

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 second announcement to members.

In our announcement of 22 June 2015 we explained why we were appointed, what initial action we had taken and what the immediate next steps were. We would like to bring members up to date with what progress has been made since our appointment and what the next steps are.

Compulsory Review

As you will recall our appointment was ordered by the Determinations Panel (the “Panel”) of the Pensions Regulator (“tPR”) under the statutory powers it holds. Our appointment gave us exclusive control over the Scheme. This means that whilst the trustee in place prior to our appointment, Dorrixo Alliance (UK) Limited (“Dorrixo”), is still a trustee, it cannot exercise any powers in relation to the Scheme.

Dalriada has also taken over administration of the Scheme which means that all contact between members and the Scheme should be via Dalriada. Please bear this in mind if you are contacted by any other party about the Scheme.

In the first announcement we explained that the appointment was subject to a further review by the tPR's Determinations Panel. This is known as the 'compulsory review process'.

To date, various parties including Dalriada, Dorrixo, Quantum Investment Management Solutions LLP (the employer of the Scheme) (“Quantum IMS”) and tPR have made written submissions to the Panel regarding whether Dalriada's appointment should be upheld.

This review process will culminate with an Oral Hearing, which is to be held on 16 December 2015 in London in front of the Panel.

Dalriada will advise members of the outcome of the Oral Hearing as soon as possible once the decision of the Panel is known. Dalriada will also continue to update members as other matters progress.

Until the decision is made we will continue to investigate matters concerning the Scheme and to act as trustee.

Steps Taken To Date

Bank Accounts

We have taken control of the two Scheme bank accounts. On our appointment we found that both accounts had been frozen by the respective Banks which meant that no money could be paid to or

taken from these accounts. Following discussions with the Banks they have now unfrozen the accounts and they are under Dalriada's control.

Administration

We have set up member records on our administration system using information on the member files that we obtained from Dorrixo together with the electronic data they have supplied.

The Scheme has been set up in such a way that every member has a 'personal account' to which specific investments are allocated. When we looked at this together with the investments (see below) we found that this was a very unusual set up for an occupational pension scheme. Having taken advice, Dalriada considers that this will create problems for the administration of the Scheme because it is unclear how the Scheme's costs should be allocated. Furthermore, the illiquid nature of the investments will cause problems when the Scheme is required to provide pension benefits, death benefits, transfers or cash lump sums. This issue has been raised with the Panel in relation to the Compulsory Review.

We are in the process of considering how to allocate values for member's investments given the nature of the investments in order to deal with these problems but this is not straightforward.

Investments

We have undertaken a reconciliation of all the payments out of the Scheme bank accounts to establish where all of the money has gone and it appears that Dorrixo, as the previous trustee of the Scheme, attempted to put Scheme funds into a number of investments.

We have a number of concerns about these purported investments, including that the Scheme does not appear to have properly entered into some of them and that they are predominately unregulated. We are making further enquiries and will keep you updated on this. In the meantime, we have produced a table below with more details.

***Please note that members, typically, have their funds invested across a number of these alternative funds but not in all of them. As such, some of the funds will not apply to you. You should have been told on joining where your funds would be paid. Dalriada will provide members with more information on this in due course ***

Recipient of Scheme Funds	Sum paid by the Scheme	Description
Quantum Managed FX Fund (Multi UCITS Platform Fund)	£1,028,238.86	This is an investment fund based in Dublin which is regulated by the central bank of Ireland.
The Resort Group	£485,151.52	The Scheme has invested in four buy-to-let hotel rooms in the Llana Beach hotel development in Cape Verde.

Dolphin Capital GmbH	£424,641.88	This is a German company that operates an unregulated investment scheme that buys listed buildings in Germany and renovates them. The Scheme has invested in secured loan notes in this company.
Greyfriars Asset Management LLP	£409,000	The Scheme has invested in corporate bonds in business centres that are operating or being prepared for operation across Africa, Dubai and the UK.
Park First Glasgow	£340,000	The Scheme has invested in eighteen buy-to-let car parking spaces at Glasgow Airport.
Best Asset Management	£189,000	The Scheme has invested in seven buy-to-let car parking spaces at Churchill Towers in Dubai.
Reforestation Group	£220,000	The Scheme has invested in eucalyptus plantations in the Amazon rainforest in Brazil.
Colonial Capital	£24,000	Fixed rate corporate bond that invests in U.S. social housing.
Mallets Solicitors Ltd	£8,000	The Scheme has invested in an unsecured loan note with this company.
Quantum One Ltd	£600,000	This investment only relates to the original three members of the Scheme.

Independent Investment Report

Given our concerns about the purported investments, we had them reviewed by an independent investment adviser. The advice we have received is that they are not suitable for a Scheme such as this and alternative investments should be sought where it is prudent for us to do so. We will update members as and when we have determined what action we will take in light of this advice.

Communication

We have had extensive correspondence and meetings with Dorrixo, Quantum IMS, the investment providers, Gerard Associates Limited and firms that introduced members to the Scheme since our appointment, and this is ongoing.

We are continuing to deal with communications from members who are naturally concerned about the action that has been taken and the security of their benefits.

You will have received a questionnaire from us. It is important that you complete this as fully as you can so that we can understand the reasons for you joining the Scheme and the processes involved in you doing so.

Next Steps

Dalriada will advise members of the outcome of the Oral Hearing as soon as possible once the decision of the Panel is known. Dalriada will also continue to update members as other matters progress.

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.

We would reiterate the importance of fully completing and returning the questionnaire that we have sent to you and thank you in anticipation.

You can contact us as follows:

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