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# Arrow Light Rail Limited

## Directors' Report and Financial Statements

### For the year ended 31 December 2010

**Registered No: 3942516**

Registered No 3942516

# Company information

**Directors**
M J Fowles
P F Staehr
P Daguet (resigned 16/03/2010)
G Birley-Smith
J Thomas
H Vichard (appointed 19/07/2010)

**Secretary**
A Stevens

**Auditors**
KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

**Bankers**
Commerzbank AG
London Branch
PO Box 52715
30 Gresham Street
London
EC2P 2XY

**Registered office**
C/O HCP
8 White Oak Square
London Road
Swanley
Kent BR8 7AG

# Directors' report

The Directors present their report and financial statements for the year ended 31st December 2010

### Results and dividends

The results for the year are set out on page 8 and relate to the operating activities undertaken in respect of the Concession during the year The operating profit before depreciation charges amounted to £20,411,000 *(2009 £19,225,000)* The Directors do not recommend the payment of a dividend *(2009 £nil)*

### Principal activities and review of the business

The principal activity of the Company was first to design, build and finance and is now to operate and maintain the Nottingham Express Transit (NET) Line One System, under the Government's Private Finance Initiative for Nottingham City Council and Nottinghamshire County Council (the "Promoters") under a Concession Agreement

Nottingham Tram Consortium (the "Operator"), a joint venture between Transdev Tram UK Limited and Nottingham City Transport Limited, has operated and maintained the system on behalf of the Company from 9 March 2004 and the full operational contract length is for a period of 27 years from this date

Since opening to passenger service on 9 March 2004, the NET system has run at a very high level of reliability and operational performance Patronage has grown steadily since launch and has shown itself to be stable NET was the first UK tram system to go into service fully compliant with the Disability Discrimination Act and significant usage by mobility impaired passengers is evident

On 7th March 2011 the company was issued with a notice of termination of concession agreement by Nottingham City Council on behalf of the Promoters in connection with Nottingham City Council's wish to enter into an agreement for the extension of the tram system As the concession agreement terms concerning compensation under these circumstances are on the basis that the loan and any break costs are settled and the fair value of the concession is paid, the directors are of the opinion that there are no significant differences in the valuation of account balances between the going concern and break-up basis The accounts are presented on the break-up basis but this is not significantly different to the going concern basis

The Company generates its income primarily from availability payments and farebox revenue The Directors are satisfied with performance during the year which exceeded budgeted expectations

Availability payments are dependent upon the Company meeting certain pre defined performance criteria with deductions made for under-performance Performance criteria are an important KPI (Key Performance Indicator) to the Company and during the year 2010 actual performance compared to the pre-set maximum 100% performance criteria averaged 99% *(2009 99%)*

The Company also maintains KPIs for the Operator's health and safety performance Compliance by the Company with all relevant legislation and farebox revenue levels are other principal KPIs that are monitored on an ongoing basis

### Principal risks and uncertainties

### Financial performance risk

The Company has modelled the anticipated financial performance of its concession across its full term The Company monitors its actual performance, particularly fare revenues, against its anticipated performance and regularly updates the forecast performance in the model At 31st December 2010, the Company's performance against this measure was satisfactory with fare revenues being above the forecast for the year

# Directors' report

### Credit risk
The company receives the majority of its revenue from Nottingham City Council and Nottinghamshire County Council in the form of an availability payment, the remainder coming from fare income and therefore it is not exposed to significant credit risk The Company invests cash and enters into interest rate swap arrangements with financial institutions The credit quality of these institutions is reviewed by the Directors on a regular basis

### Inflation risk
The Company's projected revenue, operating and lifecycle costs are linked to inflation at the inception of the project

### Revenue risk
The Company is exposed to revenue risk to the extent that it relies at least partially on fare revenue collected from operating the service This is mitigated by regularly reviewing patronage and income, undertaking marketing surveys and campaigns to ensure that overall revenues are maximised

### Performance risk
Performance risk under the contract is passed on to the Operator

### Insurance risk
The Company is exposed to the conditions prevailing in the insurance market and past performance at each renewal date The Directors manage this through close monitoring of the claims record of the concession and through employing experienced broking organisations to obtain competitive insurance terms

### Interest rate risk
The Company hedged a large proportion of its interest rate risk at the inception of the project by swapping its variable rate debt into a fixed rate by the use of an interest rate swap As such, the Company's exposure to risk is reduced

### Lifecycle risk
The Company and the Operator each have their own responsibility for identified lifecycle costs The Directors manage this risk through asset inspections and consequential forecasting of asset replacement costs

### Liquidity risk
The Company has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due

### Directors and directors' interests
The Directors who served the company during the year were as follows

M J Fowles
P F Staehr
P Daguet (resigned 16/03/2010)
G Birley-Smith
J Thomas
H Vichard (appointed 19/07/2010)

### Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

# Directors' report

**Auditors**
Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

This report was approved by the Board of Directors on 20th June 2011 and signed on its behalf by

**G Birley - Smith**
*Director*

# Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law they have elected to prepare the financıal statements ın accordance wıth UK Accountıng Standards and applıcable law (UK Generally Accepted Accountıng Practıce)

Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the group wıll contınue ın busıness (As explaıned ın note 1, the dırectors do not belıeve that ıt ıs appropriate to prepare these financıal statements on a goıng concern basıs)

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other ırregularıtıes

## Independent auditor's report to the members of Arrow Light Rail Limited

We have audited the financial statements of Arrow Light Rail Limited for the year ended 31 December 2010 set out on pages 8 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements

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 an auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the company's loss for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## Independent auditor's report to the members of Arrow Light Rail Limited *(continued)*

### 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

N Martin

**N Martin, (Senior Statutory Auditor),**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*
Arlington Business Park
Theale
Reading
RG7 4SD
23 *June 2011*

# Profit and loss account
**for the year ended 31 December 2010**

| | Notes | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Turnover** | 1 | **30,599** | 29,074 |
| Other external charges | | **(10,188)** | (9,849) |
| Operatıng profit before depreciatıon | | **20,411** | 19,225 |
| Depreciatıon | 6 | **(7,702)** | (7,606) |
| **Operatıng profit** | 2 | **12,709** | 11,619 |
| Net ınterest payable | 4 | **(15,784)** | (16,187) |
| **Loss on ordınary activitıes before taxatıon** | | **(3,075)** | (4,568) |
| Taxatıon on loss on ordınary actıvıtıes | 5 | **-** | - |
| **Loss on ordınary activities after taxation and retaıned loss for the financial year** | | **(3,075)** | (4,568) |

A statement of movement ın shareholders' deficıt ıs shown ın note 15 to the financıal statements

The results reported above derıve from contınuıng operatıons ın a sıngle class of busıness wıthın the Unıted Kıngdom

There ıs no materıal dıfference between the loss for the year as shown ın the profıt and loss account above and ıts hıstorıcal cost equıvalent

There were no recognısed gaıns or losses other than the results for the years reported above

# Balance sheet
**at 31 December 2010**

| | Notes | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 6 | **153,069** | 160,770 |
| **Current assets** | | | |
| Debtors Amounts falling due within one year | 7 | **1,149** | 1,049 |
| Cash at bank | | **13,662** | 10,809 |
| | | **14,811** | 11,858 |
| **Current liabilities** | | | |
| Creditors Amounts falling due within one year | 8 | **(203,965)** | (10,807) |
| **Net current (liabilities) / assets** | | **(189,154)** | 1,051 |
| **Total assets less current liabilities** | | **(36,085)** | 161,821 |
| Creditors Amounts falling due after more than one year | 9 | **-** | (194,831) |
| **Net liabilities** | | **(36,085)** | (33,010) |
| **Capital and reserves** | | | |
| Called up share capital | 13 | **25** | 25 |
| Profit and loss account | 14 | **(36,110)** | (33,035) |
| **Equity shareholders' deficit** | 15 | **(36,085)** | (33,010) |

The financial statements were approved by the board of directors on the 20 June 2011 and were signed on its behalf by

*G Birley - Smith*
*Director*

*P F Staehr*
*Director*

Registered No 3942516

# Notes to the financial statements (continued)
**at 31 December 2010**

## 1. Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial affairs

***Basis of preparation***
The financial statements have been prepared in accordance with applicable Accounting Standards using the historical cost convention

***Going Concern***
The financial statements have been prepared on the break-up basis in the light of the termination notice issued by Nottingham City Council on behalf of the Promoters on 7th March 2011 The accounts would not be significantly different had they been prepared on a going concern basis, because under the termination provisions the Promoter is responsible for settling the senior debt and any swap agreement break costs and in addition pay to the shareholders the fair value of the project on a willing buyer basis The directors are of the opinion that this settlement would be significantly in excess of the carrying value of the assets

The financial statements show a loss on ordinary activities before tax for the year of £3,075,000 (*2009 £4,568,000*) and shareholders' deficit of £36,085,000 (*2009 £33,010,000*) The losses principally arise from net interest payable and depreciation charges

***Cash flow statement***
Under Financial Reporting Standard (FRS) 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

***Interest payable***
Interest is charged to the profit and loss account as it is incurred

***Finance Costs***
Finance costs are amortised over the life of the loan facility to which they relate in accordance with the Financial Reporting Standard (FRS4) Capital Instruments

***Fixed assets***
Tangible fixed assets represent the design, finance and construction costs of the tram system, including track, trams and supporting network

Depreciation of these assets commenced on 9 March 2004, following completion of the construction phase and the opening of the tram system to passenger service Depreciation is being provided in equal annual instalments over the 27 year concession period

***Government grants***
Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate

# Notes to the financial statements (continued)
**at 31 December 2010**

## 1. Accounting policies *(continued)*

***Life cycle costs***
The estimated costs of the Company's obligation to maintain the facility over the life of the contract are accrued in the balance sheet in equal instalments, after taking account of indexation, in accordance with FRS12 "Provisions, contingent liabilities and contingent assets"

***Private Finance Initiative accounting***
The construction and operation of the tram system is a Private Finance Initiative (PFI) project Applying the guidance within FRS5 Application Note F indicates that the project's principal agreements do not substantially transfer all the risks and rewards of ownership As such, the costs incurred by the Company on the design and construction of the tram system have been treated as a fixed asset within these financial statements

***Taxation***
The charge for taxation is based on the result for the year and takes into account deferred taxation Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computations Liabilities are calculated on a non-discounted full provision basis in respect of timing differences that are expected to reverse in the future Assets are calculated on the same basis but are recognised only to the extent that it is probable that they will be recovered

***Financial Instruments***
The company has entered into certain hedging arrangements in respect of certain interest rates These financial instruments are accounted for at cost and interest receipts and payments under these agreements are accrued so as to match net income or cost with the related finance expense No amounts are recognised with respect to future years

***Turnover***

Analysis of turnover

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| Availability fee income | **21,880** | 21,267 |
| Farebox revenue | **8,754** | 7,845 |
| Other (expense) | **(35)** | (38) |
| Total turnover | **30,599** | 29,074 |

Availability fee income relates to the provision of the service to the Promoter under the concession agreement

Farebox revenue relates to income received from the fares of passengers

Other (expense) relates to advertising and rental income as well as grant income and deferred maintenance reserve income

All turnover originated in the United Kingdom and is exclusive of VAT

# Notes to the financial statements (continued)
**at 31 December 2010**

## 2. Operating profit

Operating profit is stated after charging

| | 2010 | 2009 |
|---|---|---|
| | **£000** | £000 |
| Depreciation | **7,702** | 7,606 |
| *Auditors' remuneration* | | |
| Auditors' Fees paid to the company's auditors for the audit of the annual accounts | **15** | 15 |

Fees paid to the company's auditors, KPMG LLP, and its associates for work other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Arrow Light Rail Holdings Limited, are required to disclose non audit fees on a consolidated basis

## 3. Staff numbers and costs and emoluments of directors

The directors have no contract of services with the Company and did not receive any remuneration during this year or the previous year Fees due to the shareholder companies for the services of the directors amounted to £Nil *(2009 £Nil)*

The Company had no employees during the year *(2009 None)*

## 4. Net Interest payable

| | 2010 | 2009 |
|---|---|---|
| | **£000** | £000 |
| Interest payable on bank borrowings | **11,963** | 12,530 |
| Interest payable on amounts due to parent company | **3,740** | 3,603 |
| Amortisation of loan issue costs | **165** | 165 |
| | **15,868** | 16,298 |
| Bank interest receivable | **(84)** | (111) |
| **Net interest payable** | **15,784** | 16,187 |

## 5. Tax on loss on ordinary activities

### *(a) Analysis of taxation charge in the year*

| | 2010 | 2009 |
|---|---|---|
| | **£000** | £000 |
| *Current taxation* | | |
| - UK corporation tax | - | - |
| *Deferred taxation* | | |
| - Origination and reversal of timing differences | - | - |
| **Total taxation on ordinary activities** | - | - |

# Notes to the financial statements (continued)
**at 31 December 2010**

## 5. Tax on loss on ordinary activities *(continued)*

Factors affecting the tax charge for the year

The current tax charge for the year is lower (*2009 lower*) than the standard rate of corporation tax in the UK of 28% (*2009 28%*) The differences are reconciled below

### *(b) Reconciliation of current taxation charge*

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Loss on ordinary activities before tax** | **(3,075)** | (4,568) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% *(2009 28 5%)* | **(861)** | (1,279) |
| Effects of - | | |
| Capital allowances for the year in excess of depreciation | **529** | 94 |
| Other timing differences | **-** | (16) |
| Increase in trade losses carried forward | **332** | 1,201 |
| **Current tax charge for the year** | **-** | - |

### *(c) Factors that may affect future tax charges*

The company has trade losses available to be carried forward of around £129m, which while not expected to be used against future profits are expected to be realised as part of the termination payment

## 6. Tangible fixed assets

| | **Tram system £000** |
|---|---|
| **Cost** | |
| Cost as at 1 January 2010 | 205,388 |
| Additions during the year | 1 |
| **Cost as at 31 December 2010** | **205,389** |
| *Depreciation* | |
| At 1 January 2010 | (44,618) |
| Provision for year | (7,702) |
| **At 31 December 2010** | **(52,320)** |
| *Net book value* | |
| At 1 January 2010 | 160,770 |
| **At 31 December 2010** | **153,069** |

The aggregate amount of interest payable included in the cost of tangible fixed assets is £26,445,000 *(2009 £26,445,000)*

# Notes to the financial statements (continued)

**at 31 December 2010**

## 7. Debtors: amounts falling due within one year

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| Trade debtors | **333** | 432 |
| Prepayments | **339** | 330 |
| Accrued revenue | **477** | 287 |
| | **1,149** | 1,049 |

## 8. Creditors: Amounts falling due within one year

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| Bank borrowings (see note 10) | **163,190** | 4,046 |
| Less unamortised issue costs | **(2,371)** | (165) |
| Net bank borrowings | **160,819** | 3,881 |
| Trade creditors | **440** | 495 |
| VAT | **392** | 232 |
| Accruals and deferred income | **10,075** | 3,849 |
| Amount due to parent company | **31,664** | 2,350 |
| Other creditors | **575** | - |
| | **203,965** | 10,807 |

The loan facility was set up on 11 May 2000 and the term of the loan is 25 years The bank loan is secured by a fixed and floating charge over all the assets of the Company 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 are a percentage rate per annum determined by the Facility Agent according to the term loan agreement The Company entered into three interest rate hedging agreements with ABN Amro, Dresdner Bank AG and Sumitomo Mitsui Banking Corporation to be applied to £49,687,000 each, a total of £149,061,000 of the borrowings under this facility This is a swap agreement which fixes the interest at 6 56% to 12 May 2025

Accruals and deferred income include the balance of the deferred government grant income of £4,095,000 *(2009 £4,312,000)*

Included within amounts due to parent company is an amount of £27,373,000 *(2009 £27,373,000)*, representing funds advanced by the company's parent undertaking, Arrow Light Rail Holdings Limited The loan is unsecured, bears interest at 12 7% from March 2004 and is due to be fully repaid by 2031

## 9. Creditors: Amounts falling due after more than one year

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| Bank borrowings (see note 10) | - | 163,190 |
| Less unamortised issue costs | - | (2,371) |
| Net bank borrowings | - | 160,819 |
| Accruals and deferred income | - | 6,210 |
| Amounts owed to parent company | - | 27,373 |
| Other creditors | - | 429 |
| | - | 194,831 |

# Notes to the financial statements (continued)
**at 31 December 2010**

## 10. Bank Borrowings

| | 2010 £000 | 2009 £000 |
|---|---|---|
| *The bank borrowings are repayable as follows* | | |
| Less than one year | **163,190** | 4,046 |
| Between one and two years | **-** | 4,727 |
| Between two and five years | **-** | 19,009 |
| More than five years | **-** | 139,454 |
| | **163,190** | 167,236 |

## 11. Deferred Taxation

The elements of unprovided deferred taxation are as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Difference between accumulated depreciation and capital allowances | **28,321** | 29,649 |
| Other timing differences | **(1,625)** | (1,770) |
| Tax losses | **(34,783)** | (35,832) |
| Deferred tax asset | **(8,087)** | (7,953) |

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2010 has been included in the figures above

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax asset of approximately £300k This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 27 per cent to 23 per cent, if these applied to the deferred tax balance at 31st December 2010, would be to further reduce the deferred tax asset/liability by approximately £600k

As the timing of the utilisation of these losses (which give rise to this asset) is uncertain, the above asset has not been recognised in the financial statements for this year

# Notes to the financial statements (continued)
**at 31 December 2010**

## 12. Related party transactions

| | | Amount | | Amounts due from/(to) related parties | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **£000** | £000 | **£000** | £000 |
| *Nottingham Tram Consortium* | | | | | |
| | Income | **9** | 15 | **90** | 180 |
| | Purchases | **(8,827)** | (8,604) | **(787)** | (676) |
| *Bombardier Transportation UK Limited* | | | | | |
| | Purchases | **(5)** | - | - | - |
| *Nottingham City Transport Limited* | | | | | |
| | Income | **1,259** | 891 | **266** | 13 |
| | Purchases | **(6)** | (5) | - | - |
| *Transdev plc* | | | | | |
| | Purchases | **(21)** | (16) | **(4)** | - |
| *HCP Social Infrastructure (UK) Limited* | | | | | |
| | Purchases | **(5)** | (2) | **2** | - |
| *NewSchools Limited* | | | | | |
| | Purchases | **(247)** | (243) | - | (24) |

Nottingham Tram Consortium is an unincorporated joint venture between Nottingham City Transport and Transdev Tram UK Limited a subsidiary of Transdev plc, both Nottingham City Transport and Transdev PLC are shareholders in the ultimate parent company, Arrow Light Rail Holdings Limited Innisfree PFI Continuation Fund LP through its nominee Innisfree Nominees Limited is a shareholder in HCP Social Infrastructure (UK) limited, NewSchools Limited and Arrow Light Rail Holdings Limited All of the other companies above are shareholders in Arrow Light Rail Holdings Limited

## 13. Share capital

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| *Authorised* | | |
| 1,000,000 Ordinary shares of £1 each | **1,000** | 1,000 |
| *Allotted, called up and fully paid* | | |
| 25,000 Ordinary shares of £1 each | **25** | 25 |

## 14. Profit and loss account

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| At 1 January | **(33,035)** | (28,467) |
| Loss for the financial year | **(3,075)** | (4,456) |
| At 31 December | **(36,110)** | (33,035) |

# Notes to the financial statements (continued)
**at 31 December 2010**

## 15. Reconciliation of movement in equity shareholders' deficit

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| At 1 January | **(33,010)** | (28,442) |
| Loss for the financial year | **(3,075)** | (4,568) |
| At 31 December | **(36,085)** | (33,010) |

## 16. Shareholders

The Company is a wholly-owned subsidiary of Arrow Light Rail Holdings Limited, a company incorporated in Great Britain The consolidated financial statements of the group are available to the public and can be obtained from the company's registered office At 31 December 2010 the share capital of Arrow Light Rail Holdings Limited was held

36 4% Innisfree PFI Continuation Fund, an English Limited Partnership, through its nominee company, Innisfree Nominees Limited,
24 3% Galaxy SARL,
14 3% Nottingham City Transport Limited,
12 5% Transdev plc,
12 5% Bombardier Transportation UK Limited,

All these companies are incorporated in Great Britain except for Galaxy SARL which is incorporated in Luxembourg