



Thamesway Developments Limited

Business Plan 2020

Covering the period 2020-2023

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1. Introduction

- 1.1 The attached Business Plan sets out the proposed arrangements for delivering the company's activities for the period up to the end of 2023. The plan reflects the expected developments to be undertaken over the four-year period, previously the plan covered one year only as the company was essentially responsive to other parts of the group, however as projects are defined and in progress a more strategic outlook can be forecast especially given the scale of a number of the developments. This is particularly relevant now that Thameswey Developments Limited (TDL) has been appointed as the Council's developer for the Sheerwater regeneration.
- 1.2 This plan ensures that the focus of activity within each company is clearly aligned with those of Thameswey Limited, and ultimately with the Council's strategic objectives for Thameswey. The plan reflects the Board's views on the objectives set out in the proposed strategic plans.

2. Executive Summary of Plan

2.1 The key points of this plan are summarised below:

- TDL is a reactive company and develops in response to demands from Thameswey Housing, other Thameswey companies and the Council.
- As the preferred developer for Sheerwater, TDL has a significant programme going forward.
- Combining Sheerwater with other developments on behalf of THL, TDL has a programme of over 1000 units during the plan period not including Sheerwater property to be developed beyond the plan period.
- The Poole Road energy centre and Thameswey office development will be a major project for TDL during the plan period.
- TDL will require additional staffing capacity from TSCL to manage the scale of its development programme.

3. Purpose of the Company

- 3.1 TDL was established in 2009 by its ultimate owner Woking Borough Council (WBC) to provide for a long-term strategy of property related development and investment in the Borough of Woking. All projects delivered by TDL are in accordance with the instructions of the Council or as a contractor for Thameswey Housing Limited (THL) and its subsidiary Thameswey Guest Houses Ltd (TGHL) or other parts of the Thameswey Group. TDL acts as the property development vehicle of the Thameswey Group.
- 3.2 TDL is a private limited company registered in the United Kingdom and is a 100% subsidiary of Thameswey Limited (the holding company of Thameswey Group), which is in turn solely owned by Woking Borough Council. TDL has a 50% share in joint ventures Rutland Woking Ltd, and 50% share in Rutland Woking Carthouse Lane Ltd. The remaining 50% of each joint venture is owned by Rutland Properties Ltd. The projects undertaken by RWL are direct appointments on behalf of WBC and have not been considered within this business plan.

Terry Price
 Cllr David Bittleston
 Cllr Ayesha Azad
 Peter Bryant
 Louise Strongitharm

Independent Director and Chairman
 Councillor Director
 Councillor Director
 Officer Director
 Officer Director

- 3.3 The above-board composition meets the requirements of the Thameswey Group Protocols as approved by the Council in February 2018. In order to be quorate a board meeting must have at least one independent, one Councillor and one officer Director in attendance.

4. Operational Activity over the last 12 Months

- 4.1 The following lists the main project activity delivered by TDL over the last twelve months.

Sheerwater

- 4.2 TDL has obtained planning consent for the Sheerwater redevelopment and has discharged all the pre-commencement conditions for the first two phases of construction. Working with the Council TDL has also been successful in obtaining a Housing Infrastructure Grant of just under £10m to support the scheme. TDL has obtained funding approval for the first phase of the residential and the leisure scheme from WBC and has worked with the Finance team at WBC to agree model parameters for the entire scheme.
- 4.3 Initial enabling work through the widening of Spencer Close has been completed in early summer 2019. Contractors have been appointed for the first phase of residential (Purple) and the leisure centre and work has commenced and is due to complete in July 2021.

Harrington Place

- 4.4 Harrington Place, the re-named St Dunstan's, has continued to be developed on site and has now become a clear landmark on the Woking skyline. Programme is on track to deliver the block to THL for the contract completion date of January 2020. It had been hoped to bring the scheme in ahead of plan in Autumn 2019, but this has not materialised.

Poole Road

- 4.5 During late 2018 TDL submitted a new planning application for the Poole Road site to deliver a mixed-use building for TEL and THL which would provide a new energy centre and co-living and co-working space to support the local economy. This application was rejected by the LPA despite an officer recommendation. To protect TEL's position TDL submitted a separate application for just the energy centre component of the scheme back to the LPA while progressing an appeal against the refusal of the wider scheme. The energy centre scheme was approved by the LPA and TDL has appointed contractors to complete the detailed construction level drawings and mobilise to construct the energy centre.

121 Chertsey Road

- 4.6 Planning consent has been obtained for 22 units and a contractor has started on site to deliver the conversion of this derelict office to residential units. The scheme has also been designed to connect to the town centre district energy scheme and is hoped to be handed over to THL for occupation in the middle of 2020.

Elizabeth House/Cornerstone

- 4.7 TDL have reviewed the scheme which obtained consent that had been submitted by Magna for 157 units with THL. On balance it was agreed that the quality of this scheme was unacceptable

as it provided accommodation which was below that which THL wished to present to the market. TDL has therefore appointed a new team and have submitted a revised scheme of 94 units to the LPA. A contractor has also been appointed and work to set up the site is hoped to commence in late 2019.

Griffin House and Concord House

4.8 In September 2017, TDL purchased Griffin and Concord House for redevelopment. The properties are currently let to third parties and will be held as an investment property until at least 2021 when current leases are due for renewal. Over the last 18 months a planning application has been submitted for a residential tower and new office facilities to regenerate the site. The application was subject to a Design South East review as part of the planning process which was complimentary about the design and the location of the site for a tall building. It is hoped that a consent will be issued late 2019 or early 2020. There are also a number of neighbouring property applications for tall buildings which could have an impact on the viability of any consented scheme and how it could be developed. A decision as to a wider approach or site specific will be taken once the result of our current application is known.

Camp Road

4.9 TDL completed a small development of apartments in North Camp, Hampshire during the last business plan period. The residential element has been handed over to THL and is fully occupied. The commercial element, a requirement of the planning consent, has been let by TDL to a local business on a peppercorn to prevent any liability for rates.

Small residential sites

4.10 Three small developments of residential property, to be handed over the WBC Housing Revenue Account for affordable housing have been commenced in this plan period. Hawthorne Road was handed over in July 2019.

5. Business Opportunities 2020-2023

Reactive Opportunities

5.1 During the course of this business plan TDL is likely to be presented with additional opportunities for development in support of WBC, THL and other Thameswey companies. Each opportunity will be assessed on its own merits to ensure that TDL is best placed to develop the project and can do so cost effectively for the commissioning body. Given the existing projects, identified below, capacity is likely to be limited in 2020-2023 to commence additional large projects without significant expansion of resources within TSCL. However, as TDL costs are apportioned to individual projects the capacity will be considered as part the project appraisal.

Continuation of existing construction projects

5.2 TDL will continue to deliver the major construction projects for WBC, TEL and THL as outlined above. The most significant projects which will be completed within the business plan period will be Harrington Place, Cornerstone, the 'greening' of Middle Walk, the delivery of Waterman House on behalf of WBC and Poole Road.

- 5.3 Sheerwater regeneration will extend past the business plan period as the current construction programme will extend to 2026. However, during the business plan period to 2023 TDL will have commenced all of the main medium rise blocks and infrastructure within the regeneration scheme and will have completed, or be on site, with approximately 70% of the scheme value. This is because the latter stages of the scheme focus on low rise residential as opposed to medium rise blocks.
- 5.4 Delivery of these existing projects will take a significant proportion of TDL's current and planned capacity.

Brookwood Lye

- 5.5 TDL is looking to develop part of the former traveller site at Five Acres and Garden Centre on Brookwood Lye Road to provide affordable housing to THL. A planning application to deliver this was submitted in 2017 and the application has been under consideration since. The application has also included re-provision of traveller spaces to achieve 19 plots as part of the purchase agreement for the site. TDL has also entered into a partnership with Wienerberger to pilot their new e4 house concept at this site once it has achieved planning consent and as part of this partnership TDL will be able to benefit from the Wienerberger supply chain and research into environmentally friendly building. TDL will also work with the Environmental Projects team to design in low carbon energy sources and wider habitat enhancements.
- 5.6 The application also includes junction improvements at Brookwood crossroads, although this would be delivered by either WBC or the Highway Authority separately from the TDL residential scheme. Once consent is issued the residential scheme is likely to take two years to complete. It is hoped that consent will be issued within this business plan period, but it is likely to be towards the end of the plan period due to the Green Belt implications on the site.

Concord and Griffin House

- 5.7 Once consent is issued this will be a major development for TDL within the business plan period. It is likely to commence in 2022 due to the existing commercial tenancies. As such the development, which is likely to take in excess of three years due to its scale, will span outside of this business plan.

6. Financials/Budget

Business Performance

- 6.1 TDL was established to make a return for the shareholder; returns are assessed on a project by project basis. The development profit/margin provided by the project activity is used for two purposes, half is retained by TDL for a working capital fund for reinvestment in project appraisals and development, including reducing the cost on certain schemes to promote affordable rents. The other half is to be passed to Thameswey Limited for reinvestment to support Environmental Projects delivered by the Environmental Projects Team in TSCL. Environmental projects are developed in consultation with the Council Climate Change Working Group to support the Working 2050 Strategy.
- 6.2 TDL will target a 4% project fee on developments going forward, the final fee will depend on the nature of the project and will need to be assessed on a case by case basis. Sheerwater is an

exception to this target due to the scale of the project. The development agreement with WBC will limit any project fee to a total of £5m.

- 6.3 To support the volume of development during the business plan period, there is a requirement to increase staffing levels in terms of project managers and development officers. The business plan includes 5 additional FTE posts to sustain the business through to Sheerwater project completion. The total FTE supporting TDL is 7 during the business plan period.

Financial Performance

- 6.4 TDL has use of the intellectual property owned by Thameswey Limited (TL) and is obliged to pay an annual licence fee of £1,000 payable to TL. In addition, WBC established a framework for financial support by way of loan investment to enable TDL to make investments in Woking and the surrounding area. WBC charges a margin over its borrowing costs for the loans to the Group; this benefits residents by contributing to the revenue income of WBC.

- 6.5 The reoccurring revenue generated within TDL relates to Griffin and Concorde House which is tenanted. In addition, development income includes the sale of completed projects, plus a development margin, projects are primarily sold to THL, however on large scale developments an element is sold via the open market.

- 6.6 During this business plan period TDL is also developing small pockets of land for WBC, and Poole Road Energy station for TEL.

- 6.7 There are increasing levels of Assets Under Construction, until individual projects are completed and sold. The table below summarises the spend profile at each year-end by project. During 2021 and 2022 there are a significant amount of projects completed, and Sheerwater scheme increases in volume. The table ignores the land holding for Griffin & Concorde House, therefore resulting in a difference between the summary of £11.4M compared to the balance sheet. This is due to the purchase being prior to the business plan period.

Project	2019 & Prior	2020	2021	2022	2023
Net Work In Progress Per Year	120,989,652	21,982,237	23,357,202	79,087,240	84,299,846
Cumulative WIP	120,989,652	142,971,889	166,329,091	87,241,851	171,541,697

- 6.8 Finance costs relate to 20 High Street and Griffin / Concorde House. All loan interest associated with developments is wrapped into the development costs and forms part of the cost to the purchasing body.

Profit and Loss Account is Included as Appendix 1

- 6.9 The balance sheet includes Griffin and Concorde land cost – which is moved to assets under construction at the point of development. 20, High street remains as an investment property during the business plan period.

Balance Sheet is included in appendix 2

- 6.10 TDL has historically borrowed short term to fund developments during their project lifespan, until the sale, therefore loans increase in value as project spend increase. During the current financial year, a number of loans have been taken long term to benefit from low interest rates and minimise interest rate inflation. This is expected to continue until interest rates increase.
- 6.11 During the business plan period additional loans will be agreed totalling £230M, whilst repaying £134M, resulting in a net loan increase of £96M. Loans outstanding at the end of the business plan period total £170.5M

The Cashflow is included in Appendix 3

Appendix 1: Profit and Loss Account

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
Turnover						
Project Income	42,617,997	500,000	65,422,164	89,400,951	126,360,840	59,934,000
Rental Income	454,730	454,730	454,730	454,730	454,730	454,730
Non-Trading Income						
	43,072,727	954,730	65,876,894	89,855,681	126,815,570	60,388,730
Cost of Sales						
Direct Cost of Projects	42,045,327	500,000	64,938,471	86,401,491	124,831,577	59,934,000
Cost of Sales	49839	50,836	51,852	52,890	53,947	55,026
	42,095,166	550,836	64,990,323	86,454,381	124,885,525	59,989,026
Gross profit/(loss)	977,561	403,894	886,571	3,401,300	1,930,046	399,704
Indirect Costs						
Non-Executive Directors	5,392	5,500	5,610	5,722	5,836	5,953
Administration Exp	64	65	67	68	69	71
Trade Mark Licence	1,000	1,000	1,000	1,000	1,000	1,000
Consultancy Fees	38,913	10,000	10,000	10,000	10,000	10,000
Legal Fees	3,535	5,000	5,000	5,000	5,000	5,000
Auditors Remuneration	8,501	10,000	10,200	10,404	10,612	10,824
Bank Charges	88	352	352	352	352	352
Total Costs	57,493	31,917	32,228	32,546	32,870	33,200
EBITDA	920,068	371,977	854,342	3,368,754	1,897,176	366,504
Depreciation	3,020	3,020	2,187	0	0	0
Operating Profit/(loss)	917,048	368,958	852,155	3,368,754	1,897,176	366,504
Finance Income	2,001	2,001	2,001	2,001	2,001	2,001
Finance Costs	346,242	346,242	346,242	346,242	57,059	57,059
Profit/(Loss) Before Tax	572,807	24,717	507,914	3,024,513	1,842,117	311,445
Corporation Tax P&L	109,408					
Profit/Loss After Tax	463,399	24,717	507,914	3,024,513	1,842,117	311,445
Dividends Paid			200,000	200,000	200,000	
Retained Profit	463,399	24,717	307,914	2,824,513	1,642,117	311,445

Appendix 2: Balance Sheet

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
FIXED ASSETS						
Land & Buildings	11,439,549	11,439,549	11,439,549	11,439,549		
Assets Under Construction	76,732,572	120,989,652	142,971,889	166,329,091	98,681,400	182,981,246
Plant & Machinery	5,961	2,942	755	755	755	755
	88,178,082	132,432,142	154,412,193	177,769,395	98,682,155	182,982,001
LONG TERM INVESTMENTS						
Rutland (Woking) Ltd	99,726	99,726	99,726	99,726	99,726	99,726
	99,726	99,726	99,726	99,726	99,726	99,726
CURRENT ASSETS						
Trade Debtors	530,891	37,894	37,894	37,894	37,894	37,894
Other Debtors	82,319	82,319	82,319	82,319	82,319	82,319
Prepayments	38,849	39,626	40,418	41,227	42,051	42,892
Accrued Income	76,639	78,172	79,735	81,330	82,957	84,616
Deposits	92,438	92,438	92,438	92,438	92,438	92,438
Bank Account	1,874,074	956,297	1,409,298	1,290,231	15,155,592	1,524,262
	2,695,210	1,286,746	1,742,103	1,625,439	15,493,251	1,864,422
CURRENT LIABILITIES						
Trade Creditors	2,692,154	3,360,824	3,971,441	4,620,253	2,741,150	5,082,812
Payment on Account - THL/TEL	9,000,000	9,000,000	1,000,000	0	0	0
Accrued Expenses	827,239	843,784	860,659	877,873	895,430	913,339
Deferred Income	489,335	125,000	125,000	125,000	125,000	125,000
Corporation Tax	530,029	530,029	530,029	530,029	530,029	530,029
	13,538,757	13,859,636	6,487,130	6,153,154	4,291,609	6,651,180
NET CURRENT ASSETS	(10,843,547)	(12,572,890)	(4,745,027)	(4,527,716)	11,201,642	(4,786,759)
LONG TERM LIABILITIES						
Long Term Loan - WBC	74,750,000	117,250,000	146,750,000	167,500,000	102,500,000	170,500,000
Long Term Loan - Intercompany	815,135	815,135	815,135	815,135	815,135	815,135
	75,565,135	118,065,135	147,565,135	168,315,135	103,315,135	171,315,135
NET TOTAL ASSETS	1,869,126	1,893,843	2,201,757	5,026,271	6,668,388	6,979,833
CAPITAL & RESERVES						
Share Capital	10,001	10,001	10,001	10,001	10,001	10,001
P&L Account Brought fwd	1,395,726	1,859,125	1,883,842	2,191,756	5,016,269	6,658,387
Retained Profit FY	463,399	24,717	307,914	2,824,513	1,642,117	311,445
	1,869,126	1,893,843	2,201,757	5,026,270	6,668,388	6,979,833

Appendix 3 - Cashflow

	2019	2020	2021	2022	2023
	£	£	£	£	£
Operating Activities					
Profit/(Loss) Before Financing	368,958	852,155	3,368,754	1,897,176	366,504
(Increase)/Decrease in Debtors	490,687	(2,356)	(2,403)	(2,451)	(2,500)
Increase/(Decrease) in Creditors	320,879	(7,372,507)	(333,976)	(1,861,545)	2,359,571
Add Back: Depreciation / Less Amortisation	3,020	2,187	0	0	0
NET CASH FLOW FROM OPERATING ACTIVITIES	1,183,544	(6,520,520)	3,032,376	33,180	2,723,574
Investing Activities					
(Purchase)/Disposal of fixed assets					
(Purchase)/Disposal of Long term investments	(44,257,080)	(21,982,237)	(23,357,202)	79,087,240	(84,299,846)
NET CASH FLOW FROM INVESTING ACTIVITES	(44,257,080)	(21,982,237)	(23,357,202)	79,087,240	(84,299,846)
Financing Activities					
Increase in Share Capital	0	0	0	0	0
Dividends Paid	0	(200,000)	(200,000)	(200,000)	0
Investment Income (Divd.)	0	0	0	0	0
Interest Received	2,001	2,001	2,001	2,001	2,001
Interest Paid	(346,242)	(346,242)	(346,242)	(57,059)	(57,059)
Grant For Energy Centre					
Loans Received	62,000,000	50,000,000	50,000,000	0	68,000,000
Repayment of Loans	(19,500,000)	(20,500,000)	(29,250,000)	(65,000,000)	0
NET CASH FLOW FROM FINANCING ACTIVITES	42,155,759	28,955,759	20,205,759	(65,255,058)	67,944,942
NET CASH INFLOW/(OUTFLOW) OF CASH	(917,777)	453,001	(119,068)	13,865,362	(13,631,330)
Cash Balance @ Beginning of Period	1,874,074	956,297	1,409,298	1,290,231	15,155,592
Cash Balance @ End of Period	956,297	1,409,298	1,290,231	15,155,592	1,524,262

