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Email Only:

Mr Simon Crook
Shire Consulting Limited
The Chapel,
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Worcestershire
B61 0S

29 September 2008

Dear Simon,

Self Administered Scheme Services

Many thanks for your time last week and I set out below a summary of the main points which we discussed.

The pension scheme's assets consist of loans, property and cash on deposit. The pension scheme loans have been substantially used by the Company for property investment; given that the investments are residential and the Company does not have as its business residential trading, then those loans will need to be redeemed.

Of the options discussed, you advised that the sale of the properties will give the Company sufficient cash to meet its obligations to the pension scheme. I pointed out at the meeting that any pension loans made after 6th April 2006 must have interest and capital payments repaid in equal instalments over the term of the loan. If the loans were not repaid on such terms there could be tax consequences on the scheme. I recommended at the meeting that on sight of the loan agreements, I would review the loan agreements.

We discussed the issue of raising cash from the pension scheme and one area which is worth exploring further is the purchase of the off-plan units in Cape Verde by the SSAS. Cape Verde is unlikely to recognise the nature of a trust; however if the SSAS acquired those assets by using cash held in the pension scheme bank account, then those units would be held by you and the other nominated individuals acting as Trustees of the pension scheme.

The units would be disposed of by the SSAS once substantial works were completed to avoid them becoming taxable on the pension scheme. We would need to look at the tax implications on the pension scheme if such a route were to be pursued. In order that I may advise further, I will require details of the properties and a current (approximate) valuation.

I confirm that the pension scheme's assets are unallocated in the accounts and as such this gives the trustees considerable flexibility regarding how to pay benefits. I would prefer to avoid crystallising the funds to pay out a cash lump sum as this changes the rules regarding how death benefits are treated and the tax consequences applying. I will advise you further once I have reviewed the scheme.

To proceed, we will need a letter of authority from the Company allowing us information regarding the scheme from the outgoing trustees. We will also require a copy of the most recent pension scheme accounts and trust deed & rules.

I will also require a schedule of the loans to date, together with the amounts outstanding. If you do not have this information we can obtain this on your behalf from the outgoing trustees, although they may take some time to produce this information and may charge for this. Once I have this data, we will prepare the deeds and documentation for signing by the continuing trustees.

Finally, please also advise which address you would like pension scheme correspondence to be sent to.

If you have any questions regarding this please do not hesitate to get in touch.

Kind regards

Yours sincerely

Gavin McCloskey
For Pension Practitioner .Com