

For the attention of Stewart McGarrity
The Directors
Transport Edinburgh Limited
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9 February 2010

Dear Sirs

The purpose of this letter is to acknowledge the revised corporate structure relating to TEL, **tie** and Edinburgh City Council. We understand the revised structure was approved by Edinburgh City Council on 17th December 2009 and has resulted in the following:

- transfer of **tie**'s shares to TEL from the Council;
- transfer of the shares of Edinburgh Trams Limited (ETL) from Lothian Buses plc to TEL;
- confirmation of the role that ETL is now intended to play in the context of the Edinburgh tram project;
- the disbandment of the **tie** Audit Committee and creation of a TEL Audit Committee.

The engagement letter between Deloitte LLP and **tie** Limited dated 8 October 2008 outlined the arrangements under which Deloitte were to provide **tie** with outsourced internal audit services. In view of the reorganisation, the purpose of this letter is to confirm that we do not anticipate any changes to sections 1 – 5 of our engagement letter outlining:

- Section 1 - the scope and objectives of our work;
- Section 2 - our services and responsibilities (references to 'Audit Committee' will relate to the TEL Audit Committee);
- Section 3 - your responsibilities and assignment assumptions;

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- Section 4 - our charges; and
- Section 5 - terms of business and liability provisions

We will however discuss with you, and by agreement, execute our internal audit services within a scope which incorporates TEL and ETL, and that we will henceforth report to the TEL Audit Committee as and when required.

The enclosed Terms of Business are as those enclosed with our engagement letter dated 8 October and will be read as including TEL in addition to **tie**. For the purposes of clause 6 of these terms of business, our aggregate liability arising from or in anyway in connection with the Services shall not exceed £1,000,000.

Yours faithfully

Deloitte LLP