

**REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
FOR
THAMESWEY LIMITED**

THAMESWEY LIMITED

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for the Year Ended 31 December 2012**

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THAMESWEY LIMITED
COMPANY INFORMATION
for the Year Ended 31 December 2012

DIRECTORS:

D J Spinks
R N Morgan
B M Maunders
M Rolt
S Bonsor
R J Kingsbury
S Barham
T Price
B Hunwicks
W Prescott
D J Bittleston

SECRETARY:

Clyde Secretaries Limited

REGISTERED OFFICE:

The St Botolph Building
138 Houndsditch
London
EC3A 7AR

REGISTERED NUMBER:

03702545 (England and Wales)

AUDITORS:

Hamlyns LLP
Chartered Accountants & Statutory Auditors
Sundial House
High Street
Horsell
Woking
Surrey
GU21 4SU

THAMESWEY LIMITED

REPORT OF THE DIRECTORS for the Year Ended 31 December 2012

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the furtherance of Woking Borough Council's energy and environmental objectives, to enable other Local Councils to participate in schemes which provide energy efficiency, its affordable housing objective through the provision of intermediate market rent properties and property development and investment.

REVIEW OF BUSINESS

During the year the Thameswey Group continued with the £5m renewal project of its combined heat and power (chp) equipment in Woking and the improvement of its chp businesses in both Woking and Milton Keynes. The Group continued with its plans to provide an economic stimulus to the Borough of Woking as well as to assist with housing needs by the purchase of 6 homes and a large property to refurbish as a bed and breakfast, the construction of 42 homes in Rydens Way, the expansion of the low carbon homes and schools programmes, commenced work on the Governments Green Deal initiative across Surrey and the launch of the Thameswey Solar business.

DIVIDENDS

No dividends were distributed for the year ended 31 December 2012.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

D J Spinks
R N Morgan
B M Maunders
M Rolt
S Bonsor
R J Kingsbury
S Barham
T Price

Other changes in directors holding office are as follows:

J P Thorp - resigned 27 February 2012
G Elson - appointed 27 January 2012 - resigned 11 September 2012
B Hunwicks - appointed 27 January 2012
R Wilson - appointed 27 January 2012 - resigned 23 May 2012
W Prescott - appointed 27 January 2012
D J Bittleson - appointed 30 July 2012

FIXED ASSET INVESTMENTS

X2WP Limited was put into Members Voluntary Liquidation on 31st July 2012.

SHARE CAPITAL

Thameswey Limited issued 1,887,015 ordinary shares of £1 each to Woking Borough Council for the following purposes:-

- for onward investment in Thameswey Solar Limited, 887,015 shares were issued on 15 March 2012.
- for onward investment in Thameswey Energy Limited, 500,000 ordinary shares were issued on 23 July 2012 and on 21 December 2012 a further 500,000 ordinary shares were issued.

THAMESWEY LIMITED

REPORT OF THE DIRECTORS for the Year Ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

- () The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:

B. Maunders

- () B M Maunders - Director

5 July 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THAMESWEY LIMITED

We have audited the financial statements of Thameswey Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THAMESWEY LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Cooper (Senior Statutory Auditor)
for and on behalf of Hamlyns LLP
Chartered Accountants & Statutory Auditors
Sundial House
High Street
Horsell
Woking
Surrey
GU21 4SU

5 July 2013

THAMESWEY LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2012**

| | Notes | 2012 £ | £ | 2011 £ | £ |
|--|-------|------------|-------------|------------|-------------|
| TURNOVER | | | | | |
| Group and share of joint ventures | | | 13,954,711 | | 14,507,173 |
| Less: | | | | | |
| Share of joint ventures' turnover | | | (592,400) | | - |
| GROUP TURNOVER | | | 13,362,311 | | 14,507,173 |
| Continuing operations | | 13,362,311 | | 14,092,472 | |
| Discontinued operations | | - | | 414,701 | |
| Cost of sales | 2 | | 8,679,176 | | 11,041,468 |
| GROSS PROFIT | 2 | | 4,683,135 | | 3,465,705 |
| Net operating expenses | 2 | | 2,377,491 | | 2,434,947 |
| GROUP OPERATING PROFIT | 5 | | 2,305,644 | | 1,030,758 |
| Continuing operations | | 2,305,644 | | 583,661 | |
| Discontinued operations | | - | | 447,097 | |
| Share of operating profit in Joint ventures | | | 19,052 | | - |
| Share of operating loss in joint ventures | | | - | | 6,720 |
| | | | 2,324,696 | | 1,024,038 |
| Income from shares in group undertakings | | - | | 36,000 | |
| Interest receivable and similar income | | 35,318 | | 7,652 | |
| | | | 35,318 | | 43,652 |
| | | | 2,360,014 | | 1,067,690 |
| Interest payable and similar charges | 6 | | 4,636,312 | | 4,186,679 |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | | (2,276,298) | | (3,118,989) |
| Tax on loss on ordinary activities | 7 | | - | | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | | (2,276,298) | | (3,118,989) |
| Minority interest - equity | | | 470 | | (231,465) |
| DEFICIT FOR THE GROUP CARRIED FORWARD | | | (2,276,768) | | (2,887,524) |

The notes form part of these financial statements

THAMESWEY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2012

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current year or previous year.

The notes form part of these financial statements

THAMESWEY LIMITED (REGISTERED NUMBER: 03702545)

CONSOLIDATED BALANCE SHEET
31 December 2012

| | | 2012 | | 2011 | |
|--|-------|-------------|-------------------------|-------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | 521,450 | | 559,214 |
| Tangible assets | 11 | | 36,111,225 | | 31,249,477 |
| Investments | 12 | | | | |
| Interest in joint venture | | | | | |
| Share of gross assets | | | 3,846,121 | | 426,318 |
| Share of gross liabilities | | | (3,778,628) | | (378,037) |
| Investment property | 13 | | 44,102,324 | | 41,863,083 |
| | | | <u>80,802,492</u> | | <u>73,720,055</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 14 | 25,630,673 | | 21,372,255 | |
| Debtors | 15 | 5,491,120 | | 3,723,151 | |
| Investments | 16 | 147,656 | | 147,303 | |
| Cash at bank and in hand | | 2,898,966 | | 2,945,081 | |
| | | | <u>34,168,415</u> | <u>28,187,790</u> | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 17 | 6,968,512 | | 5,350,323 | |
| NET CURRENT ASSETS | | | <u>27,199,903</u> | | <u>22,837,467</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>108,002,395</u> | | <u>96,557,522</u> |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 18 | | (92,052,377) | | (80,201,459) |
| ACCRUALS AND DEFERRED INCOME | 20 | | (13,654,058) | | (13,966,492) |
| MINORITY INTERESTS | 21 | | (296,142) | | - |
| NET ASSETS | | | <u><u>1,999,818</u></u> | | <u><u>2,389,571</u></u> |

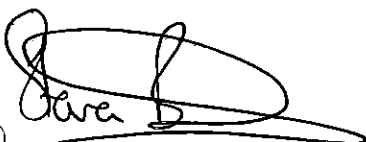
The notes form part of these financial statements

THAMESWEY LIMITED (REGISTERED NUMBER: 03702545)

CONSOLIDATED BALANCE SHEET - continued
31 December 2012

| | Notes | 2012 £ | 2011 £ |
|-----------------------------|-------|------------------|------------------|
| CAPITAL AND RESERVES | | | |
| Called up share capital | 22 | 15,718,231 | 13,831,216 |
| Profit and loss account | 23 | (13,718,413) | (11,441,645) |
| SHAREHOLDERS' FUNDS | 26 | <u>1,999,818</u> | <u>2,389,571</u> |

The financial statements were approved by the Board of Directors on 5 July 2013 and were signed on its behalf by:


S Bonsor - Director


The notes form part of these financial statements

THAMESWEY LIMITED (REGISTERED NUMBER: 03702545)

**COMPANY BALANCE SHEET
31 December 2012**

| | Notes | 2012 | 2011 |
|--|-------|--------------------------|--------------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Intangible assets | 10 | - | - |
| Tangible assets | 11 | 77,908 | 76,511 |
| Investments | 12 | 15,711,704 | 81,533,122 |
| Investment property | 13 | - | - |
| | | <u>15,789,612</u> | <u>81,609,633</u> |
| CURRENT ASSETS | | | |
| Debtors | 15 | 257,382 | 635,975 |
| Cash at bank | | 472,915 | 294,183 |
| | | <u>730,297</u> | <u>930,158</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 17 | 65,440 | 68,705,708 |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>664,857</u> | <u>(67,775,550)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u><u>16,454,469</u></u> | <u><u>13,834,083</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 22 | 15,718,231 | 13,831,216 |
| Profit and loss account | 23 | 736,238 | 2,867 |
| SHAREHOLDERS' FUNDS | 26 | <u><u>16,454,469</u></u> | <u><u>13,834,083</u></u> |

The financial statements were approved by the Board of Directors on 5 July 2013 and were signed on its behalf by:



S Bonsor - Director

The notes form part of these financial statements

THAMESWEY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 December 2012

| | Notes | 2012 £ | 2011 £ |
|---|-------|--------------|--------------|
| Net cash outflow from operating activities | 27 | (1,147,352) | (12,580,243) |
| Returns on investments and servicing of finance | 28 | (4,600,994) | (4,149,747) |
| Taxation | | (31,448) | (175,630) |
| Capital expenditure and financial investment | 28 | (8,548,252) | (2,541,163) |
| | | (14,328,046) | (19,446,783) |
| () Financing | 28 | 14,281,931 | 16,402,203 |
| Decrease in cash in the period | | (46,115) | (3,044,580) |
| Reconciliation of net cash flow to movement in net debt | 29 | | |
| Decrease in cash in the period | | (46,115) | (3,044,580) |
| Cash outflow from increase in liquid resources | | 353 | 304 |
| Cash outflow from decrease in debt | | 463,952 | 431,899 |
| Change in net debt resulting from cash flows | | 418,190 | (2,612,377) |
| Movement in net debt in the period | | 418,190 | (2,612,377) |
| Net (debt)/funds at 1 January | | (1,159,234) | 1,453,143 |
| () Net debt at 31 December | | (741,044) | (1,159,234) |

The notes form part of these financial statements

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2012

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the continued financial support provided to the company and the group by the ultimate parent undertaking, Woking Borough Council.

The directors review and approve the business plan, which contain details of the financial support required from Woking Borough Council, for the company and each trading subsidiary company in July each year for the following 3 years with longer financial projections as appropriate which demonstrate that each company can repay its loans as they fall due and where appropriate give a return on the investment. The plans are then presented to the Executive of Woking Borough Council in September and the full Council in October for approval. Woking Borough Council members adopted the business plans covering the period 2013 to 2016 on 25th October 2012. The principal and earlier investment return to the Council is via loan margins. For these reasons the directors believe that it is appropriate to prepare the accounts on a going concern basis.

Basis of consolidation

The consolidated balance sheet has been prepared using the acquisition method of accounting for the parent company and its subsidiary companies.

Turnover

Turnover primarily represents net invoiced sales of goods and services, excluding VAT.

Income arising from long-term contracts is recognised only where the final outcome can be assessed with reasonable certainty, by including turnover and related costs in the profit and loss account as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract. Where a loss is expected on the contract as a whole it will be recognised as soon as it is foreseen.

Rent received in respect of residential letting of the investment properties, is recognised on a time basis based on the period of rental in accordance with the term of the lease exclusive of VAT.

Income is broken down into its component parts and recognised in accordance with Financial Reporting Standard number 5, application note G.

Goodwill

On 31 December 2004, the company acquired the remaining 81% of the share capital of Thameswey Energy Limited. Negative goodwill arose on consolidation in 2004.

On 30 December 2005, the company sold 10% of the share capital of Thameswey Energy Limited resulting in a part disposal of the negative goodwill arising in 2004. On 30 December 2005, the company acquired 100% of the share capital of Woking Borough Homes Limited. Goodwill arose on consolidation in 2005.

On 1 April 2007, the company acquired 100% of the share capital of Energy Centre for Sustainable Communities Limited. Goodwill arose on consolidation in 2007.

In the year ended 31 December 2008, further costs were incurred relating to the purchase of the share capital of Energy Centre for Sustainable Communities Limited. Goodwill arose on consolidation in 2008.

In the year ended 31 December 2009, further costs were incurred relating to the purchase of the share capital of Energy Centre for Sustainable Communities Limited. Goodwill arose on consolidation in 2009. On 5 August 2009, the company acquired 100% of the share capital of Thameswey Developments Limited. No goodwill arose on consolidation in 2009.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

In the year ended 31 December 2010, the company acquired further shares in Energy Centre for Sustainable Communities Limited resulting in a reduction in goodwill. On 19 February 2010, the company acquired 100% of the share capital of Wolsey Place Limited. The goodwill arising on consolidation in 2010 has been fully written off in the year. During the year ended 31 December 2010 Thameswey Developments Limited entered into a 50% joint venture in Rutland (Woking) Limited. Goodwill arose on consolidation in 2010.

In the year ended 31 December 2011, the company acquired the remaining 10% of the share capital of Thameswey Energy Limited. The goodwill arising on consolidation in 2011, along with the balance of the negative goodwill arising in 2004, has been fully written off in the year. In the year ended 31 December 2011 further costs were incurred relating to the purchase of Wolsey Place Limited. The goodwill arising on consolidation in 2011 has been fully written off in the year. In the year ended 31 December 2011, the company acquired 100% of the share capital of both Thameswey Solar Limited and Thameswey Maintenance Services Limited. Goodwill arose on consolidation in 2011. During the year ended 31 December 2011 Thameswey Developments Limited entered into a 50% joint venture in Rutland Woking (Carthouse Lane) Limited. No goodwill arose on consolidation in 2011.

During the year under review the group capitalised costs in connection with the set up costs of Thameswey Solar Limited amounting to £34,714 which has given rise to an addition to goodwill.

Similarly, legal costs have been capitalised in respect of the acquisition of the 10% share capital of Thameswey Energy Limited in 2011 of £2,052 and £4,989 in respect of the acquisition of Thameswey Maintenance Services Limited also in 2011.

The remaining goodwill arising on consolidation is being written off over 10 years.

Intangible fixed assets

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-------------------|-----------------|
| Computer software | - 12.5% on cost |
|-------------------|-----------------|

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|---------------------------|---|
| Buildings | - Straight line over 60 years |
| Short leasehold | - over remaining term of lease |
| Motor Vehicles | - Straight line over 4 years |
| Plant and machinery | - 20% on reducing balance, Straight line over 24 years, Straight line over 60 years, Straight line over 30 years, Straight line over 20 years and Straight line over 25 years |
| Assets under construction | - 10% on cost |
| Fixtures and fittings | - 33% on reducing balance, 10% on cost, Straight line over 2 years, Straight line over 3 years and Straight line over 4 years |
| Computer equipment | - 25% on cost and 25% on reducing balance |

Finance costs which are directly attributable to the construction of fixed assets are capitalised as part of the costs of those assets. The commencement of capitalisation begins when both finance costs and expenditure for the assets are incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when the construction of the asset has reached the stage of practical completion.

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in market value is transferred to a revaluation reserve.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

1. ACCOUNTING POLICIES - continued

Stocks

Stocks and work in progress (except long term contracts) are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Long term contracts are stated at net cost less foreseeable losses less any applicable payments on account. The amount recorded as turnover in respect of long term contracts is ascertained by reference to the value of the work carried out to date. Attributable profit is recognised as the difference between recorded turnover and related costs.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

Government grants

Government grants relating to fixed assets are treated as deferred income and released to the profit and loss account over the expected useful economic lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Investments

Current asset investments are stated at the lower of cost and net realisable value.

2. ANALYSIS OF OPERATIONS

| | Continuing £ | 2012 Discontinued £ | Total £ |
|-------------------------------------|-----------------|---------------------------|------------|
| Cost of sales | 8,679,176 | - | 8,679,176 |
| Gross profit | 4,683,135 | - | 4,683,135 |
| Net operating expenses: | | | |
| Administrative expenses | 2,820,610 | - | 2,820,610 |
| Other operating income (see note 3) | (443,119) | - | (443,119) |
| | 2,377,491 | - | 2,377,491 |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

2. ANALYSIS OF OPERATIONS - continued

| | Continuing £ | 2011 Discontinued £ | Total £ |
|-------------------------------------|-----------------|---------------------------|------------|
| Cost of sales | 10,913,257 | 128,211 | 11,041,468 |
| Gross profit | 3,179,215 | 286,490 | 3,465,705 |
| Net operating expenses: | | | |
| Administrative expenses | 2,968,424 | (161,715) | 2,806,709 |
| Other operating income (see note 3) | (372,870) | 1,108 | (371,762) |
| | 2,595,554 | (160,607) | 2,434,947 |

3. OTHER OPERATING INCOME

| | 2012 £ | 2011 £ |
|------------------------|-----------|-----------|
| Sundry receipts | - | (1,151) |
| Contribution amortised | 270,558 | 198,749 |
| Grants amortised | 172,561 | 174,164 |
| | 443,119 | 371,762 |

4. STAFF COSTS

| | 2012 £ | 2011 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 998,432 | 696,188 |
| Social security costs | 100,029 | 66,990 |
| Other pension costs | 37,350 | 34,644 |
| | 1,135,811 | 797,822 |

The average monthly number of employees during the year was as follows:

| | 2012 | 2011 |
|----------------|------|------|
| Cost of sales | 23 | 14 |
| Administration | 4 | 3 |
| | 27 | 17 |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2012 | 2011 |
|--|----------------|----------------|
| | £ | £ |
| Hire of plant and machinery | 39,678 | 16,494 |
| Depreciation - owned assets | 1,398,153 | 1,140,978 |
| Profit on disposal of fixed assets | (4,831) | (405,737) |
| Goodwill amortisation | 75,227 | 64,748 |
| Computer software amortisation | 16,318 | 16,166 |
| Auditors' remuneration | 4,000 | 4,500 |
| Auditors' remuneration for non audit work | 6,985 | 12,250 |
| The auditing of accounts of any associate of the company | 46,650 | 39,100 |
| Other non-audit services | 17,811 | 14,500 |
| | <u>116,662</u> | <u>106,194</u> |
| Directors' remuneration | 4,701 | 4,784 |
| Directors' pension contributions to money purchase schemes | <u>4,701</u> | <u>4,784</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | 1 | 1 |
|------------------------|----------|----------|
| Money purchase schemes | <u>1</u> | <u>1</u> |

The remuneration and pension contributions include those for the Group Managing Director for the whole of 2012

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2012 | 2011 |
|----------------|------------------|------------------|
| | £ | £ |
| Other interest | <u>4,636,312</u> | <u>4,186,679</u> |

7. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011.

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £733,371 (2011 - £14,539).

9. DISCONTINUED OPERATIONS

Transactions relating to discontinued activities relate to activities that were acquired in the previous year. The trade is being continued higher up in the group and future trading will be recognised in the ultimate parents accounts.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

10. INTANGIBLE FIXED ASSETS

Group

| | Goodwill £ | Computer software £ | Totals £ |
|-----------------------|---------------|---------------------------|-------------|
| COST | | | |
| At 1 January 2012 | 1,499,682 | 129,343 | 1,629,025 |
| Additions | 41,756 | 12,025 | 53,781 |
| At 31 December 2012 | 1,541,438 | 141,368 | 1,682,806 |
| AMORTISATION | | | |
| At 1 January 2012 | 995,541 | 74,270 | 1,069,811 |
| Amortisation for year | 75,227 | 16,318 | 91,545 |
| At 31 December 2012 | 1,070,768 | 90,588 | 1,161,356 |
| NET BOOK VALUE | | | |
| At 31 December 2012 | 470,670 | 50,780 | 521,450 |
| At 31 December 2011 | 504,141 | 55,073 | 559,214 |

11. TANGIBLE FIXED ASSETS

Group

| | Buildings £ | Short leasehold £ | Motor Vehicles £ | Plant and machinery £ |
|---------------------------|----------------|-------------------------|------------------------|-----------------------------|
| COST | | | | |
| At 1 January 2012 | 2,391,992 | - | 66,658 | 31,538,933 |
| Additions | - | 59,223 | 4,600 | 3,173,719 |
| Disposals | - | - | (24,601) | - |
| Reclassification/transfer | - | - | - | 3,741,152 |
| At 31 December 2012 | 2,391,992 | 59,223 | 46,657 | 38,453,804 |
| DEPRECIATION | | | | |
| At 1 January 2012 | 240,927 | - | 59,256 | 6,390,453 |
| Charge for year | 39,784 | - | 4,904 | 1,317,455 |
| Eliminated on disposal | - | - | (24,601) | - |
| At 31 December 2012 | 280,711 | - | 39,559 | 7,707,908 |
| NET BOOK VALUE | | | | |
| At 31 December 2012 | 2,111,281 | 59,223 | 7,098 | 30,745,896 |
| At 31 December 2011 | 2,151,065 | - | 7,402 | 25,148,480 |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

11. TANGIBLE FIXED ASSETS - continued

Group

| | Assets under construction £ | Fixtures and fittings £ | Computer equipment £ | Totals £ |
|---------------------------|--------------------------------------|----------------------------------|----------------------------|-------------------|
| COST | | | | |
| At 1 January 2012 | 3,849,739 | 115,305 | 46,115 | 38,008,742 |
| Additions | 3,166,292 | 47,786 | 10,223 | 6,461,843 |
| Disposals | (201,211) | - | (4,299) | (230,111) |
| Reclassification/transfer | (3,741,152) | - | - | - |
| At 31 December 2012 | <u>3,073,668</u> | <u>163,091</u> | <u>52,039</u> | <u>44,240,474</u> |
| DEPRECIATION | | | | |
| At 1 January 2012 | - | 39,568 | 29,061 | 6,759,265 |
| Charge for year | - | 29,793 | 6,217 | 1,398,153 |
| Eliminated on disposal | - | - | (3,568) | (28,169) |
| At 31 December 2012 | <u>-</u> | <u>69,361</u> | <u>31,710</u> | <u>8,129,249</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2012 | <u>3,073,668</u> | <u>93,730</u> | <u>20,329</u> | <u>36,111,225</u> |
| At 31 December 2011 | <u>3,849,739</u> | <u>75,737</u> | <u>17,054</u> | <u>31,249,477</u> |

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £1,139,034 (2011 - £1,128,346).

Company

| | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Totals £ |
|-----------------------|-----------------------------|----------------------------------|----------------------------|----------------|
| COST | | | | |
| At 1 January 2012 | 56,380 | 42,563 | 2,126 | 101,069 |
| Additions | - | - | 10,223 | 10,223 |
| At 31 December 2012 | <u>56,380</u> | <u>42,563</u> | <u>12,349</u> | <u>111,292</u> |
| DEPRECIATION | | | | |
| At 1 January 2012 | 14,095 | 9,399 | 1,064 | 24,558 |
| Charge for year | 2,349 | 4,257 | 2,220 | 8,826 |
| At 31 December 2012 | <u>16,444</u> | <u>13,656</u> | <u>3,284</u> | <u>33,384</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2012 | <u>39,936</u> | <u>28,907</u> | <u>9,065</u> | <u>77,908</u> |
| At 31 December 2011 | <u>42,285</u> | <u>33,164</u> | <u>1,062</u> | <u>76,511</u> |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

12. FIXED ASSET INVESTMENTS

Group

| | Interest in joint venture £ |
|------------------------|--|
| COST | |
| At 1 January 2012 | 48,281 |
| Additions | 160 |
| Share of profit/(loss) | 19,052 |
| At 31 December 2012 | <u>67,493</u> |
| NET BOOK VALUE | |
| At 31 December 2012 | <u>67,493</u> |
| At 31 December 2011 | <u>48,281</u> |

Interest in joint venture

The group's aggregate share of joint ventures at the year end is as follows:

| | 2012 £ | 2011 £ |
|---|-------------------|-------------------|
| Profit/(loss) before tax | 23,945 | (6,720) |
| Taxation | (4,893) | - |
| Profit/(loss) after tax | <u>19,052</u> | <u>(6,720)</u> |
| Share of assets | | |
| Fixed assets | - | - |
| Current assets | 3,845,961 | 426,318 |
| Share of liabilities | | |
| Share of liabilities due within one year | (110,628) | (218,037) |
| Share of liabilities due after one year or more | (3,668,000) | (160,000) |
| Share of net assets | <u>67,333</u> | <u>48,281</u> |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

Group

Analysis of Thameswey Development Limited's interest in joint ventures:

Rutland (Woking) Limited

| | 2012 £ | 2011 £ |
|--|--------------------|---------------|
| Share of assets | | |
| Share of current assets | <u>3,806,074</u> | <u>60,406</u> |
| | 3,806,074 | 60,406 |
| Share of liabilities | | |
| Share of liabilities due within one year | (86,321) | (9,941) |
| Share of liabilities due within after more than one year | <u>(3,668,000)</u> | <u>-</u> |
| | (3,754,321) | (9,941) |
| Share of net assets | <u>51,753</u> | <u>50,465</u> |

Rutland Woking (Carthouse Lane) Limited

| | 2012 £ | 2011 £ |
|---|---------------|------------------|
| Share of assets | | |
| Share of current assets | <u>39,887</u> | <u>365,912</u> |
| | 39,887 | 365,912 |
| Share of liabilities | | |
| Share of liabilities due within one year | (24,307) | (208,096) |
| Share of liabilities due after more than one year | <u>-</u> | <u>(160,000)</u> |
| | (24,307) | (368,096) |
| Share of net assets/(liabilities) | <u>15,580</u> | <u>(2,184)</u> |

Company

| | Unlisted investments £ |
|-----------------------|------------------------------|
| COST | |
| At 1 January 2012 | 81,533,122 |
| Additions | 1,928,771 |
| Impairments | <u>(67,750,189)</u> |
| At 31 December 2012 | <u>15,711,704</u> |
| NET BOOK VALUE | |
| At 31 December 2012 | <u>15,711,704</u> |
| At 31 December 2011 | <u>81,533,122</u> |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

12. FIXED ASSET INVESTMENTS - continued

Company

The directors review and approve the business plans for each trading subsidiary company in July each year for the following 3 years with longer financial projections as appropriate which demonstrate that each company can repay its loans as they fall due and where appropriate give a return on the investment. The plans are then presented to the Executive of Woking Borough Council in September and the full Council in October for approval. Woking Borough Council members adopted the business plans covering the period 2013 to 2016 on 25th October 2012. The principal and earlier investment return to the Council is via loan margins. For these reasons the directors believe that it is appropriate to include these investments in the accounts at cost with no further provision for impairment.

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Thameswey Energy Limited

Country of incorporation: England and Wales

Nature of business: Production of electricity and heat.

| | % holding | 2012 £ | 2011 £ |
|--------------------------------|--------------|-----------|-----------|
| Class of shares: | | | |
| £1 Ordinary 'Class A' Shares | 100.00 | | |
| £1 Ordinary 'Class B' Shares | 100.00 | | |
| Aggregate capital and reserves | | 1,785,128 | 1,146,344 |
| Loss for the year | | (361,216) | (524,811) |

The Thameswey Energy Limited 'Class A' and 'Class B' shares rank pari passu in all respects but constitute separate classes of share.

During the year ended 31 December 2012 the company subscribed for a new issue of 1,000,000 'Class B' shares.

Thameswey Energy Limited owns 100% of the share capital of Thameswey Central Milton Keynes Limited a company which produces electricity and heat and is incorporated in England and Wales.

Thameswey Housing Limited

Country of incorporation: England and Wales

Nature of business: Provision of affordable housing.

| | % holding | 2012 £ | 2011 £ |
|--------------------------------|--------------|-----------|-----------|
| Class of shares: | | | |
| £1 Ordinary Shares | 100.00 | | |
| Aggregate capital and reserves | | 7,180,456 | 7,624,860 |
| Loss for the year | | (444,404) | (538,123) |

After the balance sheet date on 10th January 2013, Woking Borough Homes Limited changed its name to Thameswey Housing Limited.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

12. FIXED ASSET INVESTMENTS - continued

Thameswey Maintenance Services Limited

Country of incorporation: England and Wales

Nature of business: Maintenance of power installation.

| | % holding | 2012 | 2011 |
|--------------------------------|--------------|---------|---------|
| Class of shares: | | £ | £ |
| £1 Ordinary Shares | 100.00 | | |
| Aggregate capital and reserves | | 329,932 | 245,143 |
| Profit for the year | | 84,789 | 85,024 |

On 11th January 2012, Xergi Services Limited changed its name to Thameswey Maintenance Services Limited.

Thameswey Sustainable Communities Limited

Country of incorporation: England and Wales

Nature of business: Promoting energy efficiency.

| | % holding | 2012 | 2011 |
|--------------------------------|--------------|---------|---------|
| Class of shares: | | £ | £ |
| £1 Ordinary | 100.00 | | |
| Aggregate capital and reserves | | 270,021 | 255,271 |
| Profit for the year | | 14,750 | 20,820 |

On 22nd March 2013, Energy Centre for Sustainable Communities Limited changed its name to Thameswey Sustainable Communities Limited.

Thameswey Developments Limited

Country of incorporation: England and Wales

Nature of business: Property Development

| | % holding | 2012 | 2011 |
|--------------------------------|--------------|----------|---------|
| Class of shares: | | £ | £ |
| £1 Ordinary | 100.00 | | |
| Aggregate capital and reserves | | 748,180 | 767,862 |
| (Loss)/profit for the year | | (19,682) | 495,034 |

Thameswey Developments Limited has a 50% joint venture in Rutland (Woking) Limited, a property development company incorporated in England and Wales.

Thameswey Developments Limited has a 50% joint venture in Rutland Woking (Carthouse Lane) Limited, a property development company incorporated in England and Wales.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

12. FIXED ASSET INVESTMENTS - continued

X2WP Limited

Country of incorporation: England and Wales

Nature of business: Property investment

| | % holding | 2012 £ | 2011 £ |
|--------------------------------|--------------|-----------|------------|
| Class of shares: | | | |
| £1 Ordinary 'Class A' Shares | 100.00 | | |
| £1 Ordinary 'Class B' Shares | 100.00 | | |
| Aggregate capital and reserves | | - | 68,501,578 |
| Profit for the year | | - | 438,111 |

The 'Class A' Ordinary shares have no rights to participate in any distribution of the company other than on winding up.

On winding up, the distribution should be firstly to the holders of the 'Class B' Ordinary shares in respect of their called up paid share capital and share premium account, secondly to the holders of 'Class A' Ordinary shares and thirdly in paying to the holders of 'Class B' Ordinary shares all further monies available for distribution.

In all other respects 'Class A' and 'Class B' Ordinary shares rank pari passu.

X2WP Limited was put into Members Voluntary Liquidation on 31 July 2012. Full provision has been made against the cost of the investment in X2WP limited of £67,750,189 and the final distribution on liquidation of X2WP Limited of £68,524,257 paid off the loan outstanding of £68,500,000. The liquidation will be finalised on 30 July 2013.

Thameswey Solar Limited

Country of incorporation: England and Wales

Nature of business: Provision of solar photovoltaic panels.

| | % holding | 2012 £ | 2011 £ |
|--------------------------------|--------------|-----------|-----------|
| Class of shares: | | | |
| £1 Ordinary | 75.00 | | |
| Aggregate capital and reserves | | 1,183,540 | (1,027) |
| Profit/(loss) for the year | | 1,880 | (1,028) |

During the year ended 31 December 2012 the company subscribed to a new issue of 887,015 ordinary shares of £1 in Thameswey Solar Limited.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

13. INVESTMENT PROPERTY

Group

| | Total £ |
|-----------------------|------------|
| COST | |
| At 1 January 2012 | 41,863,083 |
| Additions | 2,239,241 |
| | <hr/> |
| At 31 December 2012 | 44,102,324 |
| | <hr/> |
| NET BOOK VALUE | |
| At 31 December 2012 | 44,102,324 |
| | <hr/> |
| At 31 December 2011 | 41,863,083 |
| | <hr/> |

The cost of investment property includes property purchased from Woking Borough Council to the value of £13,492,280 (2011: £13,442,958).

In accordance with Statements of Standard Accounting Practice 19, but contrary to the requirements of the Companies Act 2006, investment properties are not depreciated. Instead, they are reviewed annually by the directors and the carrying value adjusted to reflect the current market value. The directors consider this necessary in order to show a true and fair view.

The directors are of the opinion that the investment property has an open market value not less than the value at which it is included in the accounts.

14. STOCKS

| | Group | |
|---|--------------|------------|
| | 2012 £ | 2011 £ |
| Stocks | 200,169 | 133,888 |
| Work-in-progress | 18,460,754 | 17,826,924 |
| | <hr/> | <hr/> |
| | 18,660,923 | 17,960,812 |
| | <hr/> | <hr/> |
| Long term contract net cost less foreseeable losses | 6,969,750 | 3,411,443 |
| | <hr/> | <hr/> |
| | 25,630,673 | 21,372,255 |
| | <hr/> | <hr/> |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---------------------------------|------------------|------------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Trade debtors | 1,208,245 | 662,411 | 25,989 | 181,383 |
| Amounts recoverable on contract | 1,467,098 | 369,741 | - | - |
| Other debtors | 882,702 | 45,397 | 24,257 | 44,165 |
| VAT | 367,451 | 1,430,198 | 12,970 | - |
| Prepayments and accrued income | 1,565,624 | 1,215,404 | 194,166 | 410,427 |
| | <u>5,491,120</u> | <u>3,723,151</u> | <u>257,382</u> | <u>635,975</u> |

16. CURRENT ASSET INVESTMENTS

| | Group | |
|---------------------|----------------|----------------|
| | 2012 | 2011 |
| | £ | £ |
| Short-term deposits | <u>147,656</u> | <u>147,303</u> |

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|------------------------------------|------------------|------------------|---------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Other loans (see note 19) | 501,439 | 462,782 | - | - |
| Payments on account | 983,875 | 205,008 | - | - |
| Trade creditors | 959,564 | 625,553 | 40,303 | 105,609 |
| Amounts owed to group undertakings | 885,981 | 675,959 | - | 68,500,000 |
| Tax | - | 31,448 | - | - |
| Social security and other taxes | 23,695 | 24,941 | 1,427 | 6,558 |
| VAT | - | - | - | 9,590 |
| Other creditors | 20,421 | 13,591 | 3,378 | 46 |
| Accruals and deferred income | 3,593,537 | 3,311,041 | 20,332 | 83,905 |
| | <u>6,968,512</u> | <u>5,350,323</u> | <u>65,440</u> | <u>68,705,708</u> |

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | |
|------------------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| | £ | £ |
| Other loans (see note 19) | 3,286,227 | 3,788,836 |
| Amounts owed to group undertakings | 88,766,150 | 76,412,623 |
| | <u>92,052,377</u> | <u>80,201,459</u> |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

19. LOANS

Other loans

| | 2012 | 2011 |
|--|------------------|------------------|
| | £ | £ |
| Amounts falling due within one year | 501,439 | 462,782 |
| Amounts falling due between one and five years | 2,461,102 | 2,271,366 |
| Amounts falling due after more than five years | 825,125 | 1,517,470 |
| | <u>3,787,666</u> | <u>4,251,618</u> |

Loan facilities not exceeding £2,000,000 made available to Thameswey Central Milton Keynes Limited by Lombard North Central Plc are secured by a charge dated 2 June 2008 over two of the bank accounts in the name of Thameswey Energy Limited.

Amounts owed to group undertaking

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | £ | £ |
| Amounts falling due within one year | 885,981 | 675,959 |
| Amounts falling due between one and five years | 4,437,531 | 3,203,955 |
| Amounts falling due after more than five years | 84,328,619 | 73,208,668 |
| | <u>89,652,131</u> | <u>77,088,582</u> |

A debenture was created on 24 March 2006 by Thameswey Central Milton Keynes Limited for securing £2,500,000 due to Woking Borough Council.

A loan of £3,440,000 from Woking Borough Council to Thameswey Housing Limited in 2005 is secured by a debenture dated 18 April 2008 giving charge on all assets of that company.

20. ACCRUALS AND DEFERRED INCOME

| | 2012 | Group 2011 |
|---|-------------------|-------------------|
| | £ | £ |
| Accruals and deferred income | 7,781,617 | 7,919,782 |
| Grants received from related undertakings | 5,756,832 | 5,901,704 |
| Grants from other bodies | 115,609 | 145,006 |
| | <u>13,654,058</u> | <u>13,966,492</u> |

21. MINORITY INTERESTS

The minority interest represents the holding of 25% of the issued share capital of Thameswey Solar Limited held by Total Gas Contracts Limited.

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

22. CALLED UP SHARE CAPITAL

| Allotted and issued: | | Nominal value: £1 | 2012 | 2011 |
|-----------------------------------|----------|-------------------------|-------------------|------------|
| Number: | Class: | | £ | £ |
| 15,718,231 (2011 - 13,831,216) | Ordinary | | 15,718,231 | 13,831,216 |

1,887,015 Ordinary shares of £1 each were allotted and paid during the year.

23. RESERVES

Group

| | Profit and loss account £ |
|----------------------|------------------------------------|
| At 1 January 2012 | (11,441,645) |
| Deficit for the year | (2,276,768) |
| At 31 December 2012 | (13,718,413) |

Company

| | Profit and loss account £ |
|---------------------|------------------------------------|
| At 1 January 2012 | 2,867 |
| Profit for the year | 733,371 |
| At 31 December 2012 | 736,238 |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2012

24. RELATED PARTY DISCLOSURES

During the year the following transactions took place all of which were conducted on an arms length basis.

Group

Group companies paid Woking Borough Council £4,308,808 (2011 - £3,836,810) on loans charged at rates ranging from 3% to 7%.

A loan of £7,336,000 has been made by Woking Borough Council to the joint venture company Rutland (Woking) Limited. Interest of £75,946 has been incurred on this loan in the current financial year.

The loan of £320,000 made by Woking Borough Council to Rutland Woking (Carthouse Lane) Limited in 2011 was increased by a further advance of £610,000 during the year was fully repaid in May 2012, together with interest of £26,987.

The loans to joint venture companies form part of the group's share of the assets and liabilities of these companies as disclosed in note 12 of these financial statements.

Company

The company paid Woking Borough Council £10,000 (2011 - £10,000) in respect of a Trade Mark licence for the use of the trademark "Thameswey".

25. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Woking Borough Council.

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

| | 2012 £ | 2011 £ |
|---|------------------|--------------------|
| Loss for the financial year | (2,276,768) | (2,887,524) |
| Ordinary shares issued | 1,887,015 | 1,500,000 |
| Net reduction of shareholders' funds | (389,753) | (1,387,524) |
| Opening shareholders' funds | 2,389,571 | 3,777,095 |
| Closing shareholders' funds | 1,999,818 | 2,389,571 |

Company

| | 2012 £ | 2011 £ |
|--|-------------------|-------------------|
| Profit for the financial year | 733,371 | 14,539 |
| Ordinary shares issued | 1,887,015 | 1,500,000 |
| Net addition to shareholders' funds | 2,620,386 | 1,514,539 |
| Opening shareholders' funds | 13,834,083 | 12,319,544 |
| Closing shareholders' funds | 16,454,469 | 13,834,083 |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES
Year ended 31 December 2012

| | Continuing £ | Discontinued £ | Total £ |
|--|-----------------|-------------------|--------------------|
| Operating profit | 2,305,644 | - | 2,305,644 |
| Depreciation charges | 1,489,698 | - | 1,489,698 |
| Profit on disposal of fixed assets | (4,831) | - | (4,831) |
| Increase in stocks | (4,258,418) | - | (4,258,418) |
| Increase in debtors | (1,767,969) | - | (1,767,969) |
| Increase/(decrease) in creditors | 1,088,524 | - | 1,088,524 |
| Net cash outflow from continuing operating activities | (1,147,352) | | |
| Net cash inflow from discontinued operating activities | | - | |
| Net cash outflow from operating activities | | | (1,147,352) |

Year ended 31 December 2011

| | Continuing £ | Discontinued £ | Total £ |
|---|-----------------|-------------------|---------------------|
| Operating profit | 583,661 | 447,097 | 1,030,758 |
| Depreciation charges | 2,056,649 | - | 2,056,649 |
| Profit on disposal of fixed assets | (97,737) | (308,000) | (405,737) |
| Grants amortised | (174,164) | - | (174,164) |
| Contributions amortised | (198,749) | - | (198,749) |
| Increase in stocks | (19,652,712) | - | (19,652,712) |
| Decrease in debtors | 6,268,178 | 42,876 | 6,311,054 |
| Increase/(decrease) in creditors | 872,514 | (2,419,856) | (1,547,342) |
| Net cash outflow from continuing operating activities | (10,342,360) | | |
| Net cash outflow from discontinued operating activities | | (2,237,883) | |
| Net cash outflow from operating activities | | | (12,580,243) |

28. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 2012 £ | 2011 £ |
|---|--------------------|--------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 35,318 | 7,652 |
| Interest paid | (4,636,312) | (4,186,679) |
| Dividends received | - | 36,000 |
| Share of operating loss in joint venture | - | (6,720) |
| Net cash outflow for returns on investments and servicing of finance | (4,600,994) | (4,149,747) |

THAMESWEY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2012

28. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued

| | 2012 £ | 2011 £ |
|--|--------------------|--------------------|
| Capital expenditure and financial investment | | |
| Purchase of intangible fixed assets | (53,781) | (1,471,439) |
| Purchase of tangible fixed assets | (6,461,843) | (2,947,393) |
| Purchase of fixed asset investments | (160) | (43,281) |
| Purchase of investment property | (2,239,241) | (491,522) |
| Sale of tangible fixed assets | 206,773 | 44,278 |
| Sale of investment property | - | 2,368,194 |
| | <u>(8,548,252)</u> | <u>(2,541,163)</u> |
| Net cash outflow for capital expenditure and financial investment | | |
| | <u>(8,548,252)</u> | <u>(2,541,163)</u> |
| Financing | | |
| Loan repayments in year | (463,952) | (1,033,933) |
| Movement on short term deposits | (353) | (304) |
| Share issue | 1,887,015 | 1,500,000 |
| Woking Borough Council loans | 12,563,549 | 14,650,000 |
| Contributions from other bodies | 295,672 | 1,286,440 |
| | <u>14,281,931</u> | <u>16,402,203</u> |
| Net cash inflow from financing | | |
| | <u>14,281,931</u> | <u>16,402,203</u> |

29. ANALYSIS OF CHANGES IN NET DEBT

| | At 1.1.12 £ | Cash flow £ | At 31.12.12 £ |
|-----------------------------------|--------------------|-----------------|---------------------|
| Net cash: | | | |
| Cash at bank and in hand | 2,945,081 | (46,115) | 2,898,966 |
| | <u>2,945,081</u> | <u>(46,115)</u> | <u>2,898,966</u> |
| Liquid resources: | | | |
| Current asset investments | 147,303 | 353 | 147,656 |
| | <u>147,303</u> | <u>353</u> | <u>147,656</u> |
| Debt: | | | |
| Debts falling due within one year | (462,782) | (38,657) | (501,439) |
| Debts falling due after one year | (3,788,836) | 502,609 | (3,286,227) |
| | <u>(4,251,618)</u> | <u>463,952</u> | <u>(3,787,666)</u> |
| Total | <u>(1,159,234)</u> | <u>418,190</u> | <u>(741,044)</u> |

THAMESWEY LIMITED

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2012

| | 2012 | | 2011 | |
|----------------------------------|--------------|------------|--------------|------------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Electricity | 3,137,292 | | 2,609,361 | |
| Heat | 1,161,135 | | 863,657 | |
| Cooling | 174,291 | | 176,848 | |
| Standing charges | 671,327 | | 450,509 | |
| Energy service charge | 928,508 | | 865,279 | |
| Rent received | 2,268,260 | | 2,494,716 | |
| ROC's | 9,006 | | 14,541 | |
| Sales | 4,890,974 | | 7,032,262 | |
| Feed in tariff | 118,143 | | - | |
| Project fees | 3,375 | | - | |
| | | 13,362,311 | | 14,507,173 |
| Cost of sales | | | | |
| Opening work in progress | 17,820,924 | | - | |
| Gas purchased | 2,114,927 | | 1,865,568 | |
| Electricity purchased | 1,196,262 | | 979,009 | |
| Water | 6,891 | | 9,033 | |
| Telephone | 337 | | 1,646 | |
| General maintenance | 123,712 | | 145,167 | |
| Maintenance of grounds | 39,743 | | 23,577 | |
| Council tax | 2,386 | | 5,164 | |
| Planning, consent and design | 1,690 | | - | |
| Project management | 115,620 | | 256,104 | |
| Main contractor fee | 2,033,784 | | 21,938,868 | |
| Ancillary project management | 75,163 | | 1,162,093 | |
| Legal fees | 20,607 | | 33,545 | |
| Other project costs | 2,118,970 | | 461,940 | |
| Interest | 529,248 | | 303,933 | |
| Management and administration | 7,931 | | 1,985 | |
| Land clearance | 167 | | 313 | |
| Rent and rates | 40,053 | | 176,750 | |
| Trade mark licence fee | 10,000 | | 10,000 | |
| Directors' salaries | 66,908 | | 66,588 | |
| Directors' social security | 8,383 | | 8,259 | |
| Directors' pension contributions | 3,925 | | 3,995 | |
| Wages | 664,619 | | 523,749 | |
| Social security | 70,279 | | 56,478 | |
| Pensions | 28,911 | | 27,631 | |
| Plant maintenance | - | | 740,129 | |
| Climate change levy | 29,709 | | 60,566 | |
| Telephone links | 269 | | 302 | |
| Flextricity Commission | 8,512 | | - | |
| | 27,139,930 | | 28,862,392 | |
| Closing work in progress | (18,460,754) | | (17,820,924) | |
| | | 8,679,176 | | 11,041,468 |

This page does not form part of the statutory financial statements

THAMESWEY LIMITED

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2012

| | 2012 | | 2011 |
|---|------------------|------------------|----------------|
| | £ | £ | £ |
| GROSS PROFIT | | 4,683,135 | 3,465,705 |
| Other income | | | |
| Sundry receipts | - | | (1,151) |
| Contribution amortised | 270,558 | | 198,749 |
| Grants amortised | 172,561 | | 174,164 |
| Shares in group undertakings | - | | 36,000 |
| Deposit account interest | 35,318 | | 7,652 |
| | <u>478,437</u> | | <u>415,414</u> |
| | | 5,161,572 | 3,881,119 |
| Share of operating profit in Joint ventures | | <u>19,052</u> | - |
| | | 5,180,624 | 3,881,119 |
| Expenditure | | | |
| Rent & rates | 139,877 | | 115,523 |
| Water | (544) | | 1,493 |
| Insurance | 92,242 | | 134,138 |
| Cleaning premises | 253 | | 337 |
| Directors' salaries | 49,754 | | 39,606 |
| Directors' social security | 1,656 | | 1,632 |
| Directors' pension contributions | 776 | | 789 |
| Wages | 217,151 | | 66,245 |
| Social security | 19,711 | | 621 |
| Pensions | 3,738 | | 2,229 |
| Hire of plant and machinery | 39,678 | | 16,494 |
| Other staff costs | 21,383 | | - |
| Telephone | 34,962 | | 11,209 |
| Administrative expenses | 1,306 | | 8,479 |
| Advertising | 16,826 | | 634 |
| Travelling | 12,991 | | 18,852 |
| Motor expenses | 95,804 | | 7,561 |
| Computer costs | 24,344 | | - |
| Management fees | 148,878 | | 164,102 |
| Customer services | 56 | | 7,342 |
| Meter reading charges | 26,229 | | 24,118 |
| Repairs and renewals | 8,359 | | 31,446 |
| Postage and stationery | 11,577 | | 4,679 |
| Subscriptions | 9,310 | | 1,438 |
| Sundry expenses | 49,824 | | 6,660 |
| Consultancy fees | 39,584 | | 70,335 |
| Accountancy | 1,150 | | 1,330 |
| Legal and professional fees | 17,838 | | 63,534 |
| Consultants | 40,693 | | - |
| Failure to deliver service | 929 | | 12,735 |
| Abortive connection costs | 38,200 | | - |
| | <u>1,164,535</u> | <u>5,161,572</u> | <u>813,561</u> |
| Carried forward | | | 3,881,119 |

This page does not form part of the statutory financial statements

THAMESWEY LIMITED

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2012

| | 2012 | | 2011 | |
|--|-----------|-------------|-----------|-------------|
| | £ | £ | £ | £ |
| Brought forward | 1,164,535 | 5,161,572 | 813,561 | 3,881,119 |
| Auditors' remuneration | 4,000 | | 4,500 | |
| Auditors' remuneration for non audit work | 71,446 | | 65,850 | |
| Bad debts | 85,080 | | 162,176 | |
| Mortgage protection provision | - | | 101,008 | |
| Donations | - | | (250) | |
| Amortisation of intangible fixed assets | | | | |
| Goodwill | 75,227 | | 899,505 | |
| Computer software | 16,318 | | 16,166 | |
| | | 1,416,606 | | 2,062,516 |
| | | 3,764,018 | | 1,818,603 |
| Finance costs | | | | |
| Bank charges | 10,684 | | 8,952 | |
| Other interest | 4,636,312 | | 4,186,679 | |
| | | 4,646,996 | | 4,195,631 |
| | | (882,978) | | (2,377,028) |
| Depreciation | | | | |
| Buildings | 39,785 | | 39,785 | |
| Plant and machinery | 1,329,993 | | 1,091,076 | |
| Fixtures and fittings | 17,252 | | 4,256 | |
| Motor vehicles | 4,904 | | - | |
| Computer equipment | 6,217 | | 5,861 | |
| | | 1,398,151 | | 1,140,978 |
| | | (2,281,129) | | (3,518,006) |
| Profit/(Loss) on disposal of fixed assets | | | | |
| Freehold property | 1,000 | | - | |
| Plant and machinery | (669) | | 4,874 | |
| Motor vehicles | 4,500 | | - | |
| Investment property | - | | 400,863 | |
| | | 4,831 | | 405,737 |
| | | (2,276,298) | | (3,112,269) |
| Exceptional items | | | | |
| Share of operating loss in joint ventures | | - | | 6,720 |
| NET LOSS | | (2,276,298) | | (3,118,989) |

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