Company Registration No: SC230949 (Scotland)

REGISTRAR OF COMPANIES

# tie LIMITED

# DIRECTORS' REPORT

# AND

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2007

MONDAY

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COMPANIES HOUSE

**tie LIMITED**

**CONTENTS**

tie LIMITED

## COMPANY INFORMATION

| | | |
|---|---|---|
| **Directors** | W Gallagher | (Chairman) |
| | B J Cox<br>R Henderson<br>K J Hogg<br>A G Jackson<br>G Mackenzie<br>N Scales<br>P Strachan<br>A P M Wheeler | |
| **Secretary** | D W Company Services Limited | |
| **Company Number** | SC230949 | |
| **Registered Office** | City Chambers<br>High Street<br>Edinburgh<br>EH1 1YJ | |
| **Business address** | Verity House<br>19 Haymarket Yards<br>Edinburgh<br>EH12 5BH | |
| **Auditors** | Geoghegan & Co<br>Chartered Accountants<br>6 St Colme Street<br>Edinburgh<br>EH3 6AD | |
| **Bankers** | The Royal Bank of Scotland plc<br>36 St Andrews Square<br>Edinburgh<br>EH2 2YB | |

**DIRECTORS' REPORT**
**for the year ended 31 March 2007**

The directors present their report and financial statements for the year ended 31 March 2007

**Principal activities and review of business**
The principal activity of the company is to promote, support and effect the development, procurement project management and implementation of certain nominated projects The company currently does not exist to make a profit The company's planned activities, resource requirements and external expenditure are detailed in an annual business plan which is presented to the City of Edinburgh Council (CEC) for approval prior to the commencement of each financial year.

During the year ended 31st March 2007 the Edinburgh Tram Project (Tram) and the Edinburgh Airport Rail Link (EARL) accounted for 95% of the Turnover disclosed in the Income and Expenditure account on page 7 with the balance being accounted for by 8 other projects, the vast majority of which are also transport related CEC is the customer for the Edinburgh Tram Project for which the majority of funding comes from Scottish Ministers Activities on EARL are fully funded directly by Scottish Ministers

The company plans activities on all of its projects such that best value for money can be delivered for each stage of the project Both Tram and EARL are subject to review in all material respects by the major stakeholders at the end of each stage before commitment is make to the next stage The Company does not make any financial commitments unless they have been approved by the funders and other stakeholders as part of the agreed governance structure for each project The company itself does not bear any financial risks as all expenditure is fully recoverable from the parties who fund the projects All financial commitments and expenditure on both the Tram and EARL projects up to the date of this report have been made strictly in accordance with the foregoing principles

In the course of its business the company manages the financial and operating risks presented by the projects it undertakes on behalf of the stakeholders and funders In doing so the company deploys project management processes of the highest standard and seeks to employ resources with the best expertise and experience to do the work The company's Board pursues these high standards and the application of well defined governance structures for each project with effective participation in these governance structures from the stakeholders and funders of the projects

**Directors**
The following directors have held office since 1 April 2006 unless otherwise indicated

| | |
|---|---|
| W Gallagher | (Chairman) |
| E Brown | (Resigned 15 June 2006) |
| A D Burns | (Resigned 22 January 2007) |
| M M Child | (Ceased 4 July 2007) |
| B J Cox | (Appointed 22 January 2007) |
| G J N Gemmell | (Resigned 28 August 2006) |
| R Henderson | (Appointed 22 January 2007, Ceased 3 May 2007 Re appointed 4 July 2007) |
| K J Hogg | (Appointed 22 January 2007) |
| A G Jackson | (Appointed 22 January 2007, Ceased 3 May 2007, Re appointed 4 July 2007) |
| G Mackenzie | (Appointed 4 July 2007) |
| J S Richards | (Resigned 10 October 2006) |
| N Scales | (Appointed 22 January 2007) |
| P Strachan | (Appointed 22 January 2007) |
| A P M Wheeler | (Ceased 3 May 2007 Re appointed 4 July 2007) |

**Directors' interests**
No directors had any interest in the shares of the company during the year under review

**DIRECTORS' REPORT (continued)**
**for the year ended 31 March 2007**

**Statement of directors' responsibilities**
The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards 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 proper accounting records that 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 1985 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

**Statement of disclosure to the auditor**

(a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
(b) They have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

**Auditors**
The company has by an elective resolution passed on 23 August 2004 dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985 Therefore, the auditors, Geoghegan & Co, will be deemed to be re appointed for each succeeding financial year

On behalf of the Board

[redacted]

**W Gallagher**
Director

10 July 2007

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL
## for the year ended 31 March 2007

(a) This statement is given in respect of the internal financial controls operated for the company We acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated

(b) The system of control can provide reasonable, but not absolute, assurance that material control weaknesses or irregularities do not exist and that there is no unacceptable risk of material error, loss, fraud, or breach of legislation Consequently, the company continually seeks to improve the effectiveness of its systems of internal control so that the irregularities are either prevented or detected within an acceptable period of time

(c) The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a scheme of delegation and accountability The system is maintained and developed by the company's management and includes

- comprehensive budgeting systems,
- regular reviews of periodic financial reports that measure financial performance against the forecasts,
- Targets against which financial and operational performance can be assessed,
- preparation of regular financial reports that compare expenditure with plans and forecasts,
- Clearly defined capital expenditure guidelines, and
- Formal project management disciplines

(d) The internal audit function is undertaken by Scott Moncrieff, Chartered Accountants under the direction of the company's audit committee The audit committee attend regular meetings with the internal auditors to review the agreed programme of work for the current year and audit plan for the forthcoming year

(e) Our review of the effectiveness of the system of internal financial control is informed by

- the work of managers within the company,
- the work of internal audit, and
- external audit reports, including their report on the annual accounts

(f) Having reviewed the framework, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the company's system of internal control We take steps to ensure that the system of internal financial control and the environment in which it operates is subject to continuous improvement This includes observing the implementation of recommendations made by our internal and external auditors and the documentation of our financial control procedures in the context of continuous improvement to the way tie manages it business

On behalf of the Board

[redacted]

[redacted]

**W Gallagher**
Director

**S McGarrity**
Finance and Performance Director

10 July 2007

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF tie LIMITED**

We have audited the financial statements of tie Limited on pages 7 to 20 for the year ended 31 March 2007 These financial statements have been prepared under the historical cost convention and the accounting policies set out therein

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters that 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 auditors**
As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the directors' report is consistent with the financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

**Opinion**
In our opinion
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its surplus for the year the ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the director's report is consistent with the financial statements

[redacted]

**Geoghegan & Co**
Chartered Accountants and
Registered Auditors
6 St Colme Street
Edinburgh
EH3 6AD

10 July 2007



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**INDEPENDENT AUDITORS' REPORT ON THE STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL OF tie LIMITED**
**for the year ended 31 March 2007**

In addition to our audit work on the financial statements, we have reviewed the Statement on the System of Internal Financial Control set out on page 4 on tie Limited's compliance

We are not required to perform the additional work to, and we do not express any opinion on, the effectiveness of the company's system of internal financial control

Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose

**Opinion**

With respect to the Statement on the System of Internal Financial Control on page 4 in our opinion, the Board of Directors have provided the disclosures required and the statement is not inconsistent with the information of which we are aware from our audit

[redacted]

**Geoghegan & Co**
Chartered Accountants and
Registered Auditors
6 St Colme Street
Edinburgh
EH3 6AD

10 July 2007

## INCOME AND EXPENDITURE ACCOUNT
**for the year ended 31 March 2007**

| | Notes | 2007<br>£ | 2006<br>£ |
|---|---|---|---|
| **Turnover** | 2 | 42,591,394 | 21,805,386 |
| External charges | | (35,556,080) | (17,767,549) |
| | | 7,035,314 | 4,037,837 |
| Staff costs | 3 | (3,557,005) | (2,193,180) |
| Other operating charges | | (3,388,271) | (1,813,322) |
| | | (6,945,276) | (4,006,502) |
| **Operating surplus** | 4 | 90,038 | 31,335 |
| Interest receivable | | 40,606 | 4,180 |
| Other finance income | 11 | 30,000 | |
| Interest payable | 5 | (122,929) | (52,751) |
| **Surplus/(deficit) on ordinary activities before taxation** | | 37,715 | (17,236) |
| Tax on surplus/(deficit) on ordinary activities | 6 | (7,715) | |
| **Surplus/(deficit) on ordinary activities after taxation** | 13 | 30,000 | (17,236) |

The income and expenditure account has been prepared on the basis that all operations are continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
**for the year ended 31 March 2007**

| | Note | 2007<br>£ | 2006<br>£ |
|---|---|---|---|
| **Surplus/(deficit) for the financial year** | | 30,000 | (17,236) |
| Actuarial gains/(losses) on pension scheme | 11 | 308,415 | (329,000) |
| **Total recognised gains and losses in the year** | | 338,415 | (346,236) |
| Prior period adjustment (implementation of FRS 17) | | | (294,000) |
| **Total recognised gains and losses since the last financial statements** | | 338,415 | (640,236) |

**BALANCE SHEET**
**as at 31 March 2007**

| | Notes | 2007 £ | 2006 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 7 | 1,043,517 | 183,342 |
| **Current assets** | | | |
| Debtors | 8 | 13,241,312 | 9,880,052 |
| Cash at bank and in hand | | 512,585 | 118 |
| | | 13,753,897 | 9,880,170 |
| **Creditors: amounts falling due within one year** | 9 | (13,752,897) | (9,879,170) |
| **Net current (liabilities)/assets** | | 1,000 | 1,000 |
| **Total assets less current liabilities** | | 1,044,517 | 184,342 |
| **Accruals and deferred income** | 10 | (1,043,517) | (183,342) |
| **Pension scheme liability** | 11 | (333,000) | (671,415) |
| | | (332,000) | (670,415) |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 1,000 | 1,000 |
| Income and expenditure account | 13 | (333,000) | (671,415) |
| **Shareholders' funds – equity interests** | 14 | (332,000) | (670,415) |

The financial statements were approved and authorised for issue by the Board of Directors on 10 July 2007

[redacted] [redacted]

**W Gallagher** [redacted]
Director

**K Hogg**
Director

tie LIMITED

# CASH FLOW STATEMENT
**for the year ended 31 March 2007**

| **Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities** | 2007<br>£ | 2006<br>£ |
|---|---|---|
| Operating surplus | 90,038 | 31,335 |
| Depreciation of tangible assets | 174,780 | 52,150 |
| Increase in debtors | (3,361,260) | (5,728,802) |
| Increase in creditors within one year | 6,554,559 | 4,535,619 |
| Movement on capital payments provision | (174,780) | (52,150) |
| (Decrease)/increase in pension provision | (30,000) | 17,236 |
| **Net cash inflow/(outflow) from operating activities** | 3,253,337 | (1,144,612) |

| **CASH FLOW STATEMENT** | Notes | | |
|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | | 3,253,337 | (1,144,612) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 40,606 | 4,180 |
| Other finance income | | 30,000 | |
| Interest paid | | (122,929) | (52,751) |
| | | (52,323) | (48,571) |
| **Capital expenditure** | | | |
| Payments to acquire tangible assets | | (1,034,955) | (134,843) |
| **Net cash outflow for capital expenditure** | | (1,034,955) | (134,843) |
| **Net cash inflow/(outflow) before management of liquid resources and financing** | | 2,271,769 | (1,328,026) |
| **Financing** | | | |
| Capital payments received | | 1,034,955 | 134,843 |
| **Net cash inflow from financing** | | 1,034,955 | 134,843 |
| **Increase/(Decrease) in cash in the year** | 1 | 3,201,014 | (1,193,183) |

## NOTES TO THE CASH FLOW STATEMENT
**for the year ended 31 March 2007**

### 1 Analysis of net (debt)/funds

| | 1 April 2006 | Cashflow | Other non cash changes | 31 March 2007 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash at bank and in hand | 118 | 512,467 | | 512,585 |
| Bank overdraft | (2,688,547) | 2,688,547 | | |
| Net (debt)/funds | (2,688,429) | 3,201,014 | | 512,585 |

### 2 Reconciliation of net cash flow to movement in net funds/(debt)

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Increase/(decrease) in cash in the year | 3,201,014 | (1,193,183) |
| **Movement in net funds/ (debt) in the year** | 3,201,014 | (1,193,183) |
| Opening net debt | (2,688,429) | (1,495,246) |
| **Closing net funds/(debt)** | 512,585 | (2,688,429) |

**NOTES TO THE FINANCIAL STATEMENTS**
**for the year ended 31 March 2007**

1 **Accounting policies**

1 1 **Accounting convention**
The financial statements have been prepared under the historical cost convention

1 2 **Compliance with accounting standards**
The financial statements have been prepared in accordance with applicable accounting standards

1 3 **Going Concern**
The company meets it's day to day working capital requirements through the use of rolling operating agreements with the City of Edinburgh Council and the Scottish Executive An overdraft facility is also available but the company is currently not utilising it's facility and the directors have prepared a detailed business plan for 2007/08 which has been formally approved by the City of Edinburgh Council

The bank has renewed the overdraft facility until 31 March 2008 on the basis of a letter of comfort from the City of Edinburgh Council and the directors are therefore of the opinion that the financial statements should be prepared on the going concern basis

1 4 **Turnover**
Turnover represents amounts receivable including grants for services net of VAT

1 5 **Revenue Recognition**
Revenue is recognised to reflect completion of the company's contractual obligations Where the substance of the contract is that a right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until that event occurs The company is a "not for profit' company and any surplus or deficit arises out of the movement on the company's pension liabilities in the year

1 6 **Tangible fixed assets and depreciation**
Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

| | |
|---|---|
| Heritable property | 2% Straight line |
| Motor vehicles | 25% Straight line |
| Fixtures and equipment | 25% Straight line |

1 7 **Leasing**
Rentals payable under operating leases are charged against income on a straight line basis over the lease term

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**for the year ended 31 March 2007**

**1. Accounting policies (continued)**

**1 8 Pensions**

The Company is a member of the Lothian Pension Fund which is a multi employer Local Government defined benefit pension scheme The assets of the scheme are held separately from those of the company and pensions payable under the scheme are based on final pensionable salary In accordance with the requirements of FRS 17, the operating costs of providing these benefits are recognised in the income and expenditure account in the accounting period in which the benefits are earned by the employees and related financing and other costs are recognised in the period in which they arise

The company also contributes to individual's personal pension schemes and contributions payable are charged to the income and expenditure account in the period to which they relate

**1 9 Deferred capital payments**

Capital receipts in respect of capital expenditure are credited to the deferred income account and then released to the income and expenditure account over the expected useful lives of the relevant assets

**2 Turnover**

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

**3 Staff costs**

| | 2007 | 2006 |
|---|---|---|
| | No | No |
| ***Number of employees*** | | |
| The average monthly number of employees (excluding seconded and contracted staff) during the year was | | |
| Technical and administration | 55 | 48 |

| ***Employment and other staff costs*** | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Salaries | 2,909,052 | 1,737,031 |
| Social security costs | 285,477 | 187,539 |
| Other pension costs | 287,837 | 232,075 |
| | 3,482,366 | 2,156,645 |
| Other staff costs | 74,639 | 36,535 |
| Total | 3,557,005 | 2,193,180 |

### 4 Operating surplus

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Operating surplus is stated after charging | | |
| Depreciation of tangible assets | 174,780 | 52,150 |
| Operating lease rentals | 354,365 | 135,357 |
| Auditors' remuneration | | |
| Audit | 5,500 | 4,300 |
| Other | 1,680 | 1,500 |
| And after crediting | | |
| Capital payment amortisation | (174,780) | (52,150) |

### 5 Interest payable

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| On bank overdraft | 122,929 | 52,751 |

### 6 Taxation

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Current tax | | |
| UK corporation tax | 7,715 | |
| Current tax charge | 7,715 | |
| Factors affecting the tax charge for year | | |
| Surplus/(deficit) on ordinary activities before tax | 30,000 | (17,236) |
| Surplus/(deficit) on ordinary activities before taxation | | |
| Multiplied by standard rate of corporation tax 19% (2006 19%) | 5,700 | (3,275) |
| Effects of | | |
| Other tax adjustments | 2,015 | 3,275 |
| Current tax charge for the year | 7,715 | |

The directors' are of the opinion that the company currently operates as a "not for profit" organisation and accordingly corporation tax has only been provided in respect of interest receivable.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**for the year ended 31 March 2007**

7 **Tangible fixed assets**

| | Heritable Property £ | Fixtures & Equipment £ | Motor Vehicles £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2006 | | 276,756 | | 276,756 |
| Additions | 489,100 | 449,245 | 96,610 | 1,034,955 |
| Disposals | - | | | |
| At 31 March 2007 | 489,100 | 726,001 | 96,610 | 1,311,711 |
| **Depreciation** | | | | |
| At 1 April 2006 | | 93,414 | | 93,414 |
| Charge for the year | | 158,678 | 16,102 | 174,780 |
| Disposals | | | | |
| At 31 March 2007 | | 252,092 | 16,102 | 268,194 |
| **Net book value** | | | | |
| At 31 March 2007 | 489,100 | 473,909 | 80,508 | 1,043,517 |
| At 31 March 2006 | | 183,342 | | 183,342 |

The addition to heritable property during the year comprises the acquisition of a property purchased in connection with the EARL project in October 2006 In the opinion of the directors the residual value of the property is at least equal to the carrying value in the final statements and accordingly depreciation has not been charged for the year

8 **Debtors**

| | 2007 £ | 2006 £ |
|---|---|---|
| Trade debtors | 1,059,172 | 115,956 |
| Amounts due from parent undertaking | 778,162 | 3,632,491 |
| Amounts due from Scottish Executive | 628,879 | 1,659,866 |
| Other debtors | 543,347 | 183,569 |
| Prepayments and accrued income | 10,231,752 | 4,288,170 |
| | 13,241,312 | 9,880,052 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**for the year ended 31 March 2007**

9 **Creditors: amounts falling due within one year**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Bank overdraft | | 2,688,547 |
| Trade creditors | 2,736,960 | 2,807,283 |
| Corporation tax | 7,715 | |
| Taxes and social security costs | 95,712 | 62,596 |
| Other creditors | 161,716 | 32,574 |
| Accruals and deferred income | 10,750,794 | 4,288,170 |
| | 13,752,897 | 9,879,170 |

The Royal Bank of Scotland plc have confirmed that the overdraft facility has been renewed for a further year to 31 March 2008 A letter of comfort dated 12 April 2006 has been issued by The City of Edinburgh Council to The Royal Bank of Scotland plc in respect of the overdraft facility

10 **Accruals and deferred income**

| | Capital Payments |
|---|---|
| | £ |
| At 1 April 2006 | 183,342 |
| Capital payments received during the year | 1,034,955 |
| Amortisation in the year | (174,780) |
| At 31 March 2007 | 1,043,517 |

11 **Pension commitments**

The company is a member of the Lothian Pension Fund which is a Local Government Pension Scheme The Scheme provides benefits based on final pensionable pay to certain of the company's employees The assets of the fund are held separately from those of the company and are controlled by independent trustees on behalf of the members Contributions to the fund are centrally calculated as a whole for all participating employers and they are determined by a qualified actuary on the basis of triennial valuations, the most recent valuation being as at 31 March 2005. In order to assess the value of the employer's liabilities in the Fund at 31 March 2007 the actuary has rolled forward the value of the employer's liabilities calculated at the last formal funding valuation, allowing for the different financial assumptions required under FRS 17 this year

The service cost for the year has been calculated by the actuary using the projected unit method of valuation as required under FRS 17 It should be noted that service costs figures have been based on current regulations which allow members to retire on their "Rule of 85" age set out in the Local Government Pension Scheme (Scotland) Regulations 1998 They also include an allowance for expenses of 0 4% of payroll

## 11 Pension commitments (continued)

The contributions of the company and the employees were 18 8% and 6 0% of pensionable salary respectively during the year

FRS 17 requires company's accounts to reflect the full extent of any surplus or deficit on its pension fund As at 31 March 2007, the actuaries of Lothian Pension Fund calculated company's share of the overall scheme deficit to be £333,000 and this figure is included in the financial statements

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Contributions paid by the company in the year | 260 | 199 |

| **The main financial assumptions are as follows:** | 31 March 2007 % | 31 March 2006 % | 31 March 2005 % |
|---|---|---|---|
| Rate of increase in salaries | 4 7 | 4 6 | 4 4 |
| Rate of increase in pensions in payment | 3 2 | 3 1 | 2 9 |
| Discount rate | 5 4 | 4 9 | 5 4 |
| Inflation assumption | 3 2 | 3 1 | 2 9 |
| **The long term expected rates of return are as follows:** | | | |
| Equities | 7 8 | 7 4 | 7 7 |
| Bonds | 4 9 | 4 6 | 4 8 |
| Property | 5 8 | 5 5 | 5 7 |
| Other assets | 4 9 | 4 6 | 4 8 |

| **Fund Value** | 31 March 2007 £'000 | 31 March 2006 £'000 | 31 March 2005 £'000 |
|---|---|---|---|
| **The estimated employer assets in the scheme are as follows:** | | | |
| Equities | 2,391 | 2,110 | 735 |
| Bonds | 169 | 150 | 62 |
| Property | 383 | 270 | 88 |
| Other assets | 174 | 59 | 37 |
| Total | 3,117 | 2,589 | 922 |
| Estimated company's assets | 3,117 | 2,589 | 922 |
| Present value of company's liabilities | (3,450) | (3,260) | (1,247) |
| **Company's net pension liability** | (333) | (671) | (325) |

11 **Pension commitments (continued)**

| **Analysis of amount charged to operating surplus** | 2007 £'000 | 2006 £ 000 |
|---|---|---|
| Current service cost | 316 | 157 |
| Past service cost | (56) | |
| Curtailment and settlements | | 59 |
| Total operating charge (A) | 260 | 216 |

| **Amount credited to other finance income** | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Expected return on employer assets | 198 | 74 |
| Interest on pension scheme liabilities | (168) | (74) |
| Net return (B) | 30 | |
| **Net income and expenditure account (A)-(B)** | 230 | 216 |

| **Analysis of amount recognised in statement of total recognised gains and losses (STRGL)** | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | 18 | 393 |
| Experience gains and losses arising on the scheme liabilities | (1) | (315) |
| Changes in financial assumptions underlying the present value of the scheme liabilities | 291 | (407) |
| Actuarial gain/(loss) in pension plan | 308 | (329) |
| **Actuarial gain/(loss) recognised in STRGL** | 308 | (329) |

| **Movement in deficit during year** | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Deficit at beginning of year | (671) | (325) |
| Current service cost | (316) | (157) |
| Past service cost | 56 | |
| Employer contributions | 260 | 199 |
| Curtailments | | (59) |
| Net return on assets | 30 | |
| Actuarial gain/(loss) | 308 | (329) |
| **Deficit at end of year** | (333) | (671) |

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**for the year ended 31 March 2007**

11 **Pension commitments (continued)**

| **History of experience gains and losses** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £ 000 |
| Difference between expected and actual return on assets | 18 | 393 | 26 | 107 |
| Value of assets | 3,117 | 2,589 | 922 | 716 |
| *Percentage of assets* | *0 6%* | *15 2%* | *2 9%* | *15 0%* |
| Experience (losses) on liabilities | (1) | (315) | | |
| Total present value of liabilities | 3,450 | 3,260 | 1,247 | 1,010 |
| *Percentage of total present value of liabilities* | *(0 0%)* | *(9 7%)* | | |
| Actuarial gains/(losses) recognised in STRGL | 308 | (329) | 2 | 48 |
| *Percentage of total present value of the liabilities* | *8 9%* | *(10 1%)* | *0 2%* | *4 8%* |

12 **Share capital**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| **Authorised** | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| **Allotted, called up and fully paid** | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |

13 **Income and expenditure reserve**

| | 2007 |
|---|---|
| | £ |
| At 1 April 2006 | (671,415) |
| Result for the financial year | 30,000 |
| Other recognised gains and losses in the year | 308,415 |
| At 31 March 2007 | (333,000) |

14 **Reconciliation of movements in shareholders' funds**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Result for the financial year | 30,000 | (17,236) |
| Other recognised gains and losses in the year | 308,415 | (329,000) |
| Opening shareholders' funds | (670,415) | (324,179) |
| Closing shareholders' funds | (332,000) | (670,415) |



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15 **Financial commitments**

At 31 March 2007 the company was committed to making the following annual payments under non-cancellable operating leases

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | £ | £ | £ | £ |
| Operating leases which expire | | | | |
| Between one and two years | 127,039 | 118,756 | | |
| After more than five years | 416,275 | 200,975 | 1,040 | 1,040 |
| | 543,314 | 319,731 | 1,040 | 1,040 |

16 **Directors' emoluments**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Emoluments for qualifying services | 133,173 | 13,474 |

17 **Related party transactions**

Four of the directors of the company, namely R Henderson, A G Jackson, G Mackenzie, and A P M Wheeler are considered to be related parties as they are members of the City of Edinburgh Council ("CEC") In addition, A D Burns and M M Child were also related parties during the year by way of their membership of CEC The company provides services to CEC under the terms of a contractual agreement

During the year the company invoiced service charges to CEC amounting to £27,308,329 (2006 £18,577,176) and at the year end the amount due by CEC to the company was £778,162 (2006 £3,632,491) in respect of the provision of services

During the year the company purchased a coach from Lothian Buses plc, a subsidiary of CEC, for £30,000 The company was also recharged by Lothian Buses plc for consultancy fees and expenses totalling £439,797 (2006 £Nil) in respect of the TRAM project

18 **Ultimate Controlling Party**

The City of Edinburgh Council holds 100% of the company's ordinary share capital and is therefore deemed to be the ultimate controlling party