EDINBURGH TRAMS LIMITED

Financial Statements
For the year ended 31 December 2014

Registered number SC451434

Financial Statements

For the year ended 31 December 2014

Contents	Page

Company Information

For the year ended 31 December 2014

Board of Directors:	William Campbell Ian Craig Thomas Norris Norman Strachan	
Company Registration:	Registered Office	55 Annandale Street Edinburgh EH7 4AZ
	Registration Number	451434 in Scotland
	Secretary	Norman Strachan
Bankers:	The Royal Bank of Scotland plc	
Auditor:	Scott-Moncrieff Chartered Accountants Exchange Place 3 Semple Street Edinburgh EH3 8BL	

Directors' report

For the year ended 31 December 2014

Directors' report

The directors present their annual report and audited financial statements for the year from 1 January 2014 to 31 December 2014.

Principal Activities

The principal activity of the company during the year under review was preparing the company for operating trams in Edinburgh and the commencement of fare paying revenue service. This was achieved on 31 May 2014. Since then 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 in the first period of operation 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 2015.

Directors

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

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 (IFRSs) as adopted by the European Union. 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 as adopted by the European Union 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.

Directors' report (continued)

For the year ended 31 December 2014

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:

Norman Strachan

Date: 16 April 2015

Norman Strachan
Finance Director and Company Secretary

Independent Auditor's Report

to the Members of Edinburgh Trams Limited

For the year ended 31 December 2014

We have audited the financial statements of Edinburgh Trams Limited for the year ended 31 December 2014 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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, 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 2014 and of the company's results for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

to the Members of Edinburgh Trams Limited (continued)

For the year ended 31 December 2014

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 take advantage of the small companies' exemption in preparing the directors report.

Nick Bennett

Date: 16 April 2015

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	Year to 2014 £	Period to 2013 £
Continuing Operations			
Revenue	1f	6,426,654	936,347
Gross profit		6,426,654	936,347
Administrative expenses		(6,990,673)	(936,347)
(Loss)/Profit before income tax expense		(564,019)	-
Income tax expense	3	114,941	-
(Loss)/Net profit for the year		(449,078)	-
Attributable to:			
Equity holders of the parent		(449,078)	-

The accompanying notes on pages 11 to 25 form part of these financial statements

Statement of Financial Position

As at 31 December 2014

	Note	As at 31 December 2014 £	As at 31 December 2013 £
Non-current assets			
Property, plant and equipment	6	183,734	-
Total non-current assets		183,734	-
Current assets			
Cash and cash equivalents	5	542,634	197,354
Trade and other receivables	7	1,298,653	167,713
Total current assets		1,841,287	365,067
Total assets		2,025,021	365,067
Equity and liabilities			
Contributed equity	10	1	1
Retained earnings	12	(449,078)	-
Total equity		(449,077)	1
Liabilities			
Non-current Liabilities			
Amounts due to parent company	9	990,000	-
Current liabilities			
Trade and other payables	8	1,484,098	365,066
Total current liabilities		1,484,098	365,066
Total liabilities		2,474,098	365,066
Total equity and liabilities		2,025,021	365,067

The financial statements have been prepared in accordance with the special provision relating to small companies within part 15 of the Companies Act 2006.

The financial statements were authorised for issue by the Board of Directors on 16 April 2015 and were signed on its behalf by:

Ian Craig

Ian Craig, Chief Executive

Registered number SC451434

The accompanying notes on pages 11 to 25 form part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2013		-	-	-
Share issued on incorporation	10	1	-	1
Balance at 31 December 2013		1	-	1

		Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2014		1	-	1
Comprehensive income				
Loss for the year	12	-	(449,078)	(449,078)
Balance at 31 December 2014		1	(449,078)	(449,077)

The accompanying notes on pages 11 to 25 form part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2014

	Year to 2014 £	Period to 2013 £
Cash flow from operating activities		
Loss from operations	(564,019)	-
Adjustments for:		
Depreciation and amortisation	48,543	-
Changes in assets and liabilities:		
Increase in receivables and other financial assets	(1,015,999)	(167,713)
Increase in payables	2,109,032	365,066
Cash flows from operations	577,557	197,353
Income tax paid	-	-
Interest paid	-	-
Net cash flows from operating activities	577,557	197,353
Cash flow from investing activities:		
Purchase of property plant and equipment (Note 6)	(232,277)	-
Net cash flows from investing activities	(232,277)	-
Cash flow from financing activities:		
Share capital issued	-	1
Net cash flows from financing activities	-	1
Net increase in cash and cash equivalents	345,280	197,354
Cash and cash equivalents at beginning of period	197,354	-
Cash and cash equivalents at end of period	542,634	197,354
Bank balances and cash	542,634	197,354

The accompanying notes on pages 11 to 25 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2014

1. Statement of significant accounting policies

The financial statements of Edinburgh Trams Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), 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 2014:

a. IAS 32, 'Financial Instruments: Presentation'. The revised standard deals separately with the criterion that the entity must have a legally enforceable right of set off, and the criterion that the entity intends to settle on a net basis or to settle the asset and liability simultaneously. The standard notes that most master netting arrangements fail on these tests, since they are contingent on a future event. The standard also sets out strict criteria where an entity intends to settle in a manner that is simultaneous or otherwise equivalent to net settlement. The basic requirement is that the mechanism used must eliminate, or reduce to the level of insignificance, any credit and liquidity risk. This change doesn't have significant impact on financial statements of the company.

b. IAS 39, 'Financial Instruments: Recognition and Measurement'. Some jurisdictions have introduced laws or regulations that require certain derivatives which were initially entered into through over the counter arrangements to be novated to a central counterparty. Under the previous version of IAS 39, this change in the counterparty would have involved the arrangement ceasing to qualify for hedge accounting. The amendment allows hedge accounting to continue if the following criteria are met: a) novation is a consequence of laws and regulations; b) the parties to the hedging instrument agree to the new counterparty, and c) any changes to the hedging instrument are limited to those necessary to effect the replacement of the counterparty (such as to collateral requirements, rights to offset balances, and charges levied). The revised standard doesn't impact the company significantly as it affects only those entities that have derivatives subject to novation, due to a change in the counterparty required by law or regulations that are used for hedge accounting.

c. IFRS 10, 'Consolidated Financial Statements'. The standard reflects a fundamental shift in the approach taken to determining whether or not one entity is the subsidiary of another, and therefore what constitutes a group. The fundamental shift is that IFRS 10 is drafted on the basis that one entity is the subsidiary of another when it is controlled by that second entity. It then gives guidance on how that control might be defined and identified. Unlike IAS 27, it is not driven by indicators of control in the same way and takes a "substance" approach to the issue. IFRS 10 is based on control and one entity is deemed to control another where it is exposed to, or has rights to, variable returns from its involvement with that other entity and has the ability to affect those returns through its power over the investee. All power arises from rights. The simplest situations are where that power arises solely from voting rights, and the standard notes that it will normally be where rights arise from other sources, such as contracts, where the question of whether or not there is power becomes more complicated. The standard notes that where an entity has the current ability to direct the relevant activities it has power even if its rights to direct have yet to be exercised. This is sometimes referred to as latent power, although that phrase is not used in the standard. The standard then goes on to note that evidence that the investor has been directing relevant activities can help determine whether the investor has power, but is not, in itself, conclusive in determining whether the investor has power over an investee. Finally, the standard notes that protective rights (whilst they remain protective rights) do not give power. Protective rights are not clearly defined, but basically mean rights that relate to fundamental changes or apply only in exceptional circumstances. The normal rule is that they can be ignored. One example would be approval needing to be granted for major capital expenditure by a major lender. The right exists to protect the credit risk of the lender and should not be construed as providing power. However, protective rights do give rise to power, where: a) circumstances change making them relevant; or b) where relevant activities occur only when the circumstances affected by protected rights arise. At this point, such rights have ceased to be protective and have become substantive. To be relevant to control, returns must be variable and that variation must be with the investee's performance.

Notes to the Financial Statements

For the year ended 31 December 2014

1. Statement of significant accounting policies (continued)

Power and returns have to be linked to give rise to control. To have control the investor must be able to use its power to affect returns. The standard also requires entities to reconsider whether they are investment entities when there is a change to any of the elements included within the definition, or any of the identified typical characteristics of an investment entity. Where an entity becomes or ceases to be an investment entity then the change in status is accounted for prospectively from the date on which the change in status occurred. Investment entities should not consolidate their subsidiaries or apply IFRS 3 when they acquire control of another entity. Instead, their investments in subsidiaries should be recorded at fair value through profit or loss in accordance with IFRS 9. (As is now the case in respect of all standards, where an entity has not yet adopted IFRS 9 all references to that standard should be read as references to IAS 39.) There is an exception to this general rule, and investment entities must still consolidate any subsidiaries that provide services that relate to the investment entity's investment activities. Similarly, IFRS 3 will apply when the investment entity acquires control of such a subsidiary. A parent of an investment entity must consolidate all the entities that it controls, including those which are controlled indirectly via the investment entity, unless it is itself an investment entity. This new standard doesn't' materially affect the company because there are no subsidiaries and other investments in entities with the potential to be recognised as subsidiaries.

Standards issued but not yet effective

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the company beginning after 1 January 2014, but which have not been adopted early by the company:

a. IFRS 13, 'Fair Value Measurement'. The standard has been amended as part of the annual improvements project, effective for annual periods beginning on or after 1 January 2015. The amendment returns to the status quo ante prior to the application of IFRS 13, which allowed contracts that do not meet the definition of a financial asset or financial liability, but are however within the scope of IAS 39 or IFRS 9, to apply the portfolio exception within IFRS 13. The exception allows groups of financial assets and financial liabilities to be measured at fair value on a net basis when certain criteria are met. Entities likely to be affected by this amendment are those that enter into contracts to buy or sell a nonfinancial item (commodity contract) that can be settled net in cash by another financial instrument or by exchanging financial instruments. The company has not evaluated the full extent of the impact that the amendment will have on its financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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 loss of £449k for 2014 and had net liabilities of this amount as at 31 December 2014. 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. In addition, Transport for Edinburgh Limited will make available £1m to cover short term working capital requirements which is available for one year period from 29 May 2014 to 29 May 2015.

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 loss 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

1. Statement of significant accounting policies (continued)

i. 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.

j. Employee benefits

The company contributes to a money purchase scheme for employees, managed by Scottish Widows. Contributions to the scheme are charged to the statement of comprehensive income account as they arise.

k. Critical accounting estimates and judgements

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

Key estimates – impairment

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

l. Financial instruments

Classification

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

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

1. Statement of significant accounting policies (continued)

m. Offsetting financial instruments

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

n. Operating leases

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

2. Profit or loss on ordinary activities

	2014 £	2013 £
The profit or loss is stated after charging		
Auditor's remuneration:		
Audit services	7,750	3,250
Non-audit services	1,000	1,000
Depreciation and other amounts written off tangible fixed assets:	48,543	-

3. Income tax expense

	Parent Entity 2014 £	2013 £
Current tax:		
Group relief receivable	(114,941)	-
Tax on loss for the year	(114,941)	-

The effective tax rate for the year ended 31 December 2014 is calculated at 21.49% (2013: 23.25%) of the estimated assessable profit for the year.

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

	Parent Entity 2014 £	2013 £
Loss for the year before taxation	(564,019)	-
Tax on loss for the year at the effective rate of 21.49% (2013 – 23.00%)	(121,208)	-
Effects of:		
Expenses not deductible for tax purposes	413	-
Other short term timing differences	715	-
Depreciation in excess of capital allowances	5,139	
Tax credit for the year	(114,941)	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

4. Employee benefits expense

The average number of persons employed by the company (including directors) during the period was 116 (2013: 67).

The aggregate payroll costs of these persons were as follows:

	2014 £	2013 £
Wages and salaries	2,784,297	567,376
Social security costs	280,493	56,314
Other pension costs	52,522	16,533
	3,117,312	640,223

Only one director is paid through Edinburgh Trams Limited. Further details are provided in note 14, related parties. The other directors received remuneration from Lothian Buses Limited, a company under common control. Their remuneration is disclosed in the financial statements of Lothian Buses Limited.

5. Cash and cash equivalents

	2014 £	2013 £
Cash at bank and in hand	542,634	197,354

6. Property, plant and equipment

	Motor Vehicles £	Plant & Equipment £	Total £
Cost or valuation			
At 1 January 2014	-	-	-
Additions	34,570	197,707	232,277
At 31 December 2014	**34,570**	**197,707**	**232,277**
Accumulated depreciation			
At 1 January 2014	-	-	-
Charge for year	5,318	43,225	48,543
At 31 December 2014	**5,318**	**43,225**	**48,543**
Net book value			
At 31 December 2014	**29,252**	**154,482**	**183,734**
At 31 December 2013	**-**	**-**	**-**

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

7. Trade and other receivables

	2014 £	2013 £
Trade receivables	1,800	167,713
Other Debtors	134	-
Prepayments and accrued income	498,736	-
VAT recoverable	262,315	-
Amounts due from Lothian Buses Limited	101,428	-
Amounts due from City of Edinburgh Council	319,299	-
Group relief receivable	114,941	-
	1,298,653	167,713

Analysed as:

	2014 £	2013 £
Current	1,298,653	167,713
	1,298,653	167,713

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

8. Current liabilities

	2014 £	2013 £
Amounts due to Lothian Buses Limited	42,083	-
Amounts due to City of Edinburgh Council	151,491	-
Trade and other payables	90,018	141,769
Taxation and social security	63,673	145,654
Accruals and deferred income	1,136,833	77,643
	1,484,098	365,066

Trade and other payables aged as:

	2014 £	2013 £
Less than three months	1,484,098	365,066

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

9. Non-current liabilities

	2014 £	2013 £
Amounts due to Transport for Edinburgh Limited	990,000	-
	990,000	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

10. Contributed equity

	2014 £	2013 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1
	1	1

11. 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	52,522
Amount outstanding at the balance sheet date	6,171

12. Reserves

	Retained Earnings £
At 1 January 2013 and 31 December 2013	-
Loss for the year	(449,078)
At 31 December 2014	(449,078)

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

13. 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.

14. Related parties

The following transactions were carried out with related parties:

		2014 £	2013 £
a)	Reimbursement of expenses incurred:		
	City of Edinburgh Council	1,950,722	936,347
b)	Purchases of goods and services:		
	Lothian Buses Limited	1,246,382	273,377
	City of Edinburgh Council	2,051,990	-
c)	Year end balances arising from purchase/sales of goods and services:	-	-
	Receivables:		
	City of Edinburgh Council	319,299	129,057
	Lothian Buses Limited	101,428	-
	Payables:		
	Lothian Buses Limited	(42,083)	(136,560)
	City of Edinburgh Council	(151,491)	-
	Transport for Edinburgh Limited	(990,000)	-

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

14. Related parties (continued)

Directors' remuneration:

	2014 £	2013 £
Aggregate emoluments and benefits	100,160	27,133
Aggregate pension contributions	7,400	2,467

15. Commitments

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

	2014 £	2013 £
Not later than one year	1,820	-
Later than one year and not later than five years	7,280	-
	9,100	-

Total operating lease payments in the year to 31 December 2014 recognised through the Statement of Comprehensive Income and Expenditure were £42 (2013: £nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16. 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 2014.

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	2014 £	2013 £
Financial assets			
Cash and cash equivalents	5	542,634	197,354
Trade and other receivables	7	1,298,653	167,713
Total financial assets		1,841,287	365,067
Non-current financial liabilities			
Amounts due to parent company	9	990,000	-
Current financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	8	1,484,098	365,066
Total financial liabilities		2,474,098	365,066

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.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16. Financial Risk Management (continued)

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 2014 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.

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 2014 £	1 to 5 Years 2014 £	Total 2014 £
Financial liabilities due for payment				
Trade and other payables	8	1,484,098	990,000	2,474,098
Total expected outflows		1,484,098	990,000	2,474,098
Financial assets — cash flows realisable				
Cash and cash equivalents	5	542,634	-	542,634
Trade, term and loan receivables	7	1,298,653	-	1,298,653
Total anticipated inflows		1,841,287	-	1,841,287
Net inflow/(outflow) of financial instruments		357,189	(990,000)	(632,811)