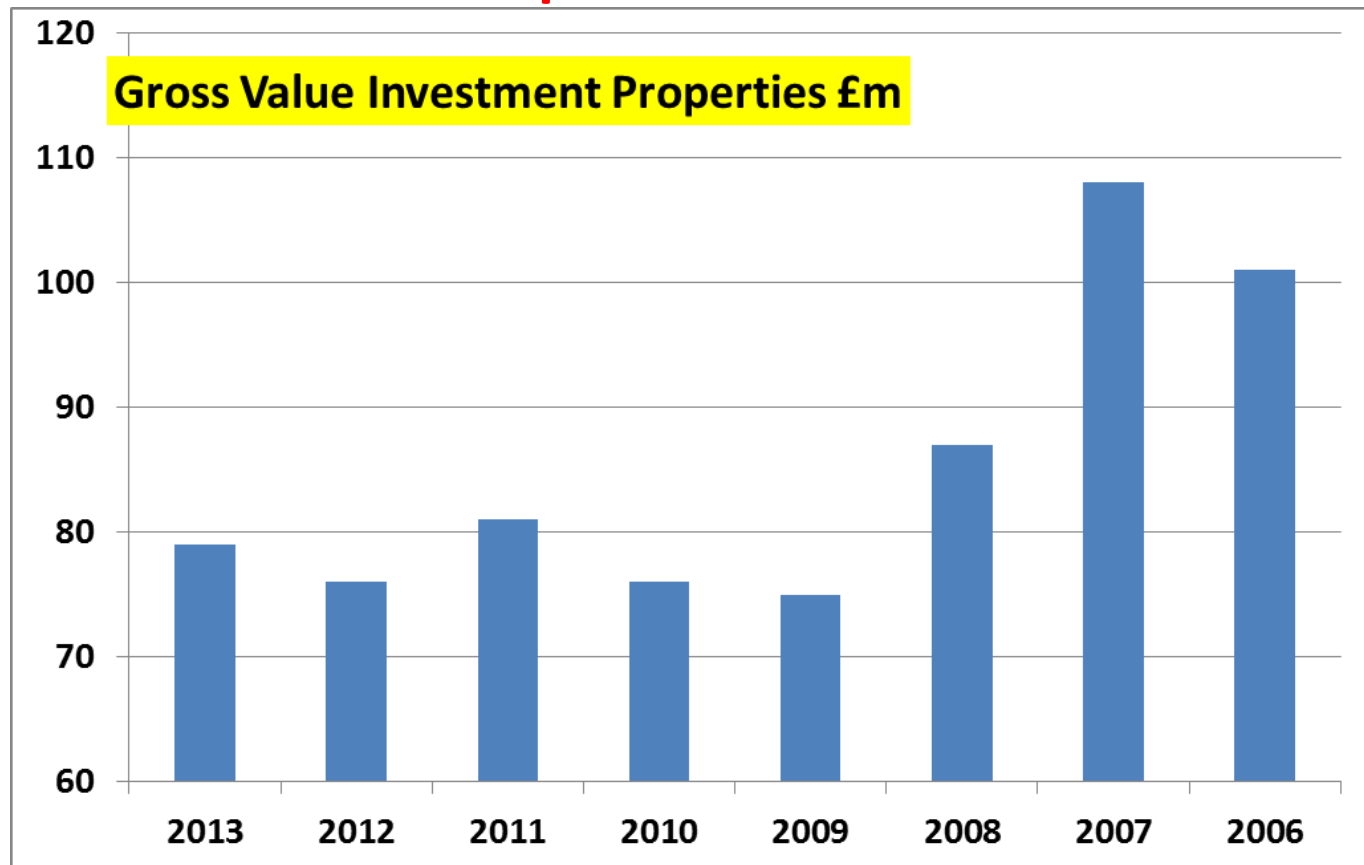


Asset Investment Strategy

How secure is the commercial property market?

- Need is for a reliable income
- Must be net income
 - **After interest, management and maintenance costs**
- What lessons does history provide?

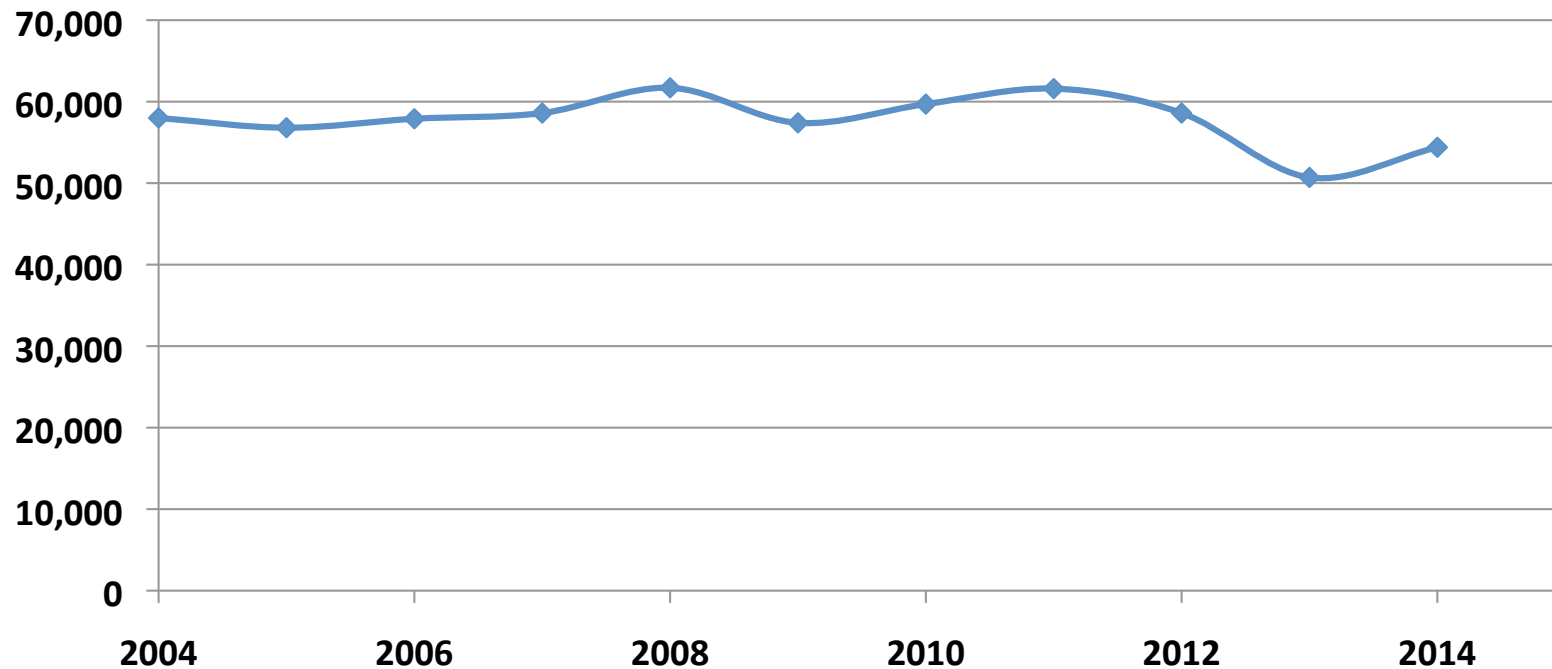
Commercial Properties Market Valuation



Source: University of Surrey Annual Financial Statements

Market valuation reflects yield from rents, leases, etc
No recovery in market since 2007 (despite ~£10 m additional investment)
Indicates there is no shortage of commercial property

Employee Jobs in Guildford



Includes part time jobs

No growth in employee numbers – no increase in demand for office space

Possible start (March 2014) to slow recovery – but may be part time

CLS Holdings Share Price – FTSE All Share



Profit/Loss

2007 - £72.6 million loss

2008 - £142.2 million loss

2009 – £18.5 million profit

2012 – £37.7 million profit

2013 – £56.1 million

2013 - £71.4 million profit

High Risk Business

Variable returns

High capital demands

Where is risk analysis?

Would GBC pension trustees make this investment?

Investment in Commercial Offices

Will this strategy.....

- support new businesses to stimulate growth and employment opportunities

NO

- secure investment in the town to improve retail and heritage

NO

- work with partners to regenerate key sites in Guildford town centre

NO

- work with partners to regenerate the Slyfield area,.....

NO

- ensure our property asset portfolio is fit for purpose

NO

- increase the proportion of total income from commercial services

ONLY IN GOOD YEARS

Asset Investment Strategy

High Risk Strategy – but documents inadequate

- No options analysis
- No comprehensive risk analysis
- No professional advice
- No detailed business case
- No detailed review of property net yields
- No review of actual GBC economy

You should not endorse this strategy