

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2023

Registered number SC451434

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2023

Contents	Page
Company Information	2
Strategic Report	3 – 17
Directors' Report	18 – 19
Independent Auditor's Report to the Members of Edinburgh Trams Limited	20 – 22
Statement of Profit or Loss and Other Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27 – 47

EDINBURGH TRAMS LIMITED

Company Information

For the year ended 31 December 2023

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 Number 451434 in Scotland

Secretary/Solicitor CMS LLP

Bankers: The Royal Bank of Scotland plc

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

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Principal Activity

Edinburgh Trams has responsibility for operations and infrastructure management of the tram system on behalf of City of Edinburgh Council (CEC). It offers an award-winning, world-class, integrated, environmentally friendly, and socially inclusive mode of transport that is playing a central role in the prosperity of Edinburgh and the Lothians.

A landmark year for the operator, 2023 saw the launch of tram services to Newhaven in June and which has opened up a new travel option for communities in Leith and those wishing to travel to and from other key locations along the new route.

The opening of the new line has proved popular with both new and existing customers, with patronage increasing by 92.1% in 2023 when compared to 2022, from 4.780m to 9.183m.

Even ahead of the launch, the network was well on the road to a full post-pandemic recovery. In the five months prior to the launch of trams to Newhaven, patronage rose to 2.19m from 1.34m, an increase of 63% over the previous five months.

Once again, Edinburgh Trams has continued supporting many famous Edinburgh events, including providing all-night travel at weekends during the iconic festival season, late services for the Royal Edinburgh Military Tattoo and free trams at Hogmanay.

Major sporting and cultural events at Murrayfield have also been supported, including international rugby and concerts by artists such as Beyonce, Harry Styles and Bruce Springsteen. Clearly, the tram is now the preferred travel choice for ticket holders to events at Murrayfield.

Notably, a major event at Murrayfield, the extension to Leith, and the Edinburgh Festival all contributed to Edinburgh Trams recording its busiest day ever, with over 56,000 passengers using the tram on 26 August 2023.

Airport ticket sales have also seen a marked increase over the past year, with just under 1m departures from the airport recorded, up 40% on 2022, while online ticket sales have become increasingly popular, attracting over £1.8m in terms of cash receipts.

Time and money have been invested in promoting this sales channel, highlighting the flexibility and value for money of pre-purchase tickets such as airport tickets, zone bundles, and 3, 4, 5 Day "Tram Only" tickets.

We also continue to support the "Free Travel for the Under 22" scheme without support from the Scottish Government. We continue lobbying to be included in the concession scheme, as we believe it effectively promotes public transport, social inclusion, and an environmentally friendly mode of public transport.

The cost to the Government of supporting this scheme would have been just under £400k for 2023, and we will continue to lobby for trams and other Scottish light rail systems to be included. Tram travel for U22s was subsidised from January to March 2023 by the City of Edinburgh Council, but reimbursement to Edinburgh Trams ceased from April 2023 and has not been reinstated. Acceptance of Under 22 passes has continued as refusal may lead to confusion and confrontation between pass holders and our Ticketing Services Assistants.

Tram advertising has also proved a valuable revenue stream, especially in the second half of the year. Although a five-year deal with Parabola came to an end at the start of 2023, the marketing team secured a major campaign with OVO Energy while CR Smith continued to advertise. We envisage that in 2024, as the confidence of the retail market improves, sales from tram advertising will exceed £500k.

A decision not to reinstate Metro newspapers was also taken in the year 2023 based on staffing and potential waste costs. We will review the situation in June 2024 for the second half of the year.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Costing Review

Although revenue has increased, costs have risen across the business. While every effort has been made to minimise these increases, some factors such as energy and salaries have risen above our expectations, and those of the wider transport sector.

Salaries

The pay award to staff, agreed with the Union in August 2023 but backdated to April 2023, exceeded 10%. Additional costs were incurred as a result of extensive training and familiarisation ahead of the launch of services to Newhaven.

Energy

Our main cost is 'traction power' to run the trams. As part of the City of Edinburgh Council's agreement with an electricity provider, we saw costs increase when an existing contract came to an end in April 2023. Combined with the increased size of the network, this has seen traction costs more than double, from £1.286m in 2022 to £2.614m in 2023.

Tram Maintenance

Increased mileage associated with the expanded network (our operated mileage increased from 1.369m in 2022 to 1.675m in 2023, up 22.3%) has seen additional costs relating to our main Maintainers, CAF and Siemens, from £4.9m to £6.7m, up 37%.

A decision to take cleaning 'in house' was made, to allow better management and control of this function.

Accrued costs of £450k have also been included within tram costs for 2023 for Siemens, in relation to OLE faults or rectification requirements on the new section of line.

Our Ticketing Maintainer, Flowbird, continues to work on our ABT (Account Based Ticketing) project due to go live in 2024. The development costs to December 2023 have been fully provided for in 2023.

Insurance

Working in partnership with the Insurance Department at City of Edinburgh Council, we recognised that the network expansion would likely see a large increase in insurance premiums, and a team was put together to present directly to potential insurers. Although insurance costs have risen by 29% year on year, we managed to retain our current provider, and premiums remain at a manageable level within our business model.

The Saughton incident legal process was concluded in 2023 with a penalty issued to Edinburgh Trams that has since been settled. We await a decision of a potential Fatal Accident Inquiry.

Other costs, such as transaction charges, building maintenance, uniforms and training, saw slight increases in 2023. However, savings from initiatives such as the installation of LED lighting and other energy efficiency measures have assisted with cost management controls.

Company Fleet and Timetable – For 2023

A fleet of 27 trams operates seven days a week, serving 23 stops, with the opening of the Newhaven line introducing eight new stops to the network. Since June, a new timetable has seen trams run from every seven minutes.

The service has been well received and has attracted a younger demographic, with evening services catering for people accessing the night-time economy in Leith and the City Centre.

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 embrace the attitudes, behaviour and characteristics expected from all our colleagues to ensure the continued success of the business. These include:

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

i. Good safety record.

- Ensure that health and safety is at the heart of everything we do.
- Work positively with regulators and meet all compliance standards.
- Create 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.

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)

The Trams to Newhaven project was handed over for operational service on 7 June 2023. Edinburgh Trams delivered the resources required for the testing and commissioning phase and supported the project through to operation. Under the Safety Validation of Change process, the final Operational Milestone (OM9) certificate was issued at CONDITIONAL status.

The issuing of the FULL status certificate is dependent on the final delivery of:

- Closure of Punch List items.
- Delivery of the Health & Safety File

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Maintenance Support

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

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

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

We continue to meet with all the Maintainers formally every four weeks to monitor their performance and agree payment in terms of their individual contracts. As part of that monitoring process, we carry out annual audits of the Maintainers, ensuring compliance with contracts and to review their procedures for managing works, including fatigue and competence management, and safety processes.

We amended the contracts with the Maintainers to take account of the additional maintenance requirements for the Newhaven line.

Within our planning objectives, we also monitor Key Performance Indicators to track both our own performance and that of Maintainers. After each period, we send a report to the client, CEC, containing information also collated in the annual report to the Council.

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. We are also installing battery-powered emergency lighting on our fleet, following recommendations from the RAIB Sandilands report. This work is planned to be completed by July 2024.

POST COVID-19

Due to the nature of our business and the mechanisms required to support our operational activities, we continue to operate a full office-based working environment, having successfully encouraged all our staff to return to the workplace.

We continue to see patronage rise to pre-COVID levels. The increase in hybrid working models across the city is reflected in the changes we are seeing in peak-time travel.

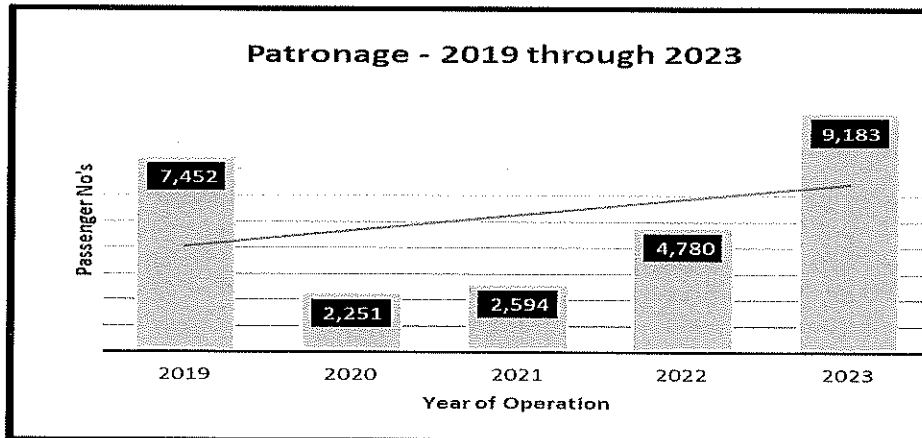
EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Patronage Overview

The graphical representation illustrates the last full year of pre-COVID operations updated to 2023.



2023 Highlights

- Split of passengers over the year recorded 32% to Mid-June, followed by 68% to end Dec 2023.
- Slow start to year in the period January to March; however, noticeable increase thereafter.
- Passenger levels increased significantly from day one of trams to Newhaven services.
- From October 2023, a noted increase in morning travel meant the return of the morning peak (8am to 9am) on weekdays as various large organisations requested the presence of staff in the office, as opposed to 'hybrid' working.
- Over the year, Murrayfield Stadium hosted 12 major events from Six Nations Rugby, World Cup Rugby, Edinburgh v Glasgow 1872 Cup, premium stadium concerts and even a major football friendly with Manchester United v Lyon. These all contributed to a yearly patronage increase.
- Continued support for other major events in the city.

Asset Management

Under the terms of the Operating Agreement, as varied on 30 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 28 July 2023. CEC reviewed the information provided and requested to move from an annual, fully budgeted approach to a condition-based approach, on the renewal of non-safety critical assets. Edinburgh Trams introduced a Red/Amber/Green (RAG) status on all the activities and resubmitted the plan in December 2023. CEC is currently reviewing this information.

We also 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 22 December 2023.

As in 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 us with the security that any cost incurred can be re-charged and recovered quickly, minimising the impact upon our cash flow. 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 now been 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 2023

The key activities of the 2023/2024 Asset Renewals Plan (CEC financial year is running April to March) that were completed in 2023 are:

- The replacement of the track switches in three different locations: Airport, York Place and Shandwick Place. In September 2023, the Airport track switch was successfully replaced as part of a two-day closure organised by the business to address multiple activities. The replacement of the two track switches in York Place and then in Shandwick Place commenced at the end of October 2023 and was successfully completed by 11 November 2023. Both activities required extended nightshifts and therefore trams were only running between the Airport and Haymarket from 1900 to 0700. This was the first time that track switches were renewed in the network and the first activities that required changes in the timetable. The lessons learned from both activities will be utilised to ensure that services run safely, with minimum disruption to passengers.
- The renewal of obsolete lighting units in the depot car park. 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. This project is part of a three-phased project where Phase 1 is the replacement of the depot workshop lights completed in 2022, Phase 2 is the replacement of the depot car park lights that was completed this year and Phase 3 is the replacement of the depot office lights, scheduled for 2024.
- The replacement of the Rail Sealant and Structure sealant activities was successfully completed in 2023. Both activities are part of a multiyear programme, and this was the first year that Edinburgh Trams project managed the activities. The main benefits were the financial implications but also better control and coordination over the activities scheduled across the network.
- Ticketing equipment renewals. 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 has been divided into four phases.
 - Phase 1 'Like for like' replacement and enhancement of Platform Validators for the existing line and the development of a cloud-based back office.
 - Phase 2 'Like for like' replacement and enhancement of the handheld devices used by the Ticketing Services Assistants.
 - Phase 3 Installation of all ticketing equipment on the eight Trams to Newhaven tram stops.
 - Phase 4 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 handheld devices were introduced in April 2023. Phase 3 was successfully completed in Q2 2023 prior to Trams to Newhaven going live. The focus now is on Phase 4, which commenced in Q2 2023 and is scheduled for completion in Q2 2024. This is quite a complex project as the Edinburgh Trams ABT will be integrated with the existing Lothian Buses ABT system, therefore all the back-office changes are being completed in a phased and controlled manner to ensure minimum disruption for the businesses and customers.

In terms of internal projects, due to the increased number of staff recruited in the run-up to the launch of services to Newhaven, we invested in refurbishing the depot's existing staff canteen. A new kitchen set-up and new furniture have increased capacity, enabling more staff to prepare meals and enjoy comfortable breaks.

Energy Efficiency & Environmental Management

Edinburgh Trams fully recognises the importance of how our operational business impacts the environment and our responsibilities that go with being a major transport operator. As members of the Edinburgh Climate Compact, we continue to implement emission reduction measures and hosted a group meeting in December 2023.

Satisfactory progress has been made with both our own and Maintainer environmental objectives in 2023, which have been designed to both reduce our Greenhouse Gas (GHG) emissions and our overall impact on the environment.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

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 were also appropriately actioned in 2023. We witnessed a general rise in noise reports from residents in the newly opened Trams to Newhaven section; however, all noise monitoring and investigations have been managed in line with our Noise and Vibration Procedure.

2023 Environmental Objectives:

- Increase the size of the local waste containers to minimise the extent of our waste transportation (container pickup/drop off).
- Safety Manager (Environment) has completed an IEMA certificate in Environmental Management.
- Lighting on the depot car park with energy-efficient LEDs, see comments included in asset management.
- Edinburgh Trams hosted the Edinburgh Climate Compact Meeting.
- Reduction of paper usage by introducing tablets to Duty Managers and Controllers.

Ongoing Environmental Objectives into 2024:

- Replacement of the depot boilers for more energy-efficient variants.
- Replacement of ETL internal combustion engine fleet vehicles on obsolescence with EV alternatives (rolling objective 2023 – 2030).
- Conduct a feasibility study into controlling supplies to EV charging units from traction sub-stations.

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

Streamlined Energy & Carbon Reporting (SECR)			
Description	2023 Usage kWh	Movement from 2022	% IncrDecr kWh
Tram Traction	9,963,717	2,045,417	25.8%
Domestic Elec	768,249 -	27,706	-3.5%
Total Electricity	10,731,966	2,017,711	23.2%
Description	2023 Usage kWh	Variance kWh	% Decrease kWh
Gas Usage	726,270	194,476	36.6%
Description	2023 Mileage	Movement	% Movement
All Road Vehicles	40,314	984	3%
Main variance is Tram Traction due to increased mileage following tram extension opening on 7th June 2023.			
Domestic electricity reduction as result of LED lighting in the Depot Yard and Workshop.			

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Health & Safety/Environmental Policy Statements

2023 saw progress being made on departmental Safety and Environmental objectives. All four of our Maintainers also provided objectives. We experienced a rise in incidents of tram contacts with other vehicles as we started to run trams to Newhaven. The great majority of these incidents were minor contacts with bus and lorry wing mirrors, with the narrow lanes on Leith Walk being a contributory factor. There were 33 tram contacts recorded throughout the year, with 23 being in the new section. Of the 27 Signal Passed at Stop (SPAS) incidents, 26 were Level 1 i.e. deemed low risk. One was deemed Level 2, i.e. potential for collision or derailment, although this was not the case.

We experienced a marked reduction in anti-social behaviour, particularly in attempted 'tram surfing'. Just 5 of the 40 attempts were 'successful' and none resulted in injury. We did, however, see an increase in abusive children and disruptive passengers causing disturbances.

Satisfactory progress is being made in relation to 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+ innovation project has been successfully concluded.

The following ORR inspections were conducted on Edinburgh Trams in 2023:

- Sanding process for trams and silica dust exposure. This inspection received a verbal RM³ score of Level 3 (standardised), with a written report still to follow.
- Signal passed at stop (SPAS). This inspection received a verbal RM³ score of Level 3 (standardised), with a written report still to follow in 2024.

HR Recruitment Strategy

The driver recruitment campaign for Trams to Newhaven was completed in 2023, and we have been working to normal headcount targets throughout the remainder of the year. We have returned to online job sites and career fairs as the main recruitment method. We did attempt recruiting through the Job Centre as part of the Trams to Newhaven campaign but found that only around 50% of hired candidates stayed for more than 3 months. The main reasons given at resignation were finding it hard to adjust to working after long-term unemployment, and that shift work was challenging.

By December, we had reached our target for tram drivers, so no new training courses are scheduled until at least May 2024. We continue to closely monitor other transport activities that may affect our business, e.g. Scotrail recruitment campaigns, and make necessary judgement calls to ensure we have an adequate number of tram drivers for the present and the future. We will reopen recruitment for Ticketing Services roles to maintain normal headcounts, with intakes planned throughout the year.

Employees

With regards to staff engagement, regular updates with Union representatives are programmed to take place every 4 weeks, whereby updates on company performance, policies and matters arising are discussed. Outcomes from these discussions are posted on the Union notice board for all to view.

Applications for new positions of employment from disabled persons are considered on an equal basis. Safety Critical roles or those requiring a degree of physical capability will be reviewed for suitability. Existing employees who develop a disability during the course of their employment are reviewed internally and dependant on their disability, may be referred to our Occupational Health provider for further assessment.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Training Regime

A Test & Commissioning Training programme was established to ensure readiness for the Trams to Newhaven extension, including training sessions using the simulator that focused on route awareness, speed changes, stopping markers, tram stops and signal locations. Phase two consisted of a track walk with a Trainer to explore high-risk areas, pedestrian behaviour, traffic interaction, gradients, and route knowledge. The final phase consisted of practical runs, SCADA and substation awareness. The Training Team welcomed 129 staff to the programme and met the project training requirements prior to handover.

In anticipation of the increased workforce, the Training Team carried out a review of the Competence Management System to ensure we could continue to train, assess, and develop our people to the standard required. This resulted in reduced Assessment Cycles, which maintain safe working practices and build compliance monitoring and recording within the Learning Management System. This improves organisational competence management and communication.

Information Technology

The IT Department have been involved in several key projects throughout 2023, in addition to providing and maintaining the company's IT Infrastructure, including:

- Implementation of a 'KnowBe4' Phishing and Security Awareness platform to simulate attacks and provide online cybersecurity training for all IT users. This has seen a significant improvement in security metrics over the year, including a decrease in users classified as 'phish-prone' from 45% to 10%, and the overall 'risk rating' for the business has fallen from 49 to 32, with this trend expected to continue in 2024.
- Delivery of new ticketing systems for the launch of the Trams to Newhaven extension.
- Ongoing development of new ticketing solutions including ABT (Account Based Ticketing) which is programmed to go live in 2024.

IT Dept 2024 Future Developments:

- Implementation of a 3rd party 24/7 SOC (Security Operations Centre) to provide real-time specialist cybersecurity monitoring and incident management.
- Delivery of the ABT solution to provide fast and easy multi-modal ticketing.
- Roll-out of a corporate password management solution.
- Vulnerability and asset monitoring implemented on OT (Operational Technology) network.
- Upgrade / refresh program for TVM hardware due to obsolescence.

Operational Performance

Overall Operational Performance for 2023 saw service reliability remain extremely strong with 98.27% of all journeys completed. This was an impressive achievement given the challenges the business faced, including the launch of services to Newhaven and the post-COVID job market. This is down to a well-built business model that has dual trained staff across the organisation, which has ultimately provided the resilience required. Additionally, the flexibility of all colleagues means we can nearly always call on someone with driver competence to ensure we provide a safe, reliable service.

Journeys not completed have been largely the result of external factors, such as emergency services closing the road, extreme weather and congestion in the city centre.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Financial Results

	Year to 2023	Year to 2022
	£	£
Revenue	23,805,106	13,595,375
Other income	95,044	2,010,223
Administrative expenses	<u>(34,524,290)</u>	<u>(27,194,580)</u>
Loss from operations – (operating loss)	(10,624,140)	(11,588,982)
Gain on disposal of property, plant and equipment	<u>542</u>	<u>-</u>
Loss before finance costs and income tax expense	(10,623,598)	(11,588,982)
Finance Costs	<u>(1,227,338)</u>	<u>(1,408,037)</u>
Loss Before income tax expense	(11,850,936)	(12,997,019)
Income tax	<u>1,522,376</u>	<u>2,107,332</u>
Loss for the full year	<u>(10,328,560)</u>	<u>(10,889,687)</u>

KPIs	2023	2022
Revenue	23.8m	13.6m
Other income	0.1m	2.0m
Total Revenue	<u>23.9m</u>	<u>15.6m</u>
Yr on Yr Increase	53.2%	5%
Loss from Operations	-10.6m	-11.59m
Loss from Operations%	-44.4%	-74.3%
Patronage	9.18m	4.78m
Yr on Yr movement	92%	85%
Health and Safety benchmarks		
5 out of 8 achieved in 2023 (7 out of 13 achieved in 2022)	62.5%	54%
Staff Turnover	26%	21%
Mileage operated	1.675mklm	1,369klm
Yr on Yr Movement	22.3%	21%

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

KPIs (continued)

Complaints Per 10k	1.70	1.79
Customer Service Response Times	53min	34.5min
Reliability Performance	98.3%	98.8%
Tram – Peak Vehicle Requirement (PVR) May 2023	15	15
Tram – Peak Vehicle Requirement (PVR) Dec 2023	19	15
Special Event Trams (Match Day Utilisation)	22	20

Board Meeting Attendance x4 Workshop Attendance x1

<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%

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Awards & Recognition

Following the successful opening of the Newhaven line, Edinburgh Trams' innovative approach to finding solutions to a range of challenges in the months leading up to the launch was acknowledged at the Scottish Transport Awards, where we scooped the 'Scottish Transport Operator of the Year' accolade. We were overjoyed that our efforts in delivering our acclaimed brand of service excellence to some of Edinburgh's most densely populated areas, as well as our commitment to developing a strong workforce to meet a higher customer demand, has positioned the business at the forefront of the public transport industry in the country.

The Global Light Rail Awards took place in October, and our Head of Safety and Projects Colin Kerr received international recognition for his contributions to the field, including leading his team through the planning, testing and commissioning phase of the Trams to Newhaven project. The award came at an appropriate time for Colin, who had recently announced his semi-retirement from a career that has also seen him become a leading figure in the wider light rail sector.

Corporate & Social Responsibility (CSR)

As members of the Edinburgh Climate Compact, we continue to implement emission reduction measures and hosted a group meeting in December 2023.

Suitable progress has been made with both our own and Maintainer environmental objectives in 2023, which have been designed to reduce our GHG emissions and 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.

We continue to support the Edinburgh Climate Commission, making timely progress with our internal Environmental objectives. In 2023, we met five of five newly introduced Environmental Key Performance Indicators (EKPIs), with a significant reduction in emissions generated by our electricity supplier for our use of both Traction and Non-Traction Power.

In 2023, a decision was made to purchase new electric vehicles as we strive for an environmentally friendly fleet, and an additional vehicle was delivered in January 2024.

Car charging facilities have been in operation for the first full year and, as well as powering our electric fleet, they are used by Maintainers based at the depot, and by RT staff who benefit from a set fee per kWh used. One of the main benefits to staff is that they can leave their car charging while performing their day job, a great time-saving opportunity for them that has been widely welcomed.

Breast Friends remained our Charity of Choice for 2023, and where possible we have worked in partnership with the organisation to promote their vital work. The charity has visited the depot to sell goods to raise funds and awareness among the ETL team. We estimate our involvement has contributed many thousands of pounds to their worthwhile cause, and a further donation of nearly £2k was made in January 2024, following staff fundraising activities. Another beneficiary was Poppy Scotland, which received £500 raised by utilising some previous marketing materials to top up our usual annual donation.

ETL has also assisted with raising 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, Breast Friends and NSPCC Scotland also benefitted from 'bucket collections' during special events at Murrayfield.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Transport ALEO Reform

In July 2020, a report was taken to the CEC Policy and Sustainability Committee, setting out the current arrangements for the management of the group of the Council's Transport ALEOs and highlighting challenges in continuing to manage existing arrangements.

It was agreed that a reform process would be initiated and that an initial consultation with the three companies, Transport for Edinburgh, ETL and Lothian Buses (LB), Unite the Union, and the minority LB 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 in November 2020, when it was agreed that a Short Life Working Group (SLWG) would be convened to develop a preferred course of action.

Comprising 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 in December 2020, ET was represented by The Chair and Mr Cushing. The SLWG subsequently met a further four times 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.

A set of high-level principles was agreed and a legal framework for a single company with a single board was proposed. The CEC Transport and Environment Committee considered a further report in August 2021, proposing that LB be reconstituted, to be responsible for the management of all Council-owned public transport modes in the city, while 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 convened to oversee the work. Volunteers for the Implementation Board were sought, and its composition (2 Non-Executive Members from TfE, 3 from LB and 2 from ET) were confirmed in December 2021.

Grant Thornton Ltd were procured and instructed to develop a detailed Project Plan and began interviewing key Stakeholders.

An ALEO Reform Workshop was facilitated by Grant Thornton in 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, although ET expressed concern that this could increase risks, especially, but not solely, because of the concurrency with Tram to Newhaven mobilisation, testing and commissioning and launch.

Some of the other Grant Thornton Proposals were also challenged and it was considered that further, formal, project management support was required. 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 in October it was informed that CEC had engaged Turner and Townsend, supported by Anturas Consulting, to develop a detailed Project Execution Plan.

This outline 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 represented ET on this group, which held an inaugural meeting in February 2023. The initial work strand established the scope and methodology for due diligence.

Subsequent meetings took place in April, May, June and September to agree due diligence and data sharing arrangements.

In September, the ETL Board met with CEC Chief Executive Andrew Kerr and the Senior Responsible Officer Hannah Ross to discuss their continued concerns regarding the emerging plan for reform. These concerns were provided prior to the meeting via a draft letter. The SRO subsequently provided assurance that these concerns would be considered during implementation.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

In early October, following further legal advice, the proposed approach to reform was again revised to retain a shareholding entity for legal and regulatory reasons, but not as an executive TOPCO. The proposed legal construct is therefore almost identical to the current one.

On October 12, 2023, the CEC Transport and Environment Committee considered a further Report which recommended:

- Approval of the revised approach to the integration of Edinburgh Trams and Lothian Buses, as set out in the report.
- Agreement to the closure of Transport for Edinburgh in its current form.
- Agreement that Council Officers should draft revisions to all relevant documentation including the shareholder agreement and operating contract; and
- Agreement that terms of reference for a new Shareholder Forum be developed with the Lothian Buses Minority Shareholders.

It was originally proposed that ET would be a subsidiary of a reconstituted LB, but, following further professional advice, an alternative model, which uses an operating contract rather than a subsidiary model, would be the preferred approach.

This would give LB the authority to manage the ET business contractually, rather than via a shareholding interest. ET would remain the operator of the tramline, as has always been the case. The matter of ensuring, under this model, that the revised LB Board will have full multi-modal responsibility has been considered.

This will be managed and assured through provisions in the updated Memorandum and Articles of Association and in the operating contract with ET. To minimise the risk of challenge under the Competition Act, it is considered prudent to interpose a shareholding structure between the Council and LB and ET on the other. This would solely be a shareholding entity.

Following the Transport and Environment Committee's approval of the Report by 7 votes to 4, the ET Board wrote to the Council Leader, Transport Convenor and CEC CEO on 20 October raising the fact that the concerns previously articulated by ET had not been discussed by the Committee and reiterated these concerns. The CEC Director Place responded on 31 October 2023, emphasising the urgency of completing due diligence and moving ahead with the Committee's decision. It has subsequently been confirmed that Turner and Townsend and Anturas Consulting have been stood down from the process and the next steps will be taken forward by CEC Officers and LB with external support as required.

ETL remains fully engaged with the due diligence work; however, the detailed implications for the business are still not yet fully known or understood.

Future Developments

The Edinburgh Trams team are fully committed to ensuring that the expanded network continues to be a success and a system that residents, tourists and our employees will be proud of.

A primary focus now is on ensuring that all outstanding defects are resolved in a safe and efficient way to then enable us to further enhance services and provide additional capacity across the network. The growth in ridership across the city from Newhaven to the Airport is clear to see, and we need to provide additional capacity to ensure that customers continue to enjoy a positive experience.

The first half of 2024 will also see the introduction of Account Based Ticketing (ABT), bringing us in line with other operators in the city. The introduction of the tap on tap off system will also enable quicker and easier transactions for customers.

Working in partnership with CEC, the next step for ETL will be reviewing proposals for extending the network from Granton to the south east of the City as part of the city's billion-pound regeneration programme. It has been noted that this area has the lowest car use in the city, implying that residents rely on public transport and an extended line would complement and enhance the travel needs of both Edinburgh residents and visitors.

EDINBURGH TRAMS LIMITED

Strategic Report

For the year ended 31 December 2023

Signed on behalf of the Edinburgh Trams Limited Board by:

A handwritten signature in black ink, consisting of several overlapping, fluid strokes that form a stylized, somewhat abstract shape.

Lea Harrison
Managing Director
Edinburgh Trams

EDINBURGH TRAMS LIMITED

Directors' Report

For the year ended 31 December 2023

Directors

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

Remuneration was paid to the following Directors:

	2023	2022
	£	£
Mark Lea Harrison	177,030	167,115
Andrew Neal*	9,184	6,000
Peter Cushing*	9,184	6,000
Martin Richard Dean (Chair)*	19,954	12,000
George Lowder	-	-
	<u>215,352</u>	<u>191,115</u>

Note * - A Neal, P Cushing and M Dean all received one-off payments for additional work undertaken for ALEO role.

Results and Dividends

The results for the year are set out on page 23.

There were no dividends paid during the financial year (2022: 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 2023.

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 2023

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: 19/4/2024.



**Martin Dean
Chairperson**

EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2023

Opinion

We have audited the financial statements of Edinburgh Trams Limited (the 'company') for the year ended 31 December 2023 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 material accounting policy information. 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 2023 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 2023

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, 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.

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.

EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2023

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.

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

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 23 April 2024

EDINBURGH TRAMS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £	2022 £
Continuing operations			
Revenue		23,805,106	13,595,375
Other income	3	95,044	2,010,223
Administrative expenses		(34,524,290)	(27,194,580)
		<hr/>	<hr/>
Operating loss before interest and income tax expenses	2	(10,624,140)	(11,588,982)
Gain on disposal of property, plant and equipment		542	-
Finance costs	4	(1,227,338)	(1,408,037)
		<hr/>	<hr/>
Loss before income tax expense		(11,850,936)	(12,997,019)
Income tax expense	5	1,522,376	2,107,332
		<hr/>	<hr/>
Loss for the year		(10,328,560)	(10,889,687)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to: Equity holders		(10,328,560)	(10,889,687)
		<hr/> <hr/>	<hr/> <hr/>

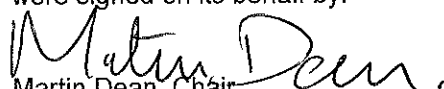
There are no other items of comprehensive income or expense in the current year or prior year and therefore no Statement of Comprehensive Income is shown.

The accompanying notes on pages 27 to 47 form part of these financial statements

EDINBURGH TRAMS LIMITED
Statement of Financial Position
As at 31 December 2023

	Note	2023 £	2022 £
Non-current assets			
Property, plant and equipment	8	40,414,388	47,824,022
		<u>40,414,388</u>	<u>47,824,022</u>
Total non-current assets		<u>40,414,388</u>	<u>47,824,022</u>
Current assets			
Cash and cash equivalents	7	5,674,281	2,470,312
Trade and other receivables	9	7,370,772	6,615,264
		<u>13,045,053</u>	<u>9,085,576</u>
Total current assets		<u>13,045,053</u>	<u>9,085,576</u>
		<u>53,459,441</u>	<u>56,909,598</u>
Total assets		<u>53,459,441</u>	<u>56,909,598</u>
Equity and liabilities			
Contributed equity	13	48,054,001	36,054,001
Retained earnings	15	(54,603,315)	(44,274,755)
		<u>(6,549,314)</u>	<u>(8,220,754)</u>
Total equity		<u>(6,549,314)</u>	<u>(8,220,754)</u>
Liabilities			
Non-current liabilities			
Lease liabilities	12	35,216,841	42,671,392
		<u>35,216,841</u>	<u>42,671,392</u>
Total non-current liabilities		<u>35,216,841</u>	<u>42,671,392</u>
Current liabilities			
Trade and other payables	10	17,262,363	14,848,275
Lease liabilities	12	7,454,551	7,276,282
Provisions	11	75,000	334,403
		<u>24,791,914</u>	<u>22,458,960</u>
Total current liabilities		<u>24,791,914</u>	<u>22,458,960</u>
Total liabilities		<u>60,008,755</u>	<u>65,130,352</u>
		<u>53,459,441</u>	<u>56,909,598</u>
Total equity and liabilities		<u>53,459,441</u>	<u>56,909,598</u>

The financial statements were authorised for issue by the Board of Directors on 19/4/2024 and were signed on its behalf by:


Martin Dean, Chair

Registered number SC451434

The accompanying notes on pages 27 to 47 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2022		28,054,001	(33,385,068)	(5,331,067)
Issue of share capital		8,000,000	-	8,000,000
Comprehensive income				
Loss for the year		-	(10,889,687)	(10,889,687)
Balance at 31 December 2022		36,054,001	(44,274,755)	(8,220,754)
Issue of share capital	13	12,000,000	-	12,000,000
Comprehensive income				
Loss for the year	15	-	(10,328,560)	(10,328,560)
Balance at 31 December 2023		<u>48,054,001</u>	<u>(54,603,315)</u>	<u>(6,549,314)</u>

The accompanying notes on pages 27 to 47 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Cash Flows

For the year ended 31 December 2023

	Note	Year to 2023 £	Year to 2022 £
Cash flow from operating activities			
Loss from operations		(10,328,560)	(10,889,687)
Adjustments for:			
Depreciation	8	7,464,679	7,465,200
Finance costs	4	1,227,338	1,408,037
Changes in assets and liabilities:			
Decrease/(increase) in receivables and other financial assets		(755,508)	(1,648,003)
(Decrease)/increase in payables		2,410,468	1,179,885
(Decrease)/increase in provisions		(259,403)	114,403
Cash flows from operations		<u>(240,986)</u>	<u>(2,370,165)</u>
Income tax (paid)/received		-	(5,934)
Net cash flows from operating activities		<u><u>(240,986)</u></u>	<u><u>(2,376,099)</u></u>
Cash flow from investing activities:			
Purchase of property plant and equipment	8	(55,045)	-
Disposal of property plant and equipment	8	-	-
Net cash flows from investing activities		<u><u>(55,045)</u></u>	<u><u>-</u></u>
Cash flow from financing activities			
Issue of share capital		12,000,000	8,000,000
Payments of lease liabilities	19	(8,500,000)	(8,500,000)
Net cash flows from financing activities		<u><u>3,500,000</u></u>	<u><u>(500,000)</u></u>
Net increase/(decrease) in cash and cash equivalents		3,203,969	(2,876,099)
Cash and cash equivalents at beginning of period		2,470,312	5,346,411
Cash and cash equivalents at end of period		<u><u>5,674,281</u></u>	<u><u>2,470,312</u></u>
Bank balances and cash	7	<u><u>5,674,281</u></u>	<u><u>2,470,312</u></u>

The accompanying notes on pages 27 to 47 form part of these financial statements

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

1. Material accounting policies

General 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.

The financial statements are prepared in Sterling, which is the functional currency of the company.

Basis of preparation

These financial statements have been prepared in accordance with UK adopted international accounting standards (UK adopted IAS) and those parts of the Companies Act 2006 that are applicable.

The financial statements have been prepared on the historical cost basis, as modified for the revaluation of certain 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.

Adoption of new and revised standards

The company has adopted, where applicable, the following new and amended IFRSs as of 1 January 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2023 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 2023, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
• 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
• Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7)	1 January 2024
• Lack of Exchangeability (Amendment to IAS 21)	1 January 2025

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 2023

1. Material accounting policies (continued)

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 2023

1. Material accounting policies (continued)

c. Motor Vehicles and Plant & Equipment

Motor vehicles and plant & equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of motor vehicles and plant & 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

Motor vehicles and plant & equipment are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rate
Motor vehicles	4 years
Plant and 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 2023

1. Material 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 right-of-use asset has been depreciated over the duration of the least term, which is 10.42 years. 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 2023

1. Material 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

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. No support was received in 2023.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

1. Material 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 judgements and key sources of estimation uncertainty

In applying the company's accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Critical judgement

As detailed in note 11, the company has provided for claims where it is considered more likely than not that the company will be required to settle such claims.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

1. Material accounting policies (continued)

Key sources of estimation uncertainty

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.

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.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

1. Material accounting policies (continued)

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.

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 2023

2. Loss on ordinary activities

	2023	2022
	£	£
The loss is stated after charging		
Auditor's remuneration:		
Audit services	30,000	24,000
Non-audit services	7,100	6,070
Infrastructure maintenance	6,687,467	4,913,666
Depreciation and other amounts written off tangible fixed assets:		
Owned	60,840	61,360
Right-of-use assets	7,403,840	7,403,840
	<u>7,403,840</u>	<u>7,403,840</u>

3. Other income

	2023	2022
	£	£
Government grant income	-	1,957,610
Other sundry income	95,044	52,613
	<u>95,044</u>	<u>2,010,223</u>

4. Finance Costs

	2023	2022
	£	£
Lease charges	1,227,338	1,408,037
	<u>1,227,338</u>	<u>1,408,037</u>

5. Income tax

	2023	2022
	£	£
Current tax:		
Group relief receivable	(953,520)	(1,810,333)
Adjustment in respect of prior periods	(568,856)	(296,999)
Tax on (loss)/profit for the year	<u>(1,522,376)</u>	<u>(2,107,332)</u>

The effective tax rate for the year ended 31 December 2023 is calculated at 23.52% (2022: 19%) of the estimated assessable (loss)/profit for the year.

The company has trade losses carried forward of £27,360,606 (2022: £19,492,827) which has prudently not been recognised in the accounts.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

5. Income tax (continued)

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

	2023	2022
	£	£
(Loss)/profit for the year before taxation	(11,850,936)	(12,997,019)
Tax on (loss)/profit for the year at the effective rate of 23.52% (2022 – 19%)	(2,787,405)	(2,469,434)
Effects of:		
Expenses not deductible for tax purposes	(7,937)	57,614
Fixed asset differences	(118)	(1,927)
Other differences	185	32
Group relief surrendered	953,520	1,810,333
Group relief claimed	(953,520)	(1,810,333)
Adjustments in respect of prior periods	167,177	(296,999)
Remeasurement of deferred tax for changes in tax rates	(43,557)	-
Deferred tax not recognised	1,149,279	603,382
Tax for the year	<u>(1,522,376)</u>	<u>(2,107,332)</u>

6. Employee benefits expense

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

	2023	Restated 2022
	Number	Number
Admin and support staff	274	225
Events staff	18	17
	<u>292</u>	<u>242</u>

	2023	2022
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	8,956,627	6,314,718
Social security costs	877,945	645,569
Other pension costs	429,379	313,282
	<u>10,263,951</u>	<u>7,273,569</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

6. Employee benefits expense (continued)

Director's remuneration costs disclosed below exclude employer's national insurance costs of £21,982 (2022: £22,970).

Employer's national insurance costs in respect of the highest paid director totalled £21,982 (2022: £22,970). The directors of Edinburgh Trams Limited are also considered to be the company's key management personnel.

Four directors (2022: 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:

	2023 £	2022 £
Aggregate emoluments and benefits	215,352	191,115
Aggregate pension contributions	26,375	25,067
	<u>241,727</u>	<u>216,182</u>
Highest paid directors emoluments and benefits	177,030	167,115
Pension contributions	26,375	25,067
	<u>203,405</u>	<u>192,182</u>

7. Cash and Cash Equivalents

	2023 £	2022 £
Cash at bank and in hand	<u>5,674,281</u>	<u>2,470,312</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

8. Property, plant and equipment

	Right-of-use Passenger Vehicles and Related Infrastructure	Motor Vehicles	Plant & Equipment	Total
Cost or valuation	£	£	£	£
At 1 January 2023	77,353,861	70,229	543,693	77,967,783
Additions	-	55,045	-	55,045
Disposals	-	(7,640)	-	(7,640)
At 31 December 2023	<u>77,353,861</u>	<u>117,634</u>	<u>543,693</u>	<u>78,015,188</u>
Accumulated depreciation				
At 1 January 2023	(29,615,362)	(54,738)	(473,661)	(30,143,761)
Charge for year	(7,403,840)	(20,606)	(40,233)	(7,464,679)
Disposals	-	7,640	-	7,640
At 31 December 2023	<u>(37,019,202)</u>	<u>(67,704)</u>	<u>(513,894)</u>	<u>(37,600,800)</u>
Net book value at 31 December 2023	<u>40,334,659</u>	<u>49,930</u>	<u>29,799</u>	<u>40,414,388</u>

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

9. Trade and other receivables

	2023	2022
	£	£
Trade receivables	362,223	156,384
Other receivables	117,389	1,249
Prepayments and accrued income	466,801	262,073
VAT recoverable	2,059,985	1,938,721
Amounts owed by group undertakings	3,433,202	2,419,165
Corporation tax recoverable	931,172	1,837,672
	<u>7,370,772</u>	<u>6,615,264</u>

Analysed as:

	2023	2022
	£	£
Current	7,370,772	6,615,264
	<u>7,370,772</u>	<u>6,615,264</u>

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

10. Trade and other payables

	2023	2022
	£	£
Trade and other payables	1,260,310	1,642,203
Taxation and social security	290,294	172,817
Accruals and deferred income	2,004,624	1,305,234
Amounts owed to group undertakings	13,707,135	11,728,021
Corporation tax	-	-
	<u>17,262,363</u>	<u>14,848,275</u>

Current liabilities aged as:

	2023	2022
	£	£
Less than three months	17,262,363	14,848,275
	<u>17,262,363</u>	<u>14,848,275</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 2023

11. Provisions

	2023	2022
	£	£
<i>Insurance claims</i>		
At the beginning of the year	9,403	-
Charge for the year	50,000	9,403
Paid during the year	(9,043)	-
	50,000	9,403
At the end of year	50,000	9,403

	2023	2022
	£	£
<i>Legal claims</i>		
At the beginning of the year	325,000	-
Charge for the year	25,000	325,000
Released during the year	(60,000)	-
Paid during the year	(240,000)	-
	25,000	325,000
At the end of year	25,000	325,000

	2023	2022
	£	£
<i>CJRS</i>		
At the beginning of the year	-	220,000
Charge for the year	-	-
Released during the year	-	(2,715)
Paid during the year	-	(217,285)
	-	-
At the end of year	-	-

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 Edinburgh Trams Limited, 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 Edinburgh Trams Limited.

CJRS

During the year, Edinburgh Trams Limited provided £nil for the CJRS following settlement in the prior year.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

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 2023 are analysed as follows:

	2023 £	2022 £
Current	7,454,551	7,276,282
Non-current	35,216,841	42,671,392
	<u>42,671,392</u>	<u>49,947,674</u>

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

	2023 £	2022 £
Within one year	8,500,000	8,500,000
Between two and five years	34,000,000	34,000,000
More than five years	3,563,014	12,063,014
Total undiscounted liabilities at 31 December	<u>46,063,014</u>	<u>54,563,014</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 2023 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 (2022: £1,802).

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

13. Share capital

<i>Allotted, called up and fully paid</i>	Ordinary shares of £1 each £
At 31 December 2021	28,054,001
Issue of share capital	8,000,000
At 31 December 2022	<u>36,054,001</u>
Issue of share capital	12,000,000
At 31 December 2023	<u><u>48,054,001</u></u>

14. Pension – defined contribution

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

The charge to the Profit and Loss Account represents the contributions payable relating to the accounting period. Pension payments are now settled upon at start of month as opposed to 19th of month to maximise investments benefit for all staff included in scheme.

	£
Contributions to Scottish Widows Pension charged to the profit and loss account	<u><u>429,379</u></u>
Amount outstanding at the balance sheet date	<u><u>-</u></u>

15. Reserves

	Retained Earnings £
At 31 December 2021	(33,385,068)
Loss for the year	<u>(10,889,687)</u>
At 31 December 2022	<u>(44,274,755)</u>
Loss for the year	<u>(10,328,560)</u>
At 31 December 2023	<u><u>(54,603,315)</u></u>

16. Ultimate parent undertaking

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

17. Related parties

The following transactions were carried out with related parties:

	2023	2022
	£	£
a) Reimbursement of expenses incurred:		
City of Edinburgh Council (ultimate parent)	4,187,397	2,590,118
b) Sale of goods and services:		
Transport for Edinburgh (parent)	-	-
Lothian Buses Limited (fellow subsidiary)	11,220	11,100
c) Purchases of goods and services:		
City of Edinburgh Council (ultimate parent)	13,638,715	10,291,480
Transport for Edinburgh (parent)	61,998	40,538
Lothian Buses Limited (fellow subsidiary)	108,409	99,072
UK TRAM Limited (director in common)	33,900	50,850
d) Year end balances arising from purchase/sales of goods and services:		
Receivables:		
City of Edinburgh Council (ultimate parent)	3,271,177	2,328,755
Lothian Buses Limited (fellow subsidiary)	739,353	1,238,986
Edinburgh Bus Tours (fellow subsidiary)	376,192	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)	13,698,083	11,718,969
Transport for Edinburgh	-	-

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

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 2023.

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:

		2023	Restated 2022
		£	£
Financial assets			
Cash and cash equivalents	7	5,674,281	2,470,312
Trade and other receivables	9	4,147,890	2,706,896
Total financial assets		<u>9,822,171</u>	<u>5,177,208</u>
Current financial liabilities			
Trade and other payables	10	16,972,068	14,675,457
Lease liabilities	12	7,454,551	7,276,282
Provisions	11	75,000	334,403
Non-current financial liabilities			
Lease liabilities	12	35,216,841	42,671,392
Total financial liabilities		<u>59,718,460</u>	<u>64,957,534</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 2023

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 2023 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 2023	1 to 5 Years 2023	Total 2023
Financial liabilities due for payment				
Trade and other payables	10	(17,262,263)	-	(17,262,263)
Lease obligations	12	(7,454,551)	(35,216,841)	(42,671,392)
Provisions	11	(75,000)	-	(75,000)
Total expected outflows		<u>(24,791,814)</u>	<u>(35,216,841)</u>	<u>(60,008,655)</u>
Financial assets – cash flows realisable				
Cash and cash equivalents	7	5,674,281	-	5,674,281
Trade, term and loan receivables	9	4,147,890	-	4,147,890
Total anticipated inflows		<u>9,822,171</u>	<u>-</u>	<u>9,822,171</u>
Net outflow of financial instruments		<u>(14,969,643)</u>	<u>(35,216,841)</u>	<u>(50,186,484)</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2023

18. Financial risk management (continued)

b. Liquidity risk (continued)

		Within 1 Year 2022	1 to 5 Years 2022	Restated Total 2022
Financial liabilities due for payment				
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)
		<u>(22,286,142)</u>	<u>(42,671,392)</u>	<u>(64,957,534)</u>
Financial assets – cash flows realisable				
Cash and cash equivalents	7	2,470,312	-	2,470,312
Trade, term and loan receivables	9	2,706,896	-	2,706,896
		<u>5,177,208</u>	<u>-</u>	<u>5,177,208</u>
Net outflow of financial instruments		<u>(17,108,934)</u>	<u>(42,671,392)</u>	<u>(59,780,326)</u>

c. Market risk

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

19. Movements in liabilities arising from financing activities

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

	Current lease liabilities £	Non-current lease liabilities £	Total £
1 January 2023	7,276,282	42,671,392	49,947,674
Cash-flows			
Repayment of lease liabilities	(8,500,000)	-	(8,500,000)
Non-cash			
Interest on lease liabilities	1,223,718	-	1,223,718
Reclassification	7,454,551	(7,454,551)	-
	<u>7,454,551</u>	<u>35,216,841</u>	<u>42,671,392</u>
31 December 2023			

EDINBURGH TRAMS LIMITED
Notes to the Financial Statements
For the year ended 31 December 2023

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

	Current lease liabilities £	Non-current lease liabilities £	Total £
1 January 2022	7,102,276	49,947,674	57,049,950
Cash-flows			
Repayment of lease liabilities	(8,500,000)	-	(8,500,000)
Non-cash			
Interest on lease liabilities	1,397,724	-	1,397,724
Reclassification	7,276,282	(7,276,282)	-
31 December 2022	<u>7,276,282</u>	<u>42,671,392</u>	<u>49,947,674</u>

20. Capital and other commitments

There are no contingent assets or liabilities as at 31 December 2023 (2022: nil).

21. Post balance sheet events

On 26 March 2024 a payment of £8.0m was received from Transport for Edinburgh Limited in respect of the purchase of B Shares in Edinburgh Trams Limited.