Scheme did not offer a Default Lifestyle Strategy.

The Scheme did not offer members any choice as to how their funds were invested. Besides the investments detailed above, Dalriada understands no further investments were made and at no point did members actively select how their funds would be invested.

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.

Statement of Investment Principles

Ordinarily, trustees should prepare a statement of investment principles ("SIP") governing decisions about investments.

No serviceable Statement of Investment Principles exists for the Scheme. As the Scheme has fewer than 100 members it is not a requirement.

The Scheme currently holds minimal liquid assets. However, should sufficient assets be recovered on behalf of the Scheme, Dalriada will take appropriate advice to determine a suitable investment strategy which reflects Dalriada's intention to wind up the Scheme as soon as it is able, giving members the opportunity to transfer any remaining funds to a more suitable arrangement of their choice.

Due to the numerous 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 in relation to monies realised.

Copies of the Scheme's Report and Accounts are published on the members' website. The Scheme's Report and Accounts include the latest Chairman's Statement.

London Quantum Retirement Benefit Scheme Appendix 2

Review of default strategy and default arrangements

As noted above, as there is no default arrangement or default strategy in place for the Scheme at the current time there has been no review of the default arrangement or default strategy in the year in question and no previous review for which a date can be given.

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 number of factors, not least uncertainty, to date, 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 are 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. Dalriada's administration processes are independently audited and accredited under AAF 01/06 and AAF 02/07.

Once Dalriada is in a position to process member benefit requests these will be managed and monitored in line with Dalriada's standard SLA levels and targets and formally reported on, on a quarterly basis.

Charges and Transaction Costs

The new governance rules require the Trustee to make an assessment of investment management charges and transactions costs borne by the Scheme members and the extent to which those charges and costs represent good value for money for members.

The Trustee has calculated the charges and, so far as they were able to do so, the transaction costs, borne by Scheme members for the Scheme Year.

In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs.

"Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Dalriada has deviated from the approach set out in the statutory guidance for the reasons set out below.

London Quantum Retirement Benefit Scheme Appendix 2

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 so there have been no transaction costs.

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 and was therefore unable to meet its financial obligations to the Scheme. In this situation, as commented above, the terms of appointment set out that fees should be met from Scheme funds.

Due to the mismanagement of the Scheme by its previous trustees 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.

These costs for the year ending 30 April 2019 are set in the Report and Financial Statements and total £174,278 (including legal costs).

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 centred on legal advice around the allocation and realisation/recovery of funds.

"Good value" assessment of charges and transactions

Generally, trustees should assess the extent to which the charges described above represent "good value" for members during the scheme year, by considering the level of member borne charges against the benefits attributable to such charges.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, trustees should consider that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market.

The characteristics of the Scheme are unusual and there are no readily available comparators to determine whether the costs incurred represent good value.

However, the actions undertaken by Dalriada, beyond those considered necessary for the appropriate management of the Scheme, are centred on action around recovery of funds. Such actions are considered on a cost benefit analysis and, where necessary, Court approval would be sought for the use of Scheme funds to pay for any legal action.

Dalriada was appointed following a tender exercise TPR and Dalriada is subject to ongoing oversight by TPR.

Dalriada's costs (both for ongoing management and with regard to action around recovery of funds) are calculated using a blended charging rate that sits well below its standard market rates. Its legal advisers operate similarly.

As commented above, 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. Dalriada's administration processes are independently audited and accredited under AAF 01/06 and AAF 02/07.

Once Dalriada is in a position to process member benefit requests these will be managed and monitored in line with Dalriada's standard SLA levels and targets and formally reported on, on a quarterly basis.

In relation to the cumulative effect over time of the application of charges and costs on the value of a member's accrued rights to money purchase benefits, due to the nature of Dalriada's

London Quantum Retirement Benefit Scheme

Appendix 2

appointment, both Dalriada's and its advisers' fees are met using Scheme funds. As commented above, there is uncertainty around determining the value of the Scheme's investments and how these should then be attributed to the members and, further, the allocation of costs to members which may require legal direction. For this reason, to date, Dalriada has had to take a general approach when applying costs.

As soon as Dalriada is in a position to identify each individual member's fund and is able to determine a specific approach with regard to the allocation of costs, it will be in a position to report on the cumulative effect over time of the application of charges and costs on the value of a member's accrued rights.

Trustee knowledge and understanding

The Trustee has considered the latest guidance in relation to Chairman's Statements from The Pensions Regulator and has ensured that its practices reflect the requirements set out. I have set out below how the Trustee ensures it currently meets the knowledge and understanding requirements of trustees.

Dalriada is an independent professional trustee, established in 2003, which has been appointed by TPR under section 7 of the Pensions Act 1995 to a number of schemes as a result of TPR having concerns about the nature and operation of those schemes and the extent to which the then current trustees understood their statutory and fiduciary duties and responsibilities. Dalriada refers to such schemes as "Regulatory Appointments". The Scheme is a Regulatory Appointment.

Dalriada has established a specialist team drawn from various relevant disciplines within Dalriada to manage the governance of these Regulatory Appointments which we have called the Irregular Schemes Team.

A dedicated committee (the Irregular Schemes Committee – "the Committee") has been established by the Board of Directors of Dalriada to oversee the activities of the Irregular Schemes Team in its governance of this scheme and other Regulatory Appointments. Care has been taken to ensure that the membership of the Committee is such that there is sufficient knowledge and understanding within the Committee to meet the requirements set out in sections 247 and 248 of the Pensions Act 2004 and The Pensions Regulator's Code of Practice 7 on Trustee Knowledge and Understanding.

I have set out below the membership of the Committee, along with a short note on their skill set and experience. In addition, it is worth noting that three members of the Committee are directors of Dalriada Trustees Limited. Dalriada operates a team based approach which gives the Regulatory Appointments Team access to over 120 pensions and support personnel with a broad skill set suited to identifying and implementing the variety of tasks required to successfully manage the Scheme, including pension administration experts, an in house legal team, fund accountants and investment experts. Whilst the core Irregular Schemes Team deals with the majority of matters arising on the Scheme on a day to day basis, in conjunction with its appointed advisers, it can access the specialist expertise of the wider Dalriada team as and when required.

As far as we are aware, no other professional independent trustee firm has established and developed a specialist team in this difficult and challenging area of trusteeship. The relevant experience developed by the Irregular Schemes Team on such cases is unmatched and unrivalled.

The Committee

Mike Crowe

Mike Crowe is head of Dalriada's Consultancy Function and works as a Trustee Representative supporting the firm on a wide range of appointments, including appointments made by The

London Quantum Retirement Benefit Scheme

Appendix 2

Pensions Regulator, such as this one.

With over 35 years' pension scheme experience, Mike has particular expertise in technical and legal areas. Before joining Dalriada Mike was a senior manager in the legal team of a major pension provider.

Mike has many years of experience in dealing with legal matters pertaining to Occupational Pension Schemes including in areas of

- compliance
- Scheme reconstructions
- Development and implementation of investment strategies
- DC wind-ups
- Complex litigation and legal work including instructing legal advisers
- Scheme governance reviews

Mike is a member of our internal legal team and is a member of the Association of Professional Pension Trustees. Mike has completed the Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Certificate in DC Governance and Award in Pension Trusteeship (DC and DB). Mike has met all required CPD requirements.

Sean Browes

Sean has been working in the pensions industry since he graduated in 1988. He worked for two major benefit consultancies in both administration management and consultancy roles, before joining Dalriada in 2003. Sean has a broad range of skills and experience suited to all areas of pension scheme management.

Sean leads the Irregular Schemes Team, dealing with Dalriada's appointments by The Pensions Regulator (TPR) to schemes suspected of being involved in pension liberation or thought to be scams. He now has a wealth of experience and knowledge with regard to the unique characteristics associated with the administration and management of these types of scheme and the challenges they present.

Sean is a member of the Association of Professional Pension Trustees, has completed the Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Certificate in DC Governance and Award in Pension Trusteeship (DC and DB). Sean has met all required CPD requirements.

Neil Copeland

Neil is a co-founder and director of Dalriada Trustees Limited. He acts as a trustee representative on some of our most complex and challenging cases, including our regulatory appointments. Neil specialises in schemes with technically challenging governance and covenant issues, as well as having over 25 years of experience in relation to defined benefit, hybrid, defined contribution, multi-employer and sectionalised arrangements.

Neil is the Dalriada Board representative for the Irregular Schemes Team and spends a significant proportion of his time working on Regulatory Appointments. Like Sean, Neil has developed considerable experience of the complex and non-standard issues faced by the Dalriada team in managing the Regulatory Appointments. This has included acting as a witness in high profile litigation in relation to Regulatory Appointments in support of TPR and representing Dalriada in oral hearings before the Determinations Panel where Dalriada's appointment by TPR has been challenged by the incumbent trustees or other directly affected parties.

London Quantum Retirement Benefit Scheme Appendix 2

Neil is a member of the Association of Professional Pension Trustees, has completed the Pensions Regulators Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Neil has met all required CPD requirements.

Tom Lukic

Tom is also a director of Dalriada Trustees Limited and leads the Dalriada business across the Midlands. He has broad pensions experience with particular expertise in employer covenant and corporate transactions. He has worked with a range of trustee boards managing scheme assets from c£5 million to more than £1 billion. Similarly, he is experienced in working with a broad spectrum of sponsoring employers from small, owner managed businesses through to much larger and complex groups being either privately owned or fully listed.

Tom's experience, both as an adviser and as a trustee representative, provides particular insight into corporate structures and insolvencies. The Scheme's investments include shares and/or bonds in, or issued by, corporate entities where understanding the accounting and financial structures of these entities is essential.

Tom is a member of the Association of Professional Pension Trustees, has completed the Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Tom has met all required CPD requirements.

Brian Spence

Brian is a co-founder and director of Dalriada Trustees Limited. He is now involved in the provision of a wide range of advice to pension scheme sponsors and trustees. Brian is well-known in the pensions industry for taking a strategic view in dealing with pension scheme matters and uses his experience to deliver practical solutions which satisfy the needs of the Trustees, the employers and other stakeholders. Brian is recognised by TPR and the pensions industry as an expert in dealing with contentious and/or complex issues. He is a lead contact and "key person" for a number of high profile trustee appointments.

In addition, Brian has practical experience of working as a trustee in all three major legal jurisdictions of the UK and as a trustee and advisor in Ireland. Brian has held a UK Scheme Actuary Practising Certificate since inception of the role in 1997.

Brian has an in depth knowledge of legal processes, particularly around testing points of legal principle related to the operation of pension schemes, often as a result of deficiencies in scheme documentation (a common issue with Regulatory Appointments) and, also, litigation - where it is cost effective to do so, Dalriada will look to take legal action against the perpetrators of a scam with the aim to recover misappropriated assets.

Brian is a member of the Association of Professional Pension Trustees, has completed the Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Brian has met all required CPD requirements.

Gino Rocco

Gino performs the role of Trustee focusing on all aspects of pension law focusing on defined benefit and defined contribution pension schemes that range in size from the small to the very large.

A solicitor admitted to practice in England and Wales and a Member of the Association of Pension Lawyers, Gino has over 15 years' experience gained at City and National Firms as well as a leading pension consultancy practice.

London Quantum Retirement Benefit Scheme

Appendix 2

Gino's experience includes complex benefit interpretation issues, scheme equalisation and benefit rectifications. He has detailed experience of pensions issues arising under TUPE transfers and the Fair Deal protections where employees are transferred from the public (in particular LGPS and NHSPS) to the private sector.

Gino is a member of the Association of Professional Pension Trustees, has completed the Pensions Regulator's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Gino has met all required CPD requirements.

Knowledge of the trust deed and rules and all documents setting out the trustee's current policies

The Scheme has a dedicated client manager who has an in depth knowledge of the Scheme and its governing documentation. At the point of becoming an Independent Trustee to the Scheme, a prescribed take on process was followed. This included an assimilation and review of all the relevant scheme documentation, including the trust deed and rules. The Committee is made aware of any issues or risks in relation to the Scheme's trust deed and rules as and when they arise and appropriate action agreed in relation to the issue or risk identified. In addition to the knowledge held by the client manager and Lead Trustee Representative, the trustees obtain legal advice in relation to the Scheme's documentation, where necessary.

There have been no new trustees introduced in this reporting period. However, there is an appropriate induction process in place to support new trustees.

A working knowledge of the current Statement of Investment Principles (SIP)

As is set out earlier, the Scheme does not have a SIP at this time due to particular circumstances of the Scheme.

Sufficient knowledge and understanding of the law relating to pensions and trusts and understanding of the principles relating to the funding and investment of occupational schemes

Those Dalriada staff working on the Scheme, including the lead trustee representative, are obliged to self evaluate their learning and development requirements on an annual basis as part of Dalriada's internal appraisal process. The process identifies how staff can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Scheme. Dalriada staff are also required to comply with their respective training requirements in order to maintain a required level of continuing professional education (CPE) and to provide evidence of courses, seminars and other types of professional development to satisfy their respective professional bodies' CPE requirements.

Every trustee representative is required to undertake a minimum number of hours training in a year. This is recorded centrally by Dalriada's HR Team and, where appropriate, forms part of staff personal development plans. This 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.

Further, every trustee representative is required to complete The Pensions Regulator's Trustee Toolkit and subscribes to the updates issued by The Pensions Regulator.

Trustee representatives belong to Dalriada's knowledge management network which keeps them up to date with industry thinking. They also have access to a team of in house pensions experts who inform the team about changes to pensions legislation and practices.

London Quantum Retirement Benefit Scheme

Appendix 2

The trustees have access to Pendragon Perspective and Aries - both industry leading tools, giving access to pension legislation.

Dalriada has its own in house legal specialists to provide support and guidance to trustees around legislation and interpretation of scheme documentation. This is further aided by advice from external legal advisers, which is obtained when the trustees feel the reinforcement is necessary to support their own understanding.

Combined knowledge and understanding, together with available advice enables the trustees to properly exercise their function

Dalriada has informally assessed the skill set and experience of each member of the Committee and the client team. It has taken into account the development activities already mentioned, along with the internal resources made available to staff, supplemented, where required, by professional external advice.

The Committee understands the need to more formally assess the skills of its members. This is done using a skills matrix developed for this purpose. Any areas for development flagged during this process will be addressed as part of the individual's personal development plan and reviewed throughout the year.

An evaluation of the effectiveness of the Committee as a whole is also carried out.

I consider that the combined knowledge and understanding of the Committee and the client team enables them to exercise properly their function as trustee of the Scheme. In particular:

- Members of the Committee have the relevant financial knowledge and experience to enable the trustee to comply with its duties in relation to investment of the Scheme's assets. Tom Lukic's experience (see above) in particular is advantageous in this area.
- There is a vast range of pensions experience and knowledge within the Committee and the client team. This is appropriate to deal with the governance of the Scheme in line with the trust deed and rules, along with other scheme documentation. There is also a great deal of experience relevant to dealing with issues which might be thrown up by the Scheme which require the amendment of scheme documentation.
- Sean Browes, Neil Copeland and Brian Spence have a great deal of knowledge and experience in relation to schemes of complex nature, such as this Scheme, where investments made by previous trustees are deemed to be highly inappropriate, their administration has been poor and / or the trustees have not had the sufficient knowledge and understanding to be trustees of an occupational pension scheme.
- Sean Browes and Neil Copeland have many years of experience in the administration of pension schemes, allowing a keen oversight of the administration of the Scheme.


Member Representation

Dalriada is aware that members of the Scheme are potential victims of a scam. As such, we look to keep members informed and to facilitate direct access for members to Dalriada by means of a:

- Dedicated member website
- Dedicated contact e-mail address
- Dedicated phone line.

**London Quantum Retirement Benefit Scheme
Appendix 2**

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



Chairman

Date 28 November 2019

