

**EDINBURGH TRAMS LIMITED**

**Financial Statements**

**For the year ended 31 December 2022**

**Registered number SC451434**

**EDINBURGH TRAMS LIMITED**

**Financial Statements**

**For the year ended 31 December 2022**

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## **EDINBURGH TRAMS LIMITED**

### **Company Information**

**For the year ended 31 December 2022**

**Board of Directors:**

Andrew David Neal  
George Lowder  
Mark Lea Harrison  
Peter Cushing  
Martin Richard Dean

**Company  
Registration:**

Registered Office      55 Annandale Street  
Edinburgh  
EH7 4AZ

Registration      451434 in Scotland  
Number

Secretary/Solicitor      CMS LLP

**Bankers:**

The Royal Bank of Scotland plc

**Auditor:**

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

## EDINBURGH TRAMS LIMITED

### Strategic Report

For the year ended 31 December 2022

#### Principal Activity

Edinburgh Trams is the Operator and Infrastructure Manager of the city's trams. It offers an award-winning, world class, integrated, environmentally friendly, and socially inclusive mode of transport whilst playing a central role in the future prosperity of Edinburgh and the Lothians.

2022 has once again brought many challenges to the team at Edinburgh Trams; however, by taking into consideration short and long-term solutions that best meet the company's values, we have reviewed, refined and created new processes to both respond and work on solutions for the overall success of the business.

2022 was a challenging year and can be split into two ; the first half of the year saw the remaining limitations and restrictions of continuing effects of COVID which reflected on public confidence during the initial months; the second half, by contrast, proved more fruitful in terms of usage as a result of the lifting of such restrictions in April and May. The total patronage for the year was reported as 4.8m with a split of 40% recovery in the first half of the year rising to 60% in the second half.

Following the relaxation of travel restrictions, our premium fares in relation to airport travel, recovered extremely well and exceeded City Zone recovery, resulting in higher revenue recovery rate versus patronage, including some weeks whereby revenues recovered to over 90% in comparison to 2019 pre-covid.

Recovery within the City Zone was hindered by organisations in the city continuing to allow staff to work from home on either a hybrid, or permanent, basis. It has taken until late October / early November for us to witness the return of the AM peak travel time zone. Up until then, the mid-day and evenings -based on our Monday to Friday operations recorded the highest trams usage.

Although our recovery remains behind pre-covid levels with regard to patronage numbers, we have taken some comfort from the fact that our busiest hour in the day is once more between 8am and 9am.

Weekend travel remains above average recovery levels and in addition Edinburgh Trams offered free tram travel to all following the renewed Hogmanay celebrations that Edinburgh is famous for, with thousands using our service on 31<sup>st</sup> December to safely see themselves home or back to their place of residence whilst holidaying in Edinburgh. Some people now see this journey as part of their Edinburgh festive stay, and we receive many commendations and notes of thanks for providing this free service on the night.

Edinburgh Trams, via support from Edinburgh City Council, participated in the Under 22's Free Travel Scheme from the 31<sup>st</sup> of January 2022 which was aimed at U22s bus travel throughout Scotland. This was a scheme promoted by Transport Scotland via Scottish Government. It is extremely disappointing to report the funding offered by Transport Scotland was not extended to the Light Rail Industry (i.e., Edinburgh Trams and the Glasgow Subway) despite our best efforts to have ETL incorporated into the scheme. For 2022 only, CEC have agreed to fund the acceptance of all Under 22's cards for Edinburgh residents only, but only until 31 March 2023.

In terms of COVID financial support, Transport Scotland provided financial support throughout the transport industry in general, including Edinburgh Trams. This funding ended on 31<sup>st</sup> March 2022 for the light rail sector whilst Scottish Government continued to provide assistance for other sectors, including bus, beyond that date. This had an effect on Edinburgh Trams in terms of fares protocols and integrated fares as it constrained our ability to increase fares, creating a suppression out-with our control.

The value of support provided to Edinburgh Trams for January to March was £1.958m bringing the full support value throughout the pandemic to £17.5m.

With the cessation of further support from Government from April 2022 onwards, the team worked tirelessly to explore every avenue of financial gain whilst continuing to provide a safe and high quality journey experience for passengers. Edinburgh Trams has a one team approach with members of the management team and non-operational staff often found providing support out on the network during events and incidents. We have received many messages of support surrounding the working environment and team effort in assisting when required at the coal face. All staff are involved in event management for planned events such as major Rugby matches or concerts at Murrayfield and Ingliston to assisting customers at trams stops when the city centre experiences congestion, all to meet and exceed our customers' expectations.

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Principal Activity (continued)**

The above support contributed to the recovery of the second half of the year and encouraged public confidence on the usage of trams as their mode of transport. This is endorsed by the reporting of a significant increase in patronage numbers during the same period.

In order, to maximise our advertising opportunities, our marketing team worked very hard and managed to achieve the full fleet in commercial tram wraps for November and December. This is the first time since ETL were awarded ownership rights to deal with tram advertising that we have been able to achieve so despite being behind expectations by -9% after 6 months. Our final position was +3% by the end of December 2022.

2022 also encompassed the successful launch of a more comprehensive website, and its associated app, that allows us to monitor and quickly cross reference both authority and permission to carry out works on, or near the tramway, in a safe and controlled manner. Up until 2022, costs associated with working within the controlled area around the tram system has been absorbed by Edinburgh Trams. This new app allows ETL to recharge for costs incurred but also makes it possible for contractors to fully complete a request, upload proof of accreditations and risk assessments to undertake such agreed works and then pay for the he services. This app will continue to be developed throughout 2023.

#### **Company Fleet and Timetable**

Edinburgh Trams has a fleet of 27 trams and operates seven days a week serving what is now 15 stops due to the closure of the tram stop at York Place in February 2022 to allow for the connecting of the existing tram track to the extended line to Newhaven.

Whilst receiving support from Transport Scotland we were required to operate the first and last published timetabled tram and at least a 15-minute service in-between.

In June 2022 we resumed our normal timetabled service, running from every seven minutes. This was delivered ahead of patronage demand to give space and confidence to customers. Additional commercial data analysis was implemented in the year to monitor passenger movements, and where necessary, our "hot spares" were once again deployed to guarantee social distancing; thus, public confidence increased during their journey experience.

#### **Our Values**

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

##### **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 Recognition**

- Encourage internal career progression.
- Develop and invest in colleagues.
- Recognise and reward exceptional performance.

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Our Values (continued)**

**v. Exceed the Customers' expectations.**

- Operate a safe and reliable system.
- Provide excellent customer service.
- Establish both an excellent internal and external customer service culture.

#### **Trams to Newhaven Project (ETYN)**

Work to complete the construction of the Trams to Newhaven project remains on track for operational handover in late spring 2023.

Throughout 2022 and into 2023 Edinburgh Trams has been ramping up to ensure that we are able to provide the resources required for the testing and commissioning phase and to ensure operational readiness from the point of handover. Throughout the year, our HR and training departments have worked industriously to recruit and train the staff required, in particular drivers. Despite the prevailing labour market conditions whereby many organisations within the city and beyond have experienced difficulty in filling vacancies, ETL's response rate to our recruitment campaign was encouragingly strong, to the extent that our HR team closed the application process earlier than expected. Demonstrating that Edinburgh Tram is perceived as an attractive employer.

In addition, we have worked to ensure that maintenance coverage is in place for both the additional volume of trams required and for the additional infrastructure.

In summary:

- Edinburgh Trams has completed the training of drivers as a requirement for the Testing & Commissioning of ETYN.
- ET has supported the successful completion of this 'Operation Milestone Delivery' for planned removal of York Place tram stop (OM1 & OM2) and Electrification of ETYN (OM4).
- We continue to make timely progress to Early Tram Movements (OM3a) and Signal Integration (OM7a).

#### **Costing Review**

In line with what we reported last year, the management action across all our departments has resulted in almost all direct lines of our accounts being favourable to our set budget expectations. During the first three months of the year, we operated at less than budgeted headcount due to volume of passengers and postponed current recruitment campaigns which were resumed in line with patronage recovery. Some maintenance costs associated with either CPI or RPI was slightly higher than the budget; however, such costs were offset with savings other areas.

Costs management also include the continued secondment of certain staff to the Trams to Newhaven project. These staff members have proven to be excellent ambassadors for ETL in liaising with local residents and business in keeping them informed and supplied with relevant information and ongoing updates of developments on the tram extension. Our internal development programme has also continued throughout 2022, with several members of staff being promoted upwards in within our company structure. Wherever suitable, we have explored and implemented savings by using internal staff deployment to perform a variety of duties, as opposed to external contractors. Our internal training department, whilst ensuring all competences for driving requirements are fully compliant, were also able to oversee the training of other areas of business now being managed in-house.

Savings were also achieved as a result of the change in activities associated with the reduction in passenger journeys, as well as the decrease of marketing activity, general transactions, and traction power. Furthermore, depot and company overheads were reduced where possible.

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Maintenance Support**

Edinburgh Trams remains fully responsible for the management of the maintenance contracts with the following contractors:

- Construcciones Y Auxiliar De Ferrocarriles S.A. (CAF) [for tram maintenance].
- Flowbird Transport Ltd [for ticketing equipment maintenance].
- Infracore (a consortium between Siemens Mobility Ltd and Bilfinger Construction UK) [for infrastructure maintenance].

We are responsible for the full payment of the maintenance costs which are made directly to our maintenance providers.

We continue to meet with all the maintainers formally every four weeks to monitor their performance and to agree payment in terms of their individual contracts. As part of that monitoring process, we also carry out annual audits of the maintainers to ensure compliance with the contract and to review their procedures for managing their works (e.g., fatigue and competence management and safety process, amongst others).

Within our business' planning objectives, we also monitor our Key Performance Indicators to track both our own performance and that of the maintainers, and after each period we send a report to the client, The City of Edinburgh Council. That information is collated in the annual report to the client.

In 2022, we commenced an implementation process to introduce Leadmind to our tram fleet, which will automatically apply the brakes when significant over-speeding occurs. At the same time, we are also installing emergency battery powered emergency lighting on our fleet, following recommendations from the RAIB report 18/2017 about the overturning of a tram at Sandilands junction. This work is planned to be completed by December 2023.

#### **COVID-19**

We are pleased to advise that, even though we have continued with all recommended levels of safeguards as per advised by government, the lifting of restrictions from April 2022 onwards contributed to an increase in passenger levels.

We now operate a full office-based working environment due to the nature of our business and mechanisms required to support our operational activities and have fully encourage all our staff to return to the office.

Full cleaning measures, including regular fogging procedures of both office space and trams, were undertaken throughout the year.

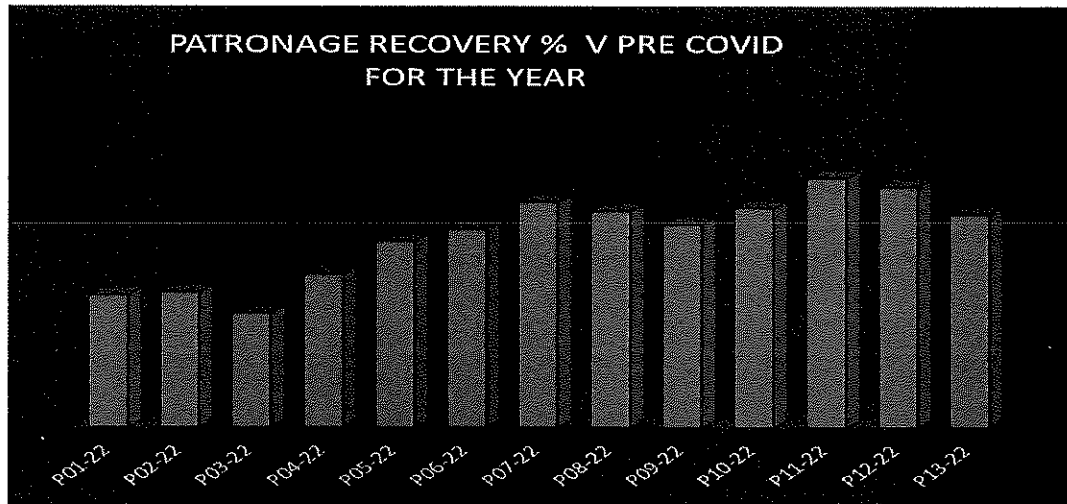
## EDINBURGH TRAMS LIMITED

### Strategic Report

For the year ended 31 December 2022

#### Patronage Overview Through 2022

The graphical representation of our yearly trend illustrates the highs and lows of the year.



- During the year, over 60% of passenger journeys occurred in the second half of the year.
- The impact of restrictions being lifted can be seen from late April onwards.
- The return of the Edinburgh Festival, full programme of events at Murrayfield (i.e. Scottish Rugby & Eagles Concert).
- The return of Edinburgh's festive markets and Hogmanay celebrations.
- All above collectively impacted on a positive recovery profile for 2022.

#### **Asset Management**

Under the terms of the Operating Agreement as varied on 30<sup>th</sup> April 2021, CEC is responsible for the cost of Asset Renewals.

As per the Operating Agreement, Edinburgh Trams submitted the draft Annual Asset Renewals Plan which provides more detail and more accurate costings for the activities on 29<sup>th</sup> July 2022. CEC reviewed the information provided and the estimated costs and approved all the activities that were included in the plan.

Further to this, ETL submitted to CEC, as per the Operating Agreement, the ten-year plan that includes expected renewal activities and an estimated cost for these activities for the subsequent ten years on 31<sup>st</sup> October 2022.

As per the previous years, a process has been agreed between ETL and CEC whereby prior to generating and issuing any change documentation or purchase orders to our suppliers, we have in place a purchase order from CEC to cover the expected cost. This provides ETL with the security that any cost incurred can be re-charged and recovered quickly, minimising the impact upon our cashflow. Any changes to the plan throughout the year, including price changes are discussed and captured via an agreed change process within the four-weekly Contract Liaison Meeting. Both processes have been now embedded in both organisations and all payments or changes are agreed in a timely manner.



## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Asset Management (continued)**

The key activities of the 2022/2023 Asset Renewals Plan (CEC financial year is running April to March) that were completed in 2022 were:

- The replacement of obsolete equipment in the Edinburgh Tram Operator Control Centre (OCC) that was required for the Trams to Newhaven project. The preferred supplier, Siemens, replaced end-of-life hardware and operating systems at the OCC. Part of the project was also the replacement of the Radio Base-stations due to obsolescence and to increase the storage capacity for the CCTV footage recording. This project ensured that the Trams to Newhaven section can be included in the existing network and that the network is serviceable and maintainable for the foreseeable future.
- The renewal of obsolete lighting units in the depot workshop. The replacement of the lights is driven by safety concerns that can be generated should the existing lights fail. The new lighting units installed are LEDs and connected through a smart system that allows Edinburgh Trams to achieve energy efficiencies.
- The Ticketing Equipment renewals. Early in the project it was identified that in order to achieve economies of scale and significantly improve the ticketing equipment and their offered functionalities, a decision was made to combine the existing Renewals budget and the Trams to Newhaven ticketing budget. This project is divided in four phases.
  - Phase 1 is the like-for-like replacement and enhancement of Platform Validators for the existing line and the development of a cloud based back office.
  - Phase 2 is the like-for-like replacement and enhancement of the Handheld devices used by the Ticketing Services assistants.
  - Phase 3 is the installation of all ticketing equipment on the eight Trams to Newhaven tram stops.
  - Phase 4 is the introduction of the 'Account Based Ticketing' (ABT) system. This is an integrated fare capping system between buses and trams where customers can use contactless payments (tapping on and off with their cards) on the Platform Validators.

The Platform Validators were installed in April 2022 and the Handheld devices were introduced end of 2022. Phase 3 is expected to be completed by Q2 2023 in line with the Trams to Newhaven go live schedule and Phase 4 is expected to be completed by the end of 2023.

#### **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.

Good progress has been made with both ETL and maintainer environmental objectives in 2022, which have been designed to both reduce our Green House Gas (GHG) emissions and our overall impact on the environment.

Zero Non-Conformities were raised against our ISO 14001 certified Environmental Management System by BSI our external auditor, with all internally raised audit actions being fully closed out on the Master Action Tracker.

All environmental reports have also been appropriately closed out on the Environmental Communications Log. These ranged from contractors not complying with our waste management processes, to oil spills on the Depot and invasive plant species being identified at new locations on our network.

#### **Energy efficiency:**

- Non-Traction Energy recorded a 43% reduction GHG emissions against the previous year. This was achieved by a reduction in emissions per kwh generated by our electricity supplier, along with the replacement of £100K depot lighting to LED.
- Depot Gas usage recorded a 27% increase in GHG emissions generated against the previous year due to an increase in heating demand over the winter months of 2022.
- Traction Energy recorded a 37% reduction in Traction Power GHG emissions against the previous year. This was predominantly achieved by a reduction in emissions per kwh generated by our electricity supplier.

# EDINBURGH TRAMS LIMITED

## Strategic Report

For the year ended 31 December 2022

### Energy Efficiency & Environmental Management (continued)

Future environmental objectives being proposed by management include:

- Evaluate cost comparison of transitioning to:
  - Zero Carbon Energy tariff vs Renewable Energy (Green) tariff vs Low Carbon (Current) & Biogas vs Natural Gas (Current)
- Replace depot boilers with energy efficient ones by April 2023.
- We will replace £100k worth of lighting on the depot car park with energy efficient LEDs.
- Increase the size of the local containers to minimise the extent of our waste transportation. It is proposed to increase the compactor from an 8yrd to a 24yrd.
- Reduction of paper usage introducing tablets to minimise paper use:
  - DM's (Q1-Q2).
  - Controllers (Q3 – Q4).
- Replace ETL internal combustion engine fleet vehicles on obsolescence with EV alternatives (Rolling objective 2023 – 2030).

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

<b>Streamlined Energy &amp; Carbon Reporting ( SECR )</b>			
<b>Description</b>	<b>2022 Usage kWh</b>	<b>Movement from 2021</b>	<b>% Incr/Decr kWh</b>
<b>Tram Traction</b>	<b>7,918,300</b>	<b>377,771</b>	<b>5.0%</b>
<b>Domestic Elec</b>	<b>795,955 -</b>	<b>34,263</b>	<b>-4.1%</b>
<b>Total Electricity</b>	<b>8,370,747</b>	<b>825,409</b>	<b>4.1%</b>
<b>Description</b>	<b>2022 Usage kWh</b>	<b>Variance kWh</b>	<b>% Decrease kWh</b>
<b>Gas Usage</b>	<b>531,794</b>	<b>111,844</b>	<b>26.6%</b>
<b>Vehicle Mileage</b>	<b>2022 Mileage</b>	<b>Movement</b>	<b>% Movement</b>
<b>All Road Vehicles</b>	<b>39,330</b>	<b>8,241</b>	<b>27%</b>
<b>Main variance relates to Tram Traction due to increased mileage operated in 2022</b>			

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Health & Safety\Environmental Policy Statements**

Edinburgh Trams has had a successful year, winning the award for Emergency Response Engagement at the Light Rail Awards in 2022, with good progress being made on our Safety and Environmental objectives.

ETL has provided resource and expertise to support the Trams to Newhaven project (ETYN). This is progressing well with Edinburgh Tram providing accurate and timely responses to Technical Queries, General Communications, and design submissions.

There were four incidents of tram contact with other road vehicles which were deemed non blameworthy. Neither there were incidents of wrong-side door openings. Of the 14 Signal Passed at Stop (SPAS) incidents all were level one low-risk SPAS events. There were no medium/high-risk SPAS incidents in 2022.

We experienced an increase in Anti-Social behaviour, particularly in attempted Tram surfing; however, out of the 145 Tram surfing attempts, only 20 were successful, with none resulting in injury.

ETL continues to support the Edinburgh Climate Commission and has made significant progress with our internal environmental objectives. We have met five of five newly introduced Environmental Key Performance Indicators (EKPI's), with a large reduction in emissions generated by our electricity supplier for our use of both Traction and Non-Traction Power.

Success can also be witnessed in the recommendations documented in the RAIB report into the Sandilands accident, with collaboration between other Tram Operators and LRSSB. LeadMind is the solution to deliver an automatic braking system in the event of overspeed and is currently being rolled out across the fleet, uninterrupted emergency lighting is being installed as part of the PIS/PAS/PA renewal and the FOCUS+ is on trial.

In respect of the Saughton fatality, ETL have been fully compliant when assisting all relevant parties with their ongoing enquiries and investigations with all requests for information being supplied in a timely manner. We will continue to work fully with respective parties as we await the final outcome of the enquiry.

#### **HR Recruitment Strategy – Including Ramp Up for TtN strategy.**

The driver recruitment campaign for Trams to Newhaven started in April 2022. Since then, the HR team has processed over a thousand candidates for six intakes of 41 new starts throughout 2022 and the start of 2023. To support the internal process, we upskilled management and support staff to provide support for recruitment days. The assessment day involved using our Simulator and a Hazard Perception test together with behavioural task such as a group exercise and interview. Candidates were invited to an assessment day after successfully completing an online concentration test.

The Ticketing Services recruitment campaign has just started for Trams to Newhaven. This involves advertising, radio campaign, leaflet handouts and engaging with new organisations such as the job centre, Edinburgh Guarantee Scheme and Armed Forces Covenant. To recruit 40 extra staff, we will process approximately over 300 applications to account for a higher level of unsuccessful candidates in this bracket of work.

#### **Training Regime**

ETL reviewed and developed recruitment and training provision to meet the expectations of the ETYN project. Recruitment selection process was re-designed from application stage to assessment centre and testing. This resulting in some efficiencies in relation to cost per recruitment campaign of about £60 per candidate for testing costs.

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Training Regime (continued)**

Each recruitment campaign was developed to feed into the training course element. Training courses were reviewed and further enhanced to balance onboarding costs throughout the project milestones. This was achieved by facilitating a stacked approach with courses overlapping with an increased number of candidates per course (6 to 8). This was achieved by the implementation of the Simulator and increasing the training team resources by three secondments which also benefited from some efficiencies in relation to onboarding costs and energy savings.

Throughout the ramp up plan we had a total of 41 trainees with five not meeting training expectations. This resulted in an 88% success rate this based on previous data shows overall a 7% increase. There were additional courses planned in for 2023 to counter act internal movement.

#### **Information Technology**

The IT Dept have been involved in several key projects during 2022 in addition to providing technical lead for the renewals ticketing and Agility integration projects. Key developments for 2022 are outlined below.

- Implementation of a new Information Technology Service Management platform (ITSM) 'HALO' to improve several processes including IT asset management and ticket management.
- Cyber Security improvements including commissioning of a 'Cybersecurity Technical Assessment' by our security partner (Sapphire), implementation of monthly vulnerability scanning, internal and external penetration testing, Web Application testing.
- New internet circuits were installed to increase business resilience.

#### **Operational Performance**

Overall Operational Performance for 2022 saw service reliability remain extremely strong with 98.8% of all journeys completed. Given the challenges the business faced with regards to COVID and the post COVID job market, achieving this high is by no mean feat. This is down to a well-built business model that has dual trained staff across the business which has ultimately provided the resilience required to achieve this. On top of this the flexibility of all colleagues in terms of their approach to work means we can nearly always call on someone with driver competence to ensure the wheels keep turning and we provide a reliable safe service for our customers.

The journeys we have dropped have been largely as a result of external factors such as emergency services closing the road, extreme weather and congestion in the city centre. In addition to the above we have continued to attract a high number of candidates for the Tram Driving role and have often had to shut the vacancy early to cope with the number of interested candidates. This goes against the general challenge most companies are facing to full frontline operational roles and has allowed us to continue our ramp up in readiness for ETYN.

# EDINBURGH TRAMS LIMITED

## Strategic Report

For the year ended 31 December 2022

### Financial Results

	Year to 2022 £	Year to 2021 £
Revenue	13,595,375	6,278,111
Other income	2,010,223	10,077,800
Administrative expenses	(27,194,580)	(23,562,358)
Loss from operations – (operating loss)	(11,588,982)	(7,206,447)
Gain on disposal of property, plant and equipment	-	12,099
Loss before finance costs and income tax expense	(11,588,982)	(7,194,348)
Finance Costs	(1,408,037)	(1,567,568)
Loss Before income tax expense	(12,997,019)	(8,761,916)
Income tax	2,107,332	1,430
Loss for the full year	(10,889,687)	(8,760,486)

### KPIs

	2022	2021
Revenue	13.6m	6.3m
Other income	2.0m	10.1m
Total Revenue	15.6m	16.4m
Yr on Yr Decrease	5%	38%
Loss from Operations	-11.59m	-7.21m
Loss from Operations%	-74.3%	-44.0%
Patronage	4.78m	2.59m
Yr on Yr movement	85%	10.3%
Health and Safety benchmarks 7 out of 13 achieved in 2022	54%	91%
Staff Turnover	21%	20%
Mileage operated	1,369k	1,134k
Yr on Yr Movement	21%	96%

## EDINBURGH TRAMS LIMITED

### Strategic Report

For the year ended 31 December 2022

#### KPIs (continued)

Complaints Per 10k	1.79	2.5
Institute of Customer Service – UK CSI Points Score	N/A	N/A
No survey due to COVID		
Customer Service Response Times	34.5min	36min
Reliability Performance	98.8%	99.0%
Tram – Peak Vehicle Requirement (PVR) Jan-Mar 2022	15	15
Tram – Peak Vehicle Requirement (PVR) Apr-Dec 2022	15	15
Special Event Trams (Match Day Utilisation) – Feb 22 Only)	20	20

#### Board Meeting Attendance

<u>Board Member Name</u>	<u>No of Meetings</u>	<u>Meetings Attended</u>	<u>Attendance %</u>
Martin Dean (Chair)	5	5	100%
Peter Cushing	5	5	100%
Mark Lea Harrison	5	5	100%
George Lowder	5	5	100%
Andrew Neal	5	5	100%

#### Financial Special Project

Edinburgh Trams in partnership with UK Tram and Codemakers, a web development organisation, developed and delivered a web platform that stakeholders can apply for an Authority to Work (ATW) permit online. In preparation for an increased workload, once Trams to Newhaven is operational, and to ensure that any works on or around the Edinburgh Trams infrastructure are conducted in a safe manner, a decision was made to alter the existing paper-based ATW process to a digital version. This will allow the business to process in safe manner the increased volume of applications anticipated once the ETL network will increase. The web platform will also introduce an admin fee for the applicants to pay to offset the ATW related costs that Edinburgh Trams incurs. Between November 2022 to January 2023 the ATW web platform was operating in parallel with the paper-based process, as a trial period to ensure a safe transition between the two processes. Currently the business is using the ATW web platform exclusively and positive feedback has been received from our stakeholders.

In 2022 Edinburgh Trams signed the Edinburgh Environmental Climate Compact, to achieve net zero emissions by 2030 and to act in order to reduce the city's carbon emissions. As part of this effort, 10 EV Charging points were installed in the Gogar Depot car park. Edinburgh Trams also secured £10k funding for this project from the Energy Saving Trust. Edinburgh Trams are also supporting Energy Mutual on a feasibility study that they are conducting. The purpose of this study is to verify that the surplus DC Traction power from the substations can be used from EV Charging points that could be installed. It is anticipated that the installed EV Charging point in the depot will be utilised by Energy Mutual for this study.

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Financial Special Project (continued)**

Edinburgh Trams has been instructed by City of Edinburgh Council (CEC) to procure and project manage the Ticketing System Renewal due to it becoming obsolete. The equipment being renewed are the Platform Validators and the Handheld Devices. As part of the Integrated Fare Collection System that CEC is aspiring to deliver, Edinburgh Trams was also instructed to deliver the Account Based Ticketing (ABT) system. This is the introduction of a contactless payment system, that will be capped with the same capping rules that Lothian Buses are currently offering to their passengers. The Edinburgh Trams ABT system will be integrated with the Lothian Buses ABT system. Flowbird has been instructed to develop the software and back-office modules to achieve this project.

#### **Awards & Recognition**

As the Covid-19 restrictions eased in 2021, award ceremonies resumed last year. The company submitted entries to the 2022 Chamber Business Awards and were proud with four being shortlisted ahead of the event in February. In recognition for the company's efforts during the pandemic, judges recognised our work in the categories of Digital Marketing, Innovation in Business, Large Business of the Year, and Director of the Year for Lea Harrison. We were overjoyed to be awarded the top accolade of the evening winning the coveted title of Large Business of the Year in 2022.

Furthermore, the Scottish Transport Awards took place in September, with our colleague Stuart Means from Engineering being named Frontline Employee of the year. We also reached shortlist in the Most Effective in Road Safety, Traffic Management and Enforcement, and the Excellence in Technology and Innovation categories. A few weeks later, the business attended the Global Light Rail Awards at London's Honourable Artillery Company after being shortlisted for the safety accolade as well as the Rising Star category, where Marilena Papadopoulou, our Renewals Manager, was a front runner. On this occasion, we managed to impress judges with a series of safety exercises carried out by our Safety Department which secured us the top honours in the Significant Safety Initiative title. Marilena was highly commended in her own category.

#### **Corporate & Social Responsibility (CSR)**

Edinburgh Trams continued to acknowledge all government guidelines in relation to Covid-19 recommendations and guidance which were strictly adhered to. The lifting of restrictions in full witnessed an immediate return to increased passengers' numbers as confidence in the use of public transport returns. Our enhanced cleaning regime remained through to the year including the fogging of areas in our depot on a regular basis.

As noted, with our Safety Section ETL continues to support the Edinburgh Climate Commission, making good progress with our internal Environmental objectives. In 2022 ETL met five of five newly introduced Environmental Key Performance Indicators (EKPI's), with a large reduction in emissions generated by our electricity supplier for our use of both Traction and Non-Traction Power.

During 2022 we reviewed our domestic vehicle options with a view to operating as environmentally friendly fleet as possible. With the availability factor, progressive technology, and cost elements, we postponed the timing of the purchase of new vehicles till 2023. This will allow us to evaluate and appraise our options thus ensuring we procure the right vehicles for our specific purposes but can confirm these will be electric vehicles.

During 2022 our charity of choice became Breast Friends who will be the beneficiary of our 2022 Festive Campaign which will result in over £1,000 being donated. Other to benefit from Edinburgh Trams were Poppy Scotland and Edinburgh Cat and Dog Home.

## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Corporate & Social Responsibility (CSR) (continued)**

Edinburgh Trams has also assisted with raising of thousands of pounds for St John Scotland, a charity organisation providing CPR training, increasing public access to defibrillators, being Community First Responders or transporting patients to hospitals. St John Scotland is truly a charity we are proud to support. St John Scotland have taken advantage of being sole charity collector at Murrayfield Tramstop through their bucket shakes.

#### **Transport ALEO Reform**

On 9 July 2020 a report was taken to the Policy and Sustainability Committee of The City of Edinburgh Council (CEC) setting out the current arrangements for the management of the group of the Council's Transport ALEOs, highlighting challenges in continuing to manage existing arrangements. It was agreed that a reform process would be initiated and that initial consultation with the three 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 CEC 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 was facilitated by Jacobs. The first SLWG was held on 2 December 2020. Edinburgh Trams are represented by The Chair and Mr Cushing. The SLWG 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 was to identify an organisational structure that would deliver optimal integration of the Council's public transport companies, to ensure maximum delivery against CEC policies and objectives. The work agreed a set of high-level principles and proposed a legal framework for a single company, with one board. The CEC Transport and Environment Committee considered a further report on 19 August 2021, proposing that Lothian Buses be reconstituted, to be responsible for the management of all Council-owned public transport modes in the city, whilst retaining the brands and services of each of the transport companies. The proposed governance and process for this work was outlined in the Report and an Implementation Board was to be convened to oversee the work. Volunteers for the Implementation Board were sought on the 11 November 2021. The composition of the Implementation Board was confirmed on 31 December 2021, with 2 Non-Executive Members from TfE, 3 from Lothian Buses and 2 from Edinburgh Trams, The Chair and Mr Neal. Separately, Grant Thornton Ltd were been procured and instructed to develop a detailed Project Plan and began interviewing key Stakeholders.

Between January and May 2022, a Letter of Engagement was agreed with Grant Thornton Ltd. This was finally signed by all parties on 11 May 2022. An ALEO Reform Workshop was facilitated by Grant Thornton on 6 June 2022, where ET was represented by the Chair and Mr Neal. The Workshop considered an initial Grant Thornton very high-level Project Plan. Following this Workshop CEC proposed the process be accelerated. ET expressed concern that such an accelerated plan increased risks, especially, but not solely, because of the concurrency with Tram to Newhaven mobilisation, testing and commissioning and opening for service. Some of the other Grant Thornton Proposals were also challenged. It was considered that further, formal, project management support was required, and this was procured through a separate bid process, in which Grant Thornton did not compete.

The Implementation Board continued to meet throughout the latter half of 2022 and on 14 October 2022 the Implementation Board was informed that CEC had engaged Turner and Townsend, supported by Anturas Consulting, to develop a detailed Project Execution Plan. This Plan dated January 2023 was made available to the Chair and circulated to the Board. Concurrently the Implementation Board has been stood down and a Transformation Project Board established. The Chair and Mr Cushing represent ET on this group, which held an inaugural meeting on 24 February 2023. The current key work strand relates to establishing the scope and methodology for due diligence.



## **EDINBURGH TRAMS LIMITED**

### **Strategic Report**

**For the year ended 31 December 2022**

#### **Transport ALEO Reform (continued)**

Whilst Edinburgh Trams remains fully supportive and engaged with this work, the implications for the business are still not yet fully known, or understood, as no firm decisions have yet been taken. Broad principles, risks and opportunities have been identified. Edinburgh Trams awaits the output of the Grant Thornton work and confirmation of the timeframe for implementation. In the interim, the ongoing uncertainty has led to some staff, who considered that they may be impacted by ALEO Reform, leaving the business, having found more secure employment. Edinburgh Trams' focus remains on the mobilisation and testing and commissioning programme for Trams to Newhaven whilst ensuring delivery of a safe and reliable service on the current line, leaving the ET Board to engage with the ALEO Reform process.

#### **Future Developments**

Due for opening in Spring 2023 the team at Edinburgh Trams are fully committed to ensuring the Trams to Newhaven extension is a success and a system that both residents and guests to Edinburgh will be proud of.

The primary focus will be on the testing and commissioning and the opening of the Newhaven extension, ensuring it delivers on the high standards already set by the current line, bringing an exciting new chapter in the growth and development of public transport in Edinburgh.

The expansion to Newhaven will add eight New Tram Stops, Two Electric Sub Stations providing a further Eight Kilometres of track.

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 2022

#### Directors

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

Remuneration was paid to the following Directors:

	2022 £	2021 £
Mark Lea Harrison	167,115	191,442
Andrew Neal	6,000	6,000
Peter Cushing	6,000	6,000
Martin Richard Dean (Chair)	12,000	12,000
George Lowder	-	-
Aggregate emoluments and benefits	<u>191,115</u>	<u>215,442</u>

#### Results and Dividends

The results for the year are set out on page 22.

There were no dividends paid during the financial year (2021: nil).

#### Financial instruments

The company has disclosed the financial instruments in Note 18 of the financial statements.

The company does not have any derivative instruments at 31 December 2022.

#### 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 UK adopted International Accounting Standards. 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.

**EDINBURGH TRAMS LIMITED**

**Directors' Report**

**For the year ended 31 December 2022**

**Disclosure of Information to Auditor**

We, the directors of the company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Auditor**

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: 19 May 2023

  
**Martin Dean**  
Chairperson

## **EDINBURGH TRAMS LIMITED**

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

**For the year ended 31 December 2022**

#### **Opinion**

We have audited the financial statements of Edinburgh Trams Limited (the 'company') for the year ended 31 December 2022 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 UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; 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 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 other 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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **EDINBURGH TRAMS LIMITED**

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

**For the year ended 31 December 2022**

#### **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 and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 17, 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.

#### **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.

#### **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, 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.

## EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2022

#### Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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 is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

#### 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  
Sample Street  
Edinburgh  
EH3 8BL

Date: 19 May 2023

**EDINBURGH TRAMS LIMITED**

**Statement of Profit or Loss and Other Comprehensive Income**

**For the year ended 31 December 2022**

	Note	2022 £	2021 £
<b>Continuing operations</b>			
Revenue		13,595,375	6,278,111
Other income	3	2,010,223	10,077,800
Administrative expenses		<u>(27,194,580)</u>	<u>(23,562,358)</u>
<b>Operating loss before interest and income tax expenses</b>	2	(11,588,982)	(7,206,447)
Gain on sale		-	12,099
Finance costs	4	<u>(1,408,037)</u>	<u>(1,567,568)</u>
<b>Loss before income tax expense</b>		(12,997,019)	(8,761,916)
Income tax expense	5	<u>2,107,332</u>	<u>1,430</u>
<b>Loss for the year</b>		(10,889,687)	(8,760,486)
		<u><u>                    </u></u>	<u><u>                    </u></u>
Attributable to: Equity holders		(10,889,687)	(8,760,486)
		<u><u>                    </u></u>	<u><u>                    </u></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 26 to 46 form part of these financial statements

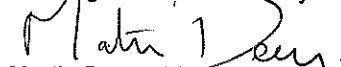
**EDINBURGH TRAMS LIMITED**

**Statement of Financial Position**

**As at 31 December 2022**

	Note	As at 31-Dec 2022 £	As at 31-Dec 2021 £
Non-current assets			
Property, plant and equipment	8	47,824,022	55,289,085
Total non-current assets		<u>47,824,022</u>	<u>55,289,085</u>
Current assets			
Cash and cash equivalents	7	2,470,312	5,346,411
Trade and other receivables	9	6,615,264	4,971,777
Total current assets		<u>9,085,576</u>	<u>10,318,188</u>
Total assets		<u>56,909,598</u>	<u>65,607,273</u>
Equity and liabilities			
Contributed equity	13	36,054,001	28,054,001
Retained earnings	15	(44,274,755)	(33,385,068)
Total equity		<u>(8,220,754)</u>	<u>(5,331,067)</u>
Liabilities			
Non-current liabilities			
Lease liabilities	12	42,671,392	49,947,674
Total non-current liabilities		<u>42,671,392</u>	<u>49,947,674</u>
Current liabilities			
Trade and other payables	10	14,848,275	13,668,390
Lease liabilities	12	7,276,282	7,102,276
Provisions	11	334,403	220,000
Total current liabilities		<u>22,458,960</u>	<u>20,990,666</u>
Total liabilities		<u>65,130,352</u>	<u>70,938,340</u>
Total equity and liabilities		<u>56,909,598</u>	<u>65,607,273</u>

The financial statements were authorised for issue by the Board of Directors on 19TH May 2023 and were signed on its behalf by:

  
Martin Dean, Chair

Registered number SC451434

The accompanying notes on pages 26 to 46 form part of these financial statements



**EDINBURGH TRAMS LIMITED**

**Statement of Changes in Equity**

**For the year ended 31 December 2022**

	<b>Note</b>	<b>Share Capital £</b>	<b>Retained Earnings £</b>	<b>Total £</b>
<b>Balance at 1 January 2021</b>		17,131,001	(24,624,582)	(7,493,581)
Issue of share capital		10,923,000	-	10,923,000
<b>Comprehensive income</b>				
Loss for the year		-	(8,760,486)	(8,760,486)
<b>Balance at 31 December 2021</b>		28,054,001	(33,385,068)	(5,331,067)
Issue of share capital	13	8,000,000	-	8,000,000
<b>Comprehensive income</b>				
Loss for the year	15	-	(10,889,687)	(10,889,687)
<b>Balance at 31 December 2022</b>		<u>36,054,001</u>	<u>(44,274,755)</u>	<u>(8,220,754)</u>

The accompanying notes on pages 26 to 46 form part of these financial statements

**EDINBURGH TRAMS LIMITED**

**Statement of Cash Flows**

**For the year ended 31 December 2022**

	<b>Note</b>	<b>Year to 2022 £</b>	<b>Year to 2021 £</b>
<b>Cash flow from operating activities</b>			
<b>Loss from operations</b>		(10,889,687)	(8,760,486)
Adjustments for:			
Depreciation	8	7,465,200	7,520,654
Finance costs	4	1,408,037	1,567,568
Changes in assets and liabilities:			
Decrease/(increase) in receivables and other financial assets		(1,648,003)	4,751,661
(Decrease)/increase in payables		1,179,885	(4,861,969)
(Decrease)/increase in provisions		114,403	220,000
<b>Cash flows from operations</b>		(2,370,165)	437,428
Income tax (paid)/received		(5,934)	-
<b>Net cash flows from operating activities</b>		(2,376,099)	437,428
<b>Cash flow from investing activities:</b>			
Purchase of property plant and equipment	8	-	(15,995)
Disposal of property plant and equipment	8	-	8,901
<b>Net cash flows from investing activities</b>		-	(7,094)
<b>Cash flow from financing activities</b>			
Issue of share capital		8,000,000	10,923,000
Payments of lease liabilities	19	(8,500,000)	(8,500,000)
<b>Net cash flows from financing activities</b>		(500,000)	2,423,000
Net increase/(decrease) in cash and cash equivalents		(2,876,099)	2,853,334
Cash and cash equivalents at beginning of period		5,346,411	2,493,077
<b>Cash and cash equivalents at end of period</b>		2,470,312	5,346,411
Bank balances and cash	7	2,470,312	5,346,411

The accompanying notes on pages 26 to 46 form part of these financial statements

## EDINBURGH TRAMS LIMITED

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 1. Statement of significant accounting policies

##### Company Information

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 16.

##### Accounting Convention

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 financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000. All revenue is recognised in the UK, there are no revenue streams outside the UK.

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

##### Adoption of new and revised standards

The company has adopted, where applicable, the following new and amended IFRSs as of 1 January 2022:

- Annual Improvements to IFRS: 2018 – 2020 Cycle
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2022 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 2022, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendment to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)	1 January 2024

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 2022**

#### **1. Statement of significant accounting policies (continued)**

##### **Basis of preparation**

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

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

##### **a. Going concern**

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

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

ETL became the Operator and Maintainer of the Edinburgh tram system. CEC will continue to provide sufficient cash to meet all of ETL cost and have issued a letter of comfort giving assurance on this matter.

##### **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 Statement of Financial Position 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 2022**

**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:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
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.

## **EDINBURGH TRAMS LIMITED**

### **Notes to the Financial Statements**

**For the year ended 31 December 2022**

#### **1. Statement of significant accounting policies (continued)**

##### **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.

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, 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 Statement of Financial Position. 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.

## **EDINBURGH TRAMS LIMITED**

### **Notes to the Financial Statements**

**For the year ended 31 December 2022**

#### **1. Statement of significant accounting policies (continued)**

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 is split between non-current liabilities and current liabilities.

##### **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](http://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 2022, central support via Transport Scotland has been recognised within the income statement.

## EDINBURGH TRAMS LIMITED

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 1. Statement of significant accounting policies (continued)

##### 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.

##### 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.



## EDINBURGH TRAMS LIMITED

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 1. Statement of significant accounting policies (continued)

##### n. 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.

##### n. 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.

##### o. Share capital

Ordinary shares are classified as equity.

##### p. Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

##### q. Trade and other receivables

Trade receivables are obligations to receive payment for goods or services that have been sold in the ordinary course of business to customers. Accounts receivable are classed as current debtors if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are classed as non-current assets. Trade receivables are recognised net of a provision for bad or doubtful debts (if applicable).

IFRS 9 requires an expected credit loss ("ECL") model which requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The main financial asset that is subject to the expected credit loss model is trade receivables, which consist of billed receivables arising from contracts.

Given the nature of the receivables we have considered the ECL to not be applicable.

##### r. Dividends

Dividends are recognised when declared during the financial year.

**EDINBURGH TRAMS LIMITED**

**Notes to the Financial Statements**

**For the year ended 31 December 2022**

**1. Statement of significant accounting policies (continued)**

**s. Current and non-current classification**

Assets and liabilities are presented in Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at the least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**EDINBURGH TRAMS LIMITED**

**Notes to the Financial Statements**

**For the year ended 31 December 2022**

**2. Loss on ordinary activities**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>The loss is stated after charging</b>		
Auditor's remuneration:		
Audit services	24,000	19,365
Non-audit services	6,070	5,635
Infrastructure maintenance	4,913,666	4,470,224
Depreciation and other amounts written off tangible fixed assets:		
Owned	61,360	116,813
Right-of-use assets	7,403,840	7,403,841
	<u>7,403,840</u>	<u>7,403,841</u>

**3. Other income**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Government grant income	1,957,610	10,077,800
Other sundry income	52,613	-
	<u>2,010,223</u>	<u>10,077,800</u>

**4. Finance Costs**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Lease charges	1,408,037	1,567,568
	<u>1,408,037</u>	<u>1,567,568</u>

**5. Income tax**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Current tax:		
Group relief receivable	(1,810,333)	(1,430)
Adjustment in respect of prior periods	(296,999)	-
	<u>(2,107,332)</u>	<u>(1,430)</u>
Tax on (loss)/profit for the year	<u>(2,107,332)</u>	<u>(1,430)</u>

The effective tax rate for the year ended 31 December 2022 is calculated at 19% (2021: 19%) of the estimated assessable (loss)/profit for the year.

The company has trade losses carried forward of £22,545,954 (2021: £19,378,931) which has prudently not been recognised in the accounts.

**EDINBURGH TRAMS LIMITED**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**5. Income tax (continued)**

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

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
(Loss)/profit for the year before taxation	(12,997,019)	(8,761,916)
Tax on (loss)/profit for the year at the effective rate of 19% (2021 – 19%)	(2,469,434)	(1,664,764)
Effects of:		
Expenses not deductible for tax purposes	57,614	-
Fixed asset differences	(1,927)	(1,858)
Other differences	32	130
Group relief surrendered	1,810,333	1,430
Group relief claimed	(1,810,333)	(1,430)
Adjustments in respect of prior periods	(296,999)	-
Remeasurement of deferred tax for changes in tax rates	-	(1,267,425)
Deferred tax not recognised	603,382	2,932,487
Tax for the year	<u>(2,107,332)</u>	<u>(1,430)</u>

**6. Employee benefits expense**

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2022</b> <b>Number</b>	<b>2021</b> <b>Number</b>
Admin and support staff	229	182
Events staff	17	22
	<u>245</u>	<u>204</u>

The aggregate payroll costs of these persons were as follows:

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Wages and salaries	6,314,718	5,276,485
Social security costs	645,569	500,125
Other pension costs	313,282	245,102
	<u>7,273,569</u>	<u>6,021,712</u>

# EDINBURGH TRAMS LIMITED

## Notes to the Financial Statements

For the year ended 31 December 2022

### 6. Employee benefits expense (continued)

Director's remuneration costs disclosed below exclude employer's national insurance costs of £22,970 (2021: £24,899).

Employer's national insurance costs in respect of the highest paid director totalled £22,970 (2021: £24,899). The directors of Edinburgh Trams Limited are also considered to be the company's key management personnel.

Four directors (2021: four) were paid through Edinburgh Trams Limited. 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.

#### Directors' remuneration:

	2022 £	2021 £
Aggregate emoluments and benefits	191,115	215,442
Aggregate pension contributions	25,067	16,256
	<u>216,182</u>	<u>231,698</u>
Highest paid directors emoluments and benefits	167,115	191,442
Pension contributions	25,067	16,256
	<u>192,182</u>	<u>207,698</u>

### 7. Cash and Cash Equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>2,470,312</u>	<u>5,346,411</u>

**EDINBURGH TRAMS LIMITED**

**Notes to the Financial Statements**

**For the year ended 31 December 2022**

**8. Property, plant and equipment**

	<b>Right-of-use Passenger Vehicles and Related Infrastructure £</b>	<b>Motor Vehicles £</b>	<b>Plant &amp; Equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
<b>At 1 January 2022</b>	77,353,861	70,229	543,693	77,967,783
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 31 December 2022</b>	<b>77,353,861</b>	<b>70,229</b>	<b>543,693</b>	<b>77,967,783</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2022</b>	(22,211,522)	(45,998)	(421,178)	(22,678,698)
Charge for year	(7,403,840)	(8,740)	(52,483)	(7,465,063)
Disposals	-	-	-	-
<b>At 31 December 2022</b>	<b>(29,615,362)</b>	<b>(54,738)</b>	<b>(473,661)</b>	<b>(30,143,761)</b>
<b>Net book value at 31 December 2022</b>	<b>47,738,499</b>	<b>15,491</b>	<b>70,032</b>	<b>47,824,022</b>

	<b>Right-of-use Passenger Vehicles and Related Infrastructure £</b>	<b>Motor Vehicles £</b>	<b>Plant &amp; Equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
<b>At 1 January 2021</b>	77,353,861	83,519	543,693	77,981,073
Additions	-	15,995	-	15,995
	-	(29,285)	-	(29,285)
<b>At 31 December 2021</b>	<b>77,353,861</b>	<b>70,229</b>	<b>543,693</b>	<b>77,967,783</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2021</b>	(14,807,682)	(48,326)	(322,420)	(15,178,428)
Charge for year	(7,403,841)	(18,056)	(98,757)	(7,520,654)
	-	20,384	-	20,384
<b>At 31 December 2021</b>	<b>(22,211,523)</b>	<b>(45,998)</b>	<b>(421,177)</b>	<b>(22,678,698)</b>
<b>Net book value at 31 December 2021</b>	<b>55,142,338</b>	<b>24,231</b>	<b>122,516</b>	<b>55,289,085</b>

**EDINBURGH TRAMS LIMITED**

**Notes to the Financial Statements**

**For the year ended 31 December 2022**

**9. Trade and other receivables**

	2022 £	2021 £
Trade receivables	156,384	106,286
Other receivables	1,249	872,332
Prepayments and accrued income	262,073	204,851
VAT recoverable	1,938,721	2,053,958
Amounts owed by group undertakings	2,419,165	1,734,350
Corporation tax recoverable	1,837,672	-
	<u>6,615,264</u>	<u>4,971,777</u>

**Analysed as:**

	2022 £	2021 £
Current	<u>6,615,264</u>	<u>4,971,777</u>
	<u>6,615,264</u>	<u>4,971,777</u>

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

**10. Trade and other payables**

	2022 £	2021 £
Trade and other payables	1,642,203	1,526,576
Taxation and social security	172,817	194,407
Accruals and deferred income	1,305,234	878,683
Amounts owed to group undertakings	11,728,021	11,062,790
Corporation tax	-	5,934
	<u>14,848,275</u>	<u>13,668,390</u>

**Current liabilities aged as:**

	2022 £	2021 £
Less than three months	<u>14,848,275</u>	<u>13,668,390</u>

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

# EDINBURGH TRAMS LIMITED

## Notes to the Financial Statements

For the year ended 31 December 2022

### 11. Provisions

	2022 £	2021 £
<i>Insurance claims</i>		
At the beginning of the year	-	-
Charge for the year	9,403	-
	<hr/>	<hr/>
At the end of year	9,403	-
	<hr/>	<hr/>
	2022 £	2021 £
<i>Legal claims</i>		
At the beginning of the year	-	-
Charge for the year	325,000	-
	<hr/>	<hr/>
At the end of year	325,000	-
	<hr/>	<hr/>
	2022 £	2021 £
<i>CJRS</i>		
At the beginning of the year	220,000	-
Charge for the year	-	220,000
Released during the year	(2,715)	-
Paid during the year	(217,285)	-
	<hr/>	<hr/>
At the end of year	-	220,000
	<hr/>	<hr/>

#### Insurance claims

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.

#### Legal claims

Settlement of any legal claims or such like out with insurance is dependent on negotiation and potentially, litigation with third parties, the time frame of which is not known at this stage of reporting. Further disclosure has not been included within the financial statements as it is considered that this may prejudice the position of ETL.

#### CJRS

ETL provided for £220,000 under the CJRS in the prior year. During the year, £217,285 was paid and the remainder was released to the Statement of Profit and Loss and Other Comprehensive Income.



## EDINBURGH TRAMS LIMITED

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 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 2022 are analysed as follows:

	2022 £	2021 £
Current	7,276,282	7,102,276
Non-current	42,671,392	49,947,674
	<u>49,947,674</u>	<u>57,049,950</u>

The lease liability is secured on the related underlying assets. The undiscounted maturity analysis of the lease liability as at 31 December 2022 is as follows:

	2022 £	2021 £
Less than one year	8,500,000	8,500,000
One to five years	34,000,000	34,000,000
More than five years	12,063,014	20,563,014
Total undiscounted liabilities at 31 December 2022	<u>54,563,014</u>	<u>63,063,014</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 2022 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 (2021: £1,802).

**EDINBURGH TRAMS LIMITED**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**13. Share capital**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b><i>Allotted, called up and fully paid</i></b>		
Ordinary shares of £1 each	36,054,001	28,054,001

**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 upon at start of month as opposed to 19<sup>th</sup> of month to maximise investments benefit for all staff included in scheme .

	<b>£</b>
Contributions to Scottish Widows Pension charged to the profit and loss account	270,723
Amount outstanding at the balance sheet date	-

**15. Reserves**

	<b>Retained Earnings</b>
	<b>£</b>
At 31 December 2020	(24,624,582)
Loss for the year	(8,760,486)
At 31 December 2021	(33,385,068)
Loss for the year	(10,889,687)
At 31 December 2022	(44,274,755)

**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 2022**

**17. Related parties**

The following transactions were carried out with related parties:

	2022 £	2021 £
a) Reimbursement of expenses incurred: City of Edinburgh Council (ultimate parent)	2,590,118	3,555,251
b) Sale of goods and services: Transport for Edinburgh (parent)	-	25,501
Lothian Buses Limited (fellow subsidiary)	11,100	-
c) Purchases of goods and services: City of Edinburgh Council (ultimate parent)	10,291,480	13,118,948
Transport for Edinburgh (parent)	40,538	23,624
Lothian Buses Limited (fellow subsidiary)	99,072	108,869
UK TRAM Limited (director in common)	50,850	16,950
d) Year end balances arising from purchase/sales of goods and services: Receivables: City of Edinburgh Council (ultimate parent)	2,328,755	1,631,494
Lothian Buses Limited (fellow subsidiary)	1,238,986	96,138
Edinburgh Bus Tours (fellow subsidiary)	153,968	-
East Coast Buses Limited (fellow subsidiary)	499,098	-
Payables: Lothian Buses Limited (fellow subsidiary)	9,052	9,052
City of Edinburgh Council (ultimate parent)	11,718,969	11,021,102
Transport for Edinburgh	-	28,349

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

## EDINBURGH TRAMS LIMITED

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 18. Financial 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 2022.

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:

		2022 £	2021 £
<b>Financial assets</b>			
Cash and cash equivalents	7	2,470,312	5,346,411
Trade and other receivables	9	2,576,796	2,712,968
<b>Total financial assets</b>		<u>5,047,108</u>	<u>8,059,379</u>
<b>Current financial liabilities</b>			
Trade and other payables	10	14,675,457	13,468,049
Lease liabilities	12	7,276,282	7,102,276
Provisions	11	334,403	220,000
<b>Non-current financial liabilities</b>			
Lease liabilities	12	42,671,392	49,947,674
<b>Total financial liabilities</b>		<u>64,957,534</u>	<u>70,737,999</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 2022

### 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 2022 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 2022	1 to 5 Years 2022	Total 2022
<b>Financial liabilities due for payment</b>				
Trade and other payables	10	(14,675,457)	-	(14,675,457)
Lease obligations	12	(7,276,282)	(42,671,392)	(49,947,674)
Provisions	11	(334,403)	-	(334,403)
Total expected outflows		<u>(22,286,142)</u>	<u>(42,671,392)</u>	<u>(64,957,534)</u>
<b>Financial assets – cash flows realisable</b>				
Cash and cash equivalents	7	2,470,312	-	2,470,312
Trade, term and loan receivables	9	2,576,798	-	2,576,798
Total anticipated inflows		<u>5,047,110</u>	<u>-</u>	<u>5,047,110</u>
Net outflow of financial instruments		<u>(17,239,032)</u>	<u>(42,671,392)</u>	<u>(59,910,424)</u>

**EDINBURGH TRAMS LIMITED**

**Notes to the Financial Statements**

**For the year ended 31 December 2022**

**18. Financial risk management (continued)**

**b. Liquidity risk (continued)**

		Within 1 Year 2021	1 to 5 Years 2021	Total 2021
Financial liabilities due for payment				
Trade and other payables	10	(13,468,049)	-	(13,468,049)
Lease obligations	12	(7,102,276)	(49,947,674)	(57,049,950)
Provisions	11	(220,000)	-	(220,000)
Total expected outflows		<u>(20,790,325)</u>	<u>(49,947,674)</u>	<u>(70,737,999)</u>
Financial assets – cash flows realisable				
Cash and cash equivalents	7	5,346,411	-	5,346,411
Trade, term and loan receivables	9	2,712,968	-	2,712,968
Total anticipated inflows		<u>8,059,379</u>	<u>-</u>	<u>8,059,379</u>
Net outflow of financial instruments		<u>(12,730,946)</u>	<u>(49,947,674)</u>	<u>(62,678,620)</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 £
<b>1 January 2022</b>	7,102,276	49,947,674	57,049,950
<b>Cash-flows</b>			
Repayment of lease liabilities	(8,500,000)	-	(8,500,000)
<b>Non-cash</b>			
Interest on lease liabilities	1,397,724	-	1,397,724
Reclassification	7,276,282	(7,276,282)	-
<b>31 December 2022</b>	<u>7,276,282</u>	<u>42,671,392</u>	<u>49,947,674</u>

**EDINBURGH TRAMS LIMITED**

**Notes to the Financial Statements**

**For the year ended 31 December 2022**

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

	<b>Current lease liabilities £</b>	<b>Non-current lease liabilities £</b>	<b>Total £</b>
<b>1 January 2021</b>	6,932,432	57,049,950	63,982,382
<b>Cash-flows</b>			
Repayment of lease liabilities	(8,500,000)	-	(8,500,000)
<b>Non-cash</b>			
Interest on lease liabilities	1,567,568	-	1,567,568
Reclassification	7,102,276	(7,102,276)	-
<b>31 December 2021</b>	<u>7,102,276</u>	<u>49,947,674</u>	<u>57,049,950</u>

**20. Capital and other commitments**

There are no contingent assets or liabilities as at 31 December 2022 (2021: nil).

**21. Post balance sheet events**

On 29 March 2023 a payment of £12.0m was received from Transport for Edinburgh Limited in respect of the purchase of B Shares in Edinburgh Trams Limited.

