

## **Thameswey Limited**

### **Business Plan 2019 Covering the Period 2019-2022**

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## 1.0 Introduction

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- 1.1 This Business Plan sets out the proposed arrangements for delivering the Thameswey Group's activities for the next year and seeks to define the strategic direction for the Group.
- 1.2 The business plan aims to ensure that the focus of activity within the Group is aligned with the shareholder, Woking Borough Council. This business plan reflects the Board's views on the medium- and long-term objectives for the Group.
- 1.3 This business plan refreshes the Business Plan approved in 2017 and reflects the activity and challenges over the last year. This plan also aims to draw out potential business development opportunities for the Group which it intends to investigate over the plan period. Not all will come to fruition and other opportunities may arise during the plan period, but it provides greater transparency of the company thinking on direction of travel.

## 2.0 Group Purpose and Structure

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- 2.1 The Council established Thameswey Limited (TL) in 1999 to make long-term energy and environmental project investments in support of what subsequently became the Council's Climate Change Strategy. In 2004 the company's remit was extended to include provision of affordable homes in support of the Council's Housing Strategy. In 2008 the company's remit was further extended to take forward redevelopment proposals for parts of the Borough.
- 2.2 Following the adoption of the Council's 'Woking 2050 Strategy' the Group has used the main strategic goals of the Strategy as its purpose:
  - Protect and enhance the quality of the natural environment;
  - Promote the wise use of resources and conserve biodiversity;
  - Deliver a built environment which is developed sustainably, meets local needs and enables the local economy to prosper;
  - Prepare and adapt to the socio-economic, environmental and demographic changes of the future.

In effect to work towards enabling the development of 'sustainable communities.

- 2.3 Thameswey Limited (TL) is wholly owned (100%) by Woking Borough Council (WBC). TL acts as the holding company of the Thameswey Group.

2.4 The Thameswey Group subsidiaries and company ownership are shown below:

Company Name	Abbreviation	Ownership Structure
Thameswey Energy Ltd	TEL	Wholly owned by Thameswey Ltd
Thameswey Central Milton Keynes Ltd	TCMK	Wholly owned by Thameswey Energy Ltd
Thameswey Housing Ltd	THL	Wholly owned by Thameswey Ltd
Thameswey Guest Houses Ltd	TGHL	Wholly owned by Thameswey Housing Ltd
Thameswey Sustainable Communities Ltd	TSCL	Wholly owned by Thameswey Ltd
Thameswey Maintenance Services Ltd	TMSL	Wholly owned by Thameswey Ltd
Thameswey Solar Ltd *	TSL	Wholly owned by Thameswey Ltd
Thameswey Developments Ltd	TDL	Wholly owned by Thameswey Ltd
Rutland (Woking) Ltd	RWL	Joint Venture owned 50% by Thameswey Developments Ltd and 50% by Rutland Properties Ltd
Rutland Woking (Residential) Ltd	RWR	50% owned by Thameswey Housing Ltd, 50% owned by Rutland (Woking) Ltd making it a 75% subsidiary of the Thameswey Group.
Rutland Woking (Carthouse Lane) Ltd	RWCL	Joint Venture owned 50% by Thameswey Developments Ltd and 50% by Rutland Properties Ltd

\*To be incorporated into TEL following board decision subject to Council approval

2.5 During the business plan period, directors of the joint venture companies are reviewing the structure to ensure it meets future business requirements.

2.6 All of the wholly owned companies listed above are supported by Thameswey, staff currently are either employed in TSCL or TMSL, as set out in the appendices, however during the business plan period, staff will also be employed by THL.

### 3.0 Group Directors

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- |                          |                                 |
|--------------------------|---------------------------------|
| ▪ Barry Maunders         | Independent Director (Chairman) |
| ▪ William Prescott       | Independent Director            |
| ▪ Terry Price            | Independent Director            |
| ▪ Cllr. David Bittleston | Councillor Director             |
| ▪ Cllr. Beryl Hunwicks   | Councillor Director             |
| ▪ Cllr Colin Kemp        | Councillor Director             |
| ▪ Cllr Ayesha Azad       | Councillor Director             |
| ▪ Ray Morgan             | Officer Director                |
| ▪ Peter Bryant           | Officer Director                |
| ▪ Douglas Spinks         | Officer Director                |

- 3.1 During 2018 Councillor Ayesha Azad was nominated by the Council as a Councillor Director, following the retirement of Councillor John Kingsbury. The Council is reviewing overall Directorships and is updating Companies House via the Group Company Secretary accordingly.

### 4.0 Achievements since Last Business Plan

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- 4.1 The Group has started to scale up capacity, through its subsidiaries, to deliver the significant number of development projects being progressed by THL and TDL, to support the increased focus on self-delivery of services and the major programme of the Sheerwater Redevelopment. The Group has also successfully rolled out a new Website and delivered the first phase of power infrastructure to the Victoria Square development.

### 5.0 Group Operational Priorities

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- 5.1 There are a number of operational priorities which need to be addressed at a Group level over the coming plan period.

#### People Strategy

- 5.2 The growth of Thameswey's housing portfolio has presented opportunities to expand the services offered by TSCL to support THL through self-delivery of tenant services. The expansion of the offer to THL has also led to the opportunity to co-ordinate these services with energy billing, energy efficiency and fuel poverty advice through a single integrated customer services team in TSCL. The implementation of the new PEX and ISTA database systems will further drive this integration over the business plan period. The TSCL team will also take a greater role in providing contact services for TMSL.
- 5.3 The TSCL Environmental Projects Team will continue to deliver the Action Surrey project with partner Local Authorities to source grant funding and deliver energy efficiency services and advice to residents. In addition, a greater focus will be made on promoting

environmental and sustainability projects and technology to Woking residents. This will involve a greater level of research and demonstration projects, with a particular focus on renewable technologies, using funding raised through development profit from TDL and project funding from investment in the energy companies (TEL/TCMK). The use of this funding will be informed by the Climate Change Working Group of the Council and the 2050 strategy. The team will also look to directly deliver sustainable technology programmes previously proposed to be delivered via TMSL to bring the Group’s environmental activities together under TSCL.

5.4 During 2016, the Council approved its medium-term financial strategy to provide additional finance for new affordable homes and significantly increased the amount of finance available to THL to £50M per annum for a period of four years. During 2017 business plan further funds of £50M was awarded to continue property development schemes in THL. In addition, THL, along with TDL, has been appointed by Woking Borough Council to deliver the Sheerwater Regeneration scheme. The increased volume of work and complexity around managing suppliers and contractors has generated a requirement for additional staff and consultant support.

5.5 The table below summarises additional proposed recruitment of new posts over the next three years. The roles are included within the financial statements of each business plan.

2018	Trainee Environmental Projects Assistant Customer Services Assistant Residential Services Manager Project Engineer (Poole Road)
2019	Accounts Assistant Residential Services Manager Development Manager (2) Network Engineering Manager Field Services Engineer – Woking (2) Property Agent
2020	Field Services Engineer (3)

**Appendix 1 shows the staff structures within TSCL and TMSL**

Marketing and Branding Strategy

5.6 During this Business Plan period the Group will continue to develop a strategy to improve the presentation of the Thameswey brand across all the Group’s activities. This will include building on the 2018 refresh of the Thameswey web presence to improve public and

stakeholder interaction, and more clearly articulate the company's objectives. This work will be delivered through a combination of internal resources from TSCL and a specialist external advisor. Thameswey will also lend its support to the Council's '#WeAreWoking' promotional campaign.

- 5.7 The work on branding and marketing will also develop the Group's communications activity. With the self-delivery aspects of the work of THL a greater emphasis will be placed on ensuring that we communicate effectively with our tenants and that there are easy ways for our customers to interact with us and self-serve.

## **6.0 Funding and Loan Strategy**

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- 6.1 WBC provides funding to some Thameswey Group companies. In order to recognise the lending risk a premium is applied to loans which result in a benefit to WBC. This premium is calculated as a margin on the interest rate WBC pays to the Public Works Loan Board (PWLB)
- 6.2 Subject to approval of the attached business plans, the benefit to the Council Tax payers in the Borough during 2019 will be £4,495,180 which is equivalent to £110.28 at Band D.
- 6.3 Appendix 2 shows a breakdown of the WBC income from loan margins.
- 6.4 Appendix 3 shows the share capital structure of Thameswey.
- 6.5 In 2017 a dividend of £250,000 was paid to TL from TDL for investment in Environmental Projects that support the Woking 2050 Strategy. The selection of the projects was carried out in consultation with the Climate Change Working Group. A further dividend in 2018 is proposed of £200,000.
- 6.6 TGHL paid an initial dividend during 2017 to WBC (via TL) of £115,000. A further dividend is under review for 2018, depending on occupancy levels.

## **7.0 Inter Group Lending**

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- 7.1 Loans can be provided as per below:
- Thameswey Ltd can loan to any 100% owned Group Company;
  - Thameswey Housing Ltd to Thameswey Guest Houses Ltd;
  - Thameswey Energy to Thameswey Milton Keynes & Thameswey Solar Ltd;
  - Thameswey Developments to Thameswey Ltd;
  - Thameswey Housing Ltd to Thameswey Developments Ltd;
  - Thameswey Energy Ltd to Thameswey Developments Ltd.

## **8.0 Group Strategic Opportunities and Business Development**

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### Investment

- 8.1 The scale of the operation of the residential side of Thameswey will increase significantly within the period of this business plan. At the same time the scale of Thameswey's energy networks in both Woking and Milton Keynes are expected to increase substantially in response to growth in connected load. The implications of both of these factors mean that the value of the group is expected to increase over the plan period and the attractiveness of the group to external investors will equally increase. During this plan period the group will look to engage with external investors to see if there is an appetite for investment other than direct from Woking Borough Council. This could include partner Local Authority investment via new subsidiaries of Thameswey as opposed to increasing representation at Thameswey Limited level, as well as commercial lenders.

#### Step Down Accommodation and Care

- 8.2 Currently there is a national issue with frail and elderly people not being able to be discharged from acute care to their homes as the appropriate discharge package (either formalised care or adaptations) are not in place. This 'bed blocking' significantly increases cost to the NHS and also reduces Accident and Emergency capacity. The Acute Trusts are looking to determine options to address this problem and the Thameswey Group proposes to work with them as part of this business plan to see if we can assist in this issue. Many individuals do not need permanent residential care but do need to be in a 'transitional' residential setting to get them out of the acute sector for a short period while permanent solution is found. This is sometimes referred to as 'step down' accommodation. In this business plan Thameswey plans to work with the Acute Sector to design accommodation to be delivered through TDL and THL which can provide this step-down facility and wider residential care opportunities as part of business development. A business case for any subsequent development will be brought back to the relevant board (TDL/THL) before any build project is commenced. It is also likely that this will be delivered in partnership with a registered care provider due to licensing requirements and expertise. An initial project proposed through TDL in Chertsey Road has been cancelled due to planning concerns, but the Group will continue to look for opportunities to develop this offer in other locations, including in other LPA areas.

#### Letting and Management Service

- 8.3 The current residential stock held by THL is increasing and has passed a threshold (c.450 units) where the running management costs to the group are of a sufficient scale to be cost effective to deliver the letting and property management service in house. Although a greater part of letting activity is now delivered through the on-line environment there is still a face to face component. This is increased within the tenancy profile of Thameswey Housing compared to the general population due to the vulnerable nature of a proportion of THL tenants. Therefore, THL has commenced development of its own letting service which will be rolled out over the remainder of 2018 and 2019. This will reduce the reliance of the group on external agents as the majority of property will be managed in house. Where specialist services are required it is proposed that these are still provided by external specialist providers so not all of THL stock will be managed in house.

#### Waste Reduction



- 8.4 The increased high-density accommodation that is being developed within Woking town centre has led to increased pressures on domestic waste collection. The current requirement for waste receptacle capacity is also significantly adding to development costs and waste collection will become increasingly challenging. Working with the Council, Thameswey will help to deliver alternative strategies for waste reduction for high density town centre dwellings during this business plan period.

#### Pod Style/Micro-Living Accommodation

- 8.5 With the increased value of land and pressure for new homes in the South East, especially in the Woking area, but with an ever-increasing demand for affordable residential property the Group will look at the possibility of 'pod or micro-living' accommodation with the planning authority. The first opportunity to provide this style of accommodation is with the Poole Road energy centre project which will incorporate Co-Living/Co-Working elements. This will build on the micro-living concept of smaller private spaces and larger shared/communal spaces with high tech facilities to enable working on site. TDL will continue to investigate the delivery of off-site/modular pod construction building on the bathroom pod approach used on the Harrington Place construction project.

#### Sustainability Plan

- 8.6 The company will continue to develop an overall Sustainability Plan for the Group to set out how the Group will reduce its carbon impact through its own operation and how its activity, including procurement, will also reduce carbon consumption and promote sustainability in Woking. Linking to the Woking 2050 Strategy and the new work within the Environmental Projects Team this will be led by TSCL on behalf of the Group and will investigate expanding Group activity in the renewable sector before being reported back to Thameswey Limited within 2019.

## **9.0 Priorities**

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- 9.1 Detailed priorities and activities are set out in the individual company business plans; however, the headline priorities of Thameswey Limited's subsidiary companies for the business plan period are listed below grouped into principal business activities.

#### Energy Division

- 9.2 TEL will increase the connected load in Woking town centre and optimise the performance of its existing primary plant in Victoria Way and Woking Park. The company will work with TDL and TMSL on the development of a new Woking Energy Centre at Poole Road to service Victoria Square and the additional developments planned in the town.
- 9.3 New connection prospects for TCMK on sites near the energy centre include Palmer Capital's proposal for a residential block on land at Aubrey Place. A residential-led mixed use scheme proposed by Palmer is subject to a legal obligation to connect to the network, and the developer intends to make a planning application for the scheme before the end of 2018. Planning consent for a new hotel on adjoining land ('Building 1200') is expected to be taken forward for development in 2019. Milton Keynes Council and its development arm (MKDP) are in discussions with an overseas funder for a new university to be located on the B4 land in central Milton Keynes. This may result in early stage infrastructure being provided within the next Business.

- 9.4 TMSL will expand its operational activity to provide a wider range of facility management services, in partnership with TSCL, to the Group as well as statutory inspections for other Group companies while reducing the operational cost of maintaining the Group's major plant and equipment. The structure of TMSL will also be reviewed to ensure that it is the most cost-effective way of delivering services including the recruitment of new engineering staff to help deliver the new energy centre in Woking town centre. The prime focus of the directly employed TMSL staff will be to ensure the Group's primary energy infrastructure works as efficiently and cost effectively as possible.
- 9.5 It is intended that TSL will merge, from a company structure point of view, into TEL to reduce bureaucratic overheads and running cost. As part of TEL it will seek opportunities to expand the renewable energy generating capacity and will progress a comprehensive preventative maintenance regime to maximise the output from its existing solar installations.

#### Housing and Property Division

- 9.6 THL will deliver a significantly increased residential holding in line with the Council's medium-term financial strategy and the necessary infrastructure to manage and operate this scale of property holding. The aim is to reduce the company reliance on external managing agents. The company will also work to improve the current energy performance of its existing stock to reduce energy costs for its residents and to reduce the carbon impact of the stock.
- 9.7 TDL will respond to project requests from other group companies and the Council. In the business plan period this will include several significant residential blocks for THL and the development of a second Woking Energy centre for TEL in addition to the delivery of Sheerwater for the Council.

#### Environment, Sustainability and Economic Development

- 9.8 TSCL the company will work to ensure the staffing levels are sufficient to deliver the other group company objectives. Notably this will include an increase in residential service and project management resources. TSCL will also develop capacity to self-deliver marketing and promotion activities but in the interim will work with external advisors to improve the overall brand and stakeholder understanding of the group activities. TSCL will also work to develop a comprehensive environment sustainability programme building on the activity of Action Surrey. This will include co-ordinating research on the deployment of additional renewable energy by the Group and the wider community, this will include direct delivery of sustainability projects which had previously been proposed to be delivered via TMSL. The company will also develop further sustainability reporting for the Group's activities.

### **10.0 Financial Proposals in the Business Plan**

- 10.1 THL business plan proposes to utilise the additional funding & share capital structure agreed in the council's medium-term financial strategy to support the purchase of street properties and developments within TDL. Additional funding of £85M was proposed to continue developments into 2021, covering the period from April 2020 to December 2021. Additional funding in 2022 is proposed to cover interest costs of £5M

- 10.2 New guidance issued by the government on the set aside for repayment of debt (Minimum Revenue Provision, MRP) applies for the Council from 2018/19. The guidance recommends that share capital should be written off over 20 years, i.e. at 5% per year. The Council currently makes allowance for repayment at 1% i.e. over 100 years, reflecting the long-term nature of the housing assets the funds are invested in. The change in MRP guidance will make the share capital significantly more expensive for the Council and it is likely that the Council will amend the funding structure. Upon a decision by WBC the funding structure will be amended.
- 10.3 THL funding can be drawn down by TDL to support THL development projects. Work in progress is held within TDL, the balance at the end of 2018 is expected to be £82M. Upon completion residential developments are sold to THL as fixed assets. Where developments include commercial space, the freehold is retained by TDL.
- 10.4 THL has the facility to purchase Sheerwater properties within the red line regeneration scheme, properties will be rented on a short-term basis, or boarded dependant on specific requirements for each property
- 10.5 TCMK will require additional funding to maintain assets & fund working capital. Loans will be drawn over varying terms to match cash flow expectations on an annuity / repayment basis. Additional finance for 2020 to 2022 is forecast at £7.5M.
- 10.6 TEL will develop a third energy station at Poole Road, a loan facility of £25M has been agreed, funding will be drawn on behalf of TDL to support the development.
- 10.7 The summary below, identifies capital investment during the business plan period:
- TEL £24M; including £22M Poole Road and £2M energy connections;
  - TCMK £2.1M in energy connections, and £0.4M in capital refurbishments;
  - THL £211M of completed developments;
  - TMSL £154K; fleet renewal of £135K, and general replacement of tools and office equipment of £19K;
  - TSCL £20K; including further website development and computer equipment upgrades / replacement for current and new team members. The fit-out costs for Poole Road office space have been excluded until more detail is known.
- 10.8 The Thameswey group contributes financially towards the Borough in other ways including:
- Net interest premium benefit per annum for 2019 is £4,495,180, equating to £110.28 equivalent of Band D Council Tax;
  - WBC charges TL £10,000 per annum for use of the Thameswey trademark;
  - THL pays ground rent for market Walk flats to WBC;
  - TGHM dividend payable to WBC, proposed for 2018 at £55K.
  - NNDR for TEL and TDL commercial sites

## **11.0 Non-Financial Benefits to WBC**

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- 11.1 Thameswey also contributes to WBC through non-financial benefits including:
- Carbon dioxide emission savings (5,438 tonnes CO2 equivalent emissions in 2017);
  - Assisting WBC in delivery of its Climate Change Strategy;
  - Delivering Borough Redevelopment Projects.

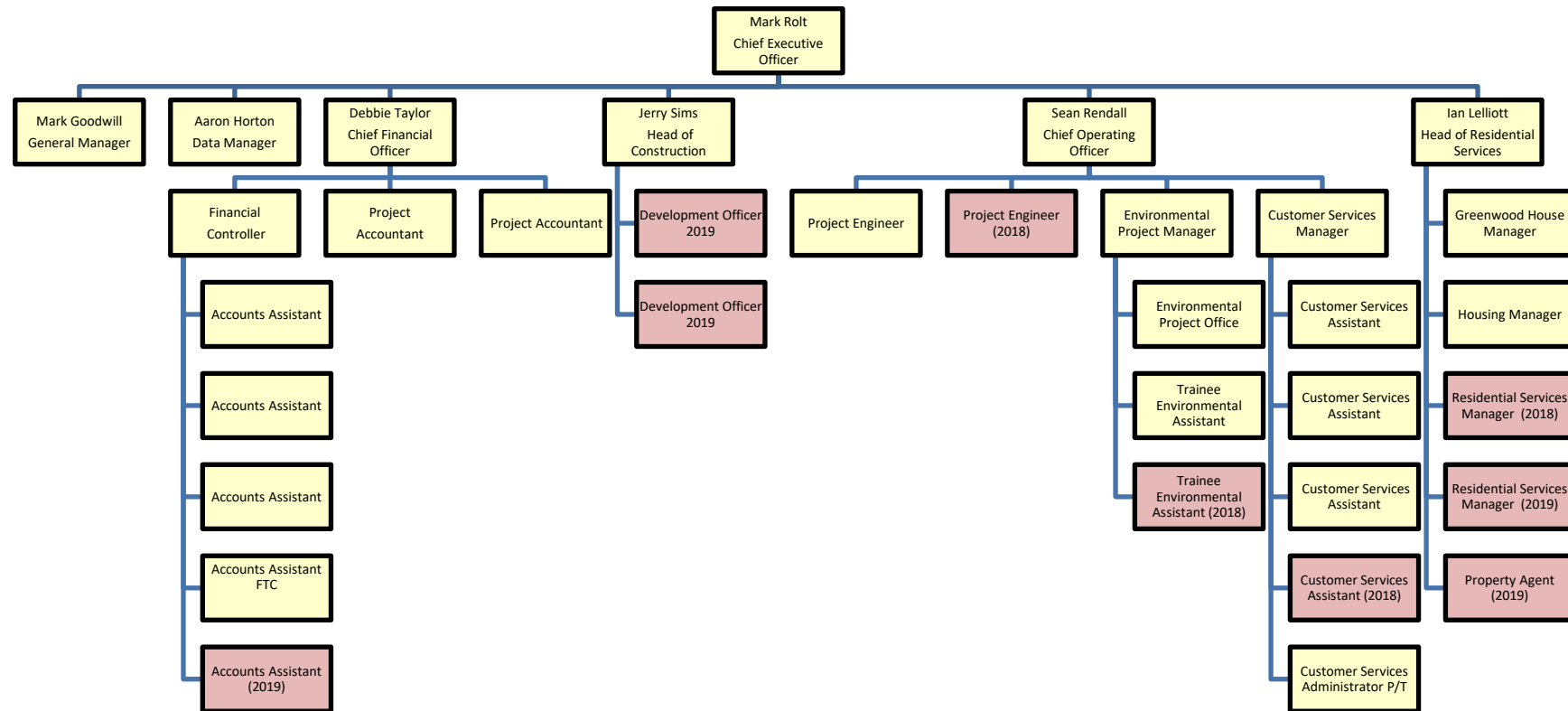
## **12.0 Group requests for Council Approval**

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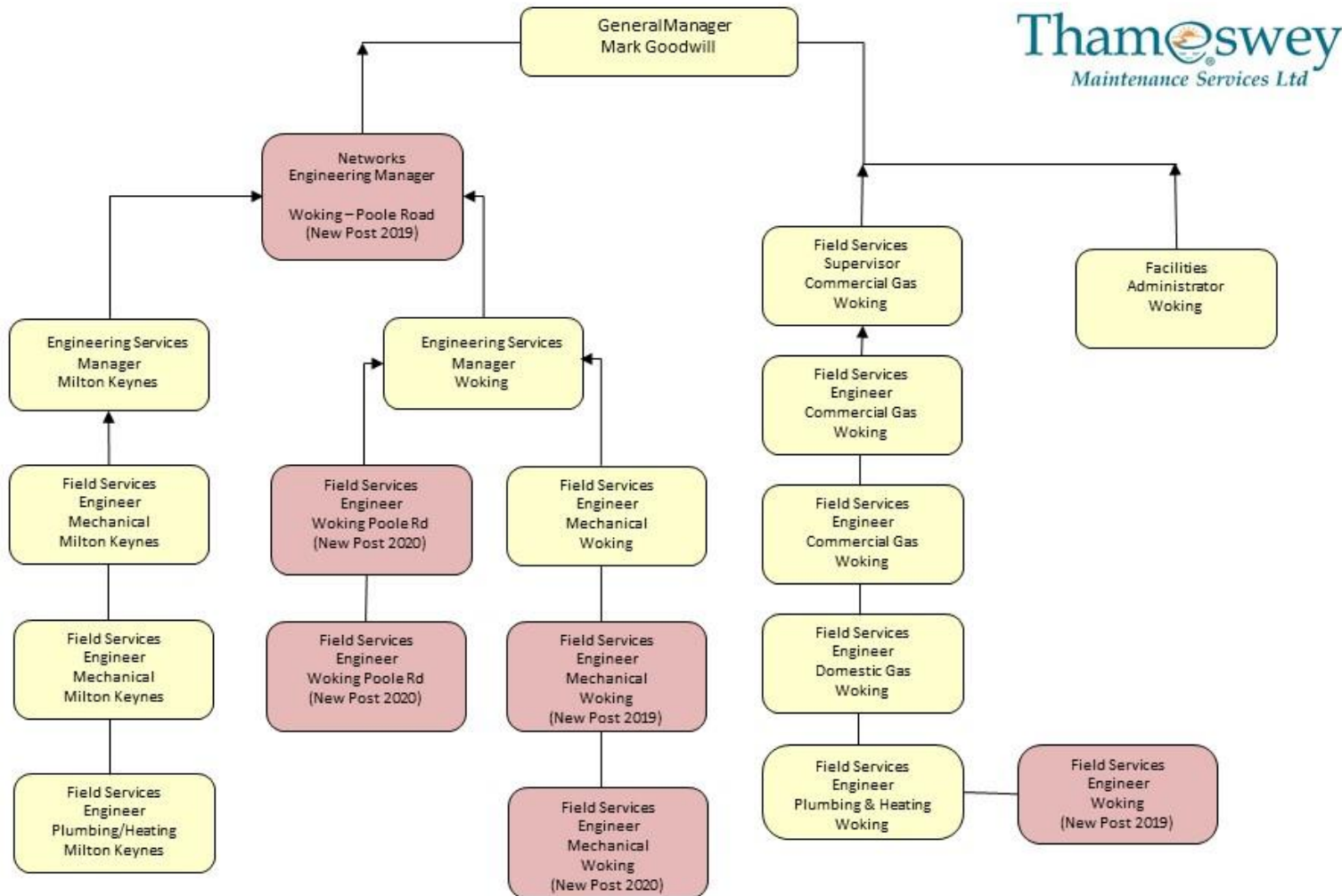
- 12.1 The following are a summary of requests from Thameswey group for the period 2019 to 2022:
- WBC to approve all the Group's submitted business plans.
  - WBC to either provide TEL with leases for occupation or transfer the asset to Thameswey of:
    - Format house site,
    - 9 & 9a Poole Road site,
    - Construction lease for Poole Road car park
    - Board School Road car park;
  - THL – Additional funding of £135M to support housing developments and debt servicing
  - TCMK – Additional funding for 2020 to 2022 funding of £7.5M (previous business plan included finance up to 2019).

## Appendix 1: Organisational Charts

### TSCL Organisation Structure



Vacancy / Redefined Post
In Post



## Appendix 2: WBC Income from Loan Margin

2017	Company	Balance of WBC loans o/s on 01.01.17 £	New Loans in 2017 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.17 £	Total interest due in 2017 £	Interest Paid by WBC on o/s group loans £	Net Benefit to WBC £	Equivalent to Band D 2016/17
	TCMK	25,676,046	3,118,500	-699,865	28,094,681	1,782,029	911,432	870,597	21.84
	TEL	14,195,783	0	-477,460	13,718,323	780,195	380,346	399,849	10.03
	THL	114,937,162	46,500,000	-484	161,436,678	7,418,975	4,408,648	3,010,327	75.52
	TSL	1,667,075	0	-134,737	1,532,338	95,753	34,874	60,879	1.53
<i>Less WBC Interest on TL Share Capital @ 31.12.17</i>					33,040,451		762,434	-762,434	-19.13
<b>2017</b>		<b>Group Total benefit to WBC excl Development Costs</b>			<b>171,741,569</b>	<b>10,076,952</b>	<b>6,497,734</b>	<b>3,579,218</b>	<b>89.79</b>

2018	Company	Balance of WBC loans o/s on 01.01.18 £	New Loans in 2018 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.18 £	Total interest due in 2018 £	Interest Paid by WBC on o/s group loans £	Net Benefit to WBC £	Equivalent to Band D 2017/18
	TCMK	28,094,681	2,749,469	-742,098	30,102,052	1,938,544	986,454	952,090	23.53
	TEL	13,718,323	0	-504,302	13,214,021	747,655	366,969	380,686	9.41
	THL	161,436,678	61,106,995	-2,027,011	220,516,662	8,188,363	4,865,849	3,322,514	82.12
	TSL	1,532,338	0	-142,942	1,389,396	89,828	30,440	59,388	1.47
<i>Less WBC Interest on TL Share Capital @ 31.12.18</i>					37,290,451		1,074,288	-1,074,288	-26.55
<b>2018</b>		<b>Group Total benefit to WBC excl Development Costs</b>			<b>227,931,680</b>	<b>10,964,390</b>	<b>7,324,000</b>	<b>3,640,390</b>	<b>89.98</b>

2019	Company	Balance of WBC loans o/s on 01.01.19 £	New Loans in 2019 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.19 £	Total interest due in 2019 £	Interest Paid by WBC on o/s group loans £	Net Benefit to WBC £	Equivalent to Band D 2018/19
	TCMK	30,102,052	2,664,667	-898,935	31,867,784	1,984,154	1,050,409	933,745	22.91
	TEL	13,214,021	0	-532,422	12,681,599	719,538	352,843	366,695	9.00
	THL	220,516,662	46,500,000	-8,778,925	258,237,738	10,518,438	6,250,472	4,267,966	104.70
	TSL	1,389,396	0	-151,647	1,237,749	78,848	27,371	51,477	1.26
<i>Less WBC Interest on TL Share Capital @ 31.12.19</i>					39,040,451		1,124,703	-1,124,703	-27.59
<b>2019</b>		<b>Group Total benefit to WBC excl Development Costs</b>			<b>264,984,419</b>	<b>13,300,978</b>	<b>8,805,798</b>	<b>4,495,180</b>	<b>110.28</b>

### Appendix 3: Thameswey Limited Share Capital

Company	31.12.17	31.12.18	31.12.19
	£	£	£
THL	24,490,000	28,740,000	30,490,000
TEL	5,050,450	5,050,450	5,050,450
TDL	10,001	10,001	10,001
TMSL	660,000	660,000	660,000
TSCL	250,000	250,000	250,000
TSL	1,110,000	1,110,000	1,110,000
<b>Sub Total</b>	<b>31,570,451</b>	<b>35,820,451</b>	<b>37,570,451</b>
<b>Share Capital from THL</b>			
TGHL	360,000	360,000	360,000
<b>Sub Total</b>	<b>31,930,451</b>	<b>36,180,451</b>	<b>37,930,451</b>
<b>Share Capital from TEL</b>			
TCMK	1,110,000	1,110,000	1,110,000
<b>Total</b>	<b>33,040,451</b>	<b>37,290,451</b>	<b>39,040,451</b>

TSL shares will transfer to TEL upon merger of businesses

**End of Business Plan**