

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2017

Registered number SC451434

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2017

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EDINBURGH TRAMS LIMITED

Company Information

For the year ended 31 December 2017

Board of Directors: Charles Monheim
Andrew Neal
Charlene Wallace
George Lowder
Mark Lea Harrison (appointed 16 March 2017)

Company Registration: Registered Office 55 Annandale Street
Edinburgh
EH7 4AZ

Registration Number 451434 in Scotland

Secretary DW Company Services Limited

Bankers: The Royal Bank of Scotland plc

Auditor: Scott-Moncrieff
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2017

Principle Activity

Edinburgh Trams is the award winning Operator and Infrastructure Manager of the city's tramway whose vision is to be an integral part of the world class, integrated, environmentally-friendly and socially inclusive transport that plays a central role in the future prosperity of Edinburgh and the Lothians.

With a fleet of 27 trams operating seven days a week, offering services from every three minutes to 16 locations across the City including connecting Edinburgh Airport to the heart of the City in under 35 minutes. Edinburgh Trams recorded 99 per cent service reliability and 89 per cent punctuality in 2017.

In February 2017 the Board was increased by one, when the General Manager was appointed as the Managing Director. In July 2018, due to completion of the initial three year terms of the Non-Executive Directors, Edinburgh Trams will seek to re-appoint or recruit new Non-Executive Directors. This provides an opportunity to further develop the Board, ahead of any future decisions on the completion of Line 1 and building a wider tram network.

Our Values

At Edinburgh Trams we have four values; being Trusted, Innovative, Passionate and Smart. We share these values with the TfE group and believe they summarise the attitudes, behaviour and characteristics that we require and expect of all our employees that will ensure the continued success of the business.

Business Strategy

Our overriding strategy remains to provide a world class, integrated, environment friendly and socially inclusive transport operation, meeting the expectations of both customers and stakeholders making Edinburgh "proud of their trams".

Edinburgh Trams continues to exceed the expectations set by the City of Edinburgh Council prior to the commencement of service in May 2014. These targets are being exceeded through a robust commercial business plan aimed at attaining both the profit requirements of the business, as well as other important factors such as health & safety, brand perception, environmental targets, CSR and the overarching Transport for Edinburgh Strategy for Delivery 2017 - 2021.

The Trams are there to serve the City of Edinburgh, the people of Edinburgh, the local businesses of Edinburgh and the progression and feedback being achieved is testament to the fact we are achieving this goal.

Central to our success in 2017 has been a new timetable that has increased services by 23 per cent and reduced end to end journey times by 16 per cent, from 42 to 36 minutes. This included a core 7.5 minute frequency throughout the day, 7 days a week. This was further enhanced in the second half of the year by services running from every 3.75 minutes during morning peak, to meet growing demand. We continued to support major events at Murrayfield Stadium with additional services as well as introducing night trams on Saturdays during the Edinburgh International Festival and for Edinburgh's Hogmanay.

In relation to the safety and security of both staff, employees and neighbours, the Edinburgh tram network is equipped with emergency call points, information help points, CCTV system on tram and platforms recording 24/7. Edinburgh Trams also adopts a policy of staffing each passenger service vehicle with a Ticketing Services Assistant (TSA) which gives our customers a feeling of safety.

Moving forward into 2018 we will continue to monitor passenger growth and travel patterns to ensure we continue to meet our customer demands. This will include the introduction of additional services in the evening peak. We will also continue to support events at Murrayfield, all night trams for Hogmanay and Saturdays during the Edinburgh International Festival.

The tram network requires Edinburgh Trams to work alongside Siemens for Mechanical & Electrical maintenance, CAF Rail for tram maintenance and Bilfinger for property and structural maintenance. Regular communication between all parties ensures the assets of the system are maintained to a standard expected from our passengers and stakeholders, ensuring a dependable delivery of service both now and for the future.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2017 (continued)

Supporting our strategy will be the production, delivery and regular review of the Edinburgh Trams Marketing & Communication plan. This plan will target potential passenger groups at key “hotspot” locations identified along the system, including Edinburgh Airport, the five dedicated transport interchanges along and Ingliston Park and Ride.

This strategy will also identify key price points and promotions including Edinburgh Ticket – our new pre-purchase, print at home ticket – and with train operating companies. All these commercial based options are geared towards increasing awareness of the Tram System, making Edinburgh Trams the preferred choice of travel and will be promoted and communicated via channels such as social media and tram stop literature.

We fully believe that continuing to deliver these strategies with exceptional levels of customer service will assist Edinburgh Trams in exceeding expectations and support the decision to take trams to Newhaven.

Financial Overview

The latest results reveal that our performance is exceeding the original business plan as set out in 2013 by the City of Edinburgh Council.

Our operating profit for 2017 of £1.6m is an uplift of just under 600 per cent on the 2016 operating profit of £252K. This £1.6m profit also exceeds the City of Edinburgh Council’s original business model for the tram network of £333k for 2017. Revenue returns of £13m were 26 per cent above 2016 and 40 per cent above 2015.

Patronage level increased to 6.6 million in 2017, 18 per cent above 2016 and 28 per cent above 2015. We also recorded our highest ever usage in one day with over 42,000 customer journeys recorded on 9th June 2017, for the Robbie William’s concert at BT Murrayfield.

Edinburgh Trams Limited is the Operating Company of the trams system which is fully owned by the City of Edinburgh Council (CEC). It is Edinburgh Trams responsibility to ensure we operate a transport service to the people of Edinburgh and other residents from surrounding areas and beyond that maximises the assets of the company and returns a robust, safe and financially viable operation in line with CEC expectations for both the current and future years of the tram system.

The financial statements noted herein form a true and fair statement of Edinburgh Trams Limited. Edinburgh Trams Limited current trading performance is in line with the operational guidelines and parameters as set by CEC within the operational agreement. Other costs attributable to the delivery of the tramway, asset renewals and elements of maintenance are accounted for independently by CEC and do not fall under the statutory financial reporting of Edinburgh Trams Limited. As per the Operating Agreement between ETL and CEC a levy will become payable when the total of all Tram revenues from the 31st May 2014 to the end of the previous operating year exceeds £60m. The levy is set at 18% of all revenue and is payable to CEC. It is currently envisaged ETL will exceed this benchmark during our 2019 operational year.

Asset Management

Edinburgh Trams are now recognised as a company delivering an excellent level of customer satisfaction and a leader in this field within our industry. The ability to continue delivering such a service is dependent on the main assets of the company being maintained in a satisfactory condition. Although service commencement started on 31st May 2014 the tram vehicles were procured prior to 2014 giving an average age just now of over 10 years old.

It is imperative to Edinburgh Trams that the renewals \ asset life cycle programme which is administered by City of Edinburgh Council, is controlled, monitored and actioned where necessary in a timely manner thus ensuring Edinburgh Trams can continue to deliver the excellent level of service currently being experienced by our passengers.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2017 (continued)

Financial Results

	Year to 2017 £	Year to 2016 £
Revenue	12,989,004	10,333,473
Costs	(11,389,455)	(10,081,372)
Profit from operations – (operating profit)	1,599,549	252,101
Gain on disposal of property, plant and equipment	11,217	-
Profit before income tax	1,610,766	252,101
Income tax expense	(318,515)	(56,035)
Profit for the full year	1,292,251	196,066

KPIs	2017	2016
Revenue	13m	10.3m
Yr on Yr increase	26%	
Operating profit	1.6m	0.3m
Operating profit %	12.3%	2.4%
Patronage	6.67m	5.59m
Yr on Yr increase	19%	
Health and Safety benchmarks	92%	94%
16 out of 17 achieved in 2016		
11 out of 12 achieved in 2017		
Mileage operated	864k	698k
Yr on Yr increase 23.7%		
Customer Experience – Mystery Shopper rating	98.3%	97.2%
Reliability performance	99.3%	99.1%
Tram – Peak Vehicle Requirement (PVR)	15	12

Financial Special Project

In the latter period of the year, Edinburgh Trams in partnership with Transport for Edinburgh and Marketing Edinburgh were granted the licences to deliver internal and external advertising on the fleet of 27 trams. The company also invested over £100K in setting up and installing a new contactless payment option on all our ticket vending machines. This facilitated a quicker, more stream-lined customer experience in purchasing a ticket.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2017 (continued)

Health & Safety \ Environmental Policy Statements

Safety is fundamental to everything we do and is always our foremost consideration, without exception. Formal arrangements and systems have been put in place to manage health & safety within Edinburgh Trams in order to control risks associated with the scope and scale of our operation, to a level that is So Far As Is Reasonably Practicable (SFAIRP). To achieve this, we are committed to providing every Edinburgh Trams employee with a safe and healthy working environment. Safe methods of working have been assessed for risks and includes suitable and sufficient control measures, appropriate tools and equipment. Information, training facilities and supervision are provided for other necessary for work that is required to be carried out. Regular two-way communication and information on safety matters is routinely provided. Our organisational structure provides for these commitments to be fulfilled and is underpinned by our safety management system and the management and supervisory teams working closely with employees, in order to identify and address safety issues.

Edinburgh Trams is committed to protecting the environment, including the prevention of pollution and to meeting all relevant compliance obligations. We commit to continual improvement of the environmental management system, to enhance our performance through the implementation of our policies and practices. This includes the setting and tracking of key objectives that are measurable and achievable. We will maintain our certification to ISO 14001 through rigorous monitoring and review of our performance. It is our policy to reduce both domestic and traction energy consumption through on-going monitoring and analysis, maximise recycling opportunity, reducing the amount of waste disposed of in landfill wherever possible, promote environmental awareness for our colleagues and contractors, implement processes to prevent environmental non-conformances and ensure that we are suitably prepared to deal with potential environmental emergencies.

These policies are regularly reviewed and updated to take account of organisational priorities, changes in our activities and environmental compliance obligations.

Employees

Edinburgh Trams employs staff across many areas from Drivers to Engineers, Ticketing Services Assistants to Administration and Managerial roles. The company is set up with four Non-Executive Directors which includes one Chairperson, and one Executive Director, The Managing Director. Non-Executive positions are for an initial term of three years, with the possibility of extension for a further two and by exception a final sixth year Out-with the Board there are four Senior Managers covering Safety & Standards, Finance, Operations and Engineering. Where required we seek the assistance from external sources to meet all areas of the business requirements.

Since the inception of operations in May 2014 we have invested a significant amount of time and resource in staff training and have a dedicated in-house training department dealing with all aspects of learning and development.

Investing in our staff is an integral part of the company ethos, especially our customer facing colleagues who receive regular training updates and assessments under our Competency Management System. Encouraging and promoting staff to remain as healthy as possible is another part of our responsibilities. At Edinburgh Trams we offer facilities such as free flu jabs, the opportunity to take free health assessments on a health kiosk, reduced gym fees via agreements with local providers for tram staff. We also offer salary sacrifice schemes for Cycle to Work or Kiddie Vouchers which give a financial benefit to the staff.

In line with our statutory requirements the company introduced the pension auto enrolment scheme during 2017 and now all staff with the exception of those that fall out with statutory guidelines, or have chosen to opt-out, are all in a pension scheme.

Risks and Uncertainties

The company is subject to risk factors both internal and external. External risks include political and economic conditions, supply interruption, service competition, strike action and litigation. Internal risks include regulatory compliance failure and failure of internal controls.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2017 (continued)

The Board reviews the company's Risk Register which details and identifies risks from all areas of the company's operations. This register is regularly reviewed, evaluated and managed with action plans collated and monitored throughout the year.

Awards & Recognition

In 2017, Edinburgh Trams are proud to have been recognised as one of the best transport operators. Awards include Operator of the Year at the Global Light Rail Awards, High Growth and Excellence in Health and Safety at the Edinburgh Chamber of Commerce Business Awards. Our customers rated us with 99 per cent overall satisfaction in Transport Focus Tram Passenger Survey ranking us as the UK's No. 1 Public Transport provider. Additionally, the Institute of Customer Service UK Customer Service Indicator survey rated us 11 points higher than the transport average and only two points lower than the customer service leader – Amazon.

Corporate & Social Responsibilities (CSR)

Edinburgh Trams, whilst a relatively new company, is investing time, financial support and resource in environmental, charitable and community projects aligned to the company. In 2017 we started a process of achieving the status Environmental Management Systems compliance to the new ISO 14001:2015. Whilst most of this work was undertaken in 2017 we were duly awarded the status in March 2018. In partnership with St Johns Scotland, Edinburgh Trams launched the Defibrillators Access Project in 2017. Edinburgh Trams were seen to be the first transport provider in the UK to introduce defibrillators onto all of its service trams. This means for the people of Edinburgh this life saving piece of equipment is only minutes away if required.

As part of our commitment to the people of Edinburgh and offering an increased service to the community, we operated free Hogmanay trams to all party goers following the iconic Edinburgh's Hogmanay celebrations.

During The Edinburgh International Festival, we operated all-night festival trams, on all four Saturdays, to ensure the festival revellers had the opportunity to enjoy the late night festival shows on offer, including The Royal Edinburgh Military Tattoo.

Through the Charter for Public Transport we joined City of Edinburgh Council and Police Scotland's charter as the first Edinburgh based transport operator to tackle hate crime, which we will continue to work in partnership in moving this forward.

We also supported Pedal Scotland with the Glasgow to Edinburgh cycle ride with dedicated cycle and rider trams from the city centre to the official meeting location at the Ingliston Park and Ride facility pre event, returning post event.

2017 also saw Edinburgh Trams awarding the Edinburgh Cat and Dog Home as our first ever "Local Charity of the Year" as selected by the staff of Edinburgh Trams. During the year we have supported our staff in various charitable activities including sponsor cycle rides etc. Over the total period the amount paid over will be in excess of £6K.

Moving Forward

The Directors and Senior Management are of the opinion the company is developing well in accordance with current direction and objectives. The Company will continue to take measures to meet, and wherever possible, outstrip targets. The forthcoming year will see the continued development of our external advertising campaigns, our pre-purchase commercial sales programme for Edinburgh Ticket and the further development of internal processes.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2017 (continued)

A business case evaluating the benefits to the City of Edinburgh Council of 'Taking Trams to Newhaven' is currently being undertaken. A decision in October 2017 was taken by the City of Edinburgh Council to allow for tender quotes to be submitted in respect of costs for the completion of this extension. The business case is formally being prepared by City of Edinburgh Council. Edinburgh Trams, in association with additional consultants, continues to be a major partner in preparing the financial details of the business plan. It is expected that this work stream will be finalised and be presented to the City of Edinburgh Council full council around November 2018 with a decision due by close of the year. This business case will be fully audited prior to a full decision to proceed, being sanctioned by the City of Edinburgh Council.

Signed on behalf of the Edinburgh Trams Ltd Board by:-

A handwritten signature in black ink, appearing to be 'Lea Harrison', written over a horizontal line.

Lea Harrison
Managing Director
Edinburgh Trams

EDINBURGH TRAMS LIMITED

Directors' Report

For the year ended 31 December 2017 (continued)

Directors

The directors of the company are set out on page 2.

Remuneration was paid to the following Directors:

	2017 £	2016 £
Mark Lea Harrison (appointed 16 March 2017)	96,229	-
Charles Monheim	12,000	12,000
Andrew Neal	6,000	6,000
Charlene Wallace	4,311	4,311
	<hr/>	<hr/>
Aggregate emoluments, benefits and pension contributions	118,540	22,311
	<hr/> <hr/>	<hr/> <hr/>

Responsibilities of the directors

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Disclosure of information to auditor

As far as each of the directors at the time the report is approved are aware:

- a) there is no relevant information of which the company's auditor is unaware, and
- b) the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

EDINBURGH TRAMS LIMITED

Directors' Report

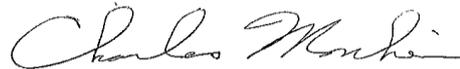
For the year ended 31 December 2017 (continued)

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under Section 487 (2) of the Companies Act 2006.

This report was approved by the Board and signed on its behalf by:

Date:
27/04/2018



Charles Monheim
Director

EDINBURGH TRAMS LIMITED

Independent Auditor's Report to the Members of Edinburgh Trams Limited

For the year ended 31 December 2017

Opinion

We have audited the financial statements of Edinburgh Trams Limited for the year ended 31 December 2017 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

EDINBURGH TRAMS LIMITED

Independent Auditor's Report to the Members of Edinburgh Trams Limited

For the year ended 31 December 2017 (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

EDINBURGH TRAMS LIMITED

Independent Auditor's Report to the Members of Edinburgh Trams Limited

For the year ended 31 December 2017 (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 16/05/2018.

EDINBURGH TRAMS LIMITED**Statement of Profit or Loss and Other Comprehensive Income****For the year ended 31 December 2017**

	Note	2017 £	2016 £
Continuing operations			
Revenue	1g	12,989,004	10,333,473
Administrative expenses		<u>(11,389,455)</u>	<u>(10,081,372)</u>
Profit from operations	2	1,599,549	252,101
Gain on disposal of property, plant and equipment		<u>11,217</u>	<u>-</u>
Profit before income tax expense		1,610,766	252,101
Income tax expense	3	<u>(318,515)</u>	<u>(56,035)</u>
Profit for the year		<u>1,292,251</u>	<u>196,066</u>
Attributable to:		<u><u>1,292,251</u></u>	<u><u>196,066</u></u>
Equity holders		1,292,251	196,066

There are no other items of comprehensive income or expense in the current year or prior year and therefore no Statement of Comprehensive Income is shown.

The accompanying notes on pages 18 to 30 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 £	As at 31 December 2016 £
Non-current assets			
Property, plant and equipment	6	43,310	57,765
Total non-current assets		43,310	57,765
Current assets			
Cash and cash equivalents	5	1,964,291	910,387
Trade and other receivables	7	1,306,429	937,391
Total current assets		3,270,720	1,847,778
Total assets		3,314,030	1,905,543
Equity and liabilities			
Contributed equity	11	1	1
Retained earnings	13	864,317	(277,934)
Total equity		864,318	(277,933)
Liabilities			
Non-current Liabilities			
Amounts due to parent company	9	1,000,000	1,000,000
Current liabilities			
Trade and other payables	8	1,386,961	1,176,476
Provisions	10	62,751	7,000
Total current liabilities		1,449,712	1,183,476
Total liabilities		2,449,712	2,183,476
Total equity and liabilities		3,314,030	1,905,543

The financial statements were authorised for issue by the Board of Directors on 27 April 2018 and were signed on its behalf by:



Charles Monheim, Director

Registered number SC451434

The accompanying notes on pages 18 to 30 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2016		1	-	1
Comprehensive income				
Loss for the year		-	(277,934)	(277,934)
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2016		1	(277,934)	(277,933)
Comprehensive income				
Profit for the year	13	-	1,292,251	1,292,251
Dividends	18	-	(150,000)	(150,000)
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2017		<u>1</u>	<u>864,317</u>	<u>864,317</u>

The accompanying notes on pages 18 to 30 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Cash Flows

For the year ended 31 December 2017

	Note	Year to 2017 £	Year to 2016 £
Cash flow from operating activities			
Profit from operations		1,599,549	252,101
Adjustments for:			
Depreciation and amortisation		35,711	58,131
Changes in assets and liabilities:			
(Increase) in receivables and other financial assets		(369,038)	(159,168)
Decrease in payables		42,262	320,547
Increase in provisions		55,751	7,000
Cash flows from operations		1,364,235	478,611
Income tax (paid)		(150,291)	(2,769)
Net cash flows from operating activities		1,213,944	475,842
Cash flow from investing activities:			
Purchase of property plant and equipment (Note 6)		(23,168)	(4,366)
Disposal of property plant and equipment		13,128	-
Net cash flows from investing activities		(10,040)	(4,366)
Cash flow from financing activities:			
Loan from Parent Company	19	-	10,000
Dividends paid to Parent Company		(150,000)	-
Net cash flows from financing activities		(150,000)	10,000
Net increase in cash and cash equivalents		1,053,904	481,476
Cash and cash equivalents at beginning of period		910,387	428,911
Cash and cash equivalents at end of period		1,964,291	910,387
Bank balances and cash	5	1,964,291	910,387

The accompanying notes on pages 18 to 30 form part of these financial statements

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017

1. Statement of significant accounting policies

Edinburgh Trams Limited is a limited company incorporated in Scotland. The address of its registered office and principle place of business are disclosed on page 2. The principal activities of the company are described within the strategic report on pages 3 to 8.

The financial statements of Edinburgh Trams Limited have been prepared in accordance with IFRSs, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in uniformity with IFRS require the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Adoption of new and revised standards

The company has adopted the following new and amended IFRSs as of 1 January 2017:

- IAS 7, Statement of Cash Flows

No changes have materially impacted the calculation of the figures in the statement of cash flows in the financial statements but where relevant disclosures have been made in the notes to comply with the standard.

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2017, and with potential effect.

International Accounting Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1, Presentation of Financial Statements	1 January 2018
IAS 39, Financial Instruments: Recognition and Measurement	1 January 2018
IFRS 7, Financial Instruments: Disclosures	1 January 2018
IFRS 9, Financial Instruments	1 January 2018
IFRS 15, Revenue from Contracts with Customers	1 January 2018
IFRS 16, Leases	1 January 2019
IAS 12, Income Taxes*	1 January 2019

*Not yet adopted for use in the European Union

The Directors have reviewed the requirements of the new standards and interpretations listed above and their effect is as follows:

IAS 1 has been amended after the issue of IFRS 9 with the main effect on the company being to amend the presentation and disclosure of gains and losses arising on financial assets stated at amortised cost which is not expected to have a material impact on the company's financial statements in the period of initial application.

IAS 39 requirements will be replaced by IFRS 9 on Financial Instruments, with the main effect on the company being to re-categorise financial assets and liabilities together with IFRS 7 on Financial Instruments Disclosures. The disclosure will be amended in the company's financial statements as required.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

1. Statement of significant accounting policies (continued)

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IFRIC interpretations and the Companies Act 2006 as augmented to apply to entities reporting in accordance with IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies that have been applied consistently by the company to all periods presented in these financial statements are set out below.

a. Going concern

The Directors are of the opinion that the company has adequate resources to enable it to undertake its planned activities for a period of at least one year from the date that the financial statements are approved.

Edinburgh Trams Limited made a profit before income tax of £1.6m for 2017 and had net assets of £864k as at 31 December 2017. The company has an agreement with Transport for Edinburgh Limited whereby they will provide Edinburgh Trams Limited with a loan of up to £3m which they can draw down during a five year period from 29 May 2014 to 29 May 2019.

b. Current and deferred income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

1. Statement of significant accounting policies (continued)

c. Property, plant and equipment (continued)

Plant and Equipment

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

The depreciable amount of all fixed assets and capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rate
Motor vehicles	4 years
Plant, machinery and other equipment	3 – 10 years

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

d. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

1. Statement of significant accounting policies (continued)

e. Employee entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to the balance sheet date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at an amount that is considered to approximate the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee pension funds and are charged as expenses when incurred.

f. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions and is net of bank overdrafts.

g. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of value added tax (VAT).

h. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

- i. where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

i. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised at cost.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

1. Statement of significant accounting policies (continued)

j. Employee benefits

The company contributes to a money purchase scheme for employees, managed by Scottish Widows. Contributions to the scheme are charged to the statement of comprehensive income account as they arise. Other schemes e.g. Cycle to Work and Kiddie Vouchers are operated under the HMRC guidelines.

k. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates – impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

l. Financial instruments

Classification

The company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Recognition and measurement

Loans and receivables are subsequently carried at amortised cost.

m. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

n. Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

o. Share capital

Ordinary shares are classified as equity.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

2. Profit on ordinary activities

	2017	2016
	£	£
The profit is stated after charging		
Auditor's remuneration:		
Audit services	8,500	8,000
Non-audit services	1,000	850
Depreciation and other amounts written off tangible fixed assets:	35,711	58,131
	<u> </u>	<u> </u>

3. Income tax expense

	2017	2016
	£	£
Current tax:		
Corporation tax expense	318,515	56,035
Group relief receivable	-	-
	<u> </u>	<u> </u>
Tax on profit for the year	<u>318,515</u>	<u>56,035</u>

The effective tax rate for the year ended 31 December 2017 is calculated at 19.25% (2016: 20%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2017	2016
	£	£
Profit for the year before taxation	1,610,766	252,101
	<u> </u>	<u> </u>
Tax on profit / (loss) for the year at the effective rate of 19.25% (2016 – 20%)	310,072	50,420
Effects of:		
Expenses not deductible for tax purposes	421	294
Other short term timing differences	64	1,499
Depreciation in excess of capital allowances	2,511	5,159
Deferred tax not recognised	6,878	-
Less:		
Qualifying land remediation expenditure	(1,431)	(1,337)
	<u> </u>	<u> </u>
Tax charge for the year	<u>318,515</u>	<u>56,035</u>

4. Employee benefits expense

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	4,037,213	3,498,418
Social security costs	379,207	307,831
Other pension costs	96,644	72,059
	<u> </u>	<u> </u>
	<u>4,513,064</u>	<u>3,878,308</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

4. Employee benefits expense (continued)

The average number of persons employed by the company (including directors) during the year was 163 (2016: 140).

Director's remuneration costs disclosed below exclude employer's national insurance costs of £12,645 (2016: £564).

Employer's national insurance costs in respect of the highest paid director totalled £12,081 (2016: £515).

The directors of Edinburgh Trams Limited are also considered to be the company's key management personnel.

Three directors (2016: three) were paid through Edinburgh Trams Limited. Further details are provided below and in the directors' report. One director received remuneration from Lothian Buses Limited, a company under common control. This remuneration is disclosed in the financial statements of Lothian Buses Limited. One director received remuneration from Transport for Edinburgh Limited, the immediate parent company, details of which can be found in the financial statements of Transport for Edinburgh Limited.

Directors' remuneration:	2017	2016
	£	£
Aggregate emoluments and benefits	118,540	22,311
Aggregate pension contributions	8,175	-
	<u>126,715</u>	<u>22,311</u>
Highest paid Directors emoluments and benefits	96,229	12,000
Pension contributions	8,175	-
	<u>104,404</u>	<u>12,000</u>

5. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	1,964,291	910,387

6. Property, plant and equipment

	Motor Vehicles	Plant & Equipment	Total
	£	£	£
Cost or valuation			
At 1 January 2017	34,570	202,073	236,643
Additions	23,168	-	23,168
Disposals	(17,285)	-	(17,285)
	<u>40,453</u>	<u>202,073</u>	<u>242,526</u>
Accumulated depreciation			
At 1 January 2017	22,770	156,108	178,878
Charge for year	8,708	27,003	35,711
Disposals	(15,373)	-	(15,373)
	<u>16,105</u>	<u>183,111</u>	<u>199,216</u>
Net book Value at 31 December 2017	<u>24,348</u>	<u>18,962</u>	<u>43,310</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

6. Property, plant and equipment (continued)

	Motor Vehicles £	Plant & Equipment £	Total £
Cost or valuation			
At 1 January 2016	34,570	197,707	232,277
Additions	-	4,366	4,366
At 31 December 2016	34,570	202,073	236,643
Accumulated depreciation			
At 1 January 2016	14,127	106,620	120,747
Charge for year	8,643	49,488	58,131
At 31 December 2016	22,770	156,108	178,878
Net book value at 31 December 2016	11,800	45,965	57,765

7. Trade and other receivables

	2017 £	2016 £
Trade receivables	115,880	9,022
Other debtors	28,641	14,703
Prepayments and accrued income	492,707	474,004
VAT recoverable	305,007	196,864
Amounts due from Lothian Buses Limited	265,312	184,491
Amounts due from City of Edinburgh Council	98,882	58,307
	<u>1,306,429</u>	<u>937,391</u>
Analysed as:		
	2017 £	2016 £
Current	1,306,429	937,391
	<u>1,306,429</u>	<u>937,391</u>

The company considers the fair value of receivables to be in line with carrying values.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

8. Current liabilities

	2017	2016
	£	£
Amounts due to Lothian Buses Limited	16,091	21,123
Amounts due to City of Edinburgh Council	378,258	289,504
Trade and other payables	348,634	402,589
Current tax payable	215,816	56,035
Taxation and social security	108,655	91,239
Accruals and deferred income	319,507	315,986
	<u>1,386,961</u>	<u>1,176,476</u>
	<u>1,386,961</u>	<u>1,176,476</u>

Current liabilities aged as:

	2017	2016
	£	£
Less than three months	1,386,960	1,176,476
	<u>1,386,960</u>	<u>1,176,476</u>
	<u>1,386,960</u>	<u>1,176,476</u>

The company considers the fair value of payables to be in line with carrying values.

9. Non-current liabilities

	2017	2016
	£	£
Amounts due to Transport for Edinburgh Limited (due in 2-5years)	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>

10. Provisions

	2017	2016
	£	£
<i>Claims</i>		
At the beginning of the period	7,000	-
Charge for the period	120,000	7,000
Paid during the period	(64,249)	-
	<u>62,751</u>	<u>7,000</u>
At the end of period	<u>62,751</u>	<u>7,000</u>

Claims

Settlement of such claims is dependent on negotiations and, potentially, litigation with third parties, the time frame of which cannot be predicted accurately.

11. Share capital

	2017	2016
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

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EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

12. Pension – defined contribution

As explained in the Accounting Policies, employees of the company can participate in a pension scheme which is managed by Scottish Widows. This is a defined contribution scheme.

The charge to the Profit and Loss Account represents the contributions payable relating to the accounting period.

	£
Contributions to Scottish Widows Pension charged to the profit and loss account	96,644
	<hr style="border-top: 3px double #000;"/>
Amount outstanding at the balance sheet date	8,968
	<hr style="border-top: 3px double #000;"/>

13. Reserves

	Retained Earnings £
At 31 December 2015	(474,000)
Profit for the year	196,066
	<hr style="border-top: 1px solid #000;"/>
At 31 December 2016	(277,934)
Profit for the year	1,292,251
Dividends	(150,000)
	<hr style="border-top: 1px solid #000;"/>
At 31 December 2017	864,317
	<hr style="border-top: 3px double #000;"/>

14. Ultimate parent undertaking

Edinburgh Trams Limited is a wholly owned subsidiary company of Transport for Edinburgh Limited. By virtue of its controlling interest in the parent's equity capital, The City of Edinburgh Council is the ultimate controlling party. Group accounts are available to the public from the Director of Finance, Waverley Court, Edinburgh EH8 8BG.

15. Related parties

The following transactions were carried out with related parties:

	2017 £	2016 £
a) Reimbursement of expenses incurred: City of Edinburgh Council (ultimate parent)	719,732	584,547
	<hr style="border-top: 1px solid #000;"/>	<hr style="border-top: 1px solid #000;"/>
b) Purchases of goods and services: Lothian Buses Limited (fellow subsidiary) City of Edinburgh Council (ultimate parent)	734,958 3,317,766	752,352 3,771,682
	<hr style="border-top: 1px solid #000;"/>	<hr style="border-top: 1px solid #000;"/>
c) Year end balances arising from purchase/sales of goods and services: Receivables: City of Edinburgh Council (ultimate parent) Lothian Buses Limited (fellow subsidiary)	98,882 265,312	58,307 184,491
	<hr style="border-top: 1px solid #000;"/>	<hr style="border-top: 1px solid #000;"/>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

15. Related parties (continued)

	2017	2016
	£	£
Payables:		
Lothian Buses Limited (fellow subsidiary)	(16,090)	(21,123)
City of Edinburgh Council (ultimate parent)	(378,258)	(289,504)
Transport for Edinburgh Limited (parent)	(1,000,000)	(1,000,000)
	<u> </u>	<u> </u>

All transactions are conducted on an arm's length basis.

16. Operating leases

Commitments under non-cancellable operating leases are payable as follows:

	2017	2016
	£	£
Not later than one year	1,820	1,802
Later than one year and not later than five years	1,820	3,604
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Total operating lease payments in the year to 31 December 2017 recognised through the Statement of Comprehensive Income and Expenditure were £1,820 (2016: £1,802).

17. Financial risk management

Financial instruments consist mainly of deposits with banks, short-term investments and accounts receivable and payable. Financial instruments do not include prepayments, VAT recoverable, taxation and social security.

The main purpose of non-derivative financial instruments is in respect to the company's trading activities and to raise finance for company operations. The company does not have any derivative instruments at 31 December 2017.

The totals for each category of financial instruments, measured in accordance with IAS 39 as detailed in the accounting policies to these financial statements, are as follows:

	2017	2016
	£	£
Financial assets		
Cash and cash equivalents	1,964,291	910,387
Trade and other receivables	588,588	339,070
	<u> </u>	<u> </u>
Total financial assets	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Non-current financial liabilities		
Amounts due to parent company	1,000,000	1,000,000
	<u> </u>	<u> </u>
Current financial liabilities		
Trade and other payables	1,062,489	1,029,202
Provisions	62,751	7,000
	<u> </u>	<u> </u>
Total financial liabilities	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

17. Financial risk management (continued)

Financial risk management policies

The company's overall risk management strategy seeks to assist the consolidated company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Regular management meetings and production of internal financial reports ensure the any risk factors that arise are addressed at earliest opportunity.

Treasury risk management

Senior management meet on a regular basis to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Financial risk exposures and management

The main risks that Edinburgh Tram's is exposed to through its financial instruments are credit risk and liquidity risk and market risk consisting of interest rate risk. These are managed as follows:

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Credit risk is managed on a company basis and reviewed regularly by senior management. It arises from exposures to customers.

Senior management monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and institutions with an acceptable credit rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet Edinburgh Trams Limited strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for all counter parties included in trade and other receivables at 31 December 2017 is not rated.

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- ensuring that adequate unutilised borrowing facilities are maintained.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2017 (continued)

17. Financial risk management (continued)

Financial risk exposures and management (continued)

b. Liquidity risk (continued)

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows as presented in the table (to settle financial liabilities) reflects the earliest contractual settlement dates.

	Within 1 Year 2017	1 to 5 Years 2017	Total 2017
Financial liabilities due for payment			
Trade and other payables	(1,062,489)	(1,000,000)	(2,062,489)
Provisions	(62,751)	-	(62,751)
Total expected outflows	<u>(1,152,240)</u>	<u>(1,000,000)</u>	<u>(2,152,240)</u>
Financial assets – cash flows realisable			
Cash and cash equivalents	1,964,291	-	1,964,291
Trade, term and loan receivables	588,588	-	588,588
Total anticipated inflows	<u>2,552,879</u>	<u>-</u>	<u>2,552,879</u>
Net inflow/(outflow) of financial instruments	<u>1,400,639</u>	<u>(1,000,000)</u>	<u>400,639</u>

c. Market risk

The overall objective of the Company is to secure shareholder value through the effective management and deployment of tram assets over the long term. Key market variables which affect this outcome include; passenger numbers, traction costs and inflation, along with general macro-economic factors.

18. Dividends

Ordinary Share Capital	2017 £	2016 £
Final £150,000 per share declared (2016: £NIL)	150,000	-

The final dividend for 2017 was approved on 24 February 2017 and was paid on 30 October 2017.

19. Movements in liabilities arising from financing activities

	2017	2016
Non-current loans & borrowings		
At the beginning of period	1,000,000	990,000
Cash flows	-	10,000
At the end of period	<u>1,000,000</u>	<u>1,000,000</u>