

Important Announcement to members of the London Quantum Retirement Benefit Scheme (also known as the London Quantum Occupational Pension Scheme) (“the Scheme”)

This is the eleventh Announcement to members and provides an update for members on what actions have been taken since our appointment.

As you will recall from our previous Announcements our appointment was ordered by The Pensions Regulator (the Regulator) under the statutory powers it holds. Our appointment gave us exclusive control over the Scheme. Since our appointment the previous Trustee, Dorrixo Alliance (UK) Limited and the sponsoring employer, Quantum Investment Management Solutions LLP have been dissolved.

We last wrote to members in August and November 2019 providing information on Gerards Associates Limited (“Gerards”). The August 2019 Announcement focused on making members aware of issues surrounding Gerards and to highlight to members that Gerards had been formally declared in default by the Financial Services Compensation Service (FSCS). This decision meant that members of the Scheme may be eligible to make claims to the FSCS. We are aware that a number of members have now engaged with the FSCS for this purpose. Please see additional information below.

The purpose of this Announcement, however, is primarily to provide an update to members of the Scheme in general, the current position with the investments and the steps taken to date by Dalriada Trustees Limited (Dalriada).

What has happened since the last announcement?

The main work continues to focus around efforts to recover the money held in the remaining investments and have this paid back to the Scheme.

As outlined previously we continue to attend to the legal and governance obligations in relation to the Scheme. This includes holding trustee meetings, undertaking risk reviews, preparing accounts and preparing a Chair’s statement. Copies of the accounts and the Chair’s statement can be found on the members’ website. Details are set out later in this Announcement.

Why can’t we pay benefits yet?

We understand members’ frustration that we are still unable to pay benefits, pay transfer values or issue benefit statements.

Our position unfortunately remains the same as last year. In order to make payments we must have the cash in the Scheme. However, even if we do have cash, we also have to work out what each member’s entitlement is so that by paying one member their benefits we are not disadvantaging another member. This is the position we find ourselves in as Trustee.

We have ingathered some of the cash and realised or written off some of the investments entered into by the former trustees. There are however a number of investments where we are still trying to pursue a return. Until we do this, or come to the conclusion that we cannot, then we cannot value members’ entitlements. This is due to how costs are allocated and the nature of the member accounts that are part of the original Scheme design.

We will now set out where we are with each of the remaining investments, which we are continuing to pursue on behalf of the Scheme.

Investments

German Property Group (GPG), formerly Dolphin Trust GmbH

Amount Invested

£424,641.88

Current Position

Payments from the nine Dolphin corporate loan notes were due to begin in October 2019 and should have been fully realised by April 2020.

Dalriada commenced correspondence with GPG in September 2019. Dalriada sought, initially, confirmation from GPG of the exact amounts and repayment dates for when the money due, under the terms of the corporate loan notes, would be returned to the Scheme. This information was not forthcoming and therefore Dalriada met with a representative from GPG in October 2019. Following the meeting in October 2019 Dalriada made a number of requests for documentation relating to the Scheme's investment in GPG. Despite assurances at that meeting that the information would be provided GPG failed to provide any of the paperwork sought by Dalriada.

In November 2019 Dalriada received notification that GPG had appointed a company, called CFE (Consulting Finance Estate) to provide restructuring and refinancing advice. While Dalriada has been provided with some general updates from GPG we still await documentation on the Scheme's investment. Further, and despite repeated requests, GPG have yet to provide the Trustee with a clear indication as to repayment of the loan notes, which are now overdue.

This has been complicated further as GPG have issued a notification that they are filing for bankruptcy in Germany. Dalriada have referred this issue to the Scheme's legal advisors to ascertain if there are any additional steps which can be taken against GPG to try to recover the funds.

Park First Glasgow Limited (Park First)

Amount Invested

£340,000.00

Current Position

Previously Park First agreed to stop operating and promoting the original car park investment. 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)

Dalriada had previously been advised to pursue the "Buy Back" option which we communicated to Park First and we have had a number of discussions with them regarding aspects of this offer.

Rather than presenting Dalriada with the paperwork in order to confirm that position, Park First has instead acknowledged that the sales did not "legally complete" and that "title had not transferred". Accordingly, it is treating the proposed repayment to the Scheme as a "refund" rather than "buy back" but contends that the result is the same but there is no need to complete any paperwork. Park First has further contended that the terms are the same, i.e. that there will be deduction of rental payments from the ultimate repayment.

Upon communicating our decision to Park First Dalriada were advised that money would be returned following a period of 12 months from the date of the request, which should have seen money refunded to the Scheme by 8 August 2019.

On 4 July 2019, before any money was returned, four of the Park First group companies entered administration and an insolvency practitioner was appointed. While Park First are not themselves, in

administration, the companies which received money from the Scheme are now under the control of the insolvency practitioner.

As Dalriada had sought repayment of money which remained outstanding, at the date of administration, Dalriada were referred to the insolvency practitioner. Upon contacting the insolvency practitioner Dalriada were advised to submit Proof of Debts in respect of two of the Park First group companies who had entered administration. These companies are Park First Glasgow Rentals Limited and Park First Freeholds Limited. A Proof of Debt has therefore been lodged in respect of the Scheme. To date no statement has been made regarding what payments may be made and when. A progress report was filed by the insolvency practitioner on 15 August 2020 which indicates that further details on possible payments will be issued in September 2020. However we still await this further information from the insolvency practitioner.

Dalriada will continue to monitor the administration and will advise members as and when more information becomes available.

The Reforestation Group Limited (Reforestation Group)

Amount Invested

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

Current Position

Previously, an agreement was signed with the Reforestation Group in which they committed to paying £230,000 by 30 June 2018. To date they have not honoured that agreement and the agreed payment has not been received by Dalriada.

Dalriada's legal representatives have for a number of months pursued this matter with the Reforestation Group.

Towards the end of 2019 the Reforestation Group indicated that they had secured funding, which upon receipt would see a return of the £230,000 due to the Scheme. In January 2020 we were again advised that the funding was progressing however had not yet completed.

Our legal advisors have therefore continued to correspond with the Reforestation Group, who have recently advised that the funding has been delayed over the preceding months by travel restrictions imposed by the Covid-19 pandemic.

Dalriada continues to engage with the Reforestation Group and liaise with its legal advisors regarding options available to it. We will keep members as updated as possible.

Best Asset Management Ltd (BAM) – Car Parks

Amount Invested

£189,000 in the lease of 7 car park spaces in Dubai.

Current Position

Previously we advised that this investment is subject to legal action being taken in the United Arab Emirates (UAE). The action is being taken collectively on behalf of the investors and we are not a direct party to it. The proceedings are ongoing in UAE and have not yet been concluded.

On 6 December 2019 Best Asset Management Limited entered into administration. Dalriada have made contact with the insolvency practitioner appointed and on advice have submitted a Proof of Debt in the administration. A progress report on the administration was filed by the insolvency practitioner on 31 July 2020. As a result of this report it is currently unclear as to whether the Scheme will be entitled to money in the administration or whether the return of money to the Scheme is dependent on the success of the ongoing legal proceedings, mentioned above.

Dalriada however continues to monitor both and will provide additional information to the members as and when it becomes available.

Best Asset Management Ltd - ABC Corporate Bonds

Amount Invested

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

Current Position

This investment is also subject to the legal action being taken in the United Arab Emirates (mentioned above), as it relates to the same individuals. Dalriada, along with the Scheme's legal advisors, continue to monitor the position.

As advised, we will provide additional information to members as and when it becomes available.

HMRC's Intention Regarding the Scheme Sanction Charge

In our sixth Announcement we advised that HMRC intended to levy a Scheme Sanction Charge of £240,000 on the Scheme following an unauthorised payment of £600,000, which related to the London Quantum One Limited investment. Dalriada appealed this tax charge on the basis that it relates to an investment which only three of the Scheme members benefited from, and that it was neither fair nor reasonable to impose a tax charge which would affect the other Scheme members who had no exposure to, nor benefit from, it (the Scheme holds no funds in the personal accounts of these three members so the charge would have to be met from the remaining assets of the Scheme).

HMRC confirmed that our appeal had been successful and it will not be enforcing the charge.

Scheme Costs

We previously advised that, due to the way in which the Scheme was set up, a number of complexities have been encountered when considering how to allocate both investment recoveries and Scheme costs to Members' personal accounts (for clarity these personal accounts are not like bank accounts but are a method of allocating, or earmarking, Scheme assets for the benefit of each Member). We are still looking at this point in conjunction with the Scheme's legal advisers.

It is inevitable with a complex Scheme such as this that costs, both ours and legal costs, are accrued in trying to get the money back from the Scheme investments and meeting all ongoing governance requirements. As there is no sponsoring employer to meet the costs these must be met from the assets of the Scheme in accordance with the terms of the Order appointing us as Trustee. Costs, to include both Legal and Trustee fees, are fully disclosed to the Scheme's auditor and are set out in the Chair's statement and the Scheme accounts which are available to members on the Scheme website.

Potential FSCS Claims

We would wish to remind members that they may be eligible to make claims to the FSCS.

Members are therefore advised to now consider making a claim to the FSCS. To assist with this, we have set out below a link to the FSCS website claim form.

<https://www.fscs.org.uk/your-claim/>

We would however also re emphasise and ask that members consider the following points:

1. Claims management firms (CMC)- If you are being approached by or are considering using a CMC, we would encourage you to be very cautious and think carefully whether you really need assistance from such a CMC. Please bear in mind that the claims process is designed to be straight forward and to allow for individuals to make their own claims. Please be aware that a CMC is likely to request a fee from any compensation which you may be awarded.

2. Please note that while you may be able to make a claim, there is no guarantee that the FSCS will determine applications to it favorably. Each application will turn on its own facts and will need to be considered individually. It may also take some time for claims to be considered and for decisions to be reached.
3. If compensation is paid, it will be capped. The cap will be £85,000 for those firms being claimed against that are considered in default on or after 01 April 2019. Otherwise, a cap of £50,000 will apply. This will only impact on those members whose transfers into the Scheme were greater than the applicable cap. Many members transferred in less than the applicable sum and might be eligible for the full amount of their transfer value.
4. To the extent compensation is ultimately paid to members, there might need to be an agreed mechanism to offset or return any amount that has been overcompensated in the event that any benefits become payable from the Scheme. Whilst we are working with the FSCS on a broad basis to ensure that those with valid claims are able to do so without such complications resulting in non-payment, this will ultimately be a matter to be decided by the FSCS. As such, the FSCS will provide all the guidance required in relation to this if compensation is eventually paid.
5. Members will need to consider taking independent financial advice to the extent compensation is payable to them. This is because members stand potentially to recover directly sums that were previously held in pension schemes and subject to tax relief. Neither Dalriada nor the FSCS can give advice themselves to members regarding receipt of such compensation but there may well be benefits in members taking proper financial advice given the possible tax implications from receiving compensation as well as the need to consider appropriate retirement planning, for example considering placing compensation into another pension scheme.

As mentioned above, Dalriada cannot give any advice in relation to claims to the FSCS, but will provide, where possible, any information sought by the FSCS to assist with members' claims. Should you require any additional information the FSCS website can be found via this link.

FSCS

<https://www.fscs.org.uk/>

What next?

We hope that it is clear from the above why we cannot make any payments to settle benefits at this time. Dalriada as Trustee has a duty to act in the best interest of all the members. We hope you understand that making an early or partial payment to one member whilst we are still waiting for funds to come in, and whilst we have real difficulties in determining how to correctly apportion costs would mean that members remaining in the Scheme could be unfairly disadvantaged further. Allowing this situation to potentially arise is not acting in the best interest of all members which is something a Trustee must do.

Our intention is to wind up the Scheme as quickly as we can after we have received all the funds that we are likely to, we are clear on the position with regard to apportioning investment losses and costs. In the meantime we are looking at a limited investment strategy to protect the funds received and seek some element of growth.

What should I do if I have any further questions?

Should you have any queries in relation to this Announcement or your membership of the Scheme, please contact us. As above, please also supply copies of all correspondence or other communications which you may have received in relation to your membership of the Scheme.

There is a website set up for members at:

www.dalriadatrustees.co.uk/london-quantum

We have included Frequently Asked Questions (FAQs) on this page and will update the website when further information becomes available. We will also upload all Announcements to this page. You will also find links to the Chair's Statement and the Report and Accounts.

Dalriada. A better way

As you will be aware, the costs of answering queries have to be met from the assets of the Scheme. In order to minimise these costs it would be appreciated if you could, in the first instance, check the FAQs to see if your question is answered there.

Should you, however, have any specific personal queries in relation to this Announcement, your membership of the Scheme or should you wish to provide us with further information, please contact us. You can contact us as follows:

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Issued by Dalriada Trustees Limited

October 2020