

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2016

Registered number SC451434

EDINBURGH TRAMS LIMITED

Financial Statements

For the year ended 31 December 2016

Contents	Page
Company Information	2
Directors' Report	3 - 4
Independent Auditor's Report to the Members of Edinburgh Trams Limited	5 - 6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 – 24

EDINBURGH TRAMS LIMITED

Company Information

For the year ended 31 December 2016

Board of Directors:

Charles Monheim
Andrew Neal
Charlene Wallace
George Lowder (appointed 26 February 2016)
Mark Lea Harrison (appointed 16 March 2017)
Ian Craig (resigned 31 January 2016)
William Campbell (resigned 31 March 2016)

Company Registration:

Registered Office	55 Annandale Street Edinburgh EH7 4AZ
Registration Number	451434 in Scotland
Secretary	DW Company Services Limited

Bankers:

The Royal Bank of Scotland plc

Auditor:

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

EDINBURGH TRAMS LIMITED

Directors' report

For the year ended 31 December 2016

Directors' report

The directors present their annual report and audited financial statements for the year from 1 January 2016 to 31 December 2016.

Principal activities

The principal activity of the company during the year under review was operating trams in Edinburgh. The company has operated a successful frequent tram service operating 7 days a week from 5am till midnight from Edinburgh Airport to York Place via Haymarket and Princes Street.

Future prospects

The directors are pleased with the progress and patronage growth achieved and aim to continue to provide an efficient service that integrates with bus, rail and air services in Edinburgh and achieve the growth projected in the budget for 2017.

Directors

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

Remuneration was paid to the following Directors:

	2016 £	2015 £
Thomas Norris	-	47,088
Charles Monheim	12,000	6,000
Andrew Neal	6,000	3,000
Charlene Wallace	4,311	2,156
George Lowder	-	-
	<hr/>	<hr/>
Aggregate emoluments, benefits and pension contributions	22,311	58,244
	<hr/> <hr/>	<hr/> <hr/>

Responsibilities of the directors

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

EDINBURGH TRAMS LIMITED

Directors' report (continued)

For the year ended 31 December 2016

Responsibilities of the directors (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

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

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

Auditor

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

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

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

Charles Monheim

Date: 21st April 2017

Charles Monheim
Director

EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2016

We have audited the financial statements of Edinburgh Trams Limited for the year ended 31 December 2016 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 related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs.

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.

Respective Responsibilities of the Directors and the Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit on the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016 and of the company's results for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter(s) 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.
- The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

EDINBURGH TRAMS LIMITED

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

For the year ended 31 December 2016

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

Date: 30th April 2017

EDINBURGH TRAMS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

		2016	2015
	Note	£	£
Continuing Operations			
Revenue	1f	<u>10,333,473</u>	<u>9,226,954</u>
Administrative expenses		<u>(10,081,372)</u>	<u>(9,249,107)</u>
Profit/(loss) before income tax expense		252,101	(22,153)
Income tax expense	3	<u>(56,035)</u>	<u>(2,769)</u>
Profit/(loss) for the year		<u><u>196,066</u></u>	<u><u>(24,922)</u></u>
Attributable to:			
Equity holders of the parent		<u><u>196,066</u></u>	<u><u>(24,922)</u></u>

The accompanying notes on pages 11 to 24 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December 2016 £	As at 31 December 2015 £
Non-current assets			
Property, plant and equipment	6	57,765	111,530
Total non-current assets		<u>57,765</u>	<u>111,530</u>
Current assets			
Cash and cash equivalents	5	910,387	428,911
Trade and other receivables	7	937,391	778,223
Total current assets		<u>1,847,778</u>	<u>1,207,134</u>
Total assets		<u>1,905,543</u>	<u>1,318,664</u>
Equity and liabilities			
Contributed equity	11	1	1
Retained earnings	13	(277,934)	(474,000)
Total equity		<u>(277,933)</u>	<u>(473,999)</u>
Liabilities			
Non-current Liabilities			
Amounts due to parent company	9	1,000,000	990,000
Current liabilities			
Trade and other payables	8	1,176,476	802,663
Provisions	10	7,000	-
Total current liabilities		<u>1,183,476</u>	<u>802,663</u>
Total liabilities		<u>2,183,476</u>	<u>1,792,663</u>
Total equity and liabilities		<u>1,905,543</u>	<u>1,318,664</u>

The financial statements were authorised for issue by the Board of Directors on 29 April 2017 and were signed on its behalf by:

Charles Monheim, Director

Registered number SC451434

The accompanying notes on pages 11 to 24 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Changes in Equity

For the year ended 31 December 2016

		Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2015		1	-	1
Comprehensive income				
Loss for the year		-	(474,000)	(474,000)
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2015		1	(474,000)	(473,999)
Comprehensive income				
Profit for the year	13	-	196,066	196,066
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2016		<u>1</u>	<u>(277,934)</u>	<u>(277,933)</u>

The accompanying notes on pages 11 to 24 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Cash Flows

For the year ended 31 December 2016

	Year to 2016 £	Year to 2015 £
Cash flow from operating activities		
Profit/(loss) from operations	252,101	(22,153)
Adjustments for:		
Depreciation and amortisation	58,131	72,204
Changes in assets and liabilities:		
(Increase)/decrease in receivables and other financial assets	(159,168)	405,489
Increase/(decrease) in payables	320,547	(684,204)
Increase in provisions	7,000	-
Cash flows from operations	<u>478,611</u>	<u>(228,664)</u>
Income tax (paid)/received	(2,769)	114,941
Net cash flows from operating activities	<u>475,842</u>	<u>(113,723)</u>
Cash flow from investing activities:		
Purchase of property plant and equipment (Note 6)	(4,366)	-
Net cash flows from investing activities	<u>(4,366)</u>	<u>-</u>
Cash flow from financing activities:		
Loan from Parent Company	10,000	-
Net cash flows from financing activities	<u>10,000</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	481,476	(113,723)
Cash and cash equivalents at beginning of period	428,911	542,634
Cash and cash equivalents at end of period	<u>910,387</u>	<u>428,911</u>
Bank balances and cash	5	910,387
		<u>428,911</u>

The accompanying notes on pages 11 to 24 form part of these financial statements

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2016

1. Statement of significant accounting policies

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

The financial statements have been prepared under the historical cost convention.

Adoption of new and revised standards

The company has adopted the following new and amended IFRSs as of 1 January 2016:

- IAS 1, Presentation of Financial Statements
- IAS 16, Property, Plant and Equipment
- IAS 27, Separate Financial Statements

None of these have materially impacted the consolidated financial statements of the company.

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 2016, and with a potential effect.

International Accounting Standards and Interpretations

- IAS 7, Statement of Cash Flows*
- IAS 12, Income Taxes*
- IAS 39, Financial Instruments: Recognition and Measurement
- IFRS 7, Financial Instruments: Disclosures
- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers
- IFRS 16, Leases*

Effective for annual periods beginning on or after

1 January 2017
1 January 2017
1 January 2018
1 January 2018
1 January 2018
1 January 2018
1 January 2019

* Not yet adopted for use in the European Union

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are 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 (continued)

For the year ended 31 December 2016

1. Statement of significant accounting policies (continued)

Going concern

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

Edinburgh Trams Limited made a profit of £187k for 2016 and had net liabilities of £287k as at 31 December 2016. The company has an agreement with Transport for Edinburgh Limited whereby they will provide Edinburgh Trams Limited with a loan of up to £3m which they can draw down during a five year period from 29 May 2014 to 29 May 2019.

Basis of preparation

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

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

a. Income tax

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

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

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

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

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

b. Property, plant and equipment

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

1. Statement of significant accounting policies (continued)

Plant and Equipment

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

Acquisition of assets

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

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

Derecognition and disposal

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

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

c. Impairment

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

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

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

1. Statement of significant accounting policies (continued)

d. 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.

e. 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.

f. Revenue

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

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

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

g. 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.

h. Trade payables

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

Trade payables are recognised at cost.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

1. Statement of significant accounting policies (continued)

i. 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.

j. Critical accounting estimates and judgements

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

Key estimates – impairment

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

k. Financial instruments

Classification

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

i. *Loans and receivables*

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

ii. *Financial liabilities*

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

Recognition and measurement

Loans and receivables are subsequently carried at amortised cost.

l. Offsetting financial instruments

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

m. Operating leases

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

n. Share capital

Ordinary shares are classified as equity.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

2. Profit/(loss) on ordinary activities

	2016	2015
	£	£
The profit/(loss) is stated after charging		
Auditor's remuneration:		
Audit services	8,000	4,150
Non-audit services	850	850
Depreciation and other amounts written off tangible fixed assets:	<u>58,131</u>	<u>72,204</u>

3. Income tax expense

	2016	2015
	£	£
Current tax:		
Corporation tax expense	56,035	2,769
Group relief receivable	-	-
	<u>56,035</u>	<u>2,769</u>

The effective tax rate for the year ended 31 December 2016 is calculated at 20% (2015: 20%) of the estimated assessable profit for the year.

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

	2016	2015
	£	£
Profit/(loss) for the year before taxation	<u>252,101</u>	<u>(22,153)</u>
Tax on profit/(loss) for the year at the effective rate of 20% (2015 – 20%)	50,420	(4,431)
Effects of:		
Expenses not deductible for tax purposes	294	357
Other short term timing differences	1,499	-
Depreciation in excess of capital allowances	5,159	6,843
Less:		
Qualifying land remediation expenditure	<u>(1,337)</u>	<u>-</u>
Tax charge for the year	<u>56,035</u>	<u>2,769</u>

4. Employee benefits expense

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	3,498,418	3,092,281
Social security costs	307,831	258,931
Other pension costs	72,059	52,783
	<u>3,878,308</u>	<u>3,403,995</u>

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

4. Employee benefits expense (continued)

Three directors (2015: four) were paid through Edinburgh Trams Limited. Further details are provided below and in the directors' report. The two directors received remuneration from Lothian Buses Limited, a company under common control. Their remuneration is disclosed in the financial statements of Lothian Buses Limited. One director received remuneration from Transport for Edinburgh Limited, the immediate parent company, details of which can be found in the financial statements of Transport for Edinburgh Limited. The average number of persons employed by the company (including directors) during the year was 140 (2015: 128).

Directors' remuneration:	2016	2015
	£	£
Aggregate emoluments and benefits	22,311	54,630
Aggregate pension contributions	-	3,614
	<u>22,311</u>	<u>58,244</u>
Highest paid Directors emoluments and benefits	12,000	43,474
Pension contributions	-	3,614
	<u>12,000</u>	<u>47,088</u>

5. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	910,387	428,911
	<u>910,387</u>	<u>428,911</u>

6. Property, plant and equipment

	Motor Vehicles £	Plant & Equipment £	Total £
Cost or valuation			
At 1 January 2016	34,570	197,707	232,277
Additions	-	4,366	4,366
At 31 December 2016	34,570	202,073	236,643
Accumulated depreciation			
At 1 January 2016	14,127	106,620	120,747
Charge for year	8,643	49,488	58,131
At 31 December 2016	22,770	156,108	178,878
Net book value			
At 31 December 2016	11,800	45,965	57,765
At 31 December 2015	20,443	91,087	111,530

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. Property, plant and equipment (continued)

	Motor Vehicles £	Plant & Equipment £	Total £
Cost or valuation			
At 1 January 2015	34,570	197,707	232,277
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2015	34,570	197,707	232,277
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 January 2015	5,318	43,225	48,543
Charge for year	8,809	63,395	72,204
	<hr/>	<hr/>	<hr/>
At 31 December 2015	14,127	106,620	120,747
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2015	20,443	91,087	111,530
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2014	29,252	154,482	183,734
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7. Trade and other receivables

	2016 £	2015 £
Trade receivables	9,022	-
Other debtors	14,703	375
Prepayments and accrued income	474,004	466,981
VAT recoverable	196,864	129,590
Amounts due from Lothian Buses Limited	184,491	128,961
Amounts due from City of Edinburgh Council	58,307	52,316
	<hr/>	<hr/>
	937,391	778,223
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
	2016 £	2015 £
Current	937,391	778,223
	<hr/>	<hr/>
	937,391	778,223
	<hr/> <hr/>	<hr/> <hr/>

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

8. Current liabilities

	2016	2015
	£	£
Amounts due to Lothian Buses Limited	21,123	6,032
Amounts due to City of Edinburgh Council	289,504	293,649
Trade and other payables	402,589	132,174
Current tax payable	56,035	2,769
Taxation and social security	91,239	69,877
Accruals and deferred income	315,986	298,162
	<u>1,176,476</u>	<u>802,663</u>

Current liabilities aged as:

	2016	2015
	£	£
Less than three months	<u>1,176,476</u>	<u>802,663</u>

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

9. Non-current liabilities

	2016	2015
	£	£
Amounts due to Transport for Edinburgh Limited	1,000,000	990,000
	<u>1,000,000</u>	<u>990,000</u>

10. Provisions

	2016	2015
	£	£
<i>Claims</i>		
At the beginning of the period	-	-
Charge for the period	7,000	-
Paid during the period	-	-
	<u>7,000</u>	<u>-</u>

Claims

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

11. Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1	1

12. Pension – defined contribution

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

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

	£
Contributions to Scottish Widows Pension charged to the profit and loss account	72,059
Amount outstanding at the balance sheet date	5,278

13. Reserves

	Retained Earnings £
At 31 December 2014	(449,078)
Loss for the year	(24,922)
At 31 December 2015	(474,000)
Profit for the year	196,066
At 31 December 2016	(277,934)

14. Ultimate parent undertaking

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

15. Related parties

The following transactions were carried out with related parties:

	2016 £	2015 £
a) Reimbursement of expenses incurred: City of Edinburgh Council (ultimate parent)	584,547	927,003
b) Purchases of goods and services: Lothian Buses Limited (fellow subsidiary) City of Edinburgh Council (ultimate parent)	752,352 3,771,682	844,181 4,131,700
c) Year end balances arising from purchase/sales of goods and services: Receivables: City of Edinburgh Council (ultimate parent) Lothian Buses Limited (fellow subsidiary)	58,307 184,491	52,316 128,961
Payables: Lothian Buses Limited (fellow subsidiary) City of Edinburgh Council (ultimate parent) Transport for Edinburgh Limited (parent)	(21,123) (289,504) (1,000,000)	(6,032) (293,649) (990,000)

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

16. Operating leases

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

	2016 £	2015 £
- Not later than one year	1,802	1,802
- Later than one year and not later than five years	3,604	5,406
	<u>5,406</u>	<u>7,208</u>

Total operating lease payments in the year to 31 December 2016 recognised through the Statement of Comprehensive Income and Expenditure were £1,802 (2015: £1,802).

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. Financial risk management

Financial instruments consist mainly of deposits with banks, short-term investments and accounts receivable and payable.

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 2016.

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

	Notes	2016 £	2015 £
Financial assets			
Cash and cash equivalents	5	910,387	428,911
Trade and other receivables	7	937,391	778,223
		<u> </u>	<u> </u>
Total financial assets		1,847,778	1,207,134
		<u> </u>	<u> </u>
Non-current financial liabilities			
Amounts due to parent company	9	1,000,000	990,000
Current financial liabilities			
Trade and other payables	8	1,176,476	802,663
Provisions	10	7,000	-
		<u> </u>	<u> </u>
Total financial liabilities		1,183,476	1,792,663
		<u> </u>	<u> </u>

Financial risk management policies

The company's overall risk management strategy seeks to assist the consolidated company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Treasury risk management

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

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. Financial risk management (continued)

Financial risk exposures and management

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

a. Credit risk

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

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

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

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

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

The credit risk for all counter parties included in trade and other receivables at 31 December 2016 is not rated.

EDINBURGH TRAMS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. Financial risk management (continued)

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.

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.

Financial liability and financial asset maturity analysis

	Note	Within 1 Year 2016 £	1 to 5 Years 2016 £	Total 2016 £
Financial liabilities due for payment				
Trade and other payables	8/9	(1,176,476)	(1,000,000)	(2,176,476)
Provisions	10	(7,000)	-	(7,000)
		<u> </u>	<u> </u>	<u> </u>
Total expected outflows		(1,183,476)	(1,000,000)	(2,183,476)
		<u> </u>	<u> </u>	<u> </u>
Financial assets — cash flows realisable				
Cash and cash equivalents	5	910,387	-	910,387
Trade, term and loan receivables	7	937,391	-	937,391
		<u> </u>	<u> </u>	<u> </u>
Total anticipated inflows		1,847,778	-	1,847,778
		<u> </u>	<u> </u>	<u> </u>
Net inflow/(outflow) of financial instruments		664,302	(1,000,000)	(335,698)
		<u> </u>	<u> </u>	<u> </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.