London Quantum Retirement Benefit Scheme

Statement of Investment Principles

This Statement of Investment Principles ("the Statement") has been prepared by Dalriada Trustees Limited (the Trustee) for the London Quantum Retirement Benefit Scheme ("the Scheme").

This document has been produced by the Trustee after considering advice from Mark Garnett of Advisory Investment Services Limited ("AIS").

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

London Quantum Retirement Benefit Scheme

September 2024

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Introduction

This Statement sets down the principles governing decisions about investments for the Scheme and supersedes any previous Statements prepared by the Trustee.

In preparing this statement, the Trustee has obtained and considered written professional advice and recommendations from AIS who is the Trustee's appointed investment consultant. AIS is authorised and regulated by the Financial Conduct Authority ("FCA"). It is confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The Trustee will review this Statement every 3 years. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review this statement and update it as necessary. Any changes made will be based on written advice from a suitably qualified individual.

The Scheme is a defined contribution scheme. The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

Investment Objectives

Generally, the ultimate objective of any (legitimate) pension scheme is to provide an income in retirement for its members which reflects the level of funds paid into members' individual accounts and the returns achieved from the investment funds held.

Dalriada was appointed trustee to the Scheme by Order of The Pensions Regulator ("TPR") amid concerns as to how the Scheme was being managed by the former trustees and, further, that members may have been victims of a pensions scam.

At the time of its appointment, the Scheme and, consequently, the members had already suffered a significant loss in the value of the investments entered into by the previous trustees.

One of the concerns that TPR had was that the incumbent trustees had invested assets in inappropriate and unorthodox investments without taking appropriate advice, as required by pensions legislation. These assets were generally illiquid and/or of uncertain value. Where the Trustee is not in a position to currently realise some or all of those assets, these are set out in Appendix B. This Statement only applies to those assets that the Trustee has been able to recover and realise such that they are capable of being invested in accordance with this Statement. As and when the Trustee is able to recover and realise these unorthodox investments, such funds will be invested in line with this Statement.

The Trustee's aim is to recover what funds it can for members, resolve any associated tax or legal issues and, thereafter, to allow members to transfer the value of their pension pots to alternative, more appropriate arrangements and wind-up the Scheme at the earliest opportunity. Given the level of uncertainty over the value of the assets of the Scheme the Trustee is not currently in a position to settle benefits from the Scheme, but even if it was, it is not intended to offer members decumulation options under the Scheme. Given the irregular nature of the Scheme, the time frame for this is uncertain and may extend to a number of years.

In so far as it is possible to do so, the Trustee will invest the available assets to secure a return over cash, with a lower level of risk. The tolerance to capital losses is minimal, accepting there will be drawdowns on the capital value, not least to meet ongoing expenses.

The Trustee's key objectives for the Scheme's investment strategy, to the extent possible given the particular circumstances of the Scheme, are therefore to:

- ensure that the investment strategy is consistent with relevant legislation/regulations, the Scheme's Trust Deed and Rules and best practice and that there is sufficient flexibility to react to legislative/regulatory changes;

- give members a reasonable, stable investment strategy, that targets some return over cash whilst protecting against further capital loss as a result of investment performance;

- be mindful of the Scheme's costs which currently are borne by the members;

- use diversification where appropriate to reduce investment risk when practical and cost effective to do so;

- monitor the level of ongoing governance costs against the anticipated overall governance budget.

Following a review of the investment strategy, the Trustee amended the investment strategy in 2022, to take account of the high inflationary environment and increased bond yields at that time, and to make allowance for the expected time horizon to the wind-up of the Scheme. The Trustee has made a successful claim on behalf of the Scheme for compensation from the Fraud Compensation

Fund ("FCF"). There are a number of further steps to be taken but the Trustee will distribute the compensation to members along with the invested assets, before winding-up the Scheme.

After considering the independent investment advice of AIS, the Trustee decided to adjust the investment strategy so as to increase the proportion of cash held within the Scheme portfolio based on the expected time horizon to wind-up of the Scheme, which is dependent on an estimate of the period to a determination of a claim on the FCF. The adjustment to the investment strategy is included in Appendix A.

The Trustee's objective in amending the Scheme's investment strategy was to gradually reduce the volatility in the Scheme's asset portfolio as the Scheme approaches wind-up, so as to increase the protection against capital loss as a result of investment performance.

The Trustee will regularly monitor the investment strategy against these objectives.

Appendix B sets out the list of the unorthodox investments, which are held by the Trustee. The irregular nature of these investments has resulted in the Trustee seeking independent investment advice. That advice has been to realise the unorthodox investments as soon as possible. The Trustee will report on the(se) asset(s), but the(se) investment(s) will fall outside this Statement of Investment Principles.

Investment Responsibilities

THE TRUSTEE

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore, the Trustee is responsible for setting the investment objectives and determining the strategy to achieve those objectives. The Trustee sets the overall investment target and then monitors the performance of the investment managers against that target. In doing so the Trustee considers the advice of its professional adviser(s), who it considers to be suitably qualified and experienced for this role.

Their duties and responsibilities include but are not limited to:

✓	Regular review and approval of this Statement and monitoring compliance with this Statement
✓	Appointment, removal (where applicable) and review of the investment managers or investment adviser(s) and their performance relative to relevant benchmarks
✓	Assessment of the investment risks run by the Scheme
✓	Monitoring and review of the investment objectives and the investment strategy implemented to meet those objectives

INVESTMENT ADVISER’S DUTIES AND RESPONSIBILITIES

The Trustee has appointed AIS as its investment adviser. AIS provides advice when the Trustee requires it and/or when AIS feels it suitable to do so. Areas on which it can provide advice are as follows:

✓	Setting investment objectives, where relevant
✓	Determining the investment strategy to meet those objectives
✓	Determining suitable funds and investment managers

It should be noted that the Trustee retains responsibility for all decisions.

Any services provided by AIS will be remunerated on either a time cost or fixed fee basis.

AIS does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of their advice.

The Trustee is satisfied that this is a suitable adviser remuneration structure.

INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustee, after considering suitable advice, has appointed BlackRock and Legal & General Investment Management as the manager of the assets held by the Scheme, all of which are held on the Mobius Life investment platform.

The investment managers are detailed in Appendix A to this statement. The investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation and the exercise of any voting rights. All the managers are remunerated by fund-based charges on the value of the Scheme's assets that they hold.

DEFAULT ARRANGEMENT

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 introduced disclosure requirements for Trustees of all trust-based occupational defined contribution pension schemes. This requirement states that the Trustee must state their policy on investing in illiquid assets for their scheme's default arrangements.

The Scheme, however, 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. The Scheme is not used to meet any auto-enrolment obligations and no contributions are being paid into the Scheme. The Scheme's assets are made up solely by way of member transfer payments into the Scheme.

The Scheme did not, and does not, offer a Default Lifestyle Strategy and did not offer members any real choice as to how their funds were invested.

However, despite not being required to meet this new requirement for the reasons set out above, we can confirm that the investment strategy for the Scheme does not include any allocation to illiquid assets.

Beyond those set out in Appendix B as noted in the previous section, the Trustee only invests in bonds and cash, which are both liquid asset classes that can be readily realised, if necessary.

Setting the Investment Strategy

INVESTMENT STRATEGY

The Trustee will look to implement a strategy that satisfies the risk and targeted return requirements and which it considers appropriate for the members collectively. The strategy is to use a combination of cash and short-dated corporate bonds, denominated in sterling, which in combination are targeted to achieve the Investment Objectives.

The strategy will be reviewed from time-to-time by the Trustee to take into account various considerations such as material depletion of scheme funds, changes in legislation and regulations and developments in investment products.

TYPES OF INVESTMENT

The Scheme's assets (beyond those set out in Appendix B) are invested on behalf of the Trustee by BlackRock and Legal & General Investment Management, through the Mobius Life platform, with underlying investment managers.

Beyond those investments set out in Appendix B, the Trustee only invests in asset classes, including but not limited to bonds and cash. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENT

The Trustee is aware that the appropriate balance between different types of investments will vary over time and the asset allocation may change depending on the investment environment.

The Trustee has considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The managers are shown in the Appendix A.

EXPECTED RETURN ON INVESTMENTS

The Trustee has noted the long-run relationships that exist between the real and nominal net returns from the two asset classes and have noted the different expected risk/return characteristics of the different asset classes.

In particular, that bonds can be expected to deliver a higher return than cash, but that corporate bonds are a more volatile asset class in terms of market returns.

REALISATION OF INVESTMENTS

The Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary.

FINANCIALLY MATERIAL CONSIDERATIONS FOR INVESTMENT STRATEGY

The Trustee has, to the extent possible given the particular circumstances of the Scheme, considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine the investment strategy over the length of time it is anticipated the Scheme will remain ongoing.

The Trustee believes that, to the extent possible given the particular circumstances of the Scheme, financially material considerations (including climate change) are allowed for when setting the investment strategy.

To invest in the best financial interests of the beneficiaries, the Trustee has elected to invest realised assets through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest or of the unorthodox investments held by the Scheme, as set out in Appendix B. However, the fund managers listed in Appendix A and the investment consultant are expected to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment managers' own philosophy and processes to ESG issues. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies will also be reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories to the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors, including climate change, could impact the Scheme and its investments;

- Use ESG ratings information (where available) to assess how the Scheme's investment managers take account of ESG issues; and

- Request that all of the Scheme's investment managers share information about their ESG policies and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' processes, it will take this into account on whether to select or retain an investment manager.

NON-FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

STEWARDSHIP

The Trustee's policy on the exercise of rights attaching to investments, including any voting rights, is that these rights should be exercised by the investment managers on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment managers should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure of those companies and their management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment managers, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND CLIMATE CHANGE RISKS

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues, including climate change, as part of the investment process.

INVESTMENT MANAGER ARRANGEMENTS

Incentives to align investment managers investment strategy and decisions with the Trustee's policies

The Scheme invests in pooled funds. The Trustee acknowledges the funds' investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suit its strategy, taking into account the fees being charged, which acts as the fund managers incentive.

The Trustee uses the fund objective/benchmark as a guide on whether the fund's investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long-term financial and non-financial performance of the underlying company.

The Trustee also considers the managers voting and ESG policies and how it engages with the company, as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long-term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as cash and bonds, as they may not have voting rights.

The Trustee acknowledges that in the short-term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long-term will lead to better returns for the Scheme.

The Trustee believes the annual fees paid to the fund managers incentivises them to execute their investment policies consistently, as the longer the units are held the larger the income to the investment manager.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the individual funds over at least a 3-5 year period, or over a market cycle if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The charges are monitored regularly with the help of its investment consultant to ensure they are in line with the Trustee's policies for each fund. The Trustee believes that its and each fund manager's goals are aligned.

How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

The duration of the arrangement with the asset manager

The Trustee plans to hold each of its investments for the period which the Scheme expects to remain ongoing, but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustee measures and monitors its risks by receiving monitoring reports which report on the performance of their assets and their managers. The key risks and the policies are as follows:

Inflation risk	This is the risk that the investments don't provide a return above inflation, eroding the purchasing power of the pension pot. The Trustee is not explicitly targeting a rate of return in excess of inflation. Despite experiencing a low inflationary environment for the majority of the last 25 years, the Trustee is aware of the impact of inflation. The Trustee considers that the need to minimise any downside risk and protect capital, as far as possible, is a higher priority for the Scheme than seeking above inflation returns. This will be kept under review.
Concentration Risk	This is the risk that the investment manager invests in a concentrated portfolio of individual stocks or securities. It is managed through the diversification of the Scheme's assets across a range of different funds with different underlying securities, and different investment managers.
Investment Manager Risk	This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.
Conversion Risk	This is the risk that the value of a member's pension falls significantly in the period leading up to retirement relative to their chosen retirement option to purchase an annuity, drawdown or take cash. This means the value of the pension pot does not move in line with annuities, or the value at retirement used to drawdown or take as cash will be smaller than expected. To the extent that investment strategy is low risk in any event, the Trustee considers the risk of the value of a member's pension falling significantly close to retirement is small. In any event, the intention is to wind the Scheme up and members transfer their benefits before they approach retirement age (accepting there may be some members already approaching retirement age).

Risks continued…

Liquidity Risk	The risk is managed by having a suitable amount of readily realisable investments. The Scheme invests in assets that are invested in quoted markets and are readily realisable as the Trustee feels suitable given the Scheme's cashflow.
Currency Risk	The Trustee is able to invest in assets and currencies that are not denominated in sterling, so they can be exposed to currency risk depending on the investment choices.
Loss of Investment Risk	There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements (e.g. losses caused by fraud). The Trustee undertakes regular reviews of the internal controls and processes of the investment manager.

Compliance

The Trustee confirms that it has received and considered written advice from AIS on the establishment and implementation of their investment strategy.

Copies of this statement and any subsequent amendments will be made available publicly on the Scheme's website.

The Trustee will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

Agreed as final version on behalf of the Trustees of the London Quantum Retirement Benefit Scheme
Dated: 26 September 2024
Version: 1

Appendix A

The Trustee has invested the Scheme assets with BlackRock and L&G Investment Management. Mobius Life provides investment administration for the Scheme and so carries out the day-to-day management of the underlying investment managers, through a series of reinsured funds.

It is the Trustee's intention that the first £85,000 of the Scheme's assets will be held in cash in the Scheme's bank account (i.e. Tier 1 investment strategy), with such sum above £85,000 as required to pay the annual fees held in the L&G Cash Fund (i.e. Tier 2 investment strategy), and the balance of the Scheme's assets to be applied to the Tier 3 investment strategy of 90% in short-dated corporate bonds and 10% in cash.

Following an adjustment to the investment strategy in January 2022, the Trustee's intention is to increase the cash proportion of the Scheme's asset allocation as the Scheme approaches wind-up by adjusting the Tier 3 investment strategy accordingly.

STRATEGY – Tier 2

The strategy targets cash returns and is invested in a fund as below:

Name	Objective	Allocation	Risk Profile	Active/Passive investment
L&G Cash	To perform in line with 7 Day GBP LIBID, without incurring excessive risk	100.0%	Low	Active

STRATEGY – Tier 3

The strategy targets cash plus returns and is invested in a series of funds. It is made up of the following funds in the allocations as below:

Name	Objective	Allocation	Risk Profile	Active/Passive investment
L&G Cash	To perform in line with 7 Day GBP LIBID, without incurring excessive risk	10.0%	Low	Active
L&G Short Dated Sterling Corporate Bond	To track the total return of the Markit iBoxx Sterling Corporates 1-5 Index	30.0%	Lower	Passive
BlackRock Sterling Corporate Bond 1-5 years	To track the total return of the Markit iBoxx Sterling Non-Gilt 1-5 Index	60.0%	Lower	Passive

STRATEGY – Tier 3 Adjustment based on Time to Wind-up

As the Scheme progresses towards winding-up – with the progress of an application for compensation to the FCF being an important consideration as to the timescales – the strategy in Tier 3 will be adjusted as below:

Name	% Allocation based on estimated Years to Scheme Wind-up				
	1.0 yrs	1.5 yrs	2.0 yrs	2.5 yrs	3.0+ yrs
L&G Cash	100%	77.50%	55.00%	32.50%	10.00%
L&G Short Dated Sterling Corporate Bond	0%	7.43%	14.85%	22.28%	30.00%
BlackRock Sterling Corporate Bond 1-5 years	0%	15.08%	30.15%	45.23%	60.00%

From time to time the Trustee may, after taking appropriate investment advice, postpone the implementation of a Tier 3 Adjustment in response to changes in prevailing market conditions.

CHARGES

The charges are as below:

Name	Fund Manager Charge	Additional Expenses	Mobius Life	Effective total annual fund charge
L&G Cash	0.05%	0.00%	0.04%	0.09%
L&G Short Dated Sterling Corporate Bond	0.14%	0.0216%	0.04%	0.2016%
BlackRock Sterling Corporate Bond 1-5 years	0.04%	0.0149%	0.04%	0.0949%

Appendix B

The Scheme owns a series of unorthodox investments, as described listed below.

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

The scheme purchased nine corporate loan notes. GPG purported to specialise in the purchasing of derelict and listed German property. The property was then to be sold off to plan to German investors who benefit from a specific German tax advantage that allow for the recovery of renovation costs through tax allowances when purchasing a listed building.

Payments from the nine GPG corporate loan notes were 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 any of the loan notes.

In late 2019 GPG announced that they had engaged a restructuring/liquidation agent (BBL), based in Germany. Dalriada had a call with BBL in March 2021, following which Dalriada submitted a written report and supporting documents detailing Dalriada's creditor position within the liquidation proceedings. Dalriada received a letter in June 2021 from BBL asking them to formally file their claim, which was submitted. The liquidation of GPG is ongoing and Dalriada remains in contact with BBL in relation to the claim.

It remains unclear what returns may be made to the Scheme and the timescales for the liquidation are uncertain, due to the significant size and complication of GPG.

London Quantum One Limited

The Scheme purchased 600,000 shares in London Quantum One Limited at a cost of £1 per share. The company held rights to a social media application called VIP Greetings, which purported to provide personalized messages with the use of celebrity endorsement. The rights were valued at £600,000 at the time of purchase, but this value was not verified.

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

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

The Scheme has purportedly invested in 17 car parking spaces in a carpark near Glasgow airport. The investment was offered by Harley Scott Residential Limited ("HRSL") who leased the parking spaces to an investor and then sub leased the parking space back.

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

Following the FCA's finding, HSRL 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 HSRL and a number of discussions have taken place with them regarding aspects of this offer.

HSRL acknowledged the Trustee's decision and advised that these "sales" had not legally completed, meaning title had not transferred to the Scheme. HSRL therefore classified 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 HSRL were to go under) during that time, it is highly likely the Scheme would receive nothing. On 4 July 2019 four of the HSRL companies entered administration and an insolvency practitioner was appointed. Having sought repayment from HSRL by 8 August 2019 the Trustee was referred by HSRL to the insolvency practitioner.

The trustee wrote to the insolvency practitioner and the Trustee's interest was noted under the "buy back" option. The option of a refund was not at that stage offered and, so, the only other option for the Scheme was the Lifetime Leaseback scheme, which was not attractive.

Rental income of £54,400 was received in two instalments in February 2015 and February 2016 respectively. Further information was set out in the Trustee's May 2018 Announcement. This meant that the Trustee's claim was reduced from £340,000 to £285,600.

The insolvency practitioner proposed a Company Voluntary Arrangement ("CVA") which is a statutory procedure to assist in the rescue of a company in financial difficulties. A CVA is, effectively, a contract between a company and its creditors to come to an agreed financial settlement. Under the "buy back" option the proposal would result in cash payments being made available to the Scheme in return for handing back their parking space investments.

Having sought advice the Trustee was advised to vote through the CVA proposal. Given the number of other creditors and the relative value of the Scheme's claim, the Scheme would not have a significant sway on the outcome. Ultimately a vote 'for' the CVA passed. The Scheme has since received further rental income of £9,073 in the Scheme year ended 30 April 2022 and £28,560 in the Scheme year ended 30 April 2023.

A further, final dividend payment is due to be paid by October 2024, as detailed within the terms of the CVA. In December 2023 Dalriada was informed by the insolvency practitioner that an equalising dividend had been planned to be paid in December 2023, however payments have been delayed due to a potential liability to HMRC that only recently has come to the attention of the practitioner, in respect of a VAT assessment amounting to c£12m. This now raises the prospect of further VAT assessments being raised with a potential global liability of c£50m – c£60m across all of the CVA Companies.

It's anticipated that this matter will require significant resource and the insolvency practitioners have instructed a team of professionals to undertake the necessary analysis in the regard. Should this be found to be a valid, it would have a detrimental effect on the quantum of dividends available and subsequently no payments can at this time be or are envisaged to be made whilst this analysis is being undertaken.

In September 2024, Dalriada received a proposal from the insolvency practitioner to extend the period of the CVA by 3 years to October 2027 thus allowing time to challenge the HMRC claim. The success of the proposal will be determined by the outcome of the creditors vote which will close on 2 October 2024.

Colonial Capital Group Plc

The Scheme invested in a corporate bond with Colonial Capital Group Plc, who purport to operate in the distressed US social housing market.

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 is of the view that any pursuit would not represent appropriate use of Scheme funds, so it has written the value of this investment down to zero.

The Reforestation Group Limited

The purported nature of this investment was that the Scheme purchased 'and rights' to 21 plots of Brazilian farmland that us 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.

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 that 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.

Through Dalriada's legal advisers, the Reforestation Group advised that they had been accepted for funding and that this would result in the repayment of the sums owed to the Scheme. Despite a suggested completion in December 2019, Dalriada have received nothing by way of payment into the Scheme. Dalriada continues to pursue the Reforestation Group and will now consider whether any legal action should now be taken to recover the monies.

Best Asset Management Ltd – Car Parks

This unregulated investment consisted of a "lease" on 7 car parking spaces in a new office development in Dubai.

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. After a lengthy delay, the Liquidator has advised that a judgement was obtained in November 2022 and that this has now been moved to the execution courts in the UAE who are responsible for the collection of obtained judgements against entities. New solicitors have now been instructed by the Liquidator to ensure that the matter is progressed as efficiently as possible.

Despite anticipating that recoveries would be made by Q3 2023, no recovery has yet been made.

Best Asset Management Ltd – ABC Corporate Bonds

The investment consisted of eleven Bonds over three different series.

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.

Best has entered administration on 6 December 2019. Dalriada has submitted a 'Proof of debt' to the administrators.

The Scheme invested in a collection of unregulated, high-risk investments and the purported investments made by the previous trustee(s) were not made acting upon the recommendation of any appropriately qualified advisor.

Whilst work has concluded on many of the investments, Dalriada continues to pursue those which are outstanding. However, obtaining cooperation from some of the entities involved is difficult, so it is currently unclear as to what value, if any, will be returned to the Scheme from these purported investments in due course.