

COVENTRY NORTH REGENERATION LIMITED
(REGISTERED NUMBER 4523598)

DIRECTORS' REPORT AND ACCOUNTS

31 March 2006

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COVENTRY NORTH REGENERATION LIMITED

COMPANY INFORMATION

DIRECTORS

Stella Gordon Manzie
Angela Ridgwell
Christopher Richard Hinde
John McGuigan

SECRETARY

Christopher Richard Hinde

AUDITORS

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

BANKERS

HSBC
PO Box 24
55 Corporation Street
Coventry
West Midlands
CV1 1QJ

SOLICITORS

In-house Legal Team
Coventry City Council
The Council House
Earl Street
Coventry
CV1 5RR

REGISTERED OFFICE

The Council House
Earl Street
Coventry
CV1 5RR

COVENTRY NORTH REGENERATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The Directors present their annual report and accounts of the company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

Coventry North Regeneration Limited's (CNR) principal activity is to build the Coventry Arena. The Ricoh Arena, located in the Foleshill and Holbrook wards of Coventry, combines a football stadium, conference and exhibition space, a casino as well as other leisure and community facilities. The project is funded through a variety of public and private sources but is managed overall by Coventry City Council (CCC). Post completion, the Company's principal activity is landlord of the Arena.

PARENT COMPANY

North Coventry Holdings Limited (NCH) owns 100% of the shares in Coventry North Regeneration Ltd. NCH is 100% owned by CCC.

REVIEW OF THE BUSINESS

CNR continued to incur capital expenditure on the construction of the Ricoh Arena and associated building consultancy fees. The Ricoh Arena, which is managed by Arena Coventry Limited (ACL), opened on 19 August 2005.

On 26th January 2006 the Arena development was leased by ACL from CNR for a term of 50 years less 3 days from 19th December 2003. The rent payable under the agreement is £1.9m per annum. A premium of £21m can be paid at any time to extinguish the rent of £1.9m per annum at which time super rent will become payable to CNR. Super rent is calculated using a sliding scale of percentages applied to ACL's net profit before tax, starting at 10% for profit above £3.75m rising to 50% for profits above £7.75m.

Additional rent is also payable with effect from the fifth anniversary of the Term Commencement Date where 40% of gross income achieved by ACL is greater than the annual rent, but only if the premium is not paid to extinguish the annual rent. ACL opted to make rental payments during the year 2005/06 but it was expected that the option to pay a premium would be taken during the year ending 31 March 2007. The Directors valued the assets of the Company to reflect this.

As at 1 April 2005 the 50 year headlease associated with the Arena was in place between CCC and CNR. (Post balance sheet event: On 2 June 2006 CNR assigned its interest in the 50 year headlease from CCC together with the benefit of the occupational sublease between CNR and ACL to a new wholly owned subsidiary of ACL, ACL (2006) Limited, for £21m. (This relates to notes 1(iv), 3, 12, 14 and 22 of the accounts.))

Following the delay to the full completion of certain parts of the Arena, the rent due to CNR from ACL between 19th August 2005 and 31 January 2006 was waived to compensate for the impact of the delay on the ACL business plan. CNR have also agreed to provide time limited cashflow assistance of up to £1m to ACL at a commercial rate of interest. An amount of £0.558m has been provided during the year ended 31st March 2006 and this has in turn been funded by cashflow assistance from CCC at a commercial rate of interest.

CNR has incurred revenue expenditure in respect of company fees and interest charged on loans from CCC.

The results for the year show a loss of £1.139m for the Company. This was due partly to the impairment of the fixed assets (£0.487m) of the Company to reflect the current value as at 31 March 2006.

COVENTRY NORTH REGENERATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

In addition to the balance of the agreed loan to CNR to fund construction, CCC provided capital contributions to the Company during the year ended 31 March 2006. At the time these capital contributions were paid, it was the Company's intention that these sums should be applied in paying up shares to be issued to the Council. The administrative process of issuing the shares has been delayed to the forthcoming financial year when the capital requirements are finalised.

On 22nd March 2006 CNR issued 3 shares of nominal value £3 to CCC for £30m. The consideration for these shares had been transferred during the year ended 31st March 2005 from Coventry City Council to CNR in the form of a capital contribution. CNR has taken the premium associated with these shares to the share premium account.

DIVIDENDS

No dividends will be paid out for the year ended 31 March 2006.

EQUAL OPPORTUNITIES

CNR will comply with the equal opportunities policies of the Council, as the ultimate owner of the Company, that in summary are:

- Everybody should have an equal opportunity to contribute to and benefit from society.
- A diverse community is a positive asset to the City.

RESEARCH AND DEVELOPMENT

No specific research and development activities have been undertaken during the year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Directors ' and Officers' Liability Insurance policy covers damages and costs arising from any 'wrongful act' by the Directors. Wrongful act covers libel, slander error, misstatement, misleading statement, misrepresentation, omission, neglect, breach of warranty of authority or other act attempted or committed by any or all of the directors when acting or serving in that capacity. The limit of indemnity is £5 million.

PAYMENTS TO SUPPLIERS

CNR's standard terms of payment are the same as CCC i.e. 30 days from the date payment is due, receipt of invoice or delivery of goods, whichever is the later. Alternative payment terms are only made if specifically demanded for contractual purposes.

COVENTRY NORTH REGENERATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

DIRECTORS

Directors serving during the year were as follows:

Name

Stella Gordon Manzie
Christopher Richard Hinde
John McGuigan
Angela Ridgwell

DIRECTORS' INTERESTS

The Directors do not hold any shares in the company, its parent (North Coventry Holdings Limited) or its related party (Arena Coventry Limited).

All the company directors are senior officers of Coventry City Council and North Coventry Holdings Limited. Stella Manzie and John McGuigan are also directors of Arena Coventry Limited.

CHARITABLE AND POLITICAL DONATIONS

There have been no charitable or political donations made in the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements; 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 in the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all steps that ought to have been 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.

COVENTRY NORTH REGENERATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

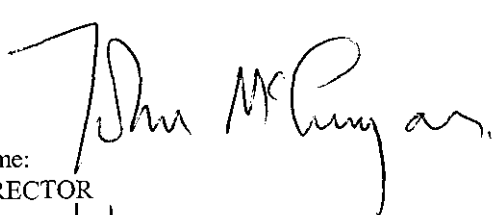
AUDITORS

The sole shareholder, at that time (Coventry City Council), passed an elective resolution on 1 October 2004 to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually.

By Order of the Board

Name:
DIRECTOR

Date: 30/11/06



COVENTRY NORTH REGENERATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COVENTRY NORTH REGENERATION LIMITED

We have audited the financial statements of Coventry North Regeneration Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 audit opinion

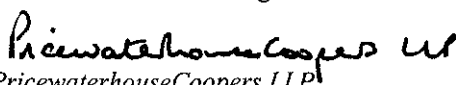
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 March 2006 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

Date: 11 December 2006

COVENTRY NORTH REGENERATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		<u>£'000</u>	<u>£'000</u>
TURNOVER	2	316	0
Cost of Sales		<u>0</u>	<u>0</u>
		316	0
GROSS PROFIT		316	0
Impairment of fixed assets	3	(487)	(41,227)
Capital deferred grants account		0	11,015
Administrative expenses	4	(22)	(12)
Other operating income	5	<u>360</u>	<u>116</u>
OPERATING PROFIT/(LOSS)		167	(30,108)
Interest payable	6	(1,310)	(104)
Interest receivable	6	4	0
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(1,139)	(30,212)
Taxation on profit on ordinary activities	10	0	0
Dividends		0	0
RETAINED LOSS FOR THE YEAR		<u>(1,139)</u>	<u>(30,212)</u>

There are no recognised gains and losses for the year.

The results shown above have been derived wholly from continuing operations.

There is no difference between the operating profit before taxation and the retained profit for the year and their historical cost equivalents.

COVENTRY NORTH REGENERATION LIMITED

BALANCE SHEET AT 31 MARCH

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
ASSETS			
Fixed Assets	11	0	9,055
Long Term Debtors	12	21,558	0
Total Long Term Assets		<u>21,558</u>	<u>9,055</u>
CURRENT ASSETS			
Short Term Debtors	13	1,593	3,439
Cash at bank and in hand		0	0
		<u>1,593</u>	<u>3,439</u>
TOTAL ASSETS		23,151	12,494
CURRENT LIABILITIES			
Short-term loan from Coventry City Council	14	(20,663)	(9,055)
Other Short term Creditors (amounts falling due within one year)	15	(1,930)	(3,439)
		<u>(22,593)</u>	<u>(12,494)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		558	0
LONG TERM LIABILITIES (amounts falling due after one year)			
		0	0
Long Term Loans	16	(558)	0
PROVISIONS FOR LIABILITIES AND CHARGES		0	0
NET ASSETS		<u>0</u>	<u>0</u>
CAPITAL AND RESERVES			
Called up share capital	18	0	0
Share Premium account	19	30,000	0
Capital contributions	19	1,351	30,212
Profit and loss account	19	(31,351)	(30,212)
		<u>0</u>	<u>0</u>

Approved by the Board on: 30/11/06

Name:

DIRECTOR

John McPhee *John Hardy*

COVENTRY NORTH REGENERATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(i)	654	0
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid to Coventry City Council		(1,411)	0
TAXATION		0	0
DIVIDENDS PAID		0	0
CAPITAL ACTIVITIES			
Cash outflows			
Capital Expenditure to acquire tangible fixed assets		(14,604)	(39,955)
Cash inflows		0	0
NET CASH FLOW BEFORE FINANCING		(15,361)	(39,955)
<u>FINANCING</u>			
Loan from Coventry City Council		11,945	9,055
Loan repayment		(337)	0
Capital contributions from Coventry City Council		3,753	30,900
(DECREASE) / INCREASE IN CASH	(ii)	<u>0</u>	<u>0</u>
		<u>==</u>	<u>==</u>
Reconciliation of net cash flow to movement in net debt (note iii)			
Decrease in cash in the period		0	
Net funds at 1 April 2005		0	
Net funds at 31 March 2006		<u>0</u>	
		<u>==</u>	

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

(i) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

	<u>2006</u> £'000	<u>2005</u> £'000
Operating profit/(loss)	167	(30,212)
Impairment of fixed assets	487	41,227
Transfer from capital deferred grants account	0	(11,015)
Depreciation charges	0	0
(Increase) in debtors	(5)	(10)
Increase in creditors	5	10
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	654 =	0 =

(ii) ANALYSIS OF CHANGES IN NET DEBT

	At 1 April <u>2005</u> £'000	<u>Cash flows</u> £'000	At 31 March <u>2006</u> £'000
Cash at bank and in hand	0	0	0
	==	==	==

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

1 ACCOUNTING POLICIES

(i) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(ii) Going Concern

The financial statements of CNR have been prepared on a going concern basis and the validity of this depends upon the continuing financial support of the parent organisation of Coventry City Council. CNR have received loan financing from Coventry City Council. The commercial rent from leasing the Arena to ACL is expected to generate sufficient income to repay loan costs to Coventry City Council.

(iii) Fixed Assets and Depreciation

All construction costs and associated fees contributing to the creation of the Arena have been capitalised in these accounts.

The depreciation policy of the Company is that assets under construction are not depreciated: Depreciation only commencing the financial year after assets are brought into use. The assets are valued at the lower of cost and recoverable value.

(iv) Finance Leases

On 26th January 2006 the Arena development was leased by ACL from CNR for a term of 50 years less 3 days from 19th December 2003. The rent payable under the agreement is £1.9m per annum. A premium of £21m can be paid at any time to extinguish the rent of £1.9m per annum at which time super rent will become payable to CNR. Super rent is calculated using a sliding scale of percentages applied to ACL's net profit before tax, starting at 10% for profit above £3.75m rising to 50% for profits above £7.75m. Additional rent is also payable with effect from the fifth anniversary of the Term Commencement Date where 40% of gross income achieved by ACL is greater than the annual rent, but only if the premium is not paid to extinguish the annual rent.

ACL have opted to make rental payments but it is expected that the option to pay a premium will be taken during the year ending 31 March 2007. The Directors have valued the finance lease at a value of £21m to reflect the premium payable by ACL to extinguish the requirement for lease payments. This represents a prudent assumption that the Directors believe will materialise in the near future. Any rental income received during the period before the premium is received will be charged directly to the profit and loss account. The receipt of the lease premium will be charged to the balance sheet to extinguish the ACL debtor of £21m.

(v) Leased equipment

Rentals under operating leases are charged as they are incurred.

(vi) Deferred taxation

FRS19 "Deferred Tax" has been adopted in preparing these accounts. Subject to specific exceptions, this standard requires deferred tax to be recognised on all timing differences, where the periods over which gains and losses are recognised in the accounts differ from those in which they are recognised in the tax assessments.

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

Deferred tax assets are only recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(vii) **Value Added Tax**

The Company registered for Value Added Tax (VAT) purposes on 1 January 2004.

(vii) **Interest payable**

Interest payable on loans and overdrafts is charged to the profit and loss account as incurred.

(viii) **Treatment of capital contribution**

The company received a capital contribution (£1.1m) during the year to 31 March 2006 from Coventry City Council. This contribution was credited to capital contributions on the balance sheet.

At the time the capital contributions were paid, it was the Company's intention that these sums should be applied in paying up shares to be issued to the Council. The administrative process of issuing the shares has been delayed to the forthcoming financial year when the capital requirements are finalised.

(ix) **Treatment of revenue contributions**

The company received contributions during the year from Coventry City Council, to finance the operation of the Company. The grants were credited to the Profit and Loss account in the same period the related expenditure was charged.

2 **TURNOVER**

Rental income from ACL	<u>316</u>	<u>0</u>
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3 **IMPAIRMENT OF FIXED ASSETS**

The fixed assets of the Company have been impaired by £0.487m to reflect the Directors' view of the current value of the fixed assets prior to disposal as a finance lease.

The Directors have valued the finance lease at a value of £21m to reflect the premium payable by ACL to extinguish the requirement for lease payments. This represents a prudent assumption that the Directors believe will materialise in the near future.

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

4 ADMINISTRATIVE EXPENSES

	<u>2006</u>	<u>2005</u>
	£'000	£'000
Staff costs	0	0
Premises costs	0	0
Other costs	22	12
	<u>22</u>	<u>12</u>

5 OTHER OPERATING INCOME

	<u>2006</u>	<u>2005</u>
	£'000	£'000
Contributions from Coventry City Council	<u>360</u>	<u>116</u>

6 INTEREST PAYABLE AND RECEIVABLE

	<u>2006</u>	<u>2005</u>
	£'000	£'000
Interest payable on loans from Coventry City Council. (see notes 14 and 16)	<u>1,310</u>	<u>104</u>
Interest receivable on long term loan to ACL (see note 12)	<u>4</u>	<u>0</u>

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following:

	<u>2006</u> £'000	<u>2005</u> £'000
Impairment of fixed assets	487	41,227
Auditors' remuneration:		
Audit services	15	10
Non-audit services	1	1
Directors' remuneration (see note 9)	0	0

The audit services fee for 2006 includes £5,000, which related to work done during the financial year ended 2005.

8 DIRECTORS' REMUNERATION

The emoluments of the highest paid director for the year, excluding pension contributions, were nil. No other directors, including the chairman, received any emoluments.

10 TAXATION

	<u>2006</u> £'000	<u>2005</u> £'000
UK corporation tax at 30%	0	0
Over provision in prior year	<u>0</u>	<u>0</u>
	0	0
	—	—
Factors Affecting the Tax Charge for the Year	<u>2006</u> £'000	<u>2005</u> £'000
Loss on ordinary activities before taxation	(1,139)	(30,212)
Theoretical tax charge at UK corporation tax rate of 30%	(342)	(9,064)
Effects of:		
Impairment of fixed assets	146	(9,064)
Unprovided deferred tax asset	196	0
Capital deferred grants	0	(3,304)
	—	—
Current tax charge for the year	<u>0</u>	<u>0</u>

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

11 TANGIBLE FIXED ASSETS

	<u>Assets Under Construction</u> £'000	<u>Assets Completed</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
Gross book value 1 April 2005	50,282	0	50,282
Cumulative impairment	(41,227)	0	(41,227)
Cumulative depreciation	0	0	0
Net Book Value 1 April 2005	<u>9,055</u>	<u>0</u>	<u>9,055</u>
Additions during year	12,432	0	12,432
Less			
Impairment	(487)	0	(487)
Depreciation for year	0	0	0
Assets brought into use during year	(21,000)	21,000	0
Disposals during the year	0	(21,000)	(21,000)
Net Book Value at 31 March 2006	<u>0</u>	<u>0</u>	<u>0</u>
<u>Depreciation</u>			
At 1 April 2005	0		0
Charge for the year	<u>0</u>		<u>0</u>
At 31 March 2006	0		0
<u>Net book value</u>			
At 1 April 2005	<u>9,055</u>		<u>9,055</u>
At 31 March 2006	<u>0</u>		<u>0</u>

The Arena was completed on 19 August 2005. On the signing of the lease between CNR and Arena Coventry Limited, the Arena has been accounted for as a disposal from fixed assets under a finance lease arrangement, the value of which is accounted for as a long term debtor (see note 12).

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

12 LONG TERM DEBTORS

	<u>2006</u> £'000	<u>2005</u> £'000
Finance lease to ACL	21,000	0
Long-term loan to ACL	558	0
	21,558	0

The finance lease has been valued at £21m to reflect the premium payable by ACL to extinguish the requirement for lease payments. This represents a prudent assumption that the Directors believe will materialise in the near future.

CNR have agreed to provide time limited cashflow assistance to ACL of up to £1m (at an interest rate of 6% per annum). A sum of £0.558m has been provided during the year.

13 CURRENT ASSETS

	<u>2006</u> £'000	<u>2005</u> £'000
Trade debtors	47	0
VAT debtor	54	558
Insurance	220	0
Amounts due from Coventry City Council	598	2,740
Amounts due from Arena Coventry Ltd	669	141
Prepayments and accrued income	<u>5</u>	<u>0</u>
	1,593	3,439

14 CURRENT LIABILITIES - SHORT TERM LOANS

	<u>2006</u> £000	<u>2005</u> £000
Coventry City Council - short term loan	20,663	9,055

Coventry City Council has agreed to provide a loan of up to £21 million to the Company, at a rate of interest of 6.55% per annum. At 31 March 2005, the Company had drawn down £21.000m of the loan facility and repaid £0.337m. The Loan may be repaid at any time and in any number of instalments provided that the loan shall be repaid in full on or before 1 April 2024. Coventry City Council reserves the right to require security for any amounts drawn down. At 31 March 2005, Coventry City Council had not required security on the loan.

It is expected that ACL will exercise the option to pay a lease premium during the year ending 31 March 2007. The premium paid to Coventry North Regeneration Limited for the disposal will be used to repay the loan from Coventry City Council.

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

15 CURRENT LIABILITIES – OTHER CREDITORS

	<u>2006</u> £'000	<u>2005</u> £'000
Trade creditors	823	2,456
Other creditors including taxation and social security	0	0
Amounts due to Arena Coventry Limited	530	179
Amounts due to Coventry City Council	391	804
Receipts in advance	186	0
Accruals and deferred income	<u>0</u>	<u>0</u>
	1,930	3,439
Other creditors include:		
Corporation tax	0	0
Other taxes	0	0
Social security	<u>0</u>	<u>0</u>
	0	0

16 LONG TERM LIABILITIES (amounts falling due after one year)

	<u>2006</u> £'000	<u>2005</u> £'000
	£000	£000
Long term loan from Coventry City Council	<u>558</u>	<u>0</u>

Coventry have agreed to loan CNR with time-limited cashflow assistance (at an interest rate of 5.75% per annum) of up to £1m in order to fund the loan from CNR to ACL of up to £1m (see note 13).

17 DEFERRED TAXATION

A deferred tax asset arises in the year of £196,000 (2005: nil) in respect of interest paid in the year.

In addition, to the extent that the expenditure on the Arena which has been impaired relates to items which will qualify for capital allowances, a deferred tax asset will arise. This amount has not yet been quantified.

The deferred tax asset has not been provided as the company is not expected to have profits in the future against which these assets could be offset as they reverse.

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

18 CALLED UP SHARE CAPITAL

	<u>2006</u>	<u>2005</u>
	£	£
Authorised: 1000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
	<u>2006</u>	<u>2005</u>
	£	£
Allotted, called up and fully paid:	<u>4</u>	<u>1</u>

On 22nd March 2006 CNR issued 3 shares of nominal value £3 to Coventry City Council for £30m. The consideration for these shares had been transferred during the year ended 31st March 2005 from Coventry City Council to CNR in the form of a capital contribution. CNR has taken the premium associated with these shares to the share premium account (£30m).

Coventry City Council has also provided capital contributions to the Company during the year ended 31st March 2006. At the time the capital contributions were paid, it was the Company's intention that these sums should be applied in paying up shares to be issued to the Council. The administrative process of issuing the shares has been delayed to the forthcoming financial year when the capital requirements are finalised.

19 RECONCILIATION OF MOVEMENT OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	Share Capital £000s	Share Premium Account £000s	Capital Contributions £000s	Profit and Loss Account £000s	Total Shareholders Funds £000s
At 1 April 2005	0	0	30,212	(30,212)	0
Loss for the year				(1,139)	(1,139)
Capital contribution from Coventry City Council			1,139		1,139
Issue of capital contributions as equity		30,000	(30,000)		0
At 31 March 2006	0	30,000	1,351	(31,351)	0

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

20 CAPITAL COMMITMENTS

	<u>2006</u> £'000	<u>2005</u> £'000
Contracted but not provided for:	0	12,500

21 RELATED PARTIES

The Directors of CNR (Stella Manzie, Angela Ridgwell, Christopher Hinde and John McGuigan) are senior officers of Coventry City Council and directors of North Coventry Holdings Limited. The Directors did not have any transactions with the company during the year.

Coventry City Council provided funding to CNR during the year in the form of a capital contribution, as well as loans and revenue contributions. The City Council's transactions with the company during the year are detailed in notes 5, 6, 13, 14, 15, 16, and 19 to the accounts.

Stella Manzie and John McGuigan are also directors of Arena Coventry Limited (ACL). North Coventry Holdings Limited own a 50% shareholding of ACL. ACL's transactions with the company during the year are detailed in notes 5, 6, 11, 12, 13, 14, 15 and 16 to the accounts.

On 13 January 2006, ACL (2006) was incorporated. This company is a wholly owned subsidiary of ACL. As at 31 March 2006, none of the CNR Directors were also Directors of ACL (2006). ACL (2006) transactions with CNR are detailed in note 12 to the accounts.

22 POST BALANCE SHEET EVENT

On 2 June 2006 CNR assigned its interest in the 50 year headlease from CCC together with the benefit of the occupational sublease between CNR and ACL to a new wholly owned subsidiary of ACL, ACL (2006) Limited, for £21m.

23 PARENT COMPANY

North Coventry Holdings Limited (NCH) own 100% of the share capital of Coventry North Regeneration Limited. Copies of the financial statements of NCH can be obtained from:

Company Secretary
North Coventry Holdings Limited
c/o Coventry City Council
The Council House
Earl Street
Coventry
CV1 5RR

COVENTRY NORTH REGENERATION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)

24 ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking and controlling party is Coventry City Council who own 100% of the share capital of North Coventry Holdings Limited. Copies of the consolidated financial statements of Coventry City Council can be obtained from Coventry City Council at the following address:

Director of Finance and ICT
Coventry City Council, The Council House
Earl Street
Coventry
CV1 5RR