



Welsh Government

Peer Review – RIFW Asset

Portfolio Disposal

8 August 2013



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For the
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Direct: [REDACTED]
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8 August 2013

Dear Sirs

Peer Review – et Portfolio Disposal Process

In accordance with the terms of our engagement letter dated 28 February 2013 we enclose our Report in respect of the Peer Review. We draw your attention to the engagement letter in which we set out the scope of our work, sources of information and the limitations of the work undertaken.

RIFW Ass

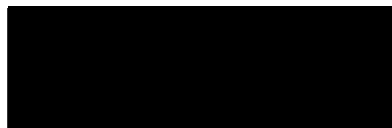
This report is confidential to the addressee and prepared solely for the purpose set out in our engagement letter. You should not refer to or use our name or for any other purpose in which we have provided our report for any purpose whatsoever and we accept no duty of care or liability to any other party who is shown or gains access to this report.

We look forward to relying on the contents of the report further with you.

the report
/. No other
access to this

Yours faithfully

to discuss



Deloitte LLP

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This report is a commercially sensitive and confidential document for the sole use of Welsh Government. The contents of this report are strictly private and confidential and should not be disclosed to any third party without our prior written consent. In any event, please note that we consider this report to be exempt from disclosure under the Freedom of Information Act 2000.

Introduction

Instructions

We were instructed to undertake a Peer Review of the disposal of 18 assets undertaken on behalf of the Regional Investment Fund for Wales (RIFW) in June 2011, approved in January 2012.

Specifically within the Review you asked us to consider the following:

1. The establishment and delivery of an Asset Realisation Plan as part of the Fund's Business Plan to secure best value for money for the public sector;
2. a review of the marketing strategy and its effectiveness in securing maximum sale receipts in the context of the Business Plan;
3. a review of the development status of the land parcels within the Fund and whether actual/ potential changes were reflected in the disposal;
4. the quality of related professional advice provided to the Board; and
5. whether, in all the circumstances, best value was achieved.

A copy of the Scope of our engagement dated 28 February 2013 and our terms of engagement are included at Appendix A.

The Welsh Government has made it clear there is no predisposed view as to whether the sale was or was not carried out

appropriately, and it is seeking this commission in the public interest due to the novelty of the RIFW structure.

The parties identified as involved in the transaction are as follows:

- Amber Fund Management Limited – fund managers to RIFW
- Lambert Smith Hampton – investment managers to RIFW
- South Wales Land Developments Limited – the purchaser
- Stan Thomas – an individual possibly connected with the above purchaser.

We confirm we have no conflict with regard to this engagement.

Limitations

This report should be read in conjunction with our terms and conditions document attached at Appendix A and Terms of Engagement letter.

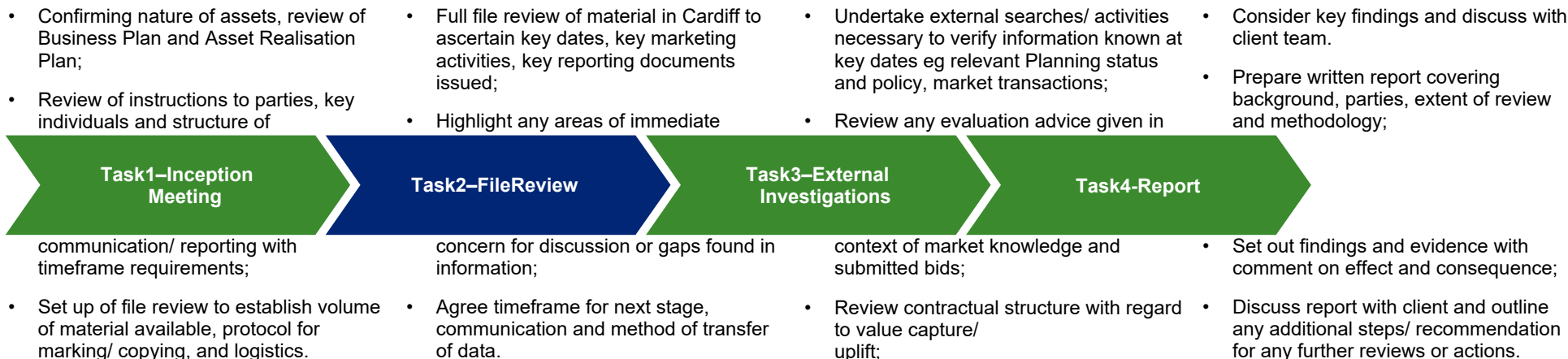
This review is not a full forensic investigation of matters surrounding the disposal and we have not been asked to comment on related parties, nor actions subsequent to the disposal either with regard to Planning, disposals, value, or related party matters.

We have not seen the full extent of documentation regarding the disposal process and therefore it may be that there is additional information which, if reviewed, would cause us to change the comments and/ or findings herein.

Methodology

Key Steps

The steps below outline the four key tasks agreed as the stages of our Peer Review.



Methodology

Information Available

At the inception meeting, no information was provided.

We were subsequently sent a CD-ROM of information, containing approximately 180 documents regarding Board papers and Minutes.

We were advised there were boxes of information held in the WAO offices, and we made an appointment to review this information. It quickly became apparent that the information was either historic relating to the properties, eg old Planning information dating back through the 2000s, or was relating to the set up of RIFW before the disposal of the assets was taking place.

Although we noted the general contents of these boxes, we did not read the material in great detail.

Subsequently, additional data was transferred to us with regard to the disposal, comprising around an additional 30 documents on information relating to the portfolio offer.

Subsequently, another approximately 15 documents were forwarded to us relating to the period between April and June 2011 when the recommendations were taking place and email was being used to circulate information.

By email dated 7 March 2013 we asked to see all correspondence relating to the Disposal to comprise:

1. All correspondence within and between Amber, LSH, and RIFW itself with regard to the disposal;

2. All correspondence between Amber, LSH, RIFW and external parties in respect of the property disposal. We would expect this to include documents relating to:
- marketing particulars
 - advertising
 - conversations/ correspondence with third parties as potential purchasers
 - offers received
 - due diligence carried out on potential purchasers
 - any heads of terms drawn up
 - continued negotiations between the Fund/ FM/ IM as agent and proposed purchasers
 - ongoing Planning reviews □ the final transaction document.

We have since been provided with four additional sets of information:

- electronic data transferred by USB (18 March)
- paper copies of mostly emails (10 April) □ a CD containing further electronic data (24 April), and □ A CD containing further electronic data (2 August).

We understand from the Fund Manager that there are numerous additional emails relating to RIFW that have not been disclosed.

You have however asked us to report our findings to date, and therefore we set out our observations and comment in the pages that follow.

A list of key documents from which we have drawn our observations pertinent to this Review and in the preparation of this report is included in Appendix B.

What was the Investment Manager engaged to do?

Excerpt from the Investment Management Agreement dated 14 December 2010

With regard to disposing of the assets:

1. **Management of Direct Asset Holdings**
 - 1.1 Carry out general asset management to include, but not limited to: site security; general maintenance; insurance; rent and service charge collection.
 - 1.2 In liaison with the Fund Manager prepare an Asset Realisation Plan ("ARP") to be included in the Fund's Annual Business Plan for submission to and approval by the Board. The ARP will take account of the cash requirements of the Fund, identify value enhancement potential at a portfolio level and through planning consents; and, include a detailed budget for costs associated with implementing the plan.
 - 1.3 Thereafter managing the implementation of the plan in respect of each asset to include but not limited to: resolving technical issues relating to ground conditions (eg contamination), seeking services/utilities improvements/upgrades, and highway improvements, liaising with Local Authority Planning Departments; submission of planning applications; negotiating Section 106 agreements; preparation of site information packs for marketing; marketing and sale of assets in accordance with the objectives of the Fund and all Statutory obligations on the Welsh Assembly Government which apply to the transferred assets.
 - 1.4 Preparation of asset specific business plans to be reviewed every six months in the context of the overall Asset Realisation Plan. The plans are to include:
 - 1.4.1 Summary information on each of the assets;
 - 1.4.2 Value enhancement plan;
 - 1.4.3 Exit optimisation strategy;
 - 1.4.4 Resource management; and
 - 1.4.5 Financial reporting, to include detailed forecast cash flows in respect of each individual asset
 - 1.5 Co-ordinate the activities of technical consultants, agents and lawyers representing the Fund in the management, improvement and disposal of the assets.

Prepare an Asset Realisation Plan to "take account of the cash requirements of the Fund, identify value enhancement potential at a portfolio level and through Planning consents;".

W

ith regard to marketing activities:

"... preparation of site information packs for marketing; marketing and sale of assets in accordance with the objectives of the Fund and all Statutory obligations on the Welsh Assembly Government which apply to the transferred assets."

W

ith regard to ongoing review:

"Preparation of asset specific business plans to be reviewed every six months in the context of the overall Asset Realisation Plan."

Regulatory Framework

Key Legislation

As members of the RICS and acting as selling agents, there are various legislative requirements which should have been had regard to when disposing of the RIFW assets.

In particular, acting for the public sector, the transparency surrounding the process, acting with integrity, treating all parties equally and fairly, securing best value and providing clear recommendation reports are common threads required through both professional legislation, institutional requirements, and client reporting procedures.

For the purpose of responding to the questions asked, we have had regard to the legislation or regulatory requirements that cover the key aspects of commercial real estate agency, and it is those which are concentrated on in this report.

We have not for the purpose of this report covered issues such as health & safety issues eg when making inspections or during viewings; environmental legislation, advertising legislation; provision of EPCs; financial reporting or accountancy issues specific to RIFW; handling of client monies; auction regulations; requirements on disposals for charities, data protection; the RICS Code of Measuring Practice.

We have also not considered OJEU legislation or procedures for this disposal given that as far as we can ascertain from the documents seen, there was no intention to procure works contracts in respect of any of the assets, and there was a clear intention to dispose of freehold assets and re-invest the funds raised into the investment programme. You have however specifically requested that we consider the OJEC document No C 209/3 (Appendix C) and we comment on this later.

For the avoidance of doubt, we confirm we have not carried out formal valuations of the properties. We have not inspected the sites, nor carried out independent market research at this stage by speaking to local agents due to the sensitivities of this Review.

Whilst we have used reasonable endeavours to review information provided to us and provide a robust Peer Review within the scope of the engagement, the volume of documents provided, its provision in various stages and formats to include emails across a protracted disposal amongst additional information relating to the wider RIFW business of investment (which is outside the scope of the Review), have rendered it difficult to clearly piece together the various roles, responsibilities and advice provided. We cannot therefore guarantee that there are no other key documents to which we have not referred which might evidence a particular point. We have however responded to all the Key Questions which formed the scope of this Review.

We are aware that a separate Peer Review of the governance of RIFW, which is beyond the remit of this report, has been carried out. We have therefore not commented on Board make up or structure, Board Meetings, reporting procedures, the decision making process of the Board, nor the keeping of records/ filing/ administration.

Suffice to say however that as advisors, and for the purpose of this review of the Disposal, LSH should have known the procedures it needed to follow, the decision making and/ or approvals process of its client, and the parameters within which it was able to act (eg not needing to report offers above a certain pre-agreed level) or which would need further instruction.

Regulatory Framework (continued)

Key Legislation

The key legislation or regulations that we have therefore had regard to are set out below:

Legislation	Interpretation
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Estate Agents Act 1979	<p>Applies to ‘disposing of an interest in land’ and applies to all types of property and undeveloped land to include agricultural, commercial, residential, recreational, public, etc. The key principles are:</p> <ul style="list-style-type: none"> • honesty and accuracy • clarity as to the terms of the agency agreement and liability for costs • openness regarding personal interests and gain, and transparency in dealing • the absence of discrimination • the legal obligation to tell the client about offers received, and • keeping client’s money separate.
Property Misdescriptions Act 1991	<p>Applies to statements made in the course of estate agency, and applies to all types of property as above. It is a criminal offence to make a false or misleading statement about a prescribed matter in the course of an estate agency business or a property development business. Prescribed matters include physical features such as location, amenities, accommodation, floor areas, condition; compliance with regulations, design standard or the like; length of marketing and price; legal matters such as title, occupational leases, covenants and statutory restrictions.</p>
Misrepresentation Act 1967	<p>Very similar to the above and covers misrepresentations ie a false statement of law or fact made by a party or its agent that induces another party to enter into a contract.</p>
RICS Rules of Conduct for Firms	<p>Rule 3 – a firm shall at all times act with integrity and avoid conflicts of interest or actions and situations that are inconsistent with its professional obligations. Specifically with regard to conflicts of interest, you should:</p> <ul style="list-style-type: none"> • disclose to your client at the earliest opportunity the possibility and nature of the conflict, circumstances surrounding it and other relevant facts: • advise your client in writing to seek independent advice on the conflict: • inform your client in writing either that yourself or your firm are not prepared to act for the client unless: • the client specifically requests you to do so unconditionally, or: • specified conditions are put in place that the client has approved in writing and that are acceptable to you.

Key Considerations

Key Questions we said we would ask

Planning history

What was the appropriate information with regard to Planning history?

What was the status of the local Planning policy?

Were there any outstanding Planning applications?

Were discussions held with the Planning Authority?

Planning potential

Did any of the properties have (re)development potential?

Was this short, medium or long-term?

Was the potential uplift explored with the vendor?

Was the opportunity to secure Planning permission in advance of disposal discussed?

Client reporting

How was any potential uplift to be dealt with as part of a transaction?

Were appropriate regulations/ best practice followed?

Disposal strategy

Was the strategy appropriate to meet the Asset Realisation Plan/ Business Plan objectives?

Was it appropriate to treat with a number of properties together in one transaction?

Was appropriate advice given regarding potential receipts?

Marketing activities

Were the marketing activities appropriate to the level and scale of property and expected buyers?

Was the process transparent, fair and carried out in accordance with appropriate regulations?

Were bidders given appropriate information?

What level of due diligence was carried out on potential purchasers?

Client reporting

How were bids reported and evaluated?

How were Heads of Terms structured and solicitors appointed?

What protection was afforded to the vendor in relation to best value?

What reports were prepared and when, and were they of appropriate quality?

Were appropriate regulations/ best practice followed?

The Assets

The portfolio of assets that LSH was instructed to sell is as follows:

Address	Description	King Sturge Market Value 1 Oct 09	King Sturge Transfer Value (exc hope)	LSH ARP Realisation Value Jan 11	LSH ARP Realisation Value Mar 11
1 Imperial House & Imperial Courtyard Imperial Way Imperial Park, Newport	existing buildings and c1a development site.	£5,200,000	£5,200,000	£5,200,000	£4,000,000
2 Church House Farm, Lisvane, Cardiff Maerdy Farm, Lisvane, Cardiff Llwynypia Farm, Lisvane, Cardiff	3 farms subject to farm business tenancies and agricultural tenancies	£6,100,000	£1,835,000	£2,500,000	£1,835,000*
3 Site 6, Ash Road South Wrexham Ind Estate, Wrexham	employment development site 16.5a.	£390,000	£390,000	£600,000	£600,000
4 Land at Llantrisant Business Park Llantrisant	allocated and serviced employment development site 4.37a	£330,000	£330,000	£330,000	£200,000
5 Upper House Farm Porthkerry Road Rhoose, Vale of Glamorgan	bungalow and adjoining agricultural land, subject to farm tenancies	£2,700,000	£2,700,000	£5,000,000	£3,000,000
6 Land at Cogan Hall Farm Dinas Road Penarth, Vale of Glamorgan	community use site, facilitation strip and POS	████████	████████	████████	████████
7 Land at Garth Park Talbot Green, Rhonda Valley	possible development site, but potential green wedge allocation, 18 a	████████	████████████████████	████████	████████
8 Former Goetre Uchaf Farm Penrhos Road Penrhosgarnedd Bangor, Gwynedd	detached former farmhouse and 33.7a agricultural land	£1,500,000	£1,500,000	£3,000,000	£3,000,000

9	Ty Mawr Llanfairpwllgwyngyll Anglesey	site of former hotel, demolished, 2.63a	£150,000	£150,000	£200,000	£200,000
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* There are two different RV figures for Lisvane in the approved ARP (£2.5m and £1.835m)

The Assets (continued)

The Portfolio

	Address	Description	King Sturge Market Value 1 Oct 09	King Sturge Transfer Value (exc hope)	LSH ARP Realisation Value Jan 11	LSH ARP Realisation Value Mar 11
10	Ty Draw Farm Pyle, Bridgend	undeveloped agricultural site, 15a allocated as special employment site ie high-tech etc	£450,000	£100,000	£100,000	£100,000
11	Former Mayhew Food site Aberdare, Cynon Valley	2 sites of demolished factory, hardstanding in situ, 6.89a	£300,000	£300,000	£300,000	£300,000
12	Anchor Way Penarth	site under roadway, possible ransom for residential site, 0.297a				
13	Land at Wonastow Road Monmouth, Wye Valley	agricultural site of 67a with allocated employment on 16.14a, proposed candidate site for mixed use development	£990,000	£990,000	£1,500,000	£1,500,000
14	land at Towyn Way East Towyn, Conwy	2 agricultural sites with previous residential pp, 25.7a	£735,000	£155,000	£155,000	£155,000
15	Pen y Bryn site St Asaph, Denbigh	agricultural site of 35.2a, no allocation and rejected from proposed UDP	£700,000	£230,000	£230,000	£230,000
16	Land off St George Road Abergele, Conwy	agricultural land of 11a, subject to farm business tenancy	£175,000	£90,000	£150,000	£150,000
17	Waenfynydd Farm Narrow Lane Llandudno Junction, Conwy	detached farmhouse, bungalow and land of 5.7a	£520,000	£520,000	£1,000,000	£1,000,000

18	Land at Brackla Industrial Estate Bridgend	development site of 123a	£5,500,000	£5,500,000	£7,500,000	£7,500,000
Total						

Disposal Strategy - 1

Was the Asset Realisation Plan appropriate to meet the Business Plan?

? Key items/ dates	Document/ Event	Observations
31 January 2011	<p>The Investment Manager's Report to the Board discusses the working draft asset specific business plans (ASBPs).</p> <p>Transfer values are "as provided by the King Sturge valuation prior to appointment" "Realisation values and costs are as estimated by LSH during the tender process".</p> <p>It states "Once the ARP is approved following the April Board meeting, the FM and IM will have authority to incur costs and dispose of assets without further Board approval, as long as actions and levels of expenditure are in line with that set out in the approved plan. In the interim approval is needed for asset related costs and disposals."</p> <p>Imperial House: approval is sought for costs to undertake due diligence work prior to asset transfer.</p> <p>Lisvane: approval is sought to instruct legal advisors to review consortium arrangements and ideally put in place a formal consortium agreement once liabilities and opportunities are understood.</p> <p>Cogan Hall Farm: an offer has been received and the IM has entered into negotiations. "A separate paper may be submitted to the board to seek approval authority to dispose of this asset. This will include an options analysis to support the recommendation."</p>	<p>The Realisation Values were stated to have been provided by LSH and should therefore reflect LSH's opinion of what would be achieved on the open market.</p> <p>The Investment Manager's Report and the Minutes of the Board Meeting at which this document was discussed make no mention of consideration of a portfolio disposal.</p> <p>There is no mention as to whether marketing a number of properties in one year will be either beneficial and attract special interest or conversely seen as 'flooding' the market.</p> <p>Approval of the ARP will provide authority to LSH to dispose of the assets in accordance with the Plan without further approval.</p> <p>Detail of the consortium arrangement for Lisvane is not included.</p>

<p>Undated ARP Update</p> <p>Assumed to be the draft version submitted to the Board on 31 January 2011</p>	<p>Comprises one A4 schedule of the 18 assets in one table showing individual Transfer Values, Realisation Prices, Costs, Realisation Dates (Year and Quarter).</p> <p>Two additional tables show the Sales and Costs spread across four years 2010-2013.</p> <p>1 asset (Cogan Hall Farm) is marked for disposal during 2010 with receipt in 2011. 9 assets are marked for full disposal during 2011. 2 assets are marked for phased disposal, first phase in 2011. 4 assets are marked for disposal in 2012. 2 assets are marked for disposal in 2013</p> <p>A plan showing the 18 asset locations is included.</p> <p>Each asset then has an ASBP giving the Transfer Value, Realisation Value, and Realisation Date, with a Description, Issues, Opportunities, Strategy, and Update.</p> <p>9 assets have had marketing particulars prepared for Fund Manager approval (Wrexham, Llantrisant Business Park, Cogan Hall Farm, Garth Park, Pyle, Aberdare, Anchor Way, Towyn, and St Asaph).</p> <p>Aggregate receipts total £28.425m.</p>	<p>There is no mention of market conditions in the ASBPs other than on Imperial House where it is noted under Issues that there is “limited demand and poor take up levels in Newport”, and on Wrexham where under Issues it is identified that this is a “large site with limited appeal to a single purchaser” and that “speculative development in this area considered unviable”.</p> <p>It is not clear how the Realisation Value has been arrived at or what it represents. For example Asset 5 (Upper House Farm, Rhoose) has a Realisation Date of Q4 2011 but the Strategy states “adopt a short term promotion ... to develop a Planning consent for residential purposes which will allow a subsequent sale”. No advice is given as to whether this could all be achieved during 2011. Transfer Value was £2.7m but Realisation Value is £5m, stating also “current value reflects agricultural use” but it is not clear whether this means the £5m will be after Planning consent has been secured.</p> <p>It is not clear by how much the “third party ransom issues” referenced under Issues affect the £5m, or whether these have been taken into account. It is not clear whether the £5m is inclusive of s106 costs which are referenced under Issues as “financially onerous”. Costs are stated to be £15,000. It is not clear whether this refers to costs of promotion, costs of securing Planning consent, costs of disposal, or all of these items.</p>
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Disposal Strategy – 1 (continued)

Was the Asset Realisation Plan appropriate to meet the Business Plan?

? Key items/ dates	Document/ Event	Observations
		<p>There is limited mention in individual plans as to timetable for information packs, marketing, likely purchasers, or method of disposal.</p> <p>According to the IM Agreement, the individual ASBPs should include summary information on each of the assets; value enhancement plan; exit optimisation strategy; resource management; and financial reporting to include detailed cashflow forecasts of each individual asset.</p> <p>The actual headings in the ASBPs of Description, Issues, Opportunities, Strategy and Update loosely address the first three requirements but did not at this stage include either resource management or a detailed cashflow for each asset.</p>

<p>28 March 2011</p>	<p>Board papers refer to the Asset Realisation Plan having been distributed by post on 15 March. Section 3 is the Asset Realisation Plan dated March 2011.</p> <p>An Introduction and Summary Recommendations have been included. The Introduction states “consideration of a single portfolio disposal of all 18 assets should not be ruled out to mitigate risks relating to the more complex or less desirable assets”.</p> <p>Individual Asset Specific Business Plans have been updated.</p> <p>Imperial House – a number of risks and issues are discussed and it is stated that the ERV’s with regard to the transfer valuation “are considered too high for the building speciation [sic]”. Costs of refurbishment are now discussed at being over £1m.</p> <p>Lisvane – earlier recommendation to remain a member of the consortium has been amended to say continue to engage on an informal basis in order to protect disposal flexibility.</p> <p>Llantrisant Business Park – employment land allocation has been lost. Options and Opportunities still identifies the possibility of deriving a ransom payment for access to adjoining land, but under Strategy Update it states “we do not consider that any ransom would be achievable”.</p> <p>Rhoose – access to Porthkerry Road is discussed as unlikely to be supported and the ransom issues is unlikely to be removed, an immediate sale is recommended to the adjoining owners or open market.</p> <p>Garth Park – has been reallocated as a Green Wedge.</p>	<p>This version was circulated after the date of the portfolio offer from GST.</p> <p>Reference is now included to a portfolio disposal, although no further additional comment as to what single value this would be expected to achieve, nor how the portfolio would or should be marketed.</p> <p>Individual ASBPs do not include a date nor reference.</p> <p>The Imperial House RV is now revised from £5.2m and split into two, £2m for Imperial House and £2m two years later for Imperial Courtyard. This is considerably different from the earlier document.</p> <p>The Lisvane RV is different between the overarching document and the ASBP (£2.5m in the main body, £1.835m in the ASBP). The ASBP refers to the asset as a series of farmholdings with only agricultural value, yet recommends an immediate sale to reflect an element of hope value with overage should be pursued.</p> <p>Llantrisant – RV has been revised from £330,000 to £200,000 due to the loss of employment allocation.</p> <p>The Rhoose ASBP is confusing. It discusses both the potential for alternative access from Porthkerry Road but also that the Council is resisting this option. The RV has been amended from £5m to £3m stating “current value reflects UPD [sic] housing allocation on the basis that the site forms part of a comprehensive development”. It further states allocation in the UDP suggests higher future land uses.</p> <p>Garth Park has been prioritised for immediate disposal via auction and its RV has been revised from [REDACTED] to [REDACTED].</p>
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Disposal Strategy – 1 (continued)

Was the Asset Realisation Plan appropriate to meet the Business Plan?

? Key items/ dates	Document/ Event	Observations
	<p>12 assets are to be sold during 2011; receipts total £9.02m. The other 6 assets are to be sold during 2012; receipts total £11.915m. Two later phases provide an additional £4m of receipts. Aggregate receipts total £24.935m.</p>	<p>Wrexham Industrial Estate has an unchanged RV of £600,000. Under Options/ Opportunities it states “auction to test the market with a reserve price of £390,000 but unlikely to sell”. Under Strategy Update it states both “should the site, as we would expect, fail to sell” but also “this type of land is well suited to auction and should sell”. This is confusing, and the RV does not relate to the recommended auction reserve.</p>

General Comment

The working draft January ARP gave an aggregate RV of £28.425m but it is not clear what the stated Realisation Values represented.

It was very brief in consideration of the real time likely to be needed to achieve asset disposals, particularly where Planning promotion or permission was being proposed, the potential type of purchasers or how many might be in the market.

It does not reference the impact on the Realisation Values if several assets are marketed at once, or whether the geographical spread has been considered.

There is no discussion as to conditional contracts so in each case it is assumed an unconditional freehold sale was to be achieved. Timing of each asset receipt is simply programmed into specific quarters.

Individual asset plans refer to 'overage' to ensure future uplifts are caught, with no detail as to what or when overage might be or why/ how this might benefit the Fund and its cash requirement if it was beyond the life of the investment programme. At this time the proposed projects for investment were not known, nor therefore was the call for capital expenditure identified.

The March ARP and ASBPs were much fuller with regard to risks and issues. A cashflow for year 1 of the Fund is set out as a Quarterly Budget.

The March aggregated total sales of £24.935m is not discussed in the overarching document, nor that this has been revised downwards from January's £28.425m, nor that there are costs totalling £1.266m presumably to be deducted.

The effect of selling 12 assets by Q4 2011, a maximum 9 months later, is not mentioned. No mention is made of market conditions deteriorating. While the potential for a portfolio transaction is now included in the overarching document, it does not reference the impact on the Realisation Values if marketed together.

This document is circulated after the date of the portfolio offer and is approved at the Board Meeting on 28 March 2011.

Disposal Strategy - 2

Was it appropriate to treat with a number of properties together in one transaction?

Key items/ dates	Description	Observations
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<p>Undated ARP Update</p> <p>Assumed to be the draft version submitted to the Board on 31 January 2011</p>	<p>Comprises one A4 schedule of the 18 assets in one table showing individual Transfer Values, Realisation Prices, Costs, Realisation Dates (Year and Quarter).</p> <p>Two additional tables show the Sales and Costs spread across four years 2010-2013.</p> <p>1 asset (Cogan Hall Farm) is marked for disposal during 2010 with receipt in 2011. 9 assets are marked for full disposal during 2011. 2 assets are marked for phased disposal, first phase in 2011. 4 assets are marked for disposal in 2012. 2 assets are marked for disposal in 2013</p> <p>A plan showing the 18 asset locations is included.</p> <p>Each asset then has an ASBP giving the Transfer Value, Realisation Value, and Realisation Date, with a Description, Issues, Opportunities, Strategy, and Update.</p> <p>9 assets have had marketing particulars prepared for Fund Manager approval (Wrexham, Llantrisant Business Park, Cogan Hall Farm, Garth Park, Pyle, Aberdare, Anchor Way, Towyn, and St Asaph).</p> <p>Aggregate receipts total £28.425m.</p>	<p>In the draft ARP there is no mention of consideration of a portfolio disposal.</p> <p>There is no mention as to whether marketing a number of properties in one year will be either beneficial and attract special interest or conversely seen as 'flooding' the market.</p> <p>The ARP was not approved at this Board Meeting.</p>
<p>28 March 2011</p>	<p>The Board approves the First Business Plan which includes the Section 3: ARP.</p> <p>The Introduction includes the words "consideration of a single portfolio disposal of all 18 assets should not be ruled out to mitigate the risks relating to the more complex or less desirable assets". An offer for the whole portfolio has been received by this point.</p> <p>Section 4 of the ARP gives the procedure for Disposals/ Lettings as:</p> <p>"Where there is a proposed transaction, the [IM] will seek the [FM]'s approval via the submission of a recommendation report that outlines the background to and the justification for the proposed letting or disposal, together with a supporting options appraisal.</p> <p>"This will be evaluated by the RIFW Management Team for approval by the Investment Committee.</p> <p>"Notice of disposals will be provided to the Management Board and approval sought if there is a material departure from the approved Asset Realisation Plan."</p>	<p>This allowed consideration of a single portfolio transaction.</p> <p>Specific marketing as a portfolio was not discussed, nor was the potential difference in transaction value (upwards or downwards) from the aggregated figure included in this ARP.</p>

Disposal Strategy – 2 (continued)

Was it appropriate to treat with a number of properties together in one transaction?

Key items/ dates	Description	Observations
		<p>General Comment</p> <p>Although LSH is appointed in December 2010 effectively it has no mandate to market the properties until an approved ARP is in place.</p> <p>The 28 March Board Meeting approves the ARP.</p> <p>A single transaction was not discussed in the January working draft of the ARP, but appears in the March version post-dating a portfolio offer.</p> <p>There is no record at this stage as to consideration of the portfolio value as a single transaction compared to selling individually.</p>

Disposal Strategy - 3

Was appropriate advice given regarding potential receipts?

Key items/ dates	Description	Observations
31 January 2011	The Investment Manager's Report to the Board discusses the working draft ASBPs.	
Undated ARP Update Assumed to be the draft version submitted to the Board on 31 January 2011	Comprises one A4 schedule of the 18 assets in one table showing individual Transfer Values, Realisation Prices, Costs, Realisation Dates (Year and Quarter). Each asset has an A4 individual plan giving the Transfer Value, Realisation Value, and Realisation Date, with a Description, Issues, Opportunities, Strategy, and Update. Eight examples of ASBP information follow.	This document sets out initial views of Realisation Values by LSH. These were stated to be "as estimated by LSH during the tender process". We understand the tender process referred to was that to appoint the FM/ IM ie during approximately March-July 2010. The Minutes of the 31 January Board Meeting state that "JGG [J Green of LSH] noted he intends to revisit the plan and the numbers again as some detail was out of date".
Imperial House and Imperial Courtyard	Transfer Value £5.2m Realisation Value £5.2m in Q2 2013 Stated opportunities are: <ul style="list-style-type: none"> • Smaller suites at Imperial Courtyard can house tenants of Imperial House through relocation • Imperial House offers a size and configuration suitable for redevelopment to offices • Marketing of Imperial House as a vacant possession redevelopment opportunity • Retain Imperial Courtyard to develop as a standing investment • Offer surplus site for additional development Strategy is to "capitalise on every opportunity, to include development, owner occupation, investor purchase, or tenant occupation followed by an investment sale" and "marketing of the accommodation to be refreshed, capitalising on the lifting of the occupancy restrictions".	No clarity is provided in the ASBP as to what the £5.2m RV represents. It is not clear whether this is an aggregate of individual values, or whether a single purchaser is considered a possibility.

Disposal Strategy – 3 (continued)

Was appropriate advice given regarding potential receipts?

<p>Lisvane, Cardiff</p>	<p>Transfer Value £1.835m Realisation Value £2.5m in Q4 2012</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> continued promotion through LDP to achieve better land use allocation disposal with overage relating to future Planning consent disposal to other consortium members to secure hope value. <p>Strategy is to engage fully with the consortium to promote the asset through the LDP, or immediate sale with overage to ensure claw-back of additional value should promotion be successful.</p> <p>Update refers to WAG being part of the Consortium although no legal agreement was in place, and the Fund Board should decide whether to continue as a member: the IM recommendation “would be that we should, and that we should take advice on the form and content of the proposed agreement”.</p>	<p>No clarity is provided as to what the £2.5m RV represents.</p> <p>If the site was being promoted, it had ‘hope value’, however minimal.</p> <p>The consortium members are not identified and may have been ‘special purchasers’ if outright sale had been offered. This is different from ‘hope value’.</p> <p>The Q4 2012 date suggests the site is to be marketed after representations to the Deposit Plan but before it is submitted to WAG.</p>
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Welsh Government Peer Review - RIFW Asset Portfolio Disposal

Key items/ dates	Description	Observations
<p>Llantrisant Business Park</p>	<p>Transfer Value £330k Realisation Value £330k in Q2 2011</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> Possibility of deriving ransom for access to adjoining land Sale to adjacent landowners as expansion land Potential for quick sale given small lot size <p>Strategy is to prioritise the asset for a quick sale although the neighbouring landowners would be approached regarding the ransom and the strategy might be reappraised.</p>	<p>This site had a previous employment land allocation which at this point had been proposed to be removed although the Inspector’s report on the Local Plan was awaited.</p> <p>The Issues in the ASBP identified the land had little opportunity to achieve change of use.</p>
<p>Upper House Farm, Rhose</p>	<p>Transfer Value £2.7m Realisation Value £5m in Q4 2011</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> Residential allocation in current UDP suggests future land use values RIFW as majority landowner is in a position to lead negotiations on future representations to the LPA Planning status provides opportunity to crystallise value through submission of a Planning consent [sic] <p>Strategy is for short term promotion to develop a residential Planning permission which will allow a subsequent sale.</p>	<p>A Realisation Date of Q4 2011 suggests a Planning permission should be achievable by this time.</p> <p>It is not clear whether the £5m reflects hope value, as it is considerably above the £2.7m TV, or whether it means after Planning consent has been secured.</p> <p>It is not clear whether the “third party ransom issues” or s106 costs have been taken into account.</p> <p>Costs are stated to be £15,000. It is not clear whether this refers to costs of promotion, costs of securing Planning consent, costs of disposal, or all of these items.</p>
<p>Garth Park,</p>	<p>Transfer Value [REDACTED]</p>	<p>The Local Plan had been through examination at this point and the Inspector’s</p>

Welsh Government Peer Review - RIFW Asset Portfolio Disposal

Disposal Strategy – 3 (continued)

Was appropriate advice given regarding potential receipts?

Talbot Green	<p>Realisation Value ██████ in Q2 2011</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> • Immediate disposal including hope value attached to current land use allocation • Incorporation of overage to secure claw-back should a more favourable Planning outcome be secured <p>Strategy is that short term promotion could achieve a retention of the employment allocation, but to capitalise on the opportunity as a development site under the existing Local Plan.</p>	<p>report was awaited.</p> <p>The opportunity to retain an employment allocation was highly unlikely by this point.</p>
Wenfynydd Farm, Llandudno Junction	<p>Transfer Value £520k Realisation Value £1m in Q4 2012</p> <p>Stated opportunities include securing Planning consent to crystallise development potential</p> <p>Strategy is for immediate sale to developers who should readily identify the potential</p>	<p>The Realisation Value is considerably above the transfer value although the ASBP states that there is no land use allocation.</p> <p>Discussions have taken place with the LPA regarding a mixed use scheme including 40% residential use. A meeting on 27 January is awaited at which an outcome of this approach will be known.</p>

Key items/ dates	Description	Observations
Brackla Industrial Estate, Bridgend	<p>Transfer Value £5.5m Realisation Value £7.5m in 2011-2013</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> • Promotion through the LDP process • Secure mixed use allocation • Phase disposal for maximum receipts <p>Strategy: long term promotion as a mixed use candidate is currently preferred, or an option includes the immediate sale with overage provisions.</p>	<p>Development Brief had been adopted in December 2010 which would now act as SPG. This included an allocation for 300 houses although the ASBP notes that part of this would be used up by the "WAG sale for affordable". We understand this sale referred to related to land adjoining, outside the RIFW portfolio.</p> <p>The £7.5m RV related to the enhanced Planning situation and the adjoining sale.</p> <p>The Strategy notes that it should be relatively straightforward to dispose of this element of the site, although there is a large development to the north.</p>
Wonastow Road, Monmouth	<p>Transfer Value £990k Realisation Value £1.5m in Q4 2012</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> • Promotion of the site through the LDP process • Secure enhanced receipts through development of more valuable land use • Prioritise for immediate sale to generate a substantial capital receipt <p>Strategy: long term promotion as a mixed use candidate is currently preferred, or an option includes the immediate sale with overage provisions.</p>	<p>It is not clear what the £1.5m relates to and how this is arrived at. A sale is programmed for the end of 2012 yet the strategy refers to immediate sale.</p>
March 2011	<p>The ARP is updated and circulated as part of the First Business Plan, to include more detailed individual asset plans. The above eight ASBPs are updated as follows:</p>	

Disposal Strategy – 3 (continued)

Was appropriate advice given regarding potential receipts?

Imperial House and Imperial Courtyard	<p>Realisation Value £4m split as £2m in Q4 2012 and £2m in Q2 2014</p> <p>A number of risks and issues are highlighted.</p> <p>Strategy: continue to empty Imperial House and end the liability for irrecoverable costs, and to retain Imperial Courtyard to develop its income to sell as an investment. The land should be retained and sold at the same time as Imperial Courtyard.</p>	No discussion as to why the RV has fallen considerably since the January 2011 draft ARP.
Lisvane, Cardiff	<p>Realisation Value £1.835m in Q4 2012</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> continued promotion through LDP to achieve better land use allocation disposal with overage relating to future Planning consent disposal to other consortium members or 3rd parties to secure hope value. <p>Strategy: engage on an informal basis with the consortium to protect “disposal flexibility”.</p> <p>Recommendation is for immediate sale to reflect hope value with overage.</p>	The Realisation Value in this document is now the same as the transfer value, but this remains as the January figure of £2.5m in the overall cashflow.

Key items/ dates	Description	Observations
Llantrisant Business Park	<p>Transfer Value £330k Realisation Value £200k in Q4 2011</p> <p>Strategy is to prioritise the asset for a quick sale.</p>	<p>This loss of previous employment land allocation has now been confirmed. This is stated to be why the RV has changed from £330,000 to £200,000.</p> <p>The ransom situation is also no longer considered to be a possibility, although it is not clear whether this has an effect on the RV.</p>
Upper House Farm, Rhoose	<p>Transfer Value £2.7m Realisation Value £3m in Q4 2011</p> <p>The site is no longer recommended to pursue as a stand alone entity given that access from Porthkerry Road is resisted.</p> <p>An immediate sale is therefore recommended to the adjoining owners or the open market.</p>	<p>A Realisation Date of Q4 2011 suggests a Planning permission should be achievable by this time.</p> <p>The £3m is much closer to the £2.7m TV, but it is still not clear how this number has been arrived at or what it represents.</p> <p>The Council has advised it wants to see a comprehensive development and that the landowners should work together to achieve such.</p>
Garth Park, Talbot Green	<p>Transfer Value [REDACTED] Realisation Value [REDACTED] in Q4 2011</p> <p>The Green Wedge allocation has been confirmed, and the site is outside the settlement boundary, has a SINCD designation and partly in a C2 flood risk zone.</p> <p>The recommendation is to dispose of this site immediately via auction.</p>	This site by this time has lost its development potential.

Disposal Strategy – 3 (continued)

Was appropriate advice given regarding potential receipts?

<p>Waenfynydd Farm, Llandudno Junction</p>	<p>Transfer Value £520k Realisation Value £1m in Q4 2012</p> <p>The previous promotion was not successful and the LPA is continuing to suggest a mixed use scheme based on a 30% provision of residential would be appropriate. The updated Planning strategy reports that there is positive feedback from the residential market so the site should be sold by private treaty having let the Planning situation settle and “hopefully allow the market to improve” so LSH would not want to go to the market until Q4 2011/ Q1 2012.</p>	<p>The Realisation Value remains at £1m. It is assumed that this takes into account the potential for a mixed use scheme but it is unclear.</p>
<p>Brackla Industrial Estate, Bridgend</p>	<p>Transfer Value £5.5m Realisation Value £7.5m in 2011-2013</p> <p>Strategy is to continue to promote the site and explore potential for higher land uses on the employment land element of the site, but to consider offers as they arise for disposal of part or the whole, with preference to sell as a whole.</p>	<p>The latest reference to the allocation states that 350 houses is possible.</p> <p>Reference is included to the requirement for legal clarification on restrictive covenants, overage provision and arrangements.</p>

Key items/ dates	Description	Observations
<p>Wonastow Road, Monmouth</p>	<p>Transfer Value £990,000 Realisation Value £1.5m in Q4 2012</p> <p>Stated opportunities are:</p> <ul style="list-style-type: none"> • Promotion of the site through the LDP process • Secure enhanced receipts through development of more valuable land use • Prioritise for immediate sale to generate a substantial capital receipt <p>Strategy is short term promotion to enhance land receipts then sell to adjoining landowners or open market with overage.</p>	<p>It is not clear what the £1.5m relates to and how this is arrived at.</p>

Disposal Strategy – 3 (continued)

Was appropriate advice given regarding potential receipts?

General Comments

The ARP as finalised and approved on 28 March 2011 comprises much more detail on each asset however very little information is given with regard to how the Realisation Values on the large assets were arrived at, or whether they are all based on unconditional transactions.

A number of the ASBPs refer to immediate sale with overage but not how and/ or why overage would benefit the Fund given its investment programme, when those additional overage receipts might be expected to be available (with the exception of the Towyn ASBP wherein there is reference to a 5 year timeframe), and whether the assumption of overage (either by specific number or inclusion of assumed terms) is included within the RV numbers provided.

There are 12 assets programmed in for disposal with receipts during 2011, with a further 8 receipts (including two that are second phases of earlier sales) during 2012. From the Board Meeting note of 31 January it is stated that this release programme is to meet the cash requirements of the Fund. There is no reference within the ARP as to whether this asset release is realistic or not, nor whether there will be an adverse effect due to the number of sites being released, nor whether market conditions are changing.

This document does not discuss what the potential receipts might be if the portfolio was sold as a single transaction despite including it as an option for consideration in the overarching document.

The aggregate of the RVs at £24.935m has been reduced since the January version, so is now below the aggregated King Sturge Market Values (£26.4m), but still in excess of the aggregated transfer values (which were stated as figures without hope value) at £20.65m.

Marketing Activities – 1

Were the marketing activities appropriate to the level and scale of property and expected buyers?

Was the process transparent, fair and carried out in accordance with appropriate regulations?

Were bidders given appropriate information?

Key items/ dates	Description	Observations
14 December 2010 – 21 April 2011	Period following the Investment Manager appointment up to the date of offer from GST (4 March 2011) and then up to first Portfolio Transaction Report dated April 2011.	
January 2011	<p>The draft working ARP refers to draft marketing particulars on 9 assets having been prepared (Wrexham, Llantrisant Business Park, Cogan Hall Farm, Garth Park, Pyle, Aberdare, Anchor Way, Towyn, and St Asaph).</p> <p>Six sets of marketing particulars have been provided, dated January 2011, for Llantrisant Business Park, Cogan Hall Farm, Garth Park, Pyle, Aberdare and Anchor Way.</p> <p>None are marked as draft. All describe the asset in question as freehold, with one referring to a restricted [sic] covenant and a second referring to two tenancies.</p>	<p>The draft particulars were drawn up before LSH had an effective mandate to market the properties and we are not aware that the particulars were ever approved nor therefore used.</p> <p>We have not seen any draft particulars for Wrexham, Towyn or St Asaph, but these properties were ones referenced as suitable for auction disposal in the ASBPs.</p> <p>LSH used the management pro formas in response to queries regarding the assets. It is not clear whether these were sent individually or together.</p>
		<p>No advertisements were used and we have not seen any correspondence giving advice with regard to the necessity of advertising or otherwise.</p> <p>No information packs have been disclosed and we assume were not prepared.</p>
6 April 2011	Email [REDACTED] "In terms of the portfolio having market exposure, this to date has been fairly limited as we hadn't been gifted with a market instruction and so we have simply responded to enquiries ... those who have come forward are by in [sic] large the most active land and property buyers in the local marketplace, so in that regard the exposure has been quite great."	LSH internal view is that exposure to the local marketplace has been quite great, but overall market exposure has been limited.
13 April 2011	Legat Owen emails LSH advising Conygar Investments would be interested in looking at all the sites in North Wales as a single portfolio and requesting a meeting. LSH responds commenting "it is a little premature at this stage as we still have to collate significant amounts of information" but agree to a meeting for wider discussion. A reply email from Legat Owen says "wait to hear from you with dates".	<p>This response is sent before a formal recommendation has been made on the GST offer.</p> <p>GST had not been advised that a portfolio offer was premature, circa five weeks before this.</p>

21 April 2011	<p>the portfolio has been discussed with a number of developers and investors who are active in the market for assets of this nature. These are:</p> <ul style="list-style-type: none"> Redrow Homes Liberty Properties Rightacres Property Group Carlyle Group 	<p>the portfolio has been discussed with a number of prospective purchasers with regard to portfolio discussions, nor emails sent to them attaching the suite of management pro formas.</p> <p>Conygar is not mentioned.</p>
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Marketing Activities – 1 (continued)

Were the marketing activities appropriate to the level and scale of property and expected buyers?

Was the process transparent, fair and carried out in accordance with appropriate regulations?

Were bidders given appropriate information?

Key items/ dates	Description	Observations
5 May 2011	<p>Amber Note on the proposed sale of the Properties to GST. Refers to the Portfolio Transaction Report prepared by LSH.</p> <p>“It should be noted that while no formal marketing of the portfolio has been undertaken, LSH consider that all likely potential purchasers have been informally canvassed by them.”</p>	<p>It is assumed that the PTR referred to is the one dated April 2011, circulated by email on 21 April.</p> <p>The earlier LSH comment regarding holding discussions with a number of developers who form the most likely purchasers has been amended to say that all likely purchasers have been informally canvassed.</p> <p>It is not clear what “informally canvassed” means.</p>

<p>January 2013</p>	<p>14 December 2012 Amber draft Report Appendix 7 LSH Marketing Activity Schedule. Split into two tables of enquiries, South Wales Assets and North Wales Assets.</p> <p>The eight organisations referred to in the Transaction Report as the most likely group of purchasers feature in the schedule and have the following remarks:</p> <p>Redrow – general enquiry following meeting 4 Nov 2010 Liberty – general enquiry following meeting 10 Jan 2011 Rightacres – meeting 28 Jan 2011 following general enquiry Carlyle – initial meeting 9 Feb 2011 with agent acting for Carlyle Greenbanks/ Olympian Homes – specific enquiry relating to part of Brackla Walters – meeting following initial enquiry 24 Feb 2011 Ashfield Land – meeting 4 Mar 2011 after introduction by agent Willmott Dixon – meeting 24 Feb 2011</p> <p>Other names scheduled during January-April 2011 aside from GST are: Persimmon, (Rhoose, Brackla) Bovis (Monmouth, EOI 22 Mar 2011) TRH Invest (Pyle enquiry, offer made later on 20 May 2011) WAG and S and S Supplies (Llantrisant) Redrow (Abergele, Llandudno J, offer made 17 Feb 2011) Watkin Jones (EOI 3 Mar 2011 on Abergele, Llandudno J, Bangor) Mr Cucciniello (offer Cogan Hall Farm 4 Mar 2011) Camplas Technology (offer Brackla (pt) made 14 Apr 2011, accepted, site sold) Fairways Care (N Wales opportunities, Llandudno J (pt) offer made 15 Apr 2011)</p> <p>Easystore, Equity Solutions, Powell Lloyd, Savills are recorded as enquiries in this period.</p> <p>In May, LSH met Harrow Estates and issue the management pro formas. In June PMG Developments expressed tentative interest, and in July the management pro formas were issued to JR Smart.</p>	<p>The Activity Schedule is undated. It is not clear whether this was prepared at the time of the marketing activity, or in December 2012 for the report.</p> <p>South Wales Land Developments Ltd is recorded in the schedule commenting initial interest was from GST. SWLDL was the ultimate purchaser but an SPV was not mentioned until 10 May, and SWLDL itself was not incorporated until much later, so the name cannot have been known at the date of the offer.</p> <p>The Camplas Technology offer reported as made in April states the site was sold. The Brackla (part) sale was imminent in October 2011 and completed by January 2012.</p> <p>In these comments made against the 8 organisations, with the exception of Rightacres, no specific reference is made to portfolio discussions ie disposal as a single transaction.</p> <p>The Olympian Homes/ Greenbanks comment refers to Brackla only.</p> <p>Five of the eight organisations are reported to have had management pro formas issued, assumed to mean these were issued in respect of all 18 assets.</p> <p>The later meetings in May, June and July post-date the comments regarding the most likely group of purchasers, and at least the June and July ones post-date the comment that all likely purchasers have been informally canvassed.</p>
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Marketing Activities – 1 (continued)

Were the marketing activities appropriate to the level and scale of property and expected buyers?

Was the process transparent, fair and carried out in accordance with appropriate regulations?

Were bidders given appropriate information?

Key items/ dates	Description	Observations
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		<p>General Comment</p> <p>The only evidence of marketing material prepared by LSH that we have seen is the set of particulars, reported as draft although not marked as such, on six of the assets. It is assumed these were not approved and it is stated that these were not used.</p> <p>The management pro formas used are understood to be the single sided 'asset summary' sheets, as attached to the April Portfolio Transaction Report. This is the information given to interested parties. The copies we have seen are all undated, with no logo or contact details, no price information nor disclaimers. It is assumed that LSH would have given these with appropriate caveats as preliminary information only, and it is further assumed that this approach was fully supported or at least known about by the Fund Manager and/ or Board. These appear to have only been issued in response to specific meetings/ enquiries. No other information appears to have been given out.</p> <p>No advertising took place. We have not seen any evidence of any mailshots.</p> <p>LSH's internal note of 6 April confirms exposure to the market has been limited.</p> <p>In the 5 May Note, it is stated that LSH consider all likely purchasers have been informally canvassed. This implies there are no other potential portfolio purchasers beyond the identified parties that contacted LSH, or that it had contacted, by that time. Later meetings are however recorded with potentially interested parties, during the period of negotiation with GST and after Heads of Terms are agreed.</p> <p>Three Industry Events referred to as having been used to 'market' the assets or portfolio all post-dated the GST offer, its recommendation, the May Note, agreement of Heads of Terms, and acceptance of the GST offer. These Events were intended to promote the Fund, and in the 22 slide presentation (excluding front cover) only one slide has a bullet point referring to disposal of the assets, amongst other bullet points relating to the FM and IM roles.</p> <p>The Board Minutes for 6 May included that contingency plans were maintained in the event that GST did not complete. This did not necessarily require proactive marketing but none was carried out that we have seen evidence of.</p>
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Marketing Activities - 2

What level of due diligence was carried out on potential purchasers?

Key items/ dates	Description	Observations
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<p>5 March 2011 – 21 April 2011</p>	<p>Period following the GST offer (4 March 2011) up to first Portfolio Transaction Report dated April 2011 (circulated 21 April 2011).</p> <p>4 March 2011 Offer letter identifies purchaser as GST Investments Limited with Sir Stanley Thomas OBE as ultimate beneficial owner [UBO].</p> <p>11 March 2011 Email from [REDACTED] states “need to respond formally to GST ... this is a genuine cash offer ... knowing the individual involved”.</p> <p>15 March 2011 LSH prepares draft Heads of Terms identifying GST as the purchaser.</p> <p>28 March 2011 Investment Managers Report to the Board refers to an offer for the entire asset portfolio by GST Investments Ltd via its agent Barclays Wealth Directors (Guernsey) Ltd. It is stated to be a cash purchase with funds immediately available.</p> <p>Recommendation is that the Board notes the approach and the IM and FM prepare a stand-alone report on the offer for issue to the Board by 4 April for approval of the recommendation of that report by 8 April.</p> <p>28 March 2011 Minutes of the Board Meeting record that JG [REDACTED] left the meeting when the portfolio offer was reported as “he had a conflict of interest as he may be instructed to act for GST Investments Ltd”.</p> <p>30 March 2011 LSH meet Sir Stanley Thomas and Langley [REDACTED] to discuss the sale.</p> <p>April 2011 Portfolio Transaction Report (circulated 21 April 2011) states proposed purchaser is GST Investments Ltd and identifies UBO as Sir Stanley Thomas OBE.</p>	<p>No evidence of due diligence has been produced from this period.</p> <p>There is no evidence of formal checks by LSH at this point that the cash is available. The identity of the individual referred to is not clear.</p> <p>The IM Report identifies GST as purchaser and mentions Barclays Wealth, but does not identify Sir Stanley Thomas OBE.</p> <p>J Geen declared a potential conflict with GST during the Board meeting. On 21 April in email correspondence he also states that he does not want to be involved in meetings or see any financial terms of any offer connected to Sir Stanley Thomas or GST, Rightacres, or Greenbank/ Bellerophon Partnerships.</p> <p>LSH meets Sir Stanley Thomas OBE.</p>
<p>10 May 2011</p>	<p>Email [REDACTED] x to [REDACTED] stating “GST ... will be lending me the money to buy these assets in an SPV. I will be paying 3% over interbank rate for their money”.</p>	<p>The purchaser is now stated will be an SPV.</p>
<p>8 June 2011</p>	<p>Email [REDACTED] responding to a query, states “Morgan Cole is doing some preliminary DD on the Guernsey based GST”</p>	<p>This is the first mention of due diligence on the purchaser.</p>
<p>20 June 2011</p>	<p>Letter from GST confirms a special purpose vehicle will be used by GST.</p>	
		<p>General Comment</p> <p>No evidence has been provided of due diligence carried out on GST before the first Portfolio Transaction Report was submitted. LSH states that Sir Stanley Thomas OBE is the UBO of GST and met him by the time of its April Report. LSH is advised in May and in June that the purchaser will be an SPV but other references to the purchaser throughout this period refer to GST.</p>

Client Reporting - 1

How were bids reported and evaluated?

Key items/ dates	Description	Observations
November 2010 – March 2011	<p>31 January 2011 - the draft ARP references an unconditional offer from Swanbridge for Cogan Hall Farm of £185,000, stating "Reported to Fund Manager"; the IM Report to the Board also references this offer.</p> <p>4 March 2011 – portfolio offer letter from GST Investments Limited.</p> <p>8 March 2011 – email from McCarthy "wanted to get you our initial assessment of where Rightacres would be were we to make a formal offer for the whole portfolio"</p> <p>28 March 2011 – the FM report to the Board states that the First Business Plan was distributed by post on 15 March; the First Business Plan was approved at this meeting.</p> <p>Section 3 was the ARP; it stated ""consideration of a single portfolio disposal of all 18 assets should not be ruled out to mitigate risks relating to the more complex or less desirable assets".</p> <p>The ARP sets out procedures for disposals as the IM shall seek the FM's approval "via the submission of a recommendation report that outlines the background to and the justification for the proposed letting or disposal with a supporting options appraisal. This will be evaluated by the Investment Committee. Notice of disposals will be provided to the Management Board and approval sought if there is a material departure from the approved Asset Realisation Plan".</p> <p>The ARP ASBPs for Abergele and Llandudno Junction refer to a Redrow offer of £150,000 stating "we have recommended ... is rejected as it is nowhere near the joint value".</p> <p>15 March 2011 – LSH drafts Memorandum of Heads of Terms for the GST offer. No overage is included and the transaction is presented as a cash transaction.</p> <p>28 March 2011 – the IM Report to the Board reports the GST offer. Recommendation is that a separate report is prepared by 4 April for approval by 8 April.</p> <p>Within the Asset table the strategy for Cogan Hall Farm is to progress the Swanbridge transaction and hold the remainder to investigate ransom potential.</p> <p>Appendix 1 recommends a proposed letting at Imperial Court to Silver Telecom.</p>	<p>It is understood that the Swanbridge offer for Cogan Hall Farm dated from November 2010, before the LSH appointment. A report to the FM has not been made available but the Board was made aware on 31 January.</p> <p>Forwarded to FM by email 4 March.</p> <p>Forwarded to FM by email 10 March.</p> <p>The LSH Marketing Activity Schedule records offers from Redrow (17 Feb, Abergele, Llandudno J) and Mr Cucciniello (4 March, Cogan Hall Farm, £7,600) by this time. The Cucciniello offer is reported declined, no other reference is made.</p> <p>The Redrow offer is referred to in the ARP ASBPs.</p> <p>Draft Heads sent to FM by email 15 March. FM internal email queries if have WAG [sic] support, asks "overage?", and needs a detailed reasoned paper from LSH to advise if it is the best course of action.</p> <p>No reference is made in the IM Report or the Minutes to the deadline of 28 April.</p> <p>This strategy is not referenced specifically in the Board Minutes but the ARP is approved.</p> <p>The Board Minutes record this recommendation is discussed and approved.</p>

Client Reporting – 1 (continued)

How were bids reported and evaluated?

Key items/ dates	Description	Observations
29 March – 21 April 2011		<p>The LSH Marketing Activity Schedule records offers from Camplas Technology (14 Apr, Brackla (pt)) and Fairways Care (15 Apr, Llandudno J (pt)) during this period.</p> <p>The Camplas offer is stated accepted and the site sold.</p> <p>No further reference is made to Fairways Care.</p> <p>Conygar via Legat Owen enquires regarding a portfolio disposal during this period but is advised it is premature. We have not seen correspondence reporting this to the FM.</p> <p>We have not seen reports of these offers to the FM. There are numerous references in later correspondence to disposal of part of Brackla and in October an Approval is sought for this disposal.</p>
29 March – 21 April 2011	<p>30 March 2011 – [REDACTED] email to [REDACTED] cc [REDACTED] re meeting “this morning”.</p> <ul style="list-style-type: none"> bid was made on a ‘warts and all’ basis and unless something untoward arose from due diligence, would wish to complete as soon as possible; re overage on Monmouth; think there is some downside in a number of the properties, in particular Imperial Park. Value of that site is c£2.5-3m but might currently be valued in the fund at c£5m. The downside risk of £2.5m is outweighed by profit opportunities elsewhere, and one of these profit opportunities is Monmouth. 2 alternatives re Monmouth; either remove Imperial Park from the deal and reduce bid to £18m, or retain offer at £23m and deduct the £2.5m from the overage calculation on Monmouth. <p>31 March 2011 – [REDACTED] email to [REDACTED] referring to call yesterday, forwarding email [REDACTED] stating “I need your instructions on this ASAP. My view ... run with the £23m bid with overage as proposed rather than drop the Imperial House property” citing concern over the transfer value and ongoing financial liability. “Once I receive your instructions I can either draft the Heads ... or simply decline the offer”.</p> <p>6 April 2011 – email [REDACTED] – presume you have now had a look at the draft proposals from GST and Rightacres. Expresses the view on value of the site [assumed to be Monmouth] perhaps yielding £16m so on 50/50 overage an additional £6.5m potentially reducing to £3.25m in line with the offer. “Personally I think this is a good bid [GST offer] ... let me know what you think when you’ve run the numbers”.</p>	<p>No mention is made to acceptance of the Penarth offer and how it might affect the portfolio bid.</p> <p>Overage is mentioned now following the query from Amber on 15 March.</p> <p>This view is the only recommendation by this point. The strength of the overage offered is not queried or commented on, nor is the £2.5m downside figure and/ or its appropriateness.</p> <p>Draft heads had already been prepared on 15 March.</p> <p>Internal email discusses the value of the Monmouth overage offer. It is not clear why the £6.5m might be reduced to £3.25m.</p>

Client Reporting – 1 (continued)

How were bids reported and evaluated?

20 April 2011	<p>20 April 2011 - [REDACTED] email to [REDACTED] relating to deadline of offer of 30 April.</p> <p>20 April 2011 – forwarding email [REDACTED] “as discussed”.</p>	<p>The deadline was 10 days away at this point.</p> <p>No opinion is proffered in this email. No telephone call records have been disclosed.</p>
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Key items/ dates	Description	Observations
20 April 2011	<p>LSH sends Amber a draft Portfolio Transaction Report dated April 2011. The covering email states “we would suggest to Amber ... that the offer ... is seriously considered ... the offer represents good value for the Assets in the context of current market conditions”.</p> <p>Amber amends the report and emails back to LSH a ‘track changes’ version. The covering email states that the Board asked the FM/ IM to “condition the GST offer and buy some time to do our own due diligence” and “the conditioning of terms has obviated the need ... of the DD”.</p> <p>In the draft Report, various calculations of possible coverage are given.</p>	<p>This is the first written evidence of a formal recommendation on the GST offer from LSH as marketing agent. The email refers to market conditions, only three weeks after the approved ARP which did not contain such notes, and puts forward a view that the offer is good value.</p> <p>The reference to the Board asking Amber/ LSH to condition the offer is not referenced in documents we have seen, and not later repeated.</p> <p>No other documents have been provided to support the calculations made by this date other than the 6 April internal LSH email. The NPV cashflows are included in Appendix to the PTR.</p>

Client Reporting – 1 (continued)

How were bids reported and evaluated?

<p>20 - 21 April 2011</p>	<p>21 April 2011 - Portfolio Transaction Report is circulated.</p> <p>Bid Price reported £23m against the asset transfer value [TV] of £20.65m.</p> <p>The Purchaser is to undertake its own "verification of value". Cash funds are available. The bid is "open for acceptance until 5.00pm on 30 April".</p> <p>Two overage options on Monmouth are presented as with or without Imperial Park.</p> <p>Refers to approved Business Plan and ARP, referencing it was noted that a single portfolio disposal of all 18 assets was not ruled out.</p> <p>Refers to Rightacres Property Group in a potential joint venture with Redrow indicating they may be prepared to pay the sum of £17.47m plus a 50/50 overage on Monmouth, Lisvane, Rhoose, Bridgend and Brackla.</p> <p>The risk of some assets not selling is referred to which could result in significantly discounted asset values. The following are considered as major threats:</p> <ul style="list-style-type: none"> • Llantrisant and Garth Park – lost employment land allocations – already recognised in the ARP • Lisvane – LDP for Cardiff is delayed – adoption not envisaged until October 2014 • Monmouth – consultation on LDP delayed with adoption now envisaged end of 2012 • Rhoose – new access is not supported by LPA and a comprehensive scheme is needed with the adjoining site; negotiations previously broke down over ransom scenario • Llandudno Junction – promotion of 60/40 commercial residential was not supported <p>An over-supply of land is a real possibility over the next few years.</p>	<p>Not clear why offer is benchmarked against TVs. The TVs excluded hope value. The aggregate Market Values (which should reflect hope value) or the most recent RVs in the approved March 2011 ARP are not referenced.</p> <p>Not clear what 'verification of value' means. If the offer is cash, a loan security valuation is not required. The purpose of this is not clear.</p> <p>Due diligence has not been carried out at this stage.</p> <p>The Rightacres information was not evidenced in Board papers before this point.</p> <p>The risk of some properties not selling has not been referred to before this point; the ARP was only issued on 15 March and approved on 28 March.</p> <p>These details were all mentioned in the approved ARP and therefore are not new at this stage.</p>
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Key items/ dates	Description	Observations
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Client Reporting – 1 (continued)

How were bids reported and evaluated?

<p>20 - 21 April 2011 cont'd</p>	<p>NPV analysis of cashflows is given as follows. side fair</p> <p>ARP Budget Total receipts £24.935m. Offset budget expenditure. Reduce by £1.3m to comparison with GST offer. NPV = £20.08m.</p> <p>Adding upside on Monmouth of £12.5m = NPV of £31.18m</p> <p>Downside assumes all assets at transfer values but write down Imperial Park NPV = £18.15m. Bridgend</p> <p>Rightacres £17.47m plus "optimistic" overage of £13.4m on Monmouth, Lisvane, Rhoose, Monmouth at and Brackla; assumes Monmouth sold at £20m.</p> <p>To "normalise" added a more realistic overage of £9.03m assuming sale of M £12.5m. NPV = £24.88m.</p> <p>Without overage, NPV = £16.86m.</p> <p>GST £23m plus overage from Monmouth.</p> <p>Assumes Monmouth sells at £12.5m so [REDACTED]</p> <p>Without overage, NPV = £22.31m</p> <p>The most probable overage should be from Monmouth. On other sites, would incorporate overage on Lisvane, Rhoose, Bridgend, Brackla and Bangor if sold individually. No certainty that any of the Planning outcomes will be achieved, in which case only minimum values will be achieved.</p> <p>Recommendation: the Fund gives "serious consideration to acceptance" of the subject to best efforts to extend the overage period on Monmouth and agree to £23m offer will be paid. now overage</p>	<p>The Lisvane receipt in the ARP cashflow is £2.5m, but £1.835m in the ASBP.</p> <p>If the LSH RV of Imperial House is £4m in the March ARP with length in the ASBP, then the deduction of another £1.3m for comparison with the GST is unexplained and inappropriate.</p> <p>"Upside" of Monmouth of £12.5m is stated to be based on 23 acres of residential land at a net value of £550k pa. No such figure has been given in the ARP, in Appendix 6 so effectively values the site at £14m assuming planning permission has been secured.</p> <p>The TVs were purported to be values without 'hope value'. It is not clear why Imperial Park would be written down from this figure by £2.5m. The ARP RV by this time was £4m, a 'write-down' of £1.2m. No assessment is given as to whether the £2.5m was considered reasonable.</p> <p>The £12.5m here is sale price, not uplift. Disadvantages this offer in comparison to other two options. The £9.03m is stated as based on mitigated expected prices and reflecting some hope value in the remaining assets on which overage was offered. We have not seen a calculation explaining the £9.03m.</p> <p>Sale of Monmouth stated here at £12.5m, but it has been confirmed to us that the £12.5m was effectively upside as the [REDACTED] for the 'write-down' on Imperial Park. This does not comment on whether the £2.5m 'write-down' is appropriate. The overage offer reduces to [REDACTED] after [REDACTED] months and the separate comments on uncertainty of the LDP at Monmouth suggest this gives a purchaser opportunity to wait a short time to take advantage of this reduction.</p> <p>The adopted ARP in March 2011, and the recommended strategies in the ASBPs, reflect that overage should be requested.</p> <p>Recommendation wording is unclear. The suggestion of trigger and payment mechanism is rather vague and there is no recommendation whether overage on other properties should be requested or not.</p>
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Client Reporting – 1 (continued)

How were bids reported and evaluated?

Key items/ dates	Description	Observations
21 April 2011	<p>Covering email [REDACTED] attaching the Portfolio Transaction Report.</p> <ul style="list-style-type: none"> Refers to RIFW Board meeting 28 March and resolution to prepare a stand-alone report on the offer. Confirms offer valid until 30 April Recommends "serious consideration" to the offer of £23m Seeking specific direction from the Management Board as to what is a change to the ARP and suggest can be circulated by email if a change is to be agreed. [REDACTED] has expressed a conflict of interest so not cc'd Quorum is needed for a Board decision, telcon acceptable but needs majority agreement to waive 10 days notice of a meeting. 	It is not clear what is meant by the recommendation to give "serious consideration" to an offer.
22 April 2011	<p>Email [REDACTED] - will go along with the recommendation</p>	
26 April 2011	<p>Email [REDACTED]</p> <p>Agree with recommendation that serious consideration is given. Useful points in conclusions in the report, esp paras 5-9 and look forward to further discussion.</p>	The meaning of this is not entirely clear but suggests further discussion is required.
27 April 2011	<p>Email [REDACTED]</p> <p>Referring to email of Thursday evening and meeting yesterday with Jeremy Green, and confirm:</p> <ul style="list-style-type: none"> £2.5m allowance on Imperial Park to clarify when the deduction is made timetable for overage agreed could be extended trigger point for overage should be objective <p>Notes recommendation in email of "serious consideration" is different from the report recommendation. Agrees to email recommendation but not the report recommendation.</p>	This email queries the calculation and extent of overage.
28 April 2011	<p>Email [REDACTED] referring to responses from 3 other members supporting recommendation to tightening conditions as per [REDACTED] email and states does not accord with discussion last Thursday.</p> <p>Requesting possibility of concall "would be made difficult if there were divided opinion" and "how do you want to play it"?</p>	Email suggests there was divided opinion amongst Board members and that it does not accord with discussion "last Thursday". It is not clear what the discussion or points of discord being referred to were.

Client Reporting – 1 (continued)

How were bids reported and evaluated?

28 April 2011	Email [REDACTED] states "the overage as currently put forward is "voluntary" as the purchaser is in complete control of the timing. The numbers are so big that it is worth the purchaser delaying".	Recognises the weakness of the proposed overage to the Fund.
28 April 2011	Email [REDACTED] stating "your point on overage is understood and well made. I have said the same thing to LSH but agree the "best efforts" ... should be more specific".	This email also recognises the weakness of the proposed overage to the Fund.
Key items/ dates	Description	Observations
28 April 2011	Email [REDACTED] In response to email last Thursday, various responses and conversations with Board We do not know what the substance of these conversations were, what was members set up Board Meeting for this afternoon by concall 1pm-1.30pm. discussed nor agreed. [REDACTED] to be voting members.	No record of this telephone call has been provided.
2 May 2011	Email [REDACTED] [REDACTED] This email implies that overage is asked for on Lisvane, and that it is a surprise to Refers to a "further change to the deal at this late hour". Lisvane is viewed as "more GST. It is not clear where the Lisvane request originates. remote" so "inclination is to reduce the upfront offer to £21m" and prepared to offer " overage provision" to Lisvane. This would run for years and only be triggered if of If the opportunity is indeed remote, a year overage period would be the land [REDACTED]ained residential consent. favo[REDACTED] towards a purchaser. [REDACTED]	
3 May 2011	Email [REDACTED] to [REDACTED] forwarding above email stating "we need This requests a decision without an additional formal report, advice or comment to make a decision".	on the additional overage provision from the marketing agent.
3 May 2011	Email [REDACTED] Referring to telcon last week which resolved favourably to the GST offer subject to overage on Monmouth and Lisvane. Board Meeting called for 6 May or 5 May, transaction report to be updated with "straw man for the overage as a minimum".	
5 May 2011	Amber Report on the Disposal transaction	Recommendation is to revert in writing to GST and accept their offer at £22m based on "warts and all" and subject to number of points including overage as follows:
	<ul style="list-style-type: none"> refers to approved ARP and "explicit consideration" of single disposal at Board on 28 March 2011 refers to offer "up to £23m (subject to conditions)" and compares to valuation at transfer of £20.65m states that if overage on Wonastow Rd "as we recommend and the Board have confirmed" is retained then offer level can be maintained states if overage at Lisvane is required it will reduce offer to £21m <p>Confirms Board has seen the April Transaction Report, the discussions LSH have held and expressions of interest received. "... while no formal marketing of the portfolio has been undertaken, LSH consider that all likely potential purchasers have been informally canvassed by them".</p>	<ul style="list-style-type: none"> Monmouth of the uplift (less adjustments and £2.5m impairment) to last for a period of years. Payment is to be made within years of the assessment of open market value or on sale. Lisvane after allowing for the "King Sturge land valuation" to last for years. Payment is to be years after assessment of OMV or on sale. <p>This report takes the form of a note. It is dated 5 May.</p> <p>It refers to the LSH Portfolio Transaction Report and "subsequent emails" but is not clear which emails are referred to. LSH had been emailed a copy of this report earlier in the day but we have not seen any additional input made.</p>

Client Reporting – 1 (continued)

How were bids reported and evaluated?

This confirms that no marketing of the portfolio took place.

It refers to a sale at a premium to acquisition value. It does not reference the LSH RVs. It does not reference the by now accepted offer at Cogan Hall Farm. It does not explain the potential value of the Lisvane site, nor does it assess whether the £2.5m impairment for Imperial House is appropriate.

The “warts and all” reference is given as an important consideration but noted that all title information is not known. The impact of this cannot therefore have been known at this stage.

The initial deadline for acceptance of the offer has now passed.

The recommendation is to accept an offer at a price of £22m based on a ‘warts and all’ approach. The suggestion of £22m is unexplained.

Key items/ dates	Description	Observations
contd		<p>Detailed overage explanations are included for the first time and it is not clear where these originate from.</p> <p>In the Lisvane overage, it is not clear which King Sturge figure was being referenced. The valuation figures were very different at £6.1m and £1.835m. This would make a significant difference to any overage calculation.</p> <p>The payment terms appear to be linked to calculation of the overage, and three or five years beyond that. It is not clear how this would benefit the Fund within the life of its investment programme.</p> <p>References to open market value are outdated at this point and the RICS definition would be Market Value.</p>
5 May 2011	Email [REDACTED] referring to attached paper and recommendations. Refers to previous email 'going astray in the ether' but have left messages for everyone. Distribution is limited this time.	We assume the paper above is the one circulated.
6 May 2011	<p>RIFW Management Board Meeting Minutes</p> <p>Records sole purpose to discuss sale to GST Investments Ltd as discussed by telephone conference on 28 April.</p> <p>States was resolved to accept offer at a minimum price of £23m subject to</p> <ul style="list-style-type: none"> • overage on Monmouth to be [REDACTED] for [REDACTED] years payable within [REDACTED] years • overage on Lisvane to be [REDACTED] for [REDACTED] years payable within [REDACTED] years with the ARP [REDACTED] to be [REDACTED] <p>If GST seeks to renegotiate, a contingency plan in accordance maintained and developed.</p>	<p>The conversation of 28 April is not recorded.</p> <p>The offer sum is above that recommended in the 5 May Amber note. The overage is higher for Monmouth than the recommendation, referring to [REDACTED] but also a King Sturge land valuation to be deducted.</p>

Client Reporting – 1 (continued)

How were bids reported and evaluated?

9 May 2011	Email [REDACTED] Refers to Board meeting on Friday [6 May] granting resolution to sell based on a strictly “warts and all” basis with overage requested 30% on Lisvane and 50% on Monmouth.	This email communicates an acceptance at this level to the purchaser.
10 May 2011	Email [REDACTED] Stating GST is no longer prepared to offer £23m on such terms. Based on same overage % on Lisvane and Monmouth then price will need to be £21m. An alternative option to exclude “Imperial Park” is included.	This immediately moves the offer away from the level referred to as discussed.
10 May 2011	Email [REDACTED] Forwards [REDACTED] email stating “can you please advise the Board we have reached the end of the negotiating line and a definitive decision now needs to be made”.	This email gives no recommendation as to whether £21m is now considered appropriate.

Key items/ dates	Description	Observations
11 May 2011	Email [REDACTED] Forwards [REDACTED] email 2: comments [REDACTED] on Monmouth and Lisvane “is not as clear as individuals seem to assume” and suggesting meeting with [REDACTED]	This sets out a view that Planning is more difficult than assumed by “individuals”. As LSH has been advising on Planning and advising on strategy through the ARP and ASBPs, it is not clear how this should have come to pass.
11 May 2011	Email [REDACTED] Internal Amber email discussing emails from LSH and GST of 9-10 May and stating “I see no merit in attempting to finesse a deal absent the due diligence that we all believe will occasion a ‘chip”.	This evidences a lack of faith in the buyer to complete at the ‘warts and all’ offer level once due diligence is carried out.
13 May 2011	Email [REDACTED] setting out [REDACTED] prospects on Monmouth and Lisvane.	
18 May 2011	Email [REDACTED] refers to meeting with “you and Leo” and that would be prepared to increase upfront payment to £22m subject to staged payments and capping overage on Monmouth and Lisvane to [REDACTED] and [REDACTED] respectively.	We have not seen copies of any meeting notes. The Imperial House ‘impairment’ is accepted as removed in this email.
18 May 2011	Email [REDACTED] forwarding above and requesting “how you would like me to respond”.	This does not give any advice with regard to the offer or whether it is considered acceptable.

Client Reporting – 1 (continued)

How were bids reported and evaluated?

23 May 2011	<p>LSH reports offer from TRH on Ty Draw Farm, Pyle to Amber.</p> <p>Offer is at £120,000 unconditional, and LSH refers to transfer value of £100,000. It is stated that the purchaser will take the risk in promoting the site and removing the restrictive covenants, and there are further additional payments that are proposed to the Fund. The timescale is alluded to as being quite tight as TRH would need to make representations in June/ July so they have asked if we will revert ASAP.</p>	
24 May 2011	<p>Email [REDACTED] states “we need to bottom out the GST offer first but keep them warm. As ever the issue will be demonstrating that this is a fair offer in the circumstances”</p> <p>[REDACTED] response email states that the need to promote the site through the LDP has a limited shelf life, and they [TRH] will not wait until the due diligence is undertaken on the GST offer.</p> <p>[REDACTED] response email states that if there is a value-enhancing opportunity (especially one with a deadline) then should we be looking to do that for ourselves. We cannot rely on a sale.</p>	It is not clear from this whether LSH is promoting the site through the LDP.
26 May 2011	<p>Email [REDACTED] advises of negotiating the price upwards to £22.5m which is “acceptable to the Amber and RIFW Boards” with earlier staged payments linked to Monmouth disposal and no change to the overages. Land sales on Penarth and Brackla are mentioned. Advises a recommendation report will be put forward and in the meantime agreement will be confirmed with L [REDACTED]</p>	Agreement to the transaction is referred to as to be communicated to the purchaser before a paper to the Board or before Board approval.

Key items/ dates	Description	Observations
26 May 2011	Email [REDACTED] [REDACTED] States that deal is acceptable to Amber but is subject to Board approval which is expected next week.	
27 May 2011	Email [REDACTED] subject to contract Deal is acceptable to Amber at £22.5m in 3 instalments with overage on Lisvane at [REDACTED] and on Monmouth at [REDACTED]. Amber expects Board approval next week.	
1 June 2011	Email [REDACTED] Referring to final paper needed for Board approval “in a way that they can but approve”;	

Client Reporting – 1 (continued)

How were bids reported and evaluated?

	cannot be in a situation again where Board asks questions for which there are no answers. Three main areas of concern are highlighted: <ul style="list-style-type: none"> • Is it appropriate to sell without a formal market test • Is the offer sufficient • Are terms appropriate given [REDACTED] situation 	These are three key areas of advice that would be expected to be addressed.
1 June 2011	Email [REDACTED] – advised you last week had pressed LSH into securing a [REDACTED] offer which [REDACTED] believes is timely, value for money and on appropriate terms. It is still shy of the approval in the draft minute. “It is still a deal we should do.”	This email makes it clear that Amber considers the transaction appropriate.
2 -3 June 2011	Dated 2 June but circulated 3 June [REDACTED] Recommendation Note on proposed sale to GST <ul style="list-style-type: none"> • Refers to Board Meeting 6 May 2011 and draft minutes • Refers to undated Portfolio Transaction Report by LSH and AFML Asset Realisation Approval Paper 6 May 2011 • Recommends acceptance of £22.5m with separate receipts from Penarth (£185k) and Brackla (£60k). • Deferred payments are 3 instalments over 3 years. The sum is compared to the transfer value. • Overage is mentioned on Lisvane and Monmouth at [REDACTED] and [REDACTED]. 	It is not clear whether LSH had any direct input into this note, although it is circulated internally at Amber and amended before being sent to Board members. The offer is on different terms from the one previously given Board resolution to accept. The offer is benchmarked against the transfer values but it is not clear how the staged payments have been taken into account.
3 June 2011	Covering email [REDACTED] to [REDACTED] re: [REDACTED] on Gr referring to Board Meeting 6 May and subsequent negotiations, stating offer now 5% 3. below target but 28% above original. Recommends accept as best and final.	This recommendation is clearly being discussed at short notice. The reference to a 28% improvement on the original offer is unclear.

2 June 2011

- Portfolio Supplemental Transaction Report by LSH
- Refers to offer of £22.5m in three instalments and compares it to the transfer value.
 - Overage is referred to as follows:
 - Monmouth –
 - Lisvane –
 - Current RVs are referred to as £1.5m and £2.5m respectively.

Observations

- [REDACTED] W [REDACTED] assets ie cash. It then reiterates the timing and level of budgeted ARP receipts to be £24.935m across 2011-14.
 - Overage calculations are set out based on [REDACTED] pa gross value, [REDACTED] net, [REDACTED] for both sites. It deducts “Book Value/ Acquisition Price” of £1m and £2m respectively. The [REDACTED] developable areas are 23 acres and 30 acres (25% of ownership).
- Conclusion is “that any commercial developer/ speculator would be unlikely to provide RIFW with enhanced terms on Monmouth and Lisvane if acquiring

Client Reporting – 1 (continued)

How were bids reported and evaluated?

the entire portfolio. With reference GST Investments, we have exhausted any further negotiation and this is their best and final offer.”

Recommendation that the offer from Langley Xxxxxx funded by GST is accepted.

We have not been provided with emails circulating this document so do not know when it was provided to Amber or the Board.

This description is unclear and does not seem to tie these two trigger events together. It is not clear whether a sale for other development is also a trigger.

The LDP is expected to be adopted October 2014 with no suggestion that permission could be secured in advance of this. Over three of the five year overage period would have expired by then; payment would be within 5 years of that date.

3 June 2011 Various emails refer to possibilities of a call on 9 June. [REDACTED] advises he is on holiday and unable to read full paper but very concerned at being asked to so quickly make a decision which is clearly “against the instructions given to LSH at the last Board Meeting”

8 June 2011 Email [REDACTED] referring to conversation “yesterday evening” to provide more comfort on residential opportunities and values.

- Cardiff - discussion of growth options and number of homes being built
- Monmouth - discussion of growth options and number of homes being built

Sale of 121 acres has never before sold and gives comparables.

Either the reference to RV of £2.5m is wrong, or the £1.835m in the Lisvane approved ASBP was wrongly stated.

This Report is dated early June but does not reference whether the £9.02m of receipts from the phased ARP release is still now achievable.

It is not clear why the net value per acre is £600,000 when £550,000 was used in the April Transaction Report. The Book Value figures do not correspond to the transfer values of £990,000 and £1.835m.

This effectively states these are the best terms that could be sourced from the market on a portfolio transaction. This is on the basis of the negotiations with GST as negotiations with other parties have not been progressed.

Refers to values and £750k pa.

Discusses security for deferred payments should be sought.

This email is of concern. The last Board meeting referred to must be the 6 May meeting at which it was resolved to accept an offer of £23m with overage.

Key items/ dates	Description	Observations
9 June 2011	<p>Note prepared by Amber refers to extensive discussion at Board Meeting on 9 June and that it was resolved to accept offer of £22.5m from [REDACTED] (funded by GST Investments Ltd)."</p> <p>Refers to Portfolio Transaction Report by LSH of April 2011; Refers to Asset Realisation Approval Paper by AFML of 6 May 2011; Refers to Asset Realisation Recommendation by AFML of 2 June 2011; Refers to improvement of offer by £10.7m in real terms based on hypothetical valuation of Monmouth at £13.8m.</p>	<p>Some analysis is given to this offer with regard to the overage, based on a hypothetical value of £13.8m of the Monmouth asset.</p> <p>The original LSH Transaction Report is referred to but not the Supplemental.</p> <p>We do not understand the use of the words “in real terms” here.</p> <p>The reference to a ‘warts and all’ offer is repeated but noted to be of continued concern.</p> <p>The report raises concern regarding the level of knowledge regarding title to the assets. Given that the offer is purported as ‘warts and all’ the lack of knowledge of legal title would be very pertinent.</p>

Client Reporting – 1 (continued)

How were bids reported and evaluated?

9 June 2011	Email [REDACTED] forwarding email of 8 June and discussing underlying factors to £750k pa value. The King Sturge book value is referred to as for agricultural use so the "without hope" value is deliberately the same".	The comment regarding the King Sturge value is not clear without seeing the calculation referred to.
9 June 2011	Board Meeting Minutes Record the sole purpose was to consider recommendation of proposed sale to "Langley [REDACTED] (funded by) GST Investments Ltd" as set out in the FM recommendation of 2 June; Resolved to revert to GST accepting the offer at £22.5m; Resolution carried on the basis of "votes in favour by CB and Cllr CH (received by email) and an abstention by RA, pending receipt of appropriate indemnity cover for Representatives not directly employed by WAG"	The Minutes refer to the FM report of 2 June. The LSH Supplemental Transaction report is not referenced. Voting was noted to be by one vote received by email and the chairman present at the meeting. One Board member abstained due to pending receipt of appropriate indemnity cover. This has not been mentioned before in any of the other voting or resolutions that we have seen. The reference to WAG in this circumstance is unclear.
15 June 2011	LSH writes to Martin Pollock of Barclays Wealth accepting an offer of £22.5m based on three staged payments. <ul style="list-style-type: none"> • Security for the payments is requested. on Monmouth and Lisvane allowing for • Overage payments at [REDACTED] and [REDACTED] he es. deductions of the without hope value • Payment is to be [REDACTED] whichever is sooner. • The Penarth site and part of the Brackla site are stated to be excluded. 	No further offer letters have been put forward since 4 March. Subsequent negotiation has been by email. It is not confirmed who the purchaser is as this is following the date LSH had been advised an SPV would be used.
20 June 2011	GST writes to LSH clarifying certain points (good title, registration of title, restriction on title for security)	

Key items/ dates	Description	Observations
21 June 2011	Various email traffic refers to security for the deferred payments. [REDACTED] emails that he has spoken to [REDACTED] and the cost of a bank guarantee is prohibitive. Reference is then made to the major assets as not much will happen with them in the two years and "which ultimately is where he see's [sic] value" and suggests tying the security to Monmouth, Brackla and Lisvane.	
27 June 2011	GST writes to LSH clarifying further points (more detail on security, ability to dispose of properties, value apportionment)	

Client Reporting – 1 (continued)

How were bids reported and evaluated?

12 July 2011	GST writes to LSH thanking for latest Heads of Term and updating security for the deferred payments, amending definition of gross proceeds of sale, and requesting costs in the event of withdrawal.	
15 July 2011	LSH Heads of Terms Relates to sale to a Newco c/o Barclays Wealth Directors (Guernsey) Limited with funds immediately available via GST Investments Ltd.	It is not clear at this point the identity of the proposed purchaser nor where it will be based.
22 July 2011	Redrow writes to LSH Manchester and offers £2m unconditionally for the Bangor site. LSH advises Redrow it has passed the letter to “the fund”.	Reference is made in the July 2011 LSH Investment Manager report to a meeting with Redrow (on three sites in total) but this is before the date of this offer letter. No reference is made to this offer in the August IM Monthly Update report, which refers to the meeting only. It is not clear when or how this offer was considered, although it is after the Heads of Terms have been agreed with GST.
		<p>General Comments</p> <p>After the initial Portfolio Transaction Report prepared in April, reports to the Board become less formal, shorter and circulated by email.</p> <p>It is not clear how much LSH contributed to reports or Notes prepared by Amber.</p> <p>There is a strong emphasis on agreeing the transaction over the period between April and July, although the purchaser’s deadline has been passed.</p> <p>The transaction does not appear to be benchmarked against anything other than the transfer values except in the Supplemental Transaction Report, which is not referred to in the 9 June Board Minutes.</p>

Client Reporting – 2

How were Heads of Terms structured and solicitors appointed?

Key items/ dates	Description	Observations
15 July 2011	<p>Heads of Terms</p> <p>Between RIFW LLP and Newco Ltd.</p> <p>It describes the sale of 18 properties with two exclusions, but also states that RIFW may not be in a position to dispose of Imperial House and Garth Park.</p> <p>Overage is referred to:</p> <div style="background-color: black; width: 100%; height: 100px; margin: 5px 0;"></div> <p>RIFW will take a first legal charge over the properties, and the purchaser is entitled to sell properties to third parties and release security on the part sold provided:</p> <ul style="list-style-type: none"> • costs are paid by the purchaser • the sale is at OMV • at least 50% of the proceeds are paid to RIFW • the unpaid part of the proceeds <50% of the value of unsold properties • at all times the purchaser is required to maintain a 50% LTV on monies outstanding <p>Vendor's Conditions are that the portfolio is purchased on a "warts and all" basis save as to agreed exceptions.</p>	<p>This is the agreed version.</p> <p>It is not clear where Newco will be based.</p> <p>The Vendor's conditions are not clear as to the exceptions. Warts and all would not be a usual phrase to include in a Heads of Terms.</p> <p>Jonathan Geen is noted as the purchaser's solicitor.</p>
		<p>General Comment</p> <div style="background-color: black; width: 100%; height: 40px; margin: 5px 0;"></div> <div style="background-color: black; width: 100%; height: 40px; margin: 5px 0;"></div>

What reports were prepared and when, and were they of appropriate quality?

Client Reporting – 3

What protection was afforded to the vendor in relation to best value?

Key items/ dates	Description	Observations
April 2011	<p>This Portfolio Transaction Report refers to overage on Monmouth only. It states that on other sites, we would look to incorporate overage on Lisvane, Rhoose, Bridgend, Brackla and Bangor if sold individually. No certainty that any of the Planning outcomes will be achieved, in which case only minimum values will be achieved.</p> <p>Terms are reported as a [redacted] overage on the enhanced value of the asset, less a £2.5m allowance on Imperial Par [redacted], reducing to [redacted] after [redacted] months.</p> <p>[redacted] gives "serious consideration to acceptance" of the £23m offer to extend the overage period on Monmouth and agree how overage will be paid.</p> <p>Recommendation: the Fun [redacted] subject to best efforts to ex [redacted] will be paid.</p>	<p>The adopted ARP in March 2011, and the recommended strategies in the ASBPs, reflect that overage should be requested.</p> <p>The overage offer reduces to [redacted] after [redacted] months and the separate comments therein on uncertainty of the LDP at Monmouth suggest this gives a purchaser opportunity to wait a short time to take advantage of this reduction.</p> <p>Recommendation wording is unclear. The suggestion of trigger and payment mechanism is rather vague and there is no recommendation whether overage on other properties should be requested or not.</p> <p>This overage element provides very limited protection to the vendor.</p>

<p>April to June 2011</p>	<p>Various emails and Board reports referring to the portfolio offer refer to overage, originally only on Monmouth and then later additionally on Lisvane.</p>	<p>It is not clear from the documents that we have seen how the overage is factored in to the investment programme, and why this is considered beneficial to the Fund.</p> <p>The calculations put forward assessing the overage worth at various points are not fully explained.</p> <p>The calculations also do not fully explore whether deductions are relevant, and when they are to be deducted. It was a Board member that queries the “writedown” of £2.5m the purchaser wishes to make against the Monmouth overage.</p> <p>Despite overage having been mentioned in a number of the ASBPs in the approved ARP in March 2011, after the GST offer has been made, overage is not pursued originally on any sites and the first reference asking about it is an email of 15 March from Amber. It appears then only requested on Monmouth, and later on Lisvane. No comment is made on the percentages and their appropriateness.</p> <p>The Brackla property had an increased RV in its approved ASBP based on a transaction that had in March 2011 taken place on adjoining land for affordable housing. This site, having therefore been identified as potential for private residential alone, was not mentioned as a potential for overage.</p> <p>The use of the term overage is loosely used throughout the documents and tied to the word claw-back. (We would generally use the term clawback to refer to an uplift in value later caused through an enhanced Planning situation as is being referred to with the assets in question. The intention is however understood.)</p>
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Client Reporting – 4

Key items/ dates	Description	Observations
<p>April 2011</p>	<p>The Portfolio Transaction Report prepared by LSH provides context to the offer from GST. It sets out market context, the offer, some analysis and recommends serious consideration to acceptance of the offer of £23m. It refers to overage on Monmouth also with [redacted] for [redacted] months then [redacted] thereafter.</p>	<p>The report is not prepared until 20 April.</p> <p>It is not clear why a report is not prepared for 4 April as suggested at the Board meeting of 28 March.</p>

What reports were prepared and when, and were they of appropriate quality?

	<p>[The detail of this document is included on pages 30-31 of this report so not repeated.] The deadline of 30 April is only ten days away at this point.</p>	<p>The market context discusses the general investment market, although most of the properties in the portfolio are not investment properties, and the residential housing market.</p> <p>No due diligence is carried out on the purchaser by this time, referenced as GST Investments Ltd. During May it was disclosed that it would be an SPV as purchaser but this is not mentioned in this report.</p> <p>The report states that the portfolio has been discussed with the most likely group of purchasers in the market and names eight organisations.</p> <p>The report includes discussion of a proposal from Rightacres but this is the first evidence of mention to the Board of this proposal, albeit the FM knew of this offer prior to this.</p> <p>The calculations giving the analysis of the NPV, with specific reference to the £12.5m figure and its treatment in the cashflows, are stated to be based on £550,000 per acre as a net disposal figure for Monmouth, but the application of this £12.5m does not appear to be consistent.</p>
<p>5 May 2011</p>	<p>A [redacted] was prepared by Amber to the Board updating on the Transaction. Note [redacted] commends that GSTs offer is accepted at £22m. This r [redacted] Overage is discussed in more detail with regard to both Lisvane and Monmouth at [redacted] and [redacted] respectively, and with text as to how the overage might work.</p>	<p>GST has not made an offer of £22m at this stage so it is not clear why this level of offer is recommended.</p> <p>We do not find the discussion on overage particularly clear with regard to either the wording or the effect. The payment dates appear to be three or five years beyond the date of calculation of the overage.</p> <p>It is not clear why the overall offer was not benchmarked against the ARP Realisation Values that LSH had provided. LSH had prepared the ARP during January-March, and had been involved in discussions with prospective purchasers during that time, these RVs should have been more relevant against which to consider an offer.</p> <p>The transfer values were reported to be the figures excluding hope value, but the Planning strategies clearly referenced a number of the sites had the prospect of a Planning allocation/ permission.</p>

Client Reporting – 4 (continued)

What reports were prepared and when, and were they of appropriate quality?

Key items/ dates	Description	Observations
2 June 2011	<p>A Note was prepared by Amber to the Board updating on the Transaction report.</p> <ul style="list-style-type: none"> Refers to Board Meeting 6 May 2011 and draft minutes Refers to undated Portfolio Transaction Report by LSH and AFML Asset Realisation Approval Paper 6 May 2011 Recommends acceptance of £22.5m with separate receipts from Penarth (£185k) and Brackla (£60k). Deferred payments are 3 instalments over 3 years. The sum is compared to the transfer value. Overage is mentioned on Lisvane and Monmouth at [REDACTED] and [REDACTED]. <p>Reference is made to the “warts and all” principle of the bid however it is stated “in our view there is a substantial risk that GST use the due diligence process to seek to renegotiate”. Further comment is that “no private sector purchaser would complete a transaction on the basis of the position RIFW inherited”.</p>	<p>The offer is now stated at £22.5m over three years, which is compared to the transfer value. An NPV is not given.</p> <p>The comments regarding title issues acknowledge that the offer from GST is susceptible to re-negotiation once further information is known.</p> <p>The “warts and all” comment is used on a number of occasions but appears to be regarded with suspicion. It does however form part of the conditions that the offer is recommended for acceptance on.</p>
2 June 2011	<p>Portfolio Supplemental Transaction Report by LSH.</p> <p>[Detail of this report is included on page 37 of this report so not repeated.]</p>	<p>We have not been provided with emails circulating this document so do not know when it was provided to Amber or the Board.</p> <p>This overage description is unclear.</p> <p>Either the reference to the Lisvane RV of £2.5m is wrong, or the £1.835m in the Lisvane approved ASBP was wrongly stated.</p> <p>This Report is dated early June but does not reference whether receipts from 12 phased ARP asset releases are still achievable within the 2011 forecast.</p> <p>It is not clear why the net value per acre is £600,000 when £550,000 was used in the April Transaction Report.</p> <p>The Book Value figures used to calculate overage amounts do not correspond to the transfer values of £990,000 and £1.835m.</p> <p>The conclusion effectively states these are the best terms that could be sourced from the market on a portfolio transaction. This is on the basis of the negotiations with GST as negotiations with other parties have not been progressed.</p>

Key items/ dates	Description	Observations
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Client Reporting – 4 (continued)

What reports were prepared and when, and were they of appropriate quality?

<p>9 June 2011</p>	<p>Note prepared by Amber</p> <p>Refers to extensive discussion at Board Meeting on 9 June and that it accept offer of £22.5m from "Langley [REDACTED] (funded by GST Investm [REDACTED] was resolved to [REDACTED] (nts Ltd)".</p> <p>Refers to Portfolio Transaction Report by LSH of April 2011; Refers to Asset Realisation Approval Paper by AFML of 6 May 2011; Refers to Asset Realisation Recommendation by AFML of 2 June 2011 Refers to improvement of offer by £10.7m in real terms based on hypot Monmouth at £13.8m. ; hetical valuation of</p>	<p>The original LSH Transaction Report is referred to but not the Supplemental.</p> <p>We do not understand the use of the words "in real terms" here.</p> <p>The reference to a 'warts and all' offer is repeated but noted to be of continued concern.</p> <p>The report raises concern regarding the level of knowledge regarding title to the assets. Given that the offer is purported as 'warts and all' the lack of knowledge of legal title would be very pertinent.</p>
<p>15 December 2011</p>	<p>Supplemental Transaction Report prepared by LSH</p> <p>17 assets are now included in the portfolio disposal.</p> <p>Purchaser is now TBC – a Guernsey Registered Holding Company wh Lawrence Property Investments Limited, registered in UK and funded</p> <p>Revised price is £22.19m with deferred payments over 24 months: mouth is realised</p> <ul style="list-style-type: none"> • £12.5m on completion • £5m on 1st anniversary • £4.69m on 2nd anniversary • The 2nd and 3rd instalments will be brought forward if a sale of Mon earlier. <p>Security is to be provided by St Lawrence Property Investments.</p> <p>Overage:</p> <ul style="list-style-type: none"> • Monmouth – [REDACTED] • Lisvane – [REDACTED] <p>[REDACTED]</p> <p>[REDACTED] on Wedge and</p> <p>Garth Park has been removed following its revised designation as Gre expected SSSI designation.</p> <p>Value needs to be apportioned to each asset.</p>	<p>This is the first mention of St Lawrence Property Investments.</p> <p>This overage wording is unclear.</p> <p>This Green Wedge information was known early in 2011 and was already referenced in both the January and March ARPs.</p>

Client Reporting – 4 (continued)

What reports were prepared and when, and were they of appropriate quality?

Key items/ dates	Description	Observations
Cont'd	<p>Security: a substitute arrangement is now requested such that 50% of the sale proceeds or apportioned price, whichever is higher, will be paid to RIFW.</p> <p>LSH confirms it does not have any related party issues resulting from this transaction. It declares it acts for Langley Xxxxxx on other projects and provides property advice to companies where Langley Xxxxxx is a Director.</p> <p>Under Recommendation it is stated that the 'warts and all' basis has been adhered to.</p> <p>"It is our recommendation that the current terms are accepted, including the revised arrangements for dealing with payment of a proportion of the sale proceeds on the sale of any of the assets".</p>	We have not seen evidence of this information prior to this date and it is not clear whether this declaration is in response to a specific request.
26 January 2012	<p>Supplemental Transaction Report prepared by LSH</p> <p>15 assets are now included in the portfolio disposal.</p> <p>Purchaser is South Wales Land Developments Ltd, a Guernsey registered holding company.</p> <p>Revised price is £21.7475m with deferred payments over 24 months (subject to adjustment for Brackla):</p> <ul style="list-style-type: none"> • £12.5m on completion • £5m on 1st anniversary • £4.2475m on 2nd anniversary • The 2nd and 3rd instalments will be brought forward if a sale of Monmouth is realised earlier. <p>Overage:</p> <ul style="list-style-type: none"> • Monmouth – [REDACTED] • Lisvane – [REDACTED] <p>It is stated that the Lisvane overage has been the s [REDACTED] subject of debate and it has been agreed to extend the longstop date from [REDACTED] years to [REDACTED] years to enable the purchaser</p>	<p>Cogan Hall Farm and Anchor Way are both now also removed from the transaction. A deduction has been made based on £332,000 and £110,500 apportioned values suggested in the December LSH report. These figures are higher than the transfer values.</p> <p>Emails during January relate to the values above and the value of the Brackla land (referring to a possible reduction of £2m as the buyer's estimate). It is not clear from the correspondence provided to us whether LSH provide additional valuation input at this time.</p> <p>This defers likely payment of any additional receipts.</p>

Client Reporting – 4 (continued)

What reports were prepared and when, and were they of appropriate quality?

adequate time to sell the land to cover the payment. Allowable costs include holding costs and interest up to the valuation date; this is considered to be a standard approach.

Client Reporting – 4 (continued)

What reports were prepared and when, and were they of appropriate quality?

Key items/ dates	Description	Observations
Cont'd	<p>The proposed sale/ letting on the adjoining land at Brackla has not completed but is important because it underpins current value. It is therefore agreed that completion will be delayed on the Brackla site until that deal has completed and [REDACTED] permission obtained.</p> <p>The agreed apportioned price is £6.04m and completion will be deferred for one year from exchange, with the purchaser having the right to complete or not.</p> <p>Recommendation: it is repeated that the portfolio was sold on a 'warts and all' basis and that this has been adhered to. The recommendation is that the current terms are accepted.</p>	<p>The 'warts and all' basis has not been adhered to. Three properties have been removed which are stated to have nil value, and completion of another is at the purchaser's request subject to external events happening. The 'warts and all' principle was considered a benefit to RIFW to cover the downside risk of any of the 'difficult' assets but the removal of three assets has mitigated downside risk for the purchaser.</p>

General Comment

The Portfolio Transaction Report was the only one pertaining to the marketing and offers that was prepared by LSH. This is surprising given that LSH was the marketing agent and from the documentation appeared to be the lead party in contact with the prospective portfolio purchaser during the April to June period.

However the emails from this period also reflect a very passive marketing agent role in that updates or amendments to the portfolio offer are relayed to Amber asking for instruction but with little advice or analysis presented alongside. Some emails are simply forwarded.

Once the initial portfolio offer was made it does not appear that there was any suggestion it would not be acceptable. Email evidence and reports were all written in favour of the transaction, with a number of internal comments referring to a good deal.

██████, a member of the Amber Investment Committee, makes various email observations and comments regarding the strength and terms of the transaction before reports are made to the Board. There are also various emails from Board member ██████ querying more information, analysis, terms of the deal.

The initial offer includes no overage and therefore no protection to the Fund as to potential uplift from ██████ or market enhancements, and is simply represented as a cash offer.

Overage is only drawn in to the negotiations over time and on only two of the properties. After receipt of the initial offer, we have not seen evidence of reasoned advice from LSH that overage should be requested on the sites or not, nor as to the level of overage with regard to percentage, time period, or triggers. As LSH referenced ██████ strategies within the approved ARP and individual ASBPs it is surprising that overage was not proposed by them.

Welsh Government Peer Review - RIFW Asset Portfolio Disposal

Client Reporting – 5

What appropriate regulations/ best practice followed?

The following observations are made with regard solely to the Disposal of the properties and do not encompass other disciplines such as management, or investment advice with regard to the Fund.

Key items/ dates	Observations
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January – June 2011

General Comment

We have seen six draft marketing particulars dating from January 2011. No other material was produced.

The January ARP figures were those prepared by LSH the previous year during the tender for its appointment and had not been updated. The March ARP gives updated Realisation Values but no supporting calculations have been provided, despite being requested. Changes since the January figures are reported to reflect title issues, updates and market information that has emerged by March, although this is not specified. No evidence has been forthcoming that the significant changes in some of the assets, rendering the aggregate RVs to be amended to £24.935m, were discussed/ explained to the Board.

The possibility of a portfolio transaction is not raised as a consideration to pursue in the first instance but only mentioned in the March 2011 ARP after the portfolio offer from GST has been received. The approved ARP did therefore include mention of a portfolio disposal but only that it should not be ruled out. LSH had no mandate before that ARP was approved to follow such a disposal route, but appear not to have considered it as an option in any event. The ARP does not reference either advantages or disadvantages of marketing in such a way, nor value implications of doing so. Any discussion of this point is only in the context of the GST offer and set against the transfer values which in our view was not the only or most appropriate benchmark.

The Portfolio Transaction Report and Supplemental Transaction Report were the only reports prepared by LSH pertaining to offers. Others which formed the basis of discussions with the Board were prepared by Amber. It is not clear why the Supplemental Transaction Report is not referenced in the 2 and 9 June reports.

Email evidence reflects a very passive marketing agent role during March to June 2011 in that amendments to the portfolio offer are relayed to Amber asking for instruction but with little advice or analysis presented alongside. Overage is first mentioned by Amber. In view of the work being carried out by LSH and the recognition as evidenced in the ARP that a number of the assets have development potential, we would expect LSH to have presented opinion, advice or recommendation around this issue. Although the Fund is a separate entity from the Welsh Government, the assets have been transferred from Government for a specific investment purpose, and European funding has been sourced. Disposing of public sector assets requires an agent to be aware of additional procurement issues in addition to normal agency legislation and best practice, and the principles of best value (within the context of the transaction) pervade.

Once the initial portfolio offer was made it does not appear that there was any suggestion it would not be recommended. The email evidence and reports we have been provided with all suggest the recommendation will be positive.

In reporting offers agents are required to act honestly and with integrity, and legally required to report offers to clients promptly and in writing. Information on most of the offers referred to in this report arise from comments in the Marketing Activity Schedule, not from evidence of direct correspondence.

With regard to best practice, we would make the general observation that dates and references on reports were not always included, and a clear trail has not been easy to follow. The use of email in between formal reports, whilst enabling a quick way of communication, meant that GST demands were on occasion simply forwarded with little additional analysis or advisory comment. The timetable also appears to have been dictated by the purchaser with little or no understanding of appropriate approval processes on the client side. The scheduled Board meetings were not frequent enough once correspondence with GST commenced in earnest, and it resulted in Board meetings held by telephone call with various emailed votes and notes of support being relied upon. It was Amber that took a strong lead in converting the offer to a transaction.

Client Reporting – 5 (continued)

What appropriate regulations/ best practice followed?

The following observations are made with regard solely to the Disposal of the properties and do not encompass other disciplines such as management, or investment advice with regard to the Fund.

Key items/ dates	Observations
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Conflict of Interest

We have been asked to comment on any conflict of interest issues relating to the marketing.

In November 2011 LSH wrote an email setting out information on how it is handling potential and known conflicts in terms of RIFW investment applications. These applications are not part of the remit of the Peer Review.

In the Supplemental Transaction Report dated 15 December 2011 under the heading "4. Related Parties" LSH states:

- "LSH confirm that we do not have any related party issues resulting from this transaction. We have acted for Langley Xxxxxx on other projects and do provide property advice to companies where Langley Xxxxxx is a Director."

It is not clear from this who at LSH would have direct client contact with Langley Xxxxxx, nor whether this over-lapped with the RIFW instruction. LSH state that there are no related party issues, and unless further forensic investigation was made into electronic files surrounding the RIFW portfolio transaction, or other evidence came to light contradicting this statement, then it is assumed able to be relied upon.

In March 2012 LSH was appointed to act for SWLDL on [REDACTED] promotion and disposal of various of the portfolio sites. LSH is still we understand engaged under the terms of the Investment Management Agreement, as sub-contractor to Amber.

In June 2012 an email from LSH sets out how it is putting its own 'Chinese Walls' policy into practice with regard to Brackla, a property which RIFW still owns at that time.

- [REDACTED] is stated to be liaising with Bridgend Council to ascertain on behalf of RIFW progress of the Lovells/ Linc-Cymru application on land adjacent to the Brackla site. LSH has no direct involvement in this application.
- [REDACTED] has also been appointed to act for SWLDL to submit a Planning application on the land at Brackla that remains under RIFW ownership subject to a conditional contract to purchase by SWLDL. The application is stated as not yet submitted.
- LSH advise that there is no linkage/ influence between the two above applications or their outcomes.

According to LSH's own 'Chinese Walls' policy, it should have set out to its own Compliance Officer the information required; secured confirmation in writing from the CO that the proposals were acceptable; written to the respective clients involved and received confirmation that they were happy for LSH to act with implementation of the 'Chinese Wall'. The RICS also has a 'Chinese Walls' policy and requires member firms to comply.

We have not been provided with written evidence that the relevant policies were complied with in the above circumstance. While not actively advising RIFW on the Brackla site after completion of the main portfolio transaction, it would have been appropriate to seek client confirmation before proceeding to act.

We understand from our meeting with Amber and LSH on 10 April 2013 that [REDACTED] knew LSH was acting for SWLDL, and acquiesced to the instruction; we do not know the dates involved nor have we seen written documents relating to this issue from the time concerned.

Key Considerations - Planning

What was the appropriate information with regard to Planning history?

Key items/ dates	Description	Observations
<p>January – March 2011</p> <p>Were there any outstanding applications?</p> <p>Were discussion held with the Planning Authority?</p>	<p>The ASBPs in both the January working draft and March approved ARPs included site specific Planning comments and strategy in view of policy background/ status and knowledge of each site.</p> <p>A number of the sites are identified to have Planning potential, either for development thereon, or connected to potential development of neighbouring land (ransom situations).</p> <p>Comments on key sites where Planning potential was a considerable factor in value consideration are as follows.</p>	
Lisvane, Cardiff	<p>January:</p> <ul style="list-style-type: none"> LDP is envisaged for adoption October 2014 continued promotion through LDP to achieve better land use allocation Land included within Candidate Sites Submission • disposal with overage relating to future Planning consent <p>March:</p> <ul style="list-style-type: none"> LDP adoption timetable October 2014 long term promotion now less favourable due to the significant delays in LDP process If higher land use allocation not achieved asset RV may be adversely affected recommend immediate disposal with hope value and consideration of overage should be pursued 	<p>The adopted 1996 plan was at this time still relevant policy after the earlier LDP process had been stopped.</p> <p>RV is £2.5m, above the transfer value (excluding hope value) of £1.835m.</p> <p>No change has happened in the LDP process or status of the site so the comment that long term promotion is less favourable is unexplained.</p> <p>Realisation Date has been amended to Q4 2011, a maximum period of 9m.</p>
Llantrisant Business Park, Llantrisant	<p>January:</p> <ul style="list-style-type: none"> little opportunity to achieve change of use possibility of deriving ransom for access to adjoining land <p>March:</p> <ul style="list-style-type: none"> no longer has allocation for employment use still within settlement boundary so no policy obstacle to B1/ B2/ B8 as windfall land to north appears to have separate access so do not consider ransom achievable 	<p>This site had a previous employment land allocation which at this point had been proposed to be removed; the Inspector's report on the Local Plan was awaited.</p> <p>The loss of employment allocation is now confirmed but the site has no policy barrier to being developed for employment uses.</p> <p>RV is revised downwards to £200,000</p>

Key Considerations - Planning

What was the appropriate information with regard to Planning history?

<p>Upper House Farm, Rhoose</p>	<p>January:</p> <ul style="list-style-type: none"> Residential allocation in current UDP suggests higher future land use values RIFW in position to lead negotiations on future representations to LPA Planning status provides opportunity to crystallise value through submission of a Planning consent [sic] <p>March:</p> <ul style="list-style-type: none"> access required off Porthkerry Road and LPA Officers unsupportive • progress immediate sale 	<p>RV is £5m, considerably above the transfer value of £2.7m.</p> <p>There is no policy change but the RV is revised downwards as the access issue becomes known.</p>
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Key items/ dates	Description	Observations
<p>Garth Park, Port Talbot</p> <p>Were there any outstanding applications?</p> <p>Were discussion held with the Planning Authority?</p>	<p>January:</p> <ul style="list-style-type: none"> short term promotion could achieve retention of employment allocation threat of LPA intention to reallocate as Green Wedge immediate disposal to include hope value attached to current land use allocation <p>March:</p> <ul style="list-style-type: none"> LDP process completed and site is Green Wedge LDP Constraints Map shows land as a SINC and partly in C2 flood risk zone 	<p>The Local Plan had been through examination at this point and the Inspector's report was awaited, so the opportunity to retain an employment allocation was highly unlikely.</p> <p>RV amended from [redacted] to [redacted] as a result of reallocation.</p>
<p>Ty Draw Farm, Pyle, Bridgend</p>	<p>January:</p> <ul style="list-style-type: none"> UDP allocation for 'special employment use' notes existing restrictive covenant limits use to agricultural/ residential <p>March:</p> <ul style="list-style-type: none"> Short term promotion of say 6m to test if receipts in excess of agricultural values are possible 	<p>'Special employment use' is high tech business and manufacturing, R&D and related office development and no other purpose. This limits the type of employment permissible under policy at this stage.</p>

Key Considerations - Planning

What was the appropriate information with regard to Planning history?

<p>Wonastow Road, Monmouth</p>	<p>January:</p> <ul style="list-style-type: none"> part allocated for employment use, promoted as candidate site for mixed use promotion of the site through the LDP process secure enhanced receipts through development of more valuable land use prioritise for immediate sale to generate a substantial capital receipt based on agricultural value <p>March:</p> <ul style="list-style-type: none"> Council undertaking consultation on major sites; Wonastow Road is one of only two sites in Monmouth masterplan submitted in January; flooding and highways are of concern to LPA Deposit LDP ongoing; report due to Special Committee delayed until May, Examination expected early 2012 with report published summer 2012 continue to promote or immediate sale with overage provisions; sale to adjoining owners (Bovis) or open market 	<p>RV £1.5m is above the transfer value of £990,000.</p> <p>The policy background is evolving and the requirement for further studies to address concerns is highlighted. Highways assessment, ground Condition Survey, Floodwater modelling and a Revised Density Analysis are all required by the end of April so that the May Special Committee can review.</p> <p>The RV is unaltered at this stage.</p>
<p>Waenfynydd Farm, Llandudno Junction</p>	<p>January:</p> <ul style="list-style-type: none"> no land use allocation promotion has commenced ; masterplan produced for mixed use with 3ha residential issue over quantum of residential on site; Members suggesting max 20%; decision due 27 January <p>March:</p> <ul style="list-style-type: none"> Members did not support submission of 40% residential could still object to allocation in LDP showing mixed use with 30% residential allow Planning position to settle then sell by private treaty 	<p>RV is £1m, above the transfer value despite the comment of no land use allocation.</p> <p>This Planning strategy update is based on positive feedback from the residential market, and the RV remains unchanged.</p>

Key items/ dates	Description	Observations
<p>Brackla Industrial Estate, Bridgend</p> <p>Were there any outstanding applications?</p> <p>Were discussion held with the Planning Authority?</p>	<p>January:</p> <p>employment allocation in UDP; changing Planning status in emerging LDP Development Brief adopted on December 16 will act as SPG</p> <ul style="list-style-type: none"> allocation for c300 houses although part will be used by the WAG sale for affordable housing <p>previous interest in retail in SW corner</p> <p>March:</p> <ul style="list-style-type: none"> residential allocation c350 dwellings with part used up by WAG sale for affordable housing Bridgend Council suggest site allocation will be in line with Development Brief enhancement of Planning status through LDP process; time scale three years sale of residential element may leave difficult employment elements • previous interest in retail in SW corner 	<p>Development Brief had been adopted in December 2010 which would now act as SPG. It included a parameter of 250-350 houses with a minimum density of 35dph. The ASBP notes that part of this would be used up by the “WAG sale for affordable”. We understand this sale referred to related to land adjoining, outside the RIFW portfolio.</p> <p>RV £7.5m reflects enhanced Planning situation and the adjoining sale.</p> <p>Reference is included to the requirement for legal clarification on persisting [sic] restrictive covenants, overage provision and agreements.</p> <p>RV is unchanged in March.</p>

Key Considerations - Planning

What was the appropriate information with regard to Planning history?

26 January 2012	The LSH Supplemental Transaction Report reports that overage on Lisvane continues to be the subject of debate, and that it has been agreed to extend the longstop date to allow the purchaser time to sell the land to cover the overage payment. It is not clear whether this helps the Fund given the now closer date for the end of its investment programme.	
31 January 2012	<p>Appendix 1 to Investment Report to the Board Garth Park: revised designation as a Green Wedge a</p> <p>to an SSSI; valuation is revised to [REDACTED] and an expectation it will be revised</p> <p>Cogan Hall Farm: the neighbouring residential allocation is removed and therefore ransom value has been removed; value is revised to [REDACTED].</p> <p>Anchor Way: noted as having ransom value removed;</p> <p>Brackla: the "book value was premised on private residential use on an assumption of an agreement to lease on an adjacent piece of land owned by WG taking up the affordable housing allocation for this site. Without the lease, site may have to provide a 30% provision on site."</p>	<p>This policy position was already known almost a year earlier.</p> <p>The transfer value of £5.5m excluded hope value. At the time the site was an existing employment site and the Agreement for Lease was not in place.</p> <p>The RV of £7.5m had reflected an adopted Development Brief and the Agreement for Lease. The Development Brief was still in place and consultation had taken place during 2011 on Alternative Sites.</p> <p>It is not clear what book value is being referred to here and therefore the Planning assumptions that underpinned it.</p>

Key items/ dates	Description	Observations
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Key Considerations - Planning

What was the appropriate information with regard to Planning history?

Were there any outstanding applications?

Were discussion held with the Planning Authority?

General Comment

We have not been provided with any documents from Planning submissions during the period of the disposal. We have undertaken our own review of the policy position in respect of each of the sites, and a short pro forma is attached in Appendix D to this report.

We have not spoken to the Planning authorities during the course of this Review. Unless specific applications were being made we believe it to be highly unlikely to find written evidence from the LPAs of specific discussions.

The remarks in the ASBPs in both January and March 2011, as approved, refer to Planning strategies and overage. None of this advice is evidenced in documents from LSH pertaining to the offer from GST, and we have not seen any correspondence advising whether it is considered overage can be secured within the context of the portfolio transaction or not, and if so, as to the terms that might be achievable.

Once the transaction was agreed, it is not clear what specific instruction(s) LSH was following in order to continue to promote the assets, given that the transaction was intended to be a cash purchase within a short timeframe. The general terms of the Investment Management Agreement were still in place.

State Aid

In addition to our original scope you have specifically asked us to comment on the issues raised by the OJEC document No C203/9.

A copy of the document is included at Appendix C and we have considered it in the light of this Review and the documents we have been provided with.

Under Section 1 of the document it states that “This guidance takes account of the fact that in most Member States budgetary provisions exist to ensure that public property is in principle not sold below its value.” Under Section II it states:

“A sale of land and buildings following a sufficiently well-publicized, open and unconditional bidding procedure, comparable to an auction, accepting the best or only bid is by definition at market value and consequently does not contain state aid. The fact that a different valuation of the land and buildings existed prior to the bidding procedure, e.g. for accounting purposes or to provide a proposed initial minimum bid, is irrelevant.

“(a) An offer is ‘sufficiently well-publicized’ when it is repeatedly advertised over a reasonably long period (two months or more) in the national press, estates gazette or other appropriate publication and through real-estate agents addressing a broad range of potential buyers, so that it can come to the notice of all potential buyers.”

Under the above and based on the material disclosed to us there is no evidence to suggest a ‘sufficiently well-publicized’ procedure was carried out.

We should point out that if such a campaign had been run, this does not automatically mean that the assets could have achieved a higher figure.

Conclusions

We set out below our conclusions in response to the Key Questions we said we would ask Planning

History

What was the appropriate information with regard to Planning history? – set out in the pro forma documents in Appendix D.

What was the status of the local Planning policy? – set out in the pro forma documents in Appendix D.

Were there any outstanding Planning applications? – set out in the pro forma documents in Appendix D.

Were discussions held with the Planning Authority? – some meetings were referred to in the ARP documents but we have not seen copies of any meeting notes.

Planning Potential

Did any of the properties have (re)development potential? – yes, as set out by LSH in its ARP.

Was this short, medium or long-term? – varying.

Was the potential uplift explored with the vendor? – to an extent through the ARP, which gave Planning commentary and set out a strategy, but there were inconsistencies and some contradictions when the document was updated for the March version.

Was the opportunity to secure Planning permission in advance of disposal discussed? – the possibility was mentioned in various ARP ASBPs but no cost/ benefit analysis is given, nor advice with regard to potential chance of success, and whether/ what was feasible given the requirement for reinvestment of funds by the end of 2015.

Client reporting

How was any potential uplift to be dealt with as part of a transaction? – we have not seen evidence that this was discussed. The RVs given by the ARP are taken as meaning the potential receipts for freehold unconditional transactions, and although overage is mentioned in a number of the ASBPs it is not articulated as to what terms this should take, and whether this has been factored in to the RV in question or would affect it. There is no discussion as to other ways of securing uplift, eg conditional contracts, and whether or not these were relevant.

Were appropriate regulations/ best practice followed? - we have not seen all items of correspondence relating to the disposal, but from the evidence, various offers were reported to Amber, sent by email for expedience, but in many instances with little advice as to the quality of that offer. The level of detail in the recommendation of a letting at Imperial House is quite different from the level of detail put forward initially regarding the Rightacres and/ or GST offer for instance.

Disposal Strategy

Conclusions

Was the strategy appropriate to meet the Asset Realisation Plan/ Business Plan objectives? – given the size of the portfolio, the geography of the assets, and their complexity, we would expect a detailed marketing strategy to have been evolved. LSH was instructed in December, having been aware of the properties and their nature since tendering, but did not put forward any other advice that we have seen outside the ARP eg whether any other lotting had previously been considered.

Was it appropriate to treat with a number of properties together in one transaction? – there is no reason why this should not have taken place.

Was appropriate advice given regarding potential receipts? - we have not seen evidence that advice was given as to whether a portfolio or lotted disposal would have compared against the aggregated value of the individual assets as proposed in the ARP. Further, there is no explanation regarding what the RVs in the ASBPs meant, whether it was realistic to expect these could all be achieved in the 2011 and 2012 timeframe, how the proposed use of overage on the various assets might affect these numbers or be expected to be realised, nor comments of market conditions affecting this advice. [Marketing Activities](#)

Were the marketing activities appropriate to the level and scale of property and expected buyers objectives? – given the size of the portfolio, the importance of it and the fact that despite being a distinct entity from Government the client nature was public sector, we would expect at the least advertising in the Estates Gazette to have taken place. We do not know whether or how the sites were marketed on LSH website, in addition to any bespoke website set up, and there is no evidence of any sales pack having been prepared or even commenced.

Was the process transparent, fair and carried out in accordance with appropriate regulations? – effectively, there was no marketing process that was carried out in accordance with an approved strategy. LSH did not have mandate to market the assets formally until the ARP was approved, and immediately it was approved it was not carried through as a portfolio offer had already been received. Comments with regard to regulations covering advertising, site boards, particulars, misdescriptions etc are therefore irrelevant. With regard to transparency, there was only one party being negotiated with. It is not known whether the lead representative for the buyer was advised of this, but the threat of not transacting on the deal is mentioned a number of times by LSH. The party concerned transacts almost exactly 12 months after making an approach.

Were bidders given appropriate information? – bidders were issued with the management pro formas, which contain very basic information. There is no evidence that particulars or information was being collated/ assembled to give to bidders either during months April to July 2011 or later in the event that GST did not complete, although there are references to a contingency plan being needed for that event.

What level of due diligence was carried out on potential purchasers? – no due diligence was carried out in advance of the agreed Heads of Terms.

Client reporting

How were bids reported and evaluated? – bids were generally reported by a forwarding email. No analysis was offered other than the GST offer and Rightacres proposal.

How were Heads of Terms structured and solicitors appointed? – draft Heads of Terms were drawn up on 15 March initially, then again in June and agreed in July. The wording on overage is unclear. The appointment of solicitors was not managed by the marketing agent, and we believe separately procured.

Conclusions

What protection was afforded to the vendor in relation to best value? - 'overage' was a word used frequently in the ARP but then not proposed at all by LSH until Amber raise it in an email. It is then only put forward on one property. Terms for overage can and do vary with regard to the perceived Planning prospects, risk, potential cost, and length of time the site might take to be ultimately delivered. It is very common practice for public sector vendors to use some form of clawback arrangements if selling assets unconditionally, particularly where a Planning prospect has been identified but a receipt is needed within a certain financial year, or for instance in areas where values are expected to rise. The evidence does not suggest that the concept of overage was explored fully in the context of the portfolio transaction, or recommendation reports.

What reports were prepared and when, and were they of appropriate quality? – with regard to the portfolio disposal, LSH prepared one report in April 2011, and a Supplemental Report in June. It is not clear when the latter was circulated, but it was commented upon and amendments were suggested by Amber at the time. Two later Supplemental Reports were prepared in December 2011 and January 2012. These reports are essentially an update to the earlier version, and we have not seen any evidence that the amendments to the sale in the light of the 'warts and all' principle were objectively reviewed.

Were appropriate regulations/ best practice followed? – the observations made in this Peer Review report cover a range of issues on client reporting. Of particular concern would be issues around any conflict of interest.

Conclusions

Quality of Advice

We have read the December 2012 draft report provided by Amber. A detailed critique against the wealth of material as set out in this report would require a considerable amount of time, and we have not to date been asked to prepare such a document.

Based on our review of the documentation provided in the context of this Peer Review of a portfolio asset disposal, there are a number of areas where advice does not appear to have been provided to either Amber or the Board. We would expect an experienced marketing agent to provide detailed advice regarding the assets it is selling, and in this case we have not seen a depth of material giving consideration of a portfolio disposal versus individual asset sales, a portfolio versus aggregated receipts, detailed consideration of likely receipts, timing, terms of suggested overage, and whether or not this is considered appropriate/ achievable in the context of a portfolio.

Notwithstanding these remarks, Board meetings were scheduled quarterly with a quorum of two needed to make required decisions. Amber was appointed to manage the Fund. By only the second Board meeting a portfolio transaction has already been offered. Internally at Amber and LSH it is clear that the transaction was considered a good deal.

Valuation and Best Value

We understand that the Valuation Office Agency was instructed by the Wales Audit Office to undertake a formal valuation of the assets/ portfolio at relevant dates. We have not had input into the scope of the valuation although we offered to assist in that regard in order that the work meets Welsh Government needs.

We have not been provided with a copy of the report and valuation.

We were asked whether, in all the circumstances, best value was achieved. The shortcomings in the disposal advice as evidenced within this report would lead to concern with regard to the price and terms secured within the context of a portfolio disposal. A valuation report would provide the benchmark figure against which to determine whether the disposal achieved best value.

Appendix A

Confirmation of Instruction with Agreed Terms and Conditions

Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Direct: [REDACTED]

For the attention of [REDACTED]

28 February 2013

Dear Sirs

Peer Review of Asset Disposal Programme

Thank you for instructing Deloitte LLP ("Deloitte"). This letter contains the terms upon which we will provide the Services set out below and the fees that will be paid. Any capitalised terms used in this letter shall have the meaning given to them in the attached terms and conditions, unless otherwise defined in this letter.

Scope of our Services

The Scope of our Services is to undertake on behalf of the Welsh Government a Peer Review of a disposal of 18 assets vested in the Regeneration Investment Fund for Wales. The methodology for the Review is as set out within our Proposal dated 5 February 2013 as attached.

As identified in your invitation to tender and set out in our Proposal, the Peer Review is on behalf of the Welsh Government. Our report will therefore be addressed to the Welsh Government. Our liability will be restricted to the Welsh Government although we understand that in the public interests of transparency the report may need to be made publicly available.

Separately we understand that the Welsh Government is commissioning a review of its governance and oversight of the RIFW during the period that included the land disposal, and that the Welsh Audit Office is working with the Welsh Government in this regard.

We understand that you may therefore wish to make available our report to the Welsh Audit Office as Beneficiary (as defined in the attached Terms and Conditions). We will agree to this request provided that each such party executes a beneficiary access agreement with us in the form set out in Appendix 1 on terms acceptable to us. You authorise us to agree such agreement with those parties without reference back to yourselves.

Responsibility for Services

I will be the Partner principally responsible for the Services. Leading the review will be [REDACTED] in this office, supported where appropriate by [REDACTED]. With regard to town planning, this will be led by [REDACTED] with support from [REDACTED].

We try hard to avoid changing the people who are performing the Services, but if this cannot be avoided we will promptly advise you who will be handling the matter.

Fees and Expenses

As set out in our Proposal our fees for undertaking this review will be based on the hourly rates therein, and based on the time estimated to complete the Review we estimated a fee budget of £9,500 plus VAT. This estimate is based on the matter being completed with five days of file review, background planning and any market research, and a report able to be written up within three weeks without review of additional material. It is not intended to be fixed and we will notify you if it appears to us that the estimate may be exceeded.

Any expenses and/or disbursements are excluded from the above fees and therefore recoverable in addition.

VAT will be charged on all fees and charges at the prevailing rate and our fees are payable on presentation of our invoice.

Should any of the services of our Forensics team be required throughout the course of our engagement, then these would be carried out on the basis of the separate hourly rates as identified in our email to [REDACTED] of the Welsh Government on 8 February 2013. We would need to discuss the scope and extent of any Forensics work with you as an extension to this Peer Review before commencing any work.

Terms and Conditions

The attached terms and conditions form an integral part of the Contract between us and set out the obligations and duties of each party in relation to the provision of the Services. Please read the terms and conditions as they exclude or limit our liability to you in certain circumstances. For the purpose of this engagement, our aggregate liability whether in contract, tort or otherwise shall be limited to a maximum of £5m.

Complaints procedure

We aim to perform our services in an efficient and professional manner and we hope that you have no cause for complaint. If, however, you have any queries or concerns about our work for you, please raise them in the first instance with me. If that does not resolve the problem to your satisfaction or if you would prefer not to speak to me, then please contact [REDACTED] of Deloitte LLP. Alternatively, we can supply you with a copy of our formal complaints handling procedure as required by the Royal Institution of Chartered Surveyors upon request, or you have the right to take any complaint against us with the Institute of Chartered Accountants in England and Wales.

Agreement to the Contract

If, having considered the provisions of this Contract you conclude that they are reasonable in the context of all the factors relating to the engagement and our proposed appointment and you wish to engage us on these terms, please confirm your written acceptance of this Contract by signing and returning the attached copy.

Yours faithfully

[REDACTED]

PP [REDACTED]
DELOITTE LLP

**Encs: Appendix 1 – Beneficiary Access Agreement
Deloitte LLP Terms & Conditions**

Signed as approved on behalf of Client [REDACTED]

Name and position..... [REDACTED]

Date..... 1.3.13

