

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2020

Registered number SC451434

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2020

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EDINBURGH TRAMS LIMITED

Company Information

For the year ended 31 December 2020

Board of Directors:

Andrew David Neal
George Lowder
Mark Lea Harrison
Peter Cushing
Martin Richard Dean
Charlene Wallace (Resigned 14 January 2020)

Company Registration:

Registered Office	55 Annandale Street Edinburgh EH7 4AZ
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Registration Number	451434 in Scotland
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Secretary	CMS LLP
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Bankers:

The Royal Bank of Scotland plc

Auditor:

Azets Audit Services
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2020

Principal Activity

Edinburgh Trams is the Operator and Infrastructure Manager of the city's tramway. Our vision remains to be a world class, integrated, environmentally friendly and socially inclusive transport provider playing a central role in the future prosperity of Edinburgh and the Lothians. The global effect and direct impact of the COVID 19 pandemic had a massive effect on our business operation, with patronage dropping by levels of over 90% against 2019 levels in certain periods. Overall, for the year a 70% patronage decrease -v- 2019 has been recorded. Funding support from Scottish Government, via Transport Scotland, has been received in the year, covering the period July to December. Financial support was not provided for the period March to June. The financial support received from all sources has assisted in allowing our service to continue operating on a reduced 15 minute basis throughout the day as opposed to a standard 7 minute service operated in 2019. The funding recognises the important role Edinburgh Trams plays in transporting key workers and allowing others to make essential shopping trips during successive lockdowns.

Company Fleet

Edinburgh Trams has a fleet of 27 trams operating seven days a week, normally offering services from every three minutes to 16 locations, connecting Edinburgh Airport to the heart of the City in under 35 minutes. Due to the impact on patronage due to COVID 19, our operational timetable was reduced to a 15 minute day service from April and a 30 minute service from 7pm onwards. Passenger trends were closely monitored and, where necessary, "Hot Spares" were deployed to maintain Social Distancing where services were busy.

Although passenger numbers reduced, a significant change in the traditional peak journeys from 7am-9am and 4pm to 6pm to that of a more retail timescale of 12 till 2pm was recorded. Peaks such as these were accommodated via our Hot Spares strategy.

Government messaging of essential travel only and where possible avoid using public transport, had a significant effect on patronage, including amongst those who still had to travel to work or study. This messaging does not instil confidence in using public transport, so a return to 2019 patronage levels may take up to two years. Another significant impact on patronage was the loss of international and domestic visitor passengers. Whilst domestic travel may pick up later in 2021, it is anticipated that it will take much longer for levels of international visitors to be restored.

Our Values

At Edinburgh Trams our corporate values are to be: Trusted, Innovative, Passionate and Smart. We share these values with the Transport for Edinburgh and believe they summarise the attitudes, behaviour and characteristics, that we require and expect of all our colleagues, to ensure the continued success of the business.

Business Strategy

Edinburgh Trams opened for service in 2014 with a principal strategy to exceed expectations, both commercially for the Shareholder and Owner through providing an outstanding service for the customer. Striving to deliver these remains fundamental to the future success of Edinburgh Trams, as the line continues to develop across The City, both stimulating and supporting the economic growth of Scotland's capital.

Firstly, our overlying strategy out with the above statement is to ensure that the Trams to Newhaven (TtN) Extension planned for completion in 2023 remains in scope with the Final Business Case and our main stakeholders' expectations.

Whilst the effects of COVID 19 seriously affected daily operations in 2020, the TtN project continued. Edinburgh Trams continued to support the TtN Project Team and the construction partners to ensure operational experience is embedded in the completed line to Newhaven, so that the current operation will dovetail seamlessly with the extended operation.

Our Statutory Accounts for 2020 will record a loss before tax of £9.4m against the reported loss of £9.8m in 2019. The new financial standards which were introduced from January 2019 (IFRS16) mean that Edinburgh Trams now recognise the trams system as an asset within our balance sheet. For 2020 the financial impact was a charge of

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£7.4m with an interest charge of £1.73m now being accounted for within our annual accounts. In direct comparison to 2019 the net effect before tax is a reduced loss of £360k.

2020 has brought unprecedented times for all businesses but, in particular for Edinburgh Trams, the Government guidelines advising the avoidance of Public Transport, added to the impact of the major financial challenges faced in the year. We understand the messaging and note the concomitant financial support awarded from July 2020 to allow services to be maintained for essential and key workers and those others who still needed to use public transport.

In summary, Government Support via Transport Scotland from 5th July onwards has resulted in a value of £5.76m received to the 26th December 2020. Benchmarked against 2019 our service income has reduced by almost £12m.

Edinburgh Trams made maximum use of the Coronavirus Job Retention Scheme (CJRS). Management action resulted in over 140 staff members, out of 185, being on the scheme at some point during period April – December resulting in £1m being reclaimed under the scheme.

Additional support has also been received from CEC in respect of credited maintenance costs covering the period at start of year. The asset renewals programme has also resulted in a recharge to CEC in respect of attained tram maintainer costs valued at £385k.

The accounting treatment of the tram system reflected in our prior year accounts has been continued in accordance with IFRS 16. A "Right-of-Use" asset of £62.5m is recognised within "Property, Plant & Equipment" with a lease liability also of £64m being recorded. Under this agreement, costs in relation to the "Right-of-Use" asset are £7.4m and £1.7m for depreciation and interest.

New system implementations in 2020 have included new servers and hardware, Payroll Systems, updated HR Business programmes and modern Operations programmes. Additionally, under our renewals programme the development of a new bespoke training facility known as "The Academy" is well underway and will be fully functional in 2021. This facility will also incorporate our Tram Simulator Programme which will again give added resilience, robustness and added self-reliance to the business, as we deal with both current and future requirements.

Statistical information on performance from 2020 -v- 2019 is included within the KPI section.

Edinburgh Trams have maintained our previous noted success factors, where applicable, in light of the effects of COVID 19 and relevant 2020 which include:

- i. Good Safety Record**
 - Ensuring that health and safety is at the heart of everything we do.
 - Working positively with regulators and meeting all compliance standards.
 - Creating a robust safety culture with our colleagues.
- ii. Financials in line with stakeholders expectations**
 - Manage operating costs – Internally and Externally.
 - Optimise income utilising all potential support and revenue streams e.g. Government Support.
 - Seek opportunities to support growth for future years.
- iii. Strong brand, positive market perception, pillar of transport network**
 - Increase demand with an attractive commercial offering service to meet demand.
 - Develop strong partnerships within the City and Local/Central Government bodies.
 - Continue to invest in technological solutions for the benefit of the customer.
- iv. People and Accommodation**
 - Encourage internal career progression.
 - Develop and invest in colleagues.
 - Recognise and reward exceptional performance.
- v. Exceed the customers' expectations**
 - Operate a safe and reliable system.

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- Provide excellent customer service.
- Establish both an excellent internal and external customer service culture.

Trams to Newhaven Project

Work on the Trams to Newhaven project paused in March due to Covid-19 lockdown but resumed in June.

In late 2020, the Final Business Case (FBC) was updated and approved with the City of Edinburgh Council believing, despite the challenges of Covid-19, that Trams to Newhaven remained a viable proposition.

The Council's advisers, developed a series of possible scenarios to stress-test the findings in the original FBC. These ranged from a return to business as usual, to a permanent reduction in demand taking into account short-term Covid-19 impacts and views on future growth. In each of the scenarios, modelling suggested that the economic case for the project remained, with a benefit-to-cost ratio of above one.

Financial assessment found that the project could still be delivered within the budgeted £207.3m and that, in all but one of the scenarios, the impact on the Council reserves if the project was cancelled, would be greater than continuing with construction. Whilst it is possible there could be a future call on Council reserves to support financing costs, as a result of Covid-19, in each scenario the scheme will finance itself, albeit in different timeframes.

The refreshed FBC also highlighted that the completion will play a key role in the future growth and development of the city. Delivering the tram line to Newhaven will unlock a large area of the city for housing and economic development, while providing a low-carbon, clean mode of transport to densely populated communities.

In 2020, Edinburgh experienced a significant drop in demand for public transport, with long-term consequences expected, including a decline in income to the tram service. The review of the FBC took this into account, with even the most optimistic of scenarios projecting that passenger numbers will not return to the pre-Covid levels until the mid-2020s. Finally, the review of the FBC acknowledged the impact of Covid-19 on Lothian Buses and does not rely on any further payment of the extraordinary dividend, which was anticipated in the original FBC.

The tram will support the delivery of city and transport policies such as; carbon net zero by 2030, Low Emission Zone and City Centre Transformation, which proposes a series of interventions to provide a more liveable, people-friendly city centre and requires a mode shift to public transport to help deliver a 10-15% reduction in city centre car traffic in the medium term and a 25-30% reduction in the longer term.

Board Changes

Martin Dean was appointed Chair of Edinburgh Trams in early 2020 following the resignation of Charlene Wallace. The Board continue to work closely with Transport for Edinburgh and CEC on all projects with two Board Members Martin Dean and Peter Cushing also members of the Transport ALEO Reform Short Life Working Group set up in late 2020.

Financial Overview

Edinburgh Trams financial year has been the most challenging year experienced since commencement of service in May 2014. Unprecedented and extremely challenging times for all have been experienced over the last nine months of service, during April to December, due to the effects of COVID19. Managerial actions coupled with the assistance of Government, CEC support and CJRS have ensured our liabilities have been kept to a minimum, whilst ensuring we remain positioned to operate a full system as and when passenger demand returns.

Edinburgh Trams loss before tax for the year before IFRS 16 depreciation and finance costs was £273k. After IFRS 16 depreciation and finance costs, this loss increased to £9.4m before tax, a decrease of £362k from 2019. Service Income and Advertising Revenue was £11.5m less than 2019, however support from Government from July and the CJRS from April, suppressed the revenue differential to a reduction of £4.8m.

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Revenue reductions as a comparison to 2019 in detail have shown standard purchases, including Premium and Non Premium Sales, e.g. Single, Returns, Day Ticket, Mobiles etc were £3.7m (2019: £13.2m). Integrated Tickets on our Multi Use Ridacard Ticket were £741k (2019: £2.04m) with Concessionary Fares £314k (2019: £703k). All these reductions were directly as a result of COVID.

Tram Advertising revenue was additionally affected returning £420k (2019: £723k) as reluctance to invest in advertising, during these uncertain times, was a factor and discretionary advertising and sponsorship budgets were cut. Interest is already being shown for 2021 which gives confidence for the future.

Other income

Claims under CJRS reportable as Other Income totalled £1m for the nine months to end December. 145 (78%) out of a possible 185 staff have at some point been eligible for the CJRS.

Successful discussions, headed by the CEO of TfE, resulted in Scottish Government funding support, administered by Transport Scotland, of up to £8.8m being offered to ETL. This is to cover Period 5th July 2020 to 31st March 2021. As of 26th December 2020 a total of £5.763m of claims had been submitted to Transport Scotland. These values have now all been reviewed, authorised and settled by Transport Scotland. The remaining balance will now be carried forward into the period to 31st March 2021. It is now further anticipated that all losses incurred by running loss making services will be able to be reclaimed. This is now expected to be up to a total of some £9.144m.

Costing Review

Management action in respect to cost savings commenced immediately upon the announcement of lockdown. With our largest cost relating to staff wages and salaries we have, where applicable, utilised the Central Government CJRS Scheme saving just under £1m in the year.

Where possible, staff members have also been seconded to other organisations, both as a supportive measure to the third party and as a cost saving exercise for ETL. A management review of external services to ETL resulted in the termination of our external cleaning contract, replacing with internal staff deployed from other areas in the company thus resulting in a saving of £200k. Our Internal Staff have now been upskilled to provide core cleaning support, but also a range of other company requirements from specialised cleaning to gritting and other duties that ETL would have outsourced to third parties.

Savings from other areas such as Ticketing, Marketing, Traction Power, Indirect, Depot and Company Overheads have all been maximised where possible. Costs savings made from 5th July onwards however were passed back to Transport Scotland as part of the support scheme mechanisms on funding.

Maintenance Support

Following consultation with CEC an agreement supporting ETL in relation to maintenance recharges was reached covering the period to end of June 2020 valued at £3.4m and is included in full within our 2020 accounts. Following the CEC support the additional credit in relation to CAF Renewals has also been reduced to £385k (2019 £854k).

Management action in relation to both revenue and expenditure remains under constant review, with daily revenue monitoring currently in place for submissions to relevant third parties, as we monitor trends in respect of passenger confidence in using public transport and respective recovery trends.

COVID-19

During the pandemic, customer numbers have ranged between approximately 5-30% of normal. Therefore, overcrowding has not been an issue. However, we have run additional services at our busiest times of the day for the comfort and convenience of those who have had to make essential journeys and to ensure compliance with social distancing requirements at the busiest times.

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In terms of physical distancing on board, the normal capacity of each tram is 250. With 1 metre physical distancing, we estimate this is reduced to between 70-100 depending on the size of households travelling. However, the tram system is an open access system, this means there is little or no infrastructure in place to allow us to control access to 28 platforms across 16 stops with six entrances/exits to each tram. With customer journeys peaking at around 30% of normal, we do not believe physical distancing has been an issue with close monitoring of travel patterns and additional trams available for service if any unincreased passenger movements noted by our OCC (Operation Control Centre). One of our key messages throughout the pandemic is, do not board or disembark if you do not feel safe so effectively the passenger has full choice to travel or not.

With over 70% of the capacity of a tram being standing, we took the decision not to block seats as this delivers no benefit to overall physical distancing throughout the tram. We also believed this could be more obstructive for customers travelling as one household. The exception to this is the seats and doors at either end of the tram, which were restricted to protect our Drivers and Ticket Inspectors who we rely on to operate our essential services.

All of our customer facing colleagues received training on government guidance and changes to their working practices. Our colleague's adherence with this training is monitored and managed through our normal HR & Training policies and procedures which includes observation by other colleagues and Line Managers. Additionally, at a later date, an internal survey was run to assess current awareness of government advice and organisational measures.

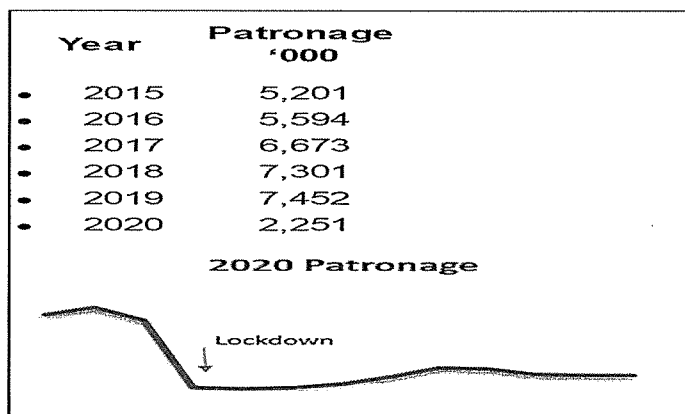
We are committed to engaging, explaining and encouraging customers to follow government and organisational advice. Firstly, we introduced key messages to our Conditions of Carriage. These were in line with latest government advice and with additional measures we were taking as an operator. These key messages, which included physical distancing measures, were communicated via our Covid-19 Travel Advice page (www.edinburghtrams.com/covid-19-travel-advice), social media channels and with signage at tram stops and on-board trams. Compliance with these measures is regularly observed by our frontline teams. Additionally, we have now run two external customer surveys to assess current awareness of government advice and organisational measures.

There are very few visitors to Gogar Tram Depot. However, the sign in procedure now includes a briefing on relevant Covid-19 guidance. The visitor's chaperone is responsible for ensuring they comply with the briefing.

Patronage Overview 2014 Through 2020

Patronage levels for our financial year ending Dec 2020 have recorded a 70% decrease -v- 2019, however during certain periods of the year patronage levels were reduced by over 90% -v- 2019. A graphical representation provides an excellent overview of the almost instantaneous impact following the announcement of Government lockdown and guideline restrictions for 2020.

Full Years Patronage since commencement:



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Asset Management

Under the terms of the Operating Agreement CEC is responsible for the cost of any Asset Renewal and / or any other capital improvement projects.

Edinburgh Trams (ET) has produced an outline 10 year Asset Renewals Plan based upon our knowledge and feedback from the maintenance providers. CEC has accepted and provided funding already for some of the individual projects within this plan, with the subsequent delivery of these projects supported by ET.

The 2019 Heads of Terms (HoTs) contemplates that the Operating Agreement will be varied to cover off the impact of the novation of each of the maintenance contracts to ET. It is envisaged that the variation and novations will be signed simultaneously. The HoTs contemplate that until such time that the full variation is agreed ET will bear the full cost of these maintenance contracts, replacing the various Access Fees within the Operating Agreement. Accordingly, these are re-charged by CEC to ET.

It is anticipated that the terms of the Operating Agreement variation will be agreed between ET and CEC by 31st March 2021, as will the terms of the novation documentation between ET, CEC and each of the maintenance providers. Both ET and CEC have committed to this date.

For ease of administration (invoicing etc) it is agreed that the effective date of this change will be 18th April 2021, this being the first day of a new period.

Following the novation ET intends to review each contract and liaise with the individual suppliers to capture any changes required from the introduction of the Newhaven section and also to ensure that each provides value for money.

Energy Efficiency & Environmental Management

Edinburgh Trams fully recognises the importance of how our operational business impacts on the environment and our responsibilities that go with being a major operator of transport within the City of Edinburgh. Edinburgh Trams has 27 trams and 6 support vehicles in its fleet for 2020. Moving forward our intention is to reduce the number of diesel operated vehicles, replacing with 100% electric, environmentally friendly vehicles which will assist with our carbon omission rates in future years.

Since its operational inception in May 2014, Edinburgh Trams has taken massive strides to improve our waste management processes and introduce, where possible, more environmentally effective measures. Waste from our Depot and from Tram Stops is all returned to our Gogar Depot, where it is then segregated into waste and recyclable items. This one source methodology removes the requirement for separate waste receptacles and ensures maximin impact. Oils, grease, contaminated rags and other absorbent materials are also disposed of using a specialised third party. Our new systems will now ensure we a have a transparent records of waste transfers from 2020 onwards. Where possible LED lighting is used within our system including Trams Stop lighting requirements. Water Recycling is also a major source on our environmental processes. Rainwater (also known as Grey Water) is collected via various methods and recycled for use in our Depot Toilets and Tram Wash (after filtration). With regards to our "Waste Management" processes these are also documented under our H&S Management System which is reviewed on a regular basis.

Future environmental developments being proposed by management include:

- Electric Vehicle Recharging points for use by company vehicles and potentially staff within Gogar Depot.
- LED Lighting in Workshops and Car Park.
- Traction Power currently under review with prospect of moving to 100% "Green Energy" if financially acceptable.
- Trams to Newhaven Project – Energy Innovation Project in place to maximise environmental possibilities which will also include elements previously mentioned such as electric recharging points for use by both ETL and CEC.

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The table below highlights reductions relating to environmental usage on Electricity, Gas and Vehicle Mileage

Environmental Reporting	2019 Usage kWh	2020 Usage kWh	Variance kWh	% Movement
Total Electricity	8,620,970	7,545,338	- 1,075,632	-12.5%
Description	2019 Usage kWh	2020 Usage kWh	Variance kWh	% Movement
Gas Usage	730,409	614,010	- 116,399	-15.9%
From July 2020 Only	2019 Mileage	2020 Mileage	Mileage Variance	% Movement
Total Vehicle Mileage	20,424	14,690	- 5,734	-28.1%

Financial Results

	Year to 2020 £	Year to 2019 £
Revenue	5,186,565	16,753,302
Other income	6,758,582	-
Administrative expenses	(19,621,642)	(24,629,562)
Loss from operations – (operating loss)	(7,676,495)	(7,878,200)
Gain on disposal of property, plant and equipment	-	-
Loss before finance costs and income tax expense	(7,676,496)	(7,876,200)
Finance Costs	(1,733,351)	(1,895,170)
Loss Before income tax expense	(9,409,846)	(9,771,370)
Income tax	540,159	775,967
Loss for the full year	(8,869,687)	(8,995,403)

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KPIs	2020	2019
Revenue	5.1m	16.7m
Other income	6.8m	-
	<hr/> 11.9m	<hr/> 16.7m
Yr on Yr Decrease	-29%	6%
Loss from Operations	-7.67M	-7.87M
Loss from Operations%	-64.3%	-47.0%
Patronage	2.25m	7.45m
Yr on Yr movement	-70%	2.1%
Health and Safety benchmarks		
11 out of 11 achieved in 2019	100%	100%
11 out of 11 achieved in 2020	100%	100%
Staff Turnover	7.9%	15.7%
Mileage operated	579k	889k
Yr on Yr Decrease	-35%	
Complaints Per 10k	5.9	2.8
Institute of Customer Service – UK CSI Points Score	N/A	87.1
No survey due to COVID		
Customer Service Response Times	35min	40min
Reliability Performance	98.99%	99.35%
Tram – Peak Vehicle Requirement (PVR) Jan-Mar 2020	15	15
Tram – Peak Vehicle Requirement (PVR) Apr-Dec 2020	12	15
Special Event Trams (Match Day Utilisation – Feb 20 Only)	20	20

Financial Special Project – 2020

Edinburgh Trams in partnership with UK Tram and others continue to support the development of a solution to enable the identification of early symptoms of fatigue, loss of focus and/or wellbeing in drivers and proactively take appropriate steps to address these through real time alerts to the driver and controller to enable positive intervention.

The Driver Innovation Safety Challenge (DISC) will provide the FOCUS+ solution to alert the driver and control room if a driver has a reduced capability to operate the tram safely. Providers are expected to develop a Green/Amber/Red alert scoring methodology reflecting the risk and produce an actionable alert to both driver and controller.

The project is now set to enter the second phase of its pilot of the FOCUS+ device with a target of September 2021 of delivery of the full commercial solution.

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Health & Safety\Environmental Policy Statements

Edinburgh Trams has found 2020 very demanding due to a number of challenges. The Newhaven Tram Project has required resource and expertise to support the project. This is progressing well with Edinburgh Trams providing accurate and timely responses. In the early part of the year, before lockdown, we had instances of youth Anti-Social Behaviour (ASB) in the Carricknowe and Edinburgh Park Central. We then had to furlough staff and change our processes to address the Coronavirus Disease 2019 (Covid-19) pandemic. Homeworking was increased and services reduced.

Despite the challenges Edinburgh Trams has progressed many of the objectives and met all the Safety Key Performance Indicators (SKPI). There was one colleague injured at work with a minor injury and two assaulted, one which was a verbal assault on a Ticketing Services Assistant (TSA) onboard a tram. One incident of a tram

contact with a bus occurred, this was a driver misjudgement. There were 2 incidents of wrong side door openings which did not result in any injury. Signal Passed at Stop (SPAS) KPIs were split to differentiate the risk level. 75% of all incidents were level one low risk SPASs with the remaining being medium risk. There were no high-risk SPAS incidents and three Tram surfing incidents, none resulting in injury.

The Environmental KPIs have been added to the Safety Plan and Safety Report to ensure consistent progress reporting. Some Safety and Environmental objectives have been delayed due to Covid-19 and will be carried over to the 2021 Plan.

Edinburgh Trams has had a good year under the circumstances with progress being made on Safety and Environmental initiatives. All SKPI benchmarks for 2020 were met and new challenging benchmarks introduced for 2021 based on 2020 performance.

The investigation into the Saughton accident is now complete following review and sign-off of the final witness statements. The Office of Rail and Road (ORR) will deliver their report to the Procurator Fiscal.

Horn testing was undertaken on the 18 March 2020 on a modified tram (tram 270) to record the sound pressure of the modified horn. The testing confirmed that the sound pressure meets the new specification, this modification was then be rolled out across the fleet. Two tone horn was found to be non-compliant with the British Euro Norm standard and Light Rail Safety & Standards Board (LRSSB) best practice guidance, so it was decided to remain with the single tone upgraded horns on the fleet. The training relating to horn usage has been rolled out to all drivers.

Good progress is being made from the Sandilands recommendations with collaboration between other Tram Operators and LRSSB. LeadMind is the preferred solution to deliver an automatic braking system in the event of overspeed, uninterrupted emergency lighting is being tested and the FOCUS+ is on trial.

Awards & Recognition

For the second consecutive year, Edinburgh Trams picked up the award for 'Excellence in Travel Information & Marketing' at the Scottish Transport Awards. The award was given recognition for its unique partnership with Scottish Rugby Union. The campaign which included a tram wrap, on board announcements by well-known players, attracted more than 110,000 customers to use the tram on match days - and with Twitter impressions, Facebook views and website visits skyrocketing - the judges recognised the partnership as a great success. Edinburgh Trams was also shortlisted in the "Most Innovative Transport Project of the Year" category for its cultural change initiative, 'Driving Our Customer Culture'.

Following ServiceMark accreditation in late 2019 from The Institute of Customer Service, the standard customer (UK CSI Business Benchmarking) and colleague (ServCheck) surveys were not due until early 2021. However, several colleague and customer surveys were conducted in-house measuring understanding of Covid-19 physical distancing and trust in the organisation to deliver essential services. Surveys found that 82% of customers felt

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Edinburgh Trams was doing everything it could to help keep them safe. Additionally, 72% of colleagues agreed in terms of their safety in the workplace.

Edinburgh Trams attained the 'Good To Go' kitemark, recognising that the organisation has followed and adapted to Government Covid-19 guidelines in preparation for Edinburgh reopening to tourism. The 'Good To Go' industry standard was developed by VisitBritain in partnership with VisitScotland, Tourism Northern Ireland, VisitEngland and VisitWales. This industry standard means organisations across the tourism sector can demonstrate that they are adhering to current public health guidance, have produced a COVID-19 risk assessment and have adapted to implement the necessary protocols in line with Government advice.

Corporate & Social Responsibility (CSR)

The pandemic dominated 2020 as Edinburgh Trams focused on continuing to operate one of Scotland's Critical National Infrastructures for those who need to make essential journeys, while following Government guidance to keep customers and colleagues safe.

Edinburgh Trams was, and continues to be, committed to engaging, explaining and encouraging customers to follow government guidance and additional organisational measures. Conditions of Carriage were quickly amended to reflect this and were communicated via a dedicated Covid-19 Travel Advice page, social media channels, with signage at tram stops/on-board trams and a letter from the MD to key Stakeholders.

At the height of infection rates, frontline colleagues were removed from the workplace and only returned in line with easing of lockdown and following full training on guidance and organisational measures.

Edinburgh Trams worked with Police Scotland on a series of mini operations to tackle crime as a rise in anti-social behaviour has been noted, a trend also recorded by other bus and rail organisations during the pandemic. This partnership saw Edinburgh Trams reporting incidents directly with Officers on the ground to help them intercept offenders both on and off trams. The support received from Police Scotland was proved to be a success with a fall in anti-social behaviour now being documented.

Edinburgh Trams continued to support Edinburgh Children's Hospital Charity through the sales of its children's book, 'Tilly the Tram's Noisy Birthday'. Additionally, a number of other smaller charity events were acknowledged throughout the year including Save the Children's Christmas Jumper Day and a 'cake bake' for Macmillan Cancer Support.

Transport ALEO Reform

On 9 July 2020 a report was taken to the Policy and Sustainability Committee of The City of Edinburgh Council that set out the current arrangements for the management of the group of the Council's Transport ALEOs and highlighted challenges in continuing to manage existing arrangements. It was agreed that a reform process would be initiated and that initial consultation with the 3 companies, Transport for Edinburgh, Edinburgh Trams and Lothian Buses, Unite the Union and the minority Lothian Buses Shareholders (East Lothian, Midlothian and West Lothian) would be conducted. Responses to this initial consultation were considered by The Transport and Environment Committee of The City of Edinburgh Council on 12 November 2020, where it was agreed that a Short Life Working Group (SLWG) would be convened to develop a preferred course of action. The SLWG would comprise 2 Non-Executive Directors from each of the 3 Transport ALEOs, The Director Place and CEC Officers. The SLWG is facilitated by Jacobs. The first SLWG was held on 2 December 2020. Edinburgh Trams are represented by The Chair and Mr Cushing. The SLWG has subsequently met a further four times: on 17 December 2020, 20 January 2021, 26 February 2021 and 4 March 2021. A legal Sub-Group met on 12 February 2021.

The purpose of this work is to identify an organisational structure that will deliver optimal integration of the Council's public transport companies, in order to ensure maximum delivery against Council policies and objectives. Whilst Edinburgh Trams is fully engaged with this work the implications for the business are not yet fully known, or

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understood, as no decisions have yet been taken. Broad principles, risks and opportunities have been identified. No transformation programme or timeframe for implementation have been confirmed.

Moving Forward

The business demands for 2021 and beyond will be testing and tough with recovery times stemming from various factors relating to impact and effects of COVID remaining an unknown. Recovery rates for the start of 2021 remain low as Government Guidelines continue to endorse working from home policies as well as essential travel only, however additional support from central Government has been agreed for a period of 2021 only. 2021 will also see a process called "Contract Novation" whereby Edinburgh Trams will accept direct responsibility for the management of all major maintenance contracts thus permitting Edinburgh Trams to deal directly with the trams maintainers as opposed to current operations that CEC have under their obligations.

During 2020 we have continued to support all aspects of the business, from ensuring all our H&S responsibilities continue to be attained, our drivers remain within their competence requirements as well as all other staff where applicable, the building a new Training Academy for In House training for current and future obligations which contribute to adding resilience to the business ensuring we are well placed to deal with all our business obligations, commitments and responsibilities as and when we return to a more standard level of operation.

Signed on behalf of the Edinburgh Trams Limited Board by:



Lea Harrison
Managing Director
Edinburgh Trams

EDINBURGH TRAMS LIMITED

Directors' Report

For the year ended 31 December 2020

Directors

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

Remuneration was paid to the following Directors:

	2020 £	Restated 2019 £
Mark Lea Harrison	166,560	198,920
Andrew Neal	5,500	6,000
Charlene Wallace (Chair - Resigned 14 January 2020)	-	12,000
Peter Cushing	5,500	6,000
Martin Richard Dean (Chair)	10,300	6,000
George Lowder	-	-
	<hr/>	<hr/>
Aggregate emoluments and benefits	187,860	210,920
	<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 or loss 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 2020

Auditor

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, a company owned by Azets.

The auditor, Azets Audit Services, 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: 23 April 2021

A handwritten signature in black ink, appearing to read 'Martin Dean'.

**Martin Dean
Chairperson**

EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2020

Opinion

We have audited the financial statements of Edinburgh Trams Limited for the year ended 31 December 2020 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 2020 and of its loss 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.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 2020

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 13, 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 2020

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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2020

Use of our report

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.



Nick Bennett, Senior Statutory Auditor
For and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 23 April 2021

EDINBURGH TRAMS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £	2019 £
Continuing operations			
Revenue	1	5,186,565	16,753,362
Other income	3	6,758,582	-
Administrative expenses		<u>(19,621,642)</u>	<u>(24,629,562)</u>
Operating loss before interest and income tax expenses	2	(7,676,495)	(7,876,200)
Finance costs	4	<u>(1,733,351)</u>	<u>(1,895,170)</u>
Loss before income tax expense		(9,409,846)	(9,771,370)
Income tax expense	5	<u>540,159</u>	<u>775,967</u>
Loss for the year		<u>(8,869,687)</u>	<u>(8,995,403)</u>
Attributable to: Equity holders		<u>(8,869,687)</u>	<u>(8,995,403)</u>

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 24 to 41 form part of these financial statements

EDINBURGH TRAMS LIMITED
Statement of Financial Position
As at 31 December 2020

		As at 31 December 2020 £	Restated As at 31 December 2019 £
	Note		
Non-current assets			
Property, plant and equipment	8	62,802,645	70,234,554
Total non-current assets		<u>62,802,645</u>	<u>70,234,554</u>
Current assets			
Cash and cash equivalents	7	2,493,077	4,813,445
Trade and other receivables	9	9,723,438	4,977,342
Total current assets		<u>12,216,515</u>	<u>9,790,787</u>
Total assets		<u>75,019,160</u>	<u>80,025,341</u>
Equity and liabilities			
Contributed equity	13	17,131,001	8,800,001
Retained earnings	15	(24,624,582)	(15,754,895)
Total equity		<u>(7,493,581)</u>	<u>(6,954,894)</u>
Liabilities			
Non-current liabilities			
Lease liabilities	11	57,049,950	63,982,382
Total non-current liabilities		<u>57,049,950</u>	<u>63,982,382</u>
Current liabilities			
Trade and other payables	10	18,530,359	16,042,924
Provisions	11	-	188,280
Lease liabilities	12	6,932,432	6,766,649
Total current liabilities		<u>25,462,791</u>	<u>22,997,853</u>
Total liabilities		<u>82,512,741</u>	<u>86,980,235</u>
Total equity and liabilities		<u>75,019,160</u>	<u>80,025,341</u>

The financial statements were authorised for issue by the Board of Directors on 23 April 2021 and were signed on its behalf by:



Martin Dean, Chair

Registered number SC451434

EDINBURGH TRAMS LIMITED

Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2019		1	(6,759,492)	(6,759,491)
Issue of share capital		8,800,000		
Comprehensive income				
Loss for the year		-	(8,995,403)	(195,403)
Balance at 31 December 2019		8,800,001	(15,754,895)	(6,954,894)
Issue of share capital	13	8,331,000	-	8,331,000
Comprehensive income				
Loss for the year	15	-	(8,869,687)	(8,869,687)
Balance at 31 December 2020		<u>17,131,001</u>	<u>(24,624,582)</u>	<u>(7,493,581)</u>

The accompanying notes on pages 24 to 41 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year to 2020 £	Year to 2019 £
Cash flow from operating activities			
Loss from operations		(8,869,687)	(8,995,403)
Adjustments for:			
Depreciation	8	7,502,409	7,449,916
Finance costs	4	1,733,351	1,895,170
Changes in assets and liabilities:			
(Increase) in receivables and other financial assets		(5,326,409)	(1,253,438)
Increase/(decrease) in payables		2,481,500	(286,281)
Increase in provisions		-	5,526
Cash flows from operations		<u>(2,667,116)</u>	<u>1,322,386</u>
Income tax received/(paid)		<u>586,248</u>	<u>-</u>
Net cash flows from operating activities		<u><u>(2,080,868)</u></u>	<u><u>1,322,386</u></u>
Cash flow from investing activities:			
Purchase of property plant and equipment	8	<u>(70,500)</u>	<u>(240,613)</u>
Net cash flows from investing activities		<u><u>(70,500)</u></u>	<u><u>(240,613)</u></u>
Cash flow from financing activities			
Issue of share capital		8,331,000	8,800,000
Payments of lease liabilities	19	<u>(8,500,000)</u>	<u>(8,500,000)</u>
Net cash flows from financing activities		<u><u>(169,000)</u></u>	<u><u>300,000</u></u>
Net increase in cash and cash equivalents		(2,320,368)	1,381,773
Cash and cash equivalents at beginning of period		<u>4,813,445</u>	<u>3,431,672</u>
Cash and cash equivalents at end of period		<u><u>2,493,077</u></u>	<u><u>4,813,445</u></u>
Bank balances and cash	7	<u><u>2,493,077</u></u>	<u><u>4,813,445</u></u>

The accompanying notes on pages 24 to 41 form part of these financial statements

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

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 13.

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 following standards and interpretations are mandatory for the first time for the year ended 31 December 2020 but are either not applicable or have no material impact on the company's financial statements; IFRS 3, Amendments to IFRS 3 – definition of a business, IAS 1 and IAS 8, Amendments to IAS 1 and IAS 8 on the definition of material and Conceptual Framework, Revised Conceptual Framework for Financial Reporting.

The company has adopted, where applicable, the following new and amended IFRSs as of 1 January 2020:

- IFRS 3, Amendments to IFRS 3 – definition of a business
- IAS 1 and IAS 8, Amendments to IAS 1 and IAS 8 on the definition of material
- Conceptual Framework for Financial Reporting (Revised)
- IBOR Reform and its Effects on Financial Reporting – Phase 1
- IFRS 16, Amendment – Covid-19 Related Rent Concessions

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2020 are considered to have no significant or material effect on the company's financial statements.

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 2020, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
IBOR Reform and its Effects on Financial Reporting – Phase 2	1 January 2021
Annual Improvements to IFRS: 2018 – 2020 Cycle	1 January 2022
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	1 January 2023

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the company's financial statements in the period of initial application.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

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.

The Board can give assurance with regards to ETL remaining a "Going Concern" in respect of the operational business aspect of ETL.

However, because not all future events or conditions can be predicted, this is not a guarantee as to the company's ability to continue as a going concern. For example the ongoing effect of COVID-19 on financial stability worldwide is ever-changing and therefore it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

As noted within our Strategic Report, ETL will now switch from being solely the Operator of Edinburgh Trams to being the Operator and Maintainer of the Edinburgh tram system. In addition to this, an infrastructure access fee in form of a lease will be accountable by ETL. Shares of £17.331m have now been purchased by CEC in form of B Shares in Edinburgh Trams to provide sufficient cash to meet all of ETL costs. An additional issue will be undertaken in March 2021 to settle the current outstanding invoices and future invoices issued during 2020 and beyond.

The Board have also received written confirmation from CEC they will not enforce payment of any money due from Edinburgh Trams until such time as The Company is in a position to commence repayment whilst still meeting its other liabilities as they fall due.

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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

c. Property, plant and equipment

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

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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

d. Impairment (continued)

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.

e. Leases

As a lessee

For any new contracts entered into on or after 1 January 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the company has the right to direct the use of the identified asset throughout the period of use. The company will assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in lease liabilities.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

f. 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.

g. 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.

h. Revenue and other income

Revenue is derived principally from the provision of transport services in the United Kingdom. Revenue is recognised upon the delivery of the service to the customer with reference to the stage of completion of travel provided under contractual terms and when relevant shown net of refunds. The majority of revenue is generated from cash fares received from customers at the point of travel when the revenue is recognised.

All revenue recognised from the provision of transport services is based on pre-determined ticket/service prices which are publicly available at www.edinburghtrams.co.uk

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).

i. Government grants

Grants from government bodies and similar organisations are recognised where there is reasonable assurance that the grant will be received and the company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. For 2020, Government support in form of both the Corona Job Retention Scheme (CJRA) from March 2020 onwards and central support via Transport Scotland from July 2020 has been recognised within the income statement.

j. 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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

k. 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.

l. 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.

m. 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:

i. 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.

ii. Depreciation

When setting depreciation policy, specifically the right-of-use asset held, there is an element of estimation.

k. 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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

I. 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.

m. Share capital

Ordinary shares are classified as equity

2. Loss on ordinary activities

	2020 £	2019 £
The loss is stated after charging		
Auditor's remuneration:		
Audit services	13,895	8,489
Non-audit services	6,930	5,236
Depreciation and other amounts written off tangible fixed assets:		
Owned	98,568	46,075
Right-of-use assets	7,403,841	7,403,841
Infrastructure maintenance	2,039,931	4,548,189

3. Other income

	2020 £	2019 £
Government grant income	6,758,582	-

4. Finance Costs

	2020 £	2019 £
Lease charges	1,733,351	1,895,170

5. Income tax

	2020 £	2019 £
Current tax:		
Group relief receivable	(711)	(775,967)
Adjustment in respect of prior periods	(539,448)	-
Tax on (loss)/profit for the year	(540,159)	(775,967)

The effective tax rate for the year ended 31 December 2020 is calculated at 19% (2019: 19%) of the estimated assessable (loss)/profit for the year.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

5. Income tax (continued)

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

	2020 £	2019 £
(Loss)/profit for the year before taxation	(9,409,846)	(9,771,370)
Tax on (loss)/profit for the year at the effective rate of 19% (2019 – 19%)	(1,787,871)	(1,856,560)
Effects of:		
Expenses not deductible for tax purposes	378	738
Other short term timing differences	-	113,876
Group relief surrendered	711	-
Group relief claimed	(711)	-
Adjustments in respect of prior periods	(539,448)	-
Remeasurement of deferred tax for changes in tax rates	(60,544)	-
Deferred tax not recognised	1,848,448	967,235
Qualifying land remediation expenditure	(1,122)	(1,256)
Tax for the year	(540,159)	(775,967)

6. Employee benefits expense

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	4,968,935	5,218,423
Social security costs	461,560	474,237
Other pension costs	230,487	207,244
	5,660,982	5,899,904

The average number of persons employed by the company (including directors) during the year was 218 (2019: 210).

Director's remuneration costs disclosed below exclude employer's national insurance costs of £23,240 (2019: £25,057).

Employer's national insurance costs in respect of the highest paid director totalled £23,240 (2019: £24,832). The directors of Edinburgh Trams Limited are also considered to be the company's key management personnel.

Five directors (2019: six) were paid through Edinburgh Trams Limited. The previous Chair resigned in January 2020 with no payments made to the previous Chair in 2020. Further details are provided below and in the directors' report. One director receives 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.

EDINBURGH TRAMS LIMITED
Notes to the Financial Statements
For the year ended 31 December 2020

6. Employee benefits expense (continued)

Directors' remuneration:	2020	Restated
	£	2019
		£
Aggregate emoluments and benefits	187,860	228,920
Aggregate pension contributions	19,971	13,223
	<u>207,831</u>	<u>242,143</u>
Highest paid directors emoluments and benefits	166,560	198,920
Pension contributions	19,971	13,203
	<u>186,531</u>	<u>212,123</u>

Directors' remuneration in the prior year has been restated due to a double counting error which resulted in an £18,000 understatement. The prior year figures have been restated to correct this misstatement. The restatement relates to the above disclosure note only and the impact of the misstatement on the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity is £nil.

7. Cash and Cash Equivalents

	2020	2019
	£	£
Cash at bank and in hand	<u>2,493,077</u>	<u>4,813,445</u>

8. Property, plant and equipment

	Right-of-use Passenger Vehicles and Related Infrastructure	Motor Vehicles	Plant & Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2020	77,353,861	71,519	485,193	77,910,573
Additions	-	12,000	58,500	70,500
At 31 December 2020	<u>77,353,861</u>	<u>83,519</u>	<u>543,693</u>	<u>77,981,073</u>
Accumulated depreciation				
At 1 January 2020	(7,403,841)	(33,054)	(239,124)	(7,676,019)
Charge for year	(7,403,841)	(15,272)	(83,296)	(7,502,409)
At 31 December 2020	<u>(14,807,682)</u>	<u>(48,326)</u>	<u>(322,420)</u>	<u>(15,178,428)</u>
Net book value at 31 December 2020	<u>62,546,179</u>	<u>35,193</u>	<u>221,273</u>	<u>62,802,645</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

8. Property, plant and equipment (continued)

	Right-of-use Passenger Vehicles and Related Infrastructure £	Motor Vehicles £	Plant & Equipment £	Total £
Cost or valuation				
At 1 January 2019	-	48,093	268,006	316,099
Recognition of right-of-use asset on initial application of IFRS 16	77,353,861	-	-	77,353,861
Adjusted balance at 1 January 2019	77,353,861	48,093	268,006	77,669,960
Additions	-	23,426	217,187	240,613
At 31 December 2019	77,353,861	71,519	485,193	77,910,573
Accumulated depreciation				
At 1 January 2019	-	(24,530)	(201,573)	(226,103)
Charge for year	(7,403,841)	(8,524)	(37,551)	(7,449,916)
At 31 December 2019	(7,403,841)	(33,054)	(239,124)	(7,676,019)
Net book value at 31 December 2019	69,950,020	38,465	246,069	70,234,554

9. Trade and other receivables

	2020 £	2019 £
Trade receivables	146,876	307,605
Other receivables	1,857,903	3,215
Prepayments and accrued income	571,633	729,205
VAT recoverable	2,019,324	798,959
Amounts owed by group undertakings	5,127,702	2,558,045
Corporation tax recoverable	-	580,313
	9,723,438	4,977,342
Analysed as:		
	2020 £	2019 £
Current	9,723,438	4,977,342
	9,723,438	4,977,342

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 2020

10. Current liabilities

	2020 £	2019 £
Trade and other payables	224,569	182,943
Taxation and social security	172,944	124,294
Accruals and deferred income	263,678	516,864
Amounts owed to group undertakings	17,863,234	15,218,823
Corporation tax	5,934	-
	<u>18,530,359</u>	<u>16,042,924</u>

Current liabilities aged as:

	2020 £	2019 £
Less than three months	<u>18,530,359</u>	<u>16,042,924</u>

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

11. Provisions

	2020 £	2019 £
<i>Claims</i>		
At the beginning of the year	188,280	182,754
Charge for the year	-	120,003
Released during the year	(188,280)	-
Paid during the year	-	(114,477)
	<u>-</u>	<u>188,280</u>
At the end of year	<u>-</u>	<u>188,280</u>

Claims

We can confirm that Edinburgh Trams Limited's insurance liability exposure is limited to £120,000 in any given calendar year.

Under the terms of the Operating Agreement between CEC and ETL the latter is required to reimburse the former up to a maximum of £120,000 per annum in respect of claims within all policy excesses. This will include any claims for injury to cyclists where the cause of the injury is a result of negligence on the part of Edinburgh Trams Limited only.

Following a review of both current year and prior year provision in respect of claims in all years attributable direct to ETL assurance was have sought from insurers and confirmed with our auditors. This has resulted in a change in reporting protocols with ETL liability now reflecting only current year applicable costs allowing the release of prior year provisions from 2017,2018 and 2019 being released to the 2020 P&L.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

12. Lease Liabilities

As a lessee

The company has a lease for the use of the trams and related infrastructure with The City of Edinburgh Council. The lease will run until the 31 May 2029 with an option to renew the lease after that date. Lease payments are renegotiated every five years. The lease restricts the company from entering into any sub-lease agreements.

Information about leases for which the company is a lessee is presented below.

i. Right-of-use assets

The company classifies its right-of-use assets in a consistent manner to property, plant and equipment. /Further information regarding right-of-use assets can be found in note 8.

ii. Lease liabilities

Lease liabilities included in the statement of financial position at 31 December 2020 are analysed as follows:

	2020 £	2019 £
Current	6,932,432	6,766,649
Non-current	57,049,950	63,982,382
	<u>63,982,382</u>	<u>70,749,031</u>

The lease liability is secured on the related underlying assets. The undiscounted maturity analysis of the lease liability as at 31 December 2020 is as follows:

	2020 £	2019 £
Less than one year	8,500,000	8,500,000
One to five years	34,000,000	34,000,000
More than five years	29,063,014	37,563,014
Total undiscounted liabilities at 31 December 2020	<u>71,563,014</u>	<u>80,063,014</u>

For interest expense in relation to leasing liabilities, refer to finance costs (note 4).

Total cash outflows in respect of leasing liabilities in the year to 31 December 2020 is £8,500,000.

The company has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The expense payment of these leases is £1,802 (2019: £1,802).

EDINBURGH TRAMS LIMITED
Notes to the Financial Statements
For the year ended 31 December 2020

13. Share capital

	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	17,331,001	8,800,001
	<u> </u>	<u> </u>

14. 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. Pension payments are now settled in salary month (previously 19th of following month).

	£
Contributions to Scottish Widows Pension charged to the profit and loss account	230,487
	<u> </u>
Amount outstanding at the balance sheet date	-
	<u> </u>

15. Reserves

	Retained Earnings £
At 31 December 2018	(6,759,492)
Loss for the year	(8,995,403)
	<u> </u>
At 31 December 2019	(15,754,895)
Loss for the year	(8,869,687)
	<u> </u>
At 31 December 2020	(24,624,582)
	<u> </u>

16. 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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

17. Related parties

The following transactions were carried out with related parties:

	2020 £	2019 £
a) Reimbursement of expenses incurred: City of Edinburgh Council (ultimate parent)	314,313	693,625
b) Sale of goods and services: Transport for Edinburgh (parent) Lothian Buses Limited (fellow subsidiary)	9,793 16,920	- -
c) Purchases of goods and services: City of Edinburgh Council (ultimate parent) Transport for Edinburgh (parent) Lothian Buses Limited (fellow subsidiary) UK TRAM Limited (director in common)	16,404,945 22,271 139,000 33,900	18,123,199 - 305,008 -
d) Year end balances arising from purchase/sales of goods and services: Receivables: City of Edinburgh Council (ultimate parent) Lothian Buses Limited (fellow subsidiary) East Coast Buses Limited (fellow subsidiary) Edinburgh Bus Tours Limited (fellow subsidiary) Parc Craigmillar Limited (fellow subsidiary) Shawfair Land Limited (fellow subsidiary)	4,493,112 92,141 - - 348,873 180,024	1,437,618 580,434 119,785 366,076 - -
Payables: Lothian Buses Limited (fellow subsidiary) City of Edinburgh Council (ultimate parent)	10,000 17,853,234	22,493 15,196,330

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

18. Finance Risk Management

Financial instruments consist mainly of deposits with banks, short-term investments, lease obligations 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 2020.

The totals for each category of financial instruments, measured in accordance with IFRS 9 as detailed in the accounting policies to these financial statements, are as follows:

		2020 £	2019 £
Financial assets			
Cash and cash equivalents	7	2,493,077	4,813,445
Trade and other receivables	9	7,132,482	2,868,864
Total financial assets		<u>9,625,559</u>	<u>7,682,309</u>
Current financial liabilities			
Trade and other payables	10	18,351,480	15,918,630
Provisions	11	-	188,280
Lease liabilities	12	6,932,432	6,766,649
Non-current financial liabilities			
Lease liabilities	12	57,049,950	63,982,382
Total financial liabilities		<u>82,333,862</u>	<u>86,855,941</u>

Financial risk management policies

The company's overall risk management strategy seeks to assist the 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.

Financial risk exposures and management

The main risks that Edinburgh Tram's is exposed to through its financial instruments are credit risk, liquidity risk and market 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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

18. Financial risk management (continued)

a. Credit risk (continued)

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 2019 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.
- Payment settlement in place with main creditor i.e. CEC

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 2020	1 to 5 Years 2020	Total 2020
Financial liabilities due for payment				
Trade and other payables	10	(18,351,480)	-	(18,351,480)
Lease obligations	12	(6,932,432)	(57,049,950)	(63,982,382)
Total expected outflows		<u>(25,283,912)</u>	<u>(57,049,950)</u>	<u>(82,333,862)</u>
Financial assets – cash flows realisable				
Cash and cash equivalents	7	2,493,077	-	2,493,077
Trade, term and loan receivables	9	7,132,482	-	7,132,482
Total anticipated inflows		<u>9,625,559</u>	<u>-</u>	<u>9,625,559</u>
Net outflow of financial instruments		<u>(15,658,353)</u>	<u>(57,049,950)</u>	<u>(72,708,303)</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

18. Financial risk management (continued)

Financial risk exposures and management (continued)

		Within 1 Year 2019	1 to 5 Years 2019	Total 2019
Financial liabilities due for payment				
Trade and other payables	10	(15,918,630)	-	(15,918,630)
Provisions	11	(188,280)	-	(188,280)
Lease obligations	12	(6,766,649)	(63,982,382)	(70,749,031)
		<u>(22,873,559)</u>	<u>(63,982,382)</u>	<u>(86,855,941)</u>
Financial assets – cash flows realisable				
Cash and cash equivalents	7	4,813,445	-	4,813,445
Trade, term and loan receivables	9	2,868,864	-	2,868,864
		<u>7,682,309</u>	<u>-</u>	<u>7,682,309</u>
Net outflow of financial instruments		<u>(15,191,250)</u>	<u>(63,982,382)</u>	<u>(79,173,632)</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.

19. Movements in liabilities arising from financing activities

The changes in the company's liabilities arising from financing activities can be classified as follows:

	Current lease liabilities £	Non-current lease liabilities £	Total £
1 January 2020	6,766,649	63,982,382	70,749,031
Cash-flows			
Repayment of lease liabilities	(8,500,000)	-	(8,500,000)
Non-cash			
Interest on lease liabilities	1,733,351	-	1,733,351
Reclassification	6,932,432	(6,932,432)	
31 December 2020	<u>6,932,432</u>	<u>57,049,950</u>	<u>63,982,382</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2020

19. Movements in liabilities arising from financing activities (continued)

	Current lease liabilities £	Non-current lease liabilities £	Total £
1 January 2019	-	-	-
Adoption of IFRS 16	8,500,000	68,853,861	77,353,861
Revised 1 January 2019	8,500,000	68,853,861	77,353,861
Cash-flows			
Repayment of lease liabilities	(8,500,000)	-	(8,500,000)
Non-cash			
Interest on lease liabilities	1,895,170	-	1,895,170
Reclassification	4,871,479	(4,871,479)	
31 December 2019	6,766,649	63,982,382	70,749,031

20. Post balance sheet events

On 30 March 2021 a payment of £10,923,000m was received from Transport for Edinburgh Limited in respect of the purchase of B shares in Edinburgh Trams Limited.

21. Prior year restatement

The prior year figures have been restated in the Statement of Financial Position to correct a misstatement relating to a late group tax relief adjustment. As a result of the misstatement, Trade and other receivables and Retained earnings were overstated by £929,270 in the prior year. The impact of the misstatement on the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity is £nil as both statements reflected the late group tax relief adjustment.