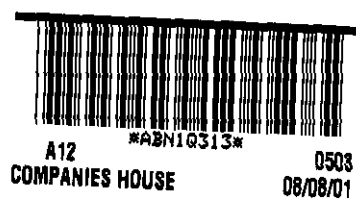


ARROW LIGHT RAIL LIMITED (FORMERLY KNOWN AS BACKSAFE LIMITED)

Report and Accounts

31 December 2000



Arrow Light Rail Limited (formerly known as Backsafe Limited)

Company Registration No 3942516

DIRECTORS

N C Dawson	(appointed 29 March 2000)
M J Fowles	(appointed 29 March 2000)
J D Harris	(appointed 29 March 2000)
R J Hicklin	(appointed 29 September 2000)
D Humphrey	(appointed 16 November 2000)
O R Lewy	(appointed 29 March 2000)
Y Mathieu	(appointed 29 March 2000)
A Norris	(appointed 21 March 2000)
T R Pearson	(appointed 29 March 2000)
F X Perin	(appointed 29 March 2000)
G H Rico	(appointed 29 March 2000)
J S Rushton	(appointed 29 March 2000)
N C Buckley	(appointed 29 March 2000, resigned 16 November 2000)
Instant Companies Limited	(appointed 8 March 2000, resigned 13 March 2000)
Masons Nominees Limited	(appointed 13 March 2000, resigned 21 March 2000)
Masons Secretarial Services Limited	(appointed 13 March 2000, resigned 29 March 2000)
J Pope	(appointed 29 March 2000, resigned 29 September 2000)

SECRETARY

F R Herzberg	(appointed 29 March 2000)
Swift Incorporations Limited	(appointed 8 March 2000, resigned 13 March 2000)

AUDITORS

Ernst & Young
City Gate West
Toll House Hill
Nottingham NG1 5FY

BANKERS

Dresdner Bank AG London Branch
PO Box 18075
Riverbank House
2 Swan Lane
London EC4R 3UX

SOLICITORS

Masons
30 Aylesbury Street
London EC1R 0ER

REGISTERED OFFICE

24 Birch Street
Wolverhampton WV1 4HY

Arrow Light Rail Limited (formerly known as Backsafe Limited)

DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 31 December 2000.

The company was incorporated on 8 March 2000 as Backsafe Limited. The company changed its name from Backsafe Limited to Arrow Light Rail Limited on 24 March 2000. The accounts are prepared for the period 8 March to 31 December 2000.

RESULTS AND DIVIDENDS

The results of the company are set out in page 5. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES

On 31 March 2000 the company entered into a contract to design, build, finance, operate and maintain the Nottingham Express Transit (NET) Line One System. The promoters of the NET contract are Nottingham City Council and Nottinghamshire County Council. Financial close was achieved on 11 May 2000.

The construction phase of the contract is scheduled to take three and a half years from financial close and the operating phase of the contract is scheduled to run for 27 years. The company has entered into a turnkey contract with Bombardier Transportation and Carillion. Bombardier Transportation and Carillion are contracted to build the trams and set up the infrastructure to run the trams respectively. The company has also entered into a contract with Transdev and Nottingham City Transport to operate and maintain the trams.

The contract is financed under a Private Financial Initiative (PFI), principally by a £200 million 25 year loan facility between the company and Dresdner Bank AG, Bankgesellschaft Berlin AG and ABN Amro Bank NV.

DIRECTORS

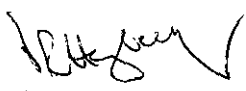
The directors at the period end and the directors who served during the period are listed on page 1. None of the directors had any interests in the company.

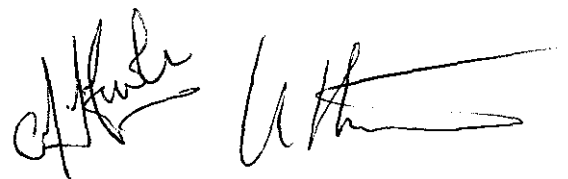
AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of Ernst & Young as auditors of the company was approved at a board meeting held on 16 November 2000.

Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP, on 28 June 2001. The Directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board


F R Herzberg
Secretary
21 June 2001



Arrow Light Rail Limited (formerly Backsafe Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS

to the members of Arrow Light Rail Limited (formerly known as Backsafe Limited)

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Nottingham

Date

21 June 2001

Arrow Light Rail Limited (formerly known as Backsafe Limited)

PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2000

		<i>8 March to 31 December 2000 £'000</i>
	<i>Notes</i>	
OPERATING RESULT	2	-
Interest receivable		-
		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-
Tax on profit on ordinary activities	4	-
		<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10	-
		<hr/> <hr/>

There are no recognised gains and losses in the period.

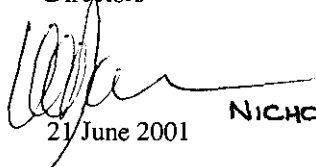
Arrow Light Rail Limited (formerly known as Backsafe Limited)


BALANCE SHEET

at 31 December 2000

		31 December 2000 £'000
	Notes	
FIXED ASSETS		
Tangible assets	5	38,533
CURRENT ASSETS		
Debtors	6	2,240
Cash at bank and in hand		141
		2,381
CREDITORS: amounts falling due within one year	7	(1,820)
NET CURRENT ASSETS		561
TOTAL ASSETS LESS CURRENT LIABILITIES		39,094
CREDITORS: amounts falling due after more than one year	8	(39,069)
TOTAL ASSETS LESS LIABILITIES		25
CAPITAL AND RESERVES		
Called up share capital	9	25
Profit and loss account	10	-
EQUITY SHAREHOLDERS' FUNDS	10	25

Directors


21 June 2001 NICHOLAS DAWSON


ANDREW NORRIS

Arrow Light Rail Limited (formerly known as Backsafe Limited)

STATEMENT OF CASH FLOWS for the period ended 31 December 2000

			8 March to 31 December 2000 £'000
	Notes	£'000	£'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	11		(420)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			-
TAXATION			
Corporation tax paid			-
CAPITAL EXPENDITURE			
Payment to acquire tangible fixed assets			(38,533)
FINANCING			
Issue of ordinary shares		25	
Issue of debt		39,069	39,094
INCREASE IN CASH IN THE PERIOD			141
RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET DEBT			
			8 March to 31 December 2000 £'000
INCREASE IN CASH IN THE PERIOD			141
Cash inflow from increase in loans			(39,069)
NET DEBT AT 31 DECEMBER 2000	12		(38,928)

Arrow Light Rail Limited (formerly known as Backsafe Limited)

NOTES TO THE ACCOUNTS

for the period ended 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Fixed assets

Costs associated with the contract incurred during the construction phase are capitalised in accordance with FRS 15 'Tangible Fixed Assets'. No depreciation is provided on assets during the construction phase.

PFI accounting

The company has adopted the provisions of FRS 5 'Reporting the substance of transactions' Application F.

2. OPERATING PROFIT

Auditors' remuneration of £10,000 and other fees of £4,000 are capitalised as part of fixed assets, in accordance with FRS 15.

3. DIRECTORS' REMUNERATION

No remuneration was paid to the directors.

4. TAXATION

UK corporation tax

8 March to
31 December
2000
£'000

-

5. FIXED ASSETS

Assets under
the course
of construction
2000
£'000

Cost at 8 March 2000

-

Additions

38,533

Cost at 31 December 2000

38,533

Arrow Light Rail Limited (formerly known as Backsafe Limited)

NOTES TO THE ACCOUNTS

for the period ended 31 December 2000

6. DEBTORS

	2000 £'000
Trade debtors	1,897
VAT recoverable	343
	<hr/>
	2,240
	<hr/>

7. CREDITORS: amounts falling due within one year

	2000 £'000
Trade creditors	1,820
	<hr/>

8. CREDITORS: amounts falling due after more than one year

	2000 £'000
Term loan not wholly repayable within five years	39,069
	<hr/>

The term loan is the draw down at 31 December 2000 of the £200 million facility. The loan facility was set up on 11 May 2000 and the term of the loan is 25 years. Repayment dates fall at six monthly intervals from 11 November 2004. The rate of interest on the loan is LIBOR, plus a margin (between 1% - 1.2% depending on debt service cover ratio) plus mandatory costs. Mandatory costs will be a percentage rate per annum determined by the Facility Agent according to the term loan agreement.

Arrow Light Rail Limited (formerly known as Backsafe Limited)

NOTES TO THE ACCOUNTS

for the period ended 31 December 2000

8. CREDITORS: amounts falling due after more than one year (continued)

Maturity of borrowings:

	2000 £'000
Less than 1 year	-
Between 1 – 2 years	-
Between 2 – 5 years	20,519
More than 5 years	22,571
	<hr/>
	43,090
Less: unamortised issue costs	(4,021)
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	39,069
	<hr/>

Analysis of changes in loan financing

	2000 £'000
New loan raised	43,090
Issue expenses	(4,124)
Amortisation of issue costs	103
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At 31 December 2000	39,069
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9. SHARE CAPITAL

	2000 £'000
<i>Authorised</i>	
1,000,000 Ordinary shares of £1 each	1,000
	<hr/>
<i>Allotted, called up and fully paid</i>	
25,000 Ordinary shares of £1 each	25
	<hr/>

Arrow Light Rail Limited (formerly known as Backsafe Limited)

NOTES TO THE ACCOUNTS

for the period ended 31 December 2000

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total Share- holders' funds £'000</i>
At 8 March 2000	-	-	-
Shares issued	25	-	25
Result for the period	-	-	-
At 31 December 2000	25	-	25

11. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<i>8 March to 31 December 2000 £'000</i>
Operating result	-
Increase in debtors	(2,240)
Increase in creditors	1,820
Net cash outflow from operating activities	(420)

12. ANALYSIS OF NET DEBT

	<i>2000 £'000</i>
Cash at bank and in hand	141
Long term loans	(39,069)
	(38,928)

13. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts were nil.

Arrow Light Rail Limited (formerly known as Backsafe Limited)

NOTES TO THE ACCOUNTS

for the period ended 31 December 2000

14. RELATED PARTIES

During the year, the company procured services from the following related parties:

	<i>8 March to 31 December 2000 Purchases £'000</i>	<i>Amount Payable at 31 December 2000 £'000</i>
CDC Projets	109	-
Innisfree Parties II Limited	164	-
Carillion Construction Limited	19,713	452
Bombardier Transportation (Holdings) UK Limited	14,211	1,126
Nottingham City Transport Limited	464	-
Transdev plc	564	-
	<hr/>	<hr/>
	35,225	1,578
	<hr/>	<hr/>

All of the above companies are related parties as they are shareholders of the ultimate parent company, Arrow Light Rail Holdings Limited.

15. PARENT UNDERTAKINGS

The company is a wholly-owned subsidiary of Arrow Light Rail Holdings Limited, a company incorporated in Great Britain. At 31 December 2000 the share capital of Arrow Light Rail Holdings Limited was held 30% by Innisfree Partners II Limited, 20% by CDC Projets and 12.5% each by Carillion Private Finance Limited, Bombardier Transportation (Holdings) UK Limited, Nottingham City Transport Limited and Transdev plc. All these companies are incorporated in Great Britain apart from CDC Projets which is incorporated in France.