

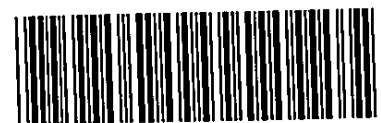
Company Registration No. 5277300

**Thamesway Central Milton
Keynes Limited**

Annual Report and Financial Statements

31 December 2007

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Thameswey Central Milton Keynes Limited

Annual report and financial statements 2007

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Thameswey Central Milton Keynes Limited

Annual report and financial statements 2007

Officers and professional advisers

Directors

A Harrison
R N Morgan
M Rolt
D J Spinks

Secretary

Clyde Secretaries Limited

Registered office

51 Eastcheap
London
EC3M 1JP

Bankers

Natwest Bank Plc
1 High Street
Woking
Surrey
GU21 1ZS

Solicitors

Clyde & Co LLP
51 Eastcheap
London
EC3M 1JP

Independent auditors

Deloitte & Touche LLP
Chartered Accountants
Crawley

Thameswey Central Milton Keynes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007. This report has been prepared under the provisions of section 246A of the Companies Act 1985 applicable to small companies.

Principal activity

The principal activity of the company in the year under review was that of building, financing and operating combined heat and power plant and photovoltaic plant for the production and supply of electricity, heat and chilled water.

Activity during the year

The company completed the construction phase of its first energy station in central Milton Keynes, with power being generated from July 2007. Work continued during the year and into 2008 connecting new developments. These new developments are behind schedule and therefore the energy load requirements were substantially reduced from the original forecast for 2007, this situation will continue until late 2008 with full load requirements being achieved in early 2009. Negotiations were held with English Partnership in respect of further extensions of the Thameswey Central Milton Keynes ("TCMK") district heating and private wire network to serve additional sites being developed in 2008 to 2010. The negotiations are expected to be concluded in July 2008 and will bring forward a second engine in the first energy station and a substantial extension of the TCMK network. Total investment by the company will exceed £30m by 2010. The company's business plan has been updated accordingly.

Directors

The directors who held office during the period were

A Harrison
R N Morgan
M Rolt
D J Spinks

Independent auditors

Each of the persons who is a director at the date of approval of this report confirms that

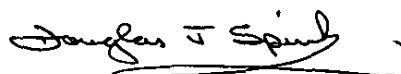
- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

D J Spinks
Director



16 September 2008

Thameswey Central Milton Keynes Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Thamesway Central Milton Keynes Limited

We have audited the financial statements (the 'financial statements') of Thamesway Central Milton Keynes Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 an auditors' report 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Crawley

United Kingdom

30 September 2008

Thamesway Central Milton Keynes Limited

Profit and loss account Year ended 31 December 2007

			13 month period ended 31 December
	Note	2007 £	2006 £
Turnover	2	159,618	-
Cost of sales		(421,542)	-
Gross loss		(261,924)	-
Administrative expenses		(189,704)	(20,740)
Other operating income		13,692	-
Operating loss	4	(437,936)	(20,740)
Interest receivable and similar income		33,482	37,509
Interest payable and similar charges	5	(4,300)	(9,066)
(Loss)/profit on ordinary activities before taxation		(408,754)	7,703
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit on ordinary activities after taxation for the financial year	16	(408,754)	7,703

All results derive from continuing operations

There are no other recognised gains and losses in either period, hence no statement of total recognised gains and losses has been presented

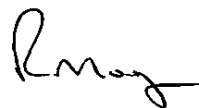
Thamesway Central Milton Keynes Limited

Balance sheet 31 December 2007

	Note	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	7		12,076,011		6,032,252
Current assets					
Debtors	8	1,657,061		464,135	
Current asset investments	9	357,504		1,000,000	
Cash at bank and in hand		29,169		13,787	
		2,043,734		1,477,922	
Creditors: amounts falling due within one year	10	(5,149,464)		(3,572,564)	
Net current liabilities			(3,105,730)		(2,094,642)
Total assets less current liabilities			8,970,281		3,937,610
Creditors: amounts falling due after more than one year	11		(5,391,305)		(2,500,000)
Accruals and deferred income	12		(2,870,027)		(319,907)
			708,949		1,117,703
Capital and reserves					
Called up share capital	13		1,110,000		1,110,000
Profit and loss account			(401,051)		7,703
Shareholders' funds	16		708,949		1,117,703

These financial statements were approved by the Board of Directors on 16 September 2008

Signed on behalf of the Board of Directors



R Morgan
Director

Thameswey Central Milton Keynes Limited

Notes to the accounts

For the year ended 31 December 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding financial periods.

Accounting convention

The financial statements are prepared under the historical cost convention.

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Interest capitalisation

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditure for the asset 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.

Cash flow statement

The company is 100% owned by Thameswey Energy Limited, which in turn is 90% owned by Thameswey Limited, and is included in the consolidated financial statements of Thameswey Limited, which are publicly available. Consequently, under the terms of FRS 1, 'Cash Flow Statements', the company has not prepared a cash flow statement.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Income is broken down into its component parts and recognised in accordance with FRS 5, application note G.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than assets under construction, at rates calculated to write off the cost of each asset on a straight line basis over its useful economic life, as follows:

Buildings	Over 60 years
Plant and machinery	Between 20 and 30 years

The directors undertake an annual impairment review in order to consider whether any tangible fixed assets are impaired.

Thameswey Central Milton Keynes Limited

Notes to the accounts

For the year ended 31 December 2007

1 Accounting policies (continued)

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 lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. All turnover and pre-tax loss arises within the United Kingdom.

3. Information regarding directors and employees

There were no staff costs or employees for the period ended 31 December 2007 or for the year ended 31 December 2006. The directors are remunerated by the ultimate controlling entity for the current and preceding financial periods.

4 Operating loss

	2007 £	2006 £
Operating loss is after charging:		
Depreciation and amortisation		
Owned assets	89,681	-
Auditors' remuneration		
Fees payable for the audit of the company's financial statements	9,000	-

During the prior period, the audit fee of £3,000 was paid by the immediate parent Company.

5 Interest payable and similar charges

	2007 £	2006 £
Other interest	4,300	9,066

Thamesway Central Milton Keynes Limited

Notes to the accounts

For the year ended 31 December 2007

6 Tax on (loss)/profit on ordinary activities

i) Analysis of the tax charge

The tax charge on the (loss)/profit on ordinary activities for the year/period was as follows

	Year ended 31 December 2007 £	13 month period ended 31 December 2006 £
Current tax		
United Kingdom corporation tax at 19% (2006 – 19%) based on the profit for the period	-	-

ii) Factors effecting tax charge for the current year/period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax for small companies in the United Kingdom of 19% (2006 – 19%)

	2007 £	2006 £
(Loss)/profit on ordinary activities before tax	(408,754)	7,703
Tax at 19% thereon	77,663	(1,464)
Effects of		
Expenses not deductible for tax purposes	16,288	-
Depreciation in excess of capital allowances	(15,048)	-
Tax losses carried forward	(78,903)	(3,940)
Group relief	-	5,404
	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to pre-trading expenses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £98,915 (2006 – £3,940). The asset would be recovered if there were sufficient suitable taxable profits against which this expense could be offset.

Thamesway Central Milton Keynes Limited

Notes to the accounts For the year ended 31 December 2007

7. Tangible fixed assets

	Buildings £	Plant and Machinery £	Assets under construction £	Total £
Cost				
At 1 January 2007	-	-	6,032,252	6,032,252
Additions	-	5,771,293	362,147	6,133,440
Transfers	1,886,800	4,145,452	(6,032,252)	-
At 31 December 2007	<u>1,886,800</u>	<u>9,916,745</u>	<u>362,147</u>	<u>12,165,692</u>
Accumulated depreciation				
At 1 January 2007	-	-	-	-
Charge for the year	10,482	79,199	-	89,681
At 31 December 2007	<u>10,482</u>	<u>79,199</u>	<u>-</u>	<u>89,681</u>
Net book value				
At 31 December 2007	<u>1,876,318</u>	<u>9,837,456</u>	<u>362,147</u>	<u>12,076,011</u>
At 31 December 2006	<u>-</u>	<u>-</u>	<u>6,032,252</u>	<u>6,032,252</u>

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £621,548 (2006 - £120,931)

At the year end the company had capital commitments of £1,511,159 (2006 - £1,274,773) in respect of assets contracted for but not provided

8 Debtors

	2007 £	2006 £
Trade debtors	71,797	446,513
Other taxation	261,647	-
Prepayments and accrued income	1,323,617	17,622
	<u>1,657,061</u>	<u>464,135</u>

9. Current asset investments

	2007 £	2006 £
Short-term deposits	<u>357,504</u>	<u>1,000,000</u>

Thamesway Central Milton Keynes Limited

Notes to the accounts

For the year ended 31 December 2007

10. Creditors: amounts falling due within one year

	2007 £	2006 £
Loans from parent company (see note 11)	2,435,897	2,500,000
Loans from Group Companies	592,906	-
Trade creditors	2,120,661	1,072,564
	<u>5,149,464</u>	<u>3,572,564</u>

11. Creditors: amounts falling due after more than one year

	2007 £	2006£
Loans from ultimate controlling entity	2,391,305	2,500,000
Other loans	3,000,000	-
	<u>5,391,305</u>	<u>2,500,000</u>

Borrowings are repayable as follows:

	2007 £	2006 £
On demand or within one year	3,028,803	2,500,000
Between one and two years	108,696	108,696
Between two and five years	1,293,587	326,087
After five years	3,989,022	2,065,217
	<u>8,420,108</u>	<u>5,000,000</u>

A long term loan of £2,500,000 was taken out at 1 January 2006 from Woking Borough Council. This bears interest at 6.75% per annum and is repayable in equal half yearly instalments commencing 30 June 2008. On 14 December 2006 Thamesway Energy Ltd made a short term loan of £2,500,000 which bears interest at 6.75% per annum. On 29 June 2007 Woking Borough Homes Ltd made a short term loan of £600,000 which bears an interest of 6.75% per annum. (A £100,000 repayment was made at the 31 December 2007 in respect of the Woking Borough Homes Ltd loan.) The short term loans from within the Thamesway Group were made to assist cash flow pending the receipt of money due from English Partnership and Phase developers. These monies are due to be received in 2008 and together with a further long term loan of £2m from Lombard will enable the company to repay these short term loans.

12. Accruals and deferred income

	2007 £	2006 £
Accruals and deferred income	<u>2,870,027</u>	<u>319,907</u>

Thamesway Central Milton Keynes Limited

Notes to the accounts

For the year ended 31 December 2007

13 Called up share capital

	2007 £	2006 £
Authorised		
5,000,000 (2006 – 5,000,000) £1 ordinary 'Class A' shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Called up, allotted and fully paid		
1,110,000 (2006 – 1,110,000) £1 ordinary 'Class A' shares of £1 each	<u>1,110,000</u>	<u>1,110,000</u>

14. Parent undertaking and ultimate controlling entity

The company's immediate parent company is Thamesway Energy Limited, a company incorporated in England and Wales

The ultimate controlling entity is considered to be Woking Borough Council

The largest group into which the company is consolidated is headed by Woking Borough Council, and the smallest group into which the company is consolidated is headed by Thamesway Limited. Copies of both sets of group accounts are available from the Company Secretary, Clyde Secretaries Limited, 51 Eastcheap, London, EC3M 1JP

15. Related party disclosures

Throughout the financial year ended 31 December 2006 and the financial period ended 30 November 2005, the company was 100% owned by Thamesway Energy Limited, which in turn is 90% owned by Thamesway Limited which in turn is 100% owned by Woking Borough Council. Therefore, no transactions with these related parties are to be disclosed for either year under the provision of FRS8

Xergi Limited holds a 10% shareholding in Thamesway Energy Limited

At the balance sheet date Thamesway Central Milton Keynes Limited owed Xergi Limited £1,746,660 (2006 - £982,512), an amount which is included in trade creditors. Purchases from Xergi Limited throughout the financial year totalled £4,579,400 (2006 - £5,594,581), being capital items included in tangible fixed assets

16. Combined reconciliation of movements in shareholders' funds and statement of movement in reserves

	Called up share capital £	Profit and loss account £	Total 2007 £	Total 2006 £
At beginning of the year/period	1,110,000	7,703	1,117,703	2
Issue of 'class A' shares	-	-	-	1,109,998
Retained (loss)/profit for the year/period	-	(408,754)	(408,754)	7,703
At the end of the year/period	<u>1,110,000</u>	<u>(401,051)</u>	<u>708,949</u>	<u>1,117,703</u>

Thameswey Central Milton Keynes Limited

Additional information

The additional financial information on page 14 is prepared from the accounting records of the company. It should be read in conjunction with the statutory financial statements set out on pages 5 to 12 and the auditors' report thereon.

Thameswey Central Milton Keynes Limited

Trading profit and loss account Period ended 31 December 2007

	2007	2006
	£	£
Income	159,618	-
Cost of sales	(421,542)	-
Gross loss	(261,924)	-
Other operating income	13,692	-
Other income		
Deposit account interest	2,826	6,352
Interest on investments	30,656	31,157
	33,482	37,509
Expenditure		
Administration costs	100,023	20,740
Depreciation	89,681	-
	(189,704)	(20,740)
	(404,454)	16,769
Finance costs		
Other interest	-	8,776
Other Charges	3,451	-
Bank charges	849	290
	(4,300)	(9,066)
Net (loss)/profit before tax	(408,754)	7,703