Company Registration No: SC230949 (Scotland)

tie LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

tie LIMITED

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tie LIMITED

COMPANY INFORMATION

Directors	W Gallagher	(Chairman)
	B J Cox R Henderson K J Hogg A G Jackson G Mackenzie N Scales P Strachan A P M Wheeler	
Secretary	D.W. Company Services Limited	
Company Number	SC230949	
Registered Office	City Chambers High Street Edinburgh EH1 1YJ	
Business address	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD	
Auditors	Geoghegan & Co Chartered Accountants 6 St Colme Street Edinburgh EH3 6AD	
Bankers	The Royal Bank of Scotland plc 36 St Andrews Square Edinburgh EH2 2YB	

tie LIMITED

DIRECTORS' REPORT
for the year ended 31 March 2008

The directors present their report and financial statements for the year ended 31 March 2008.

Principal activities and review of business
The principal activity of the company continues to be the promotion, development, procurement, project management and implementation of certain nominated projects. The company remains a "not for profit" entity. The company's planned activities, resource requirements and external expenditure are detailed in a business plan which is presented to the City of Edinburgh Council (CEC) for approval on an annual basis.

During the year ended 31 March 2008 the Edinburgh Tram Project (TRAM) accounted for 78% and the Edinburgh Airport Rail Link (EARL) accounted for 19% of the turnover disclosed in the Income and Expenditure account on page 7 with the balance being accounted for by a number of other projects most of which are transport related.

CEC is the customer for the Edinburgh Tram Project with most of the funding provided from Scottish Ministers. During the year to 31 March 2008, procurement and implementation work on the EARL project was discontinued in an orderly fashion at the request of the Scottish Ministers. The Company continues to discharge its responsibilities as Authorised Undertaker under the EARL Act. It is anticipated that 99% of turnover in the year to 31 March 2009 will relate to TRAM.

The company plans activities on all of its projects such that best value for money can be delivered for each stage of the project. 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 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 the TRAM project 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 its stakeholders and funders. 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 its stakeholders and funders.

The company considers that a key driver for all transport related projects undertaken is to encourage use of public transport, which in turn would reduce the impact that travel has on resulting carbon emissions on the environment. The company fosters an environmental ethic among our management, employees, contractors and stakeholders.

The company aims to ensure that its staff and contractors are safe, healthy and fulfilled. The company provides a full range of occupational health services and products to its employees and contractors. There is dynamic incident management, safety auditing and management inspection processes and procedures in place with involvement of employees and contractors

DIRECTORS' REPORT (continued)
for the year ended 31 March 2008

Directors
The following directors have held office since 1 April 2007 unless otherwise indicated:

W Gallagher	(Chairman)
B J Cox	
R Henderson	(Ceased 3 May 2007, Re-appointed 4 July 2007)
K J Hogg	
A G Jackson	(Ceased 3 May 2007, Re-appointed 4 July 2007)
G Mackenzie	(Appointed 4 July 2007)
N Scales	
P Strachan	
A P M Wheeler	(Ceased 3 May 2007. Re-appointed 4 July 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 UK 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.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2008

Statement of disclosure to the auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps they ought to have taken as directors in order to make themselves aware of all 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

3 July 2008

tie LIMITED

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL
for the year ended 31 March 2008

(a) This statement is given in respect of the internal financial controls operated for the company. We acknowledge our 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 its business.

On behalf of the Board [redacted]

[redacted]

W Gallagher [redacted]
Director

S McGarrity
Finance and Performance Director

3 July 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF tie LIMITED

We have audited the financial statements of tie Limited on pages 8 to 22 for the year ended 31 March 2008. These financial statements have been prepared under 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 (United Kingdom Generally Accepted Accounting Practice).

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 also report to you whether in our opinion the directors' report is consistent with the financial statements. In addition we 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 or material inconsistencies with the financial statements.

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 2008 and of its deficit 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 3 July 2008

Chartered Accountants and
Registered Auditors
6 St Colme Street
Edinburgh
EH3 6AD

INDEPENDENT AUDITORS' REPORT ON THE STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL OF tie LIMITED
for the year ended 31 March 2008

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 5 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 5, 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 3 July 2008
Chartered Accountants and
Registered Auditors
6 St Colme Street
Edinburgh
EH3 6AD

tie LIMITED

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2008

	Notes	2008 £	2007 £
Turnover	2	58,672,739	42,591,394
External charges		(47,553,461)	(35,556,080)
		11,119,278	7,035,314
Staff costs	3	(5,969,455)	(3,557,005)
Other operating charges		(5,218,672)	(3,388,271)
		(11,188,127)	(6,945,276)
Operating (deficit) / surplus	4	(68,849)	90,038
Interest receivable		18,646	40,606
Other finance income	11	35,000	30,000
Interest payable	5	(1,512)	(122,929)
(Deficit)/surplus on ordinary activities before taxation		(16,715)	37,715
Tax on (deficit)/surplus on ordinary activities	6	7,715	(7,715)
(Deficit)/surplus on ordinary activities after taxation	13	(9,000)	30,000

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 2008

	Note	2008 £	2007 £
(Deficit)/surplus for the financial year		(9,000)	30,000
Actuarial gains on pension scheme	11	464,000	308,415
Total recognised gains and losses in the year		455,000	338,415

tie LIMITED

BALANCE SHEET
as at 31 March 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	7	1,822,041	1,043,517
Current assets			
Debtors	8	64,117,584	13,241,312
Cash at bank and in hand		53,373	512,585
		64,170,957	13,753,897
Creditors: amounts falling due within one year	9	(64,109,957)	(13,752,897)
Net current assets		61,000	1,000
Total assets less current liabilities		1,883,041	1,044,517
Accruals and deferred income	10	(1,822,041)	(1,043,517)
Pension scheme asset/(liability)	11	62,000	(333,000)
		123,000	(332,000)
Capital and reserves			
Called up share capital	12	1,000	1,000
Income and expenditure account	13	122,000	(333,000)
Shareholders' funds – equity interests	14	123,000	(332,000)

The financial statements were approved and authorised for issue by the Board of Directors on 3 July 2008.

[redacted]

W Gallagher [redacted]
Director

[redacted]

P Strachan
Director

tie LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2008

Reconciliation of operating (deficit)/surplus to net cash (outflow)/inflow from operating activities	2008 £	2007 £
Operating (deficit)/surplus	(68,849)	90,038
Depreciation of tangible assets	309,288	174,780
Increase in debtors	(50,876,272)	(3,361,260)
Increase in creditors within one year	50,364,775	6,554,559
Movement on capital payments provision	(309,288)	(174,780)
Difference between pension charge and cash contribution	104,000	-
Net cash (outflow)/inflow from operating activities	(476,346)	3,283,337

CASH FLOW STATEMENT

	Notes		
Net cash (outflow)/inflow from operating activities		(476,346)	3,283,337
Returns on investments and servicing of finance			
Interest received		18,646	40,606
Interest paid		(1,512)	(122,929)
		17,134	(82,323)
Capital expenditure			
Payments to acquire tangible assets		(1,087,812)	(1,034,955)
Net cash outflow for capital expenditure		(1,087,812)	(1,034,955)
Net cash (outflow)/inflow before management of liquid resources and financing		(1,547,024)	2,166,059
Financing			
Capital payments received		1,087,812	1,034,955
Net cash inflow from financing		1,087,812	1,034,955
(Decrease)/increase in cash in the year	1	(459,212)	3,201,014

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 March 2008

1 Analysis of net funds

	1 April 2007	Cashflow	Other non-cash changes	31 March 2008
	£	£	£	£
Cash at bank and in hand	512,585	(459,212)	-	53,373
Net funds	512,585	(459,212)	-	53,373

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

	2008	2007
	£	£
(Decrease)/increase in cash in the year	(459,212)	3,201,014
Movement in net funds in the year	(459,212)	3,201,014
Opening net funds / (debt)	512,585	(2,688,429)
Closing net funds	53,373	512,585

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2008

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 UK accounting standards which have been applied consistently.

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 2008/09 which will be formally approved in July 2008 by the City of Edinburgh Council.

The bank has renewed the overdraft facility until 31 March 2009 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 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.

1.5 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
Tenants improvements	- 25% Straight line
Motor vehicles	- 25% Straight line
Fixtures and equipment	- 25% Straight line

1.6 Leasing
Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

1. Accounting policies (continued)

1.8 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

	2008	2007
	No	No
Number of employees		
The average monthly number of employees (excluding seconded and contracted staff) during the year was:		
Technical and administration	80	55

Employment and other staff costs	2008	2007
	£	£
Salaries	5,044,720	2,909,052
Social security costs	520,988	285,477
Other pension costs	389,757	287,837
	5,955,465	3,482,366
Other staff costs	13,990	74,639
Total	5,969,455	3,557,005

		2008	2007
4	**Operating (deficit)/ surplus**	£	£
	Operating (deficit)/ surplus is stated after charging:		
	Depreciation of tangible assets	309,288	174,780
	Operating lease rentals	449,471	354,365
	Auditors' remuneration:		
	- Audit	7,500	5,500
	- Other	4,000	1,680
	And after crediting:		
	Capital payment amortisation	(309,288)	(174,780)

		2008	2007
5	**Interest payable**	£	£
	On bank overdraft	1,512	122,929

		2008	2007
6	**Taxation**	£	£
	Current tax		
	UK corporation tax	-	7,715
	Adjustment for prior years	(7,715)	-
	Current tax charge/(credit)	(7,715)	7,715
	Factors affecting the tax charge for year:		
	(Deficit)/surplus on ordinary activities before tax	(16,715)	37,715
	(Deficit)/surplus on ordinary activities before taxation Multiplied by standard rate of corporation tax 20% (2007 - 19%)	(3,343)	7,166
	Effects of:		
	Other tax adjustments	1,543	6,249
	Adjustment for prior years	(7,715)	-
	Tax effects of FRS 17 adjustments	1,800	(5,700)
	Current tax (credit)/charge for the year	(7,715)	7,715

The directors' are of the opinion that the company currently operates as a "not for profit" organisation and accordingly no corporation tax has been provided.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

7 **Tangible fixed assets**

	Heritable Property	Tenants improvements	Fixtures & Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2007	489,100	-	726,001	96,610	1,311,711
Additions	588,822	283,251	215,739	-	1,087,812
Disposals	-	-	-	-	-
At 31 March 2008	1,077,922	283,251	941,740	96,610	2,399,523
Depreciation					
At 1 April 2007	-	-	252,092	16,102	268,194
Charge for the year	12,791	61,745	210,599	24,153	309,288
Disposals	-	-	-	-	-
At 31 March 2008	12,791	61,745	462,691	40,255	577,482
Net book value					
At 31 March 2008	1,065,131	221,506	479,049	56,355	1,822,041
At 31 March 2007	489,100	-	473,909	80,508	1,043,517

8 **Debtors**

	2008	2007
	£	£
Trade debtors	15,659	1,059,172
Amounts due from parent undertaking	61,743,198	778,162
Amounts due from Scottish Executive	484,573	628,879
Other debtors	-	543,347
Prepayments and accrued income	1,874,154	10,231,752
	64,117,584	13,241,312

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

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

	2008 £	2007 £
Trade creditors	1,838,988	2,736,960
Corporation tax	-	7,715
Taxes and social security costs	9,223,286	95,712
Other creditors	50,027	161,716
Accruals and deferred income	52,997,656	10,750,794
	64,109,957	13,752,897

The Royal Bank of Scotland plc have confirmed that the overdraft facility has been renewed for a further year to 31 March 2009. 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 2007	1,043,517
Capital payments received during the year	1,087,812
Amortisation in the year	(309,288)
At 31 March 2008	1,822,041

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 2008 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. The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method.

FRS 17 requires company's accounts to reflect the full extent of any surplus or deficit on its pension fund. As at 31 March 2008, the actuaries of Lothian Pension Fund calculated the company's share of the overall scheme deficit to be a surplus of £62,000 and this figure is included in the financial statements.

	2008 £'000	2007 £'000
Pension charge for year:		
Service costs – staff costs	368	260
Curtailments – other operating charges	130	-
	498	260
Other pension arrangements	22	28
	520	288

The main financial assumptions are as follows:	31 March 2008 %	31 March 2007 %	31 March 2006 %
Rate of increase in salaries	5.1	4.7	4.6
Rate of increase in pensions in payment	3.6	3.2	3.1
Discount rate	6.9	5.4	4.9
Inflation assumption	3.6	3.2	3.1
The long term expected rates of return are as follows:			
Equities	7.7	7.8	7.4
Bonds	5.7	4.9	4.6
Property	5.7	5.8	5.5
Other assets	4.8	4.9	4.6

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

11 Pension commitments (continued)

Fund Value	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
The estimated employer assets in the scheme are as follows:			
Equities	2,701	2,391	2,110
Bonds	316	169	150
Property	424	383	270
Other assets	117	174	59
Total	3,558	3,117	2,589
Estimated company's assets	3,558	3,117	2,589
Present value of scheme liabilities	(3,433)	(3,450)	(3,260)
Present value of unfunded liabilities	(63)	-	-
Company's net pension asset/(liability)	62	(333)	(671)

Analysis of amount charged to operating (deficit)/surplus	2008 £'000	2007 £'000
Current service cost	368	316
Past service cost	-	(56)
Curtailment and settlements	130	-
Total operating charge (A)	498	260

Amount credited to other finance income	2008 £'000	2007 £'000
Expected return on employer assets	244	198
Interest on pension scheme liabilities	(209)	(168)
Net return (B)	35	30
Net income and expenditure account (A)-(B)	463	230

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

11 **Pension commitments (continued)**

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(336)	18
Experience gains and losses arising on the scheme liabilities	(8)	(1)
Changes in financial assumptions underlying the present value of the scheme liabilities	808	291
Actuarial gain in pension plan	464	308
Actuarial gain recognised in STRGL	464	308

Movement in surplus/deficit during year	2008 £'000	2007 £'000
(Deficit) at beginning of year	(333)	(671)
Current service cost	(368)	(316)
Past service cost	-	56
Employer contributions	381	260
Contributions in respect of unfunded benefits	13	-
Curtailments	(130)	-
Other finance income	35	30
Actuarial gain	464	308
Surplus/(deficit) at end of year	62	(333)

History of experience gains and losses	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between expected and actual return on assets	(336)	18	393	26	107
Value of assets	3,558	3,117	2,589	922	716
Percentage of assets	*(9.4%)*	*0.6%*	*15.2%*	*2.9%*	*15.0%*
Experience (losses) on liabilities	(8)	(1)	(315)	-	-
Total present value of liabilities	3,496	3,450	3,260	1,247	1,010
Percentage of total present value of liabilities	*(0.2%)*	*(0.0%)*	*(9.7%)*	-	-
Actuarial gains/(losses) recognised in STRGL	464	308	(329)	2	48
Percentage of total present value of the liabilities	*13.3%*	*8.9%*	*(10.1%)*	*0.2%*	*4.8%*

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

12 **Share capital**

	2008	2007
	£	£
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**

	2008
	£
At 1 April 2007	(333,000)
Result for the financial year	(9,000)
Other recognised gains and losses in the year	464,000
At 31 March 2008	122,000

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

	2008	2007
	£	£
Result for the financial year	(9,000)	30,000
Other recognised gains and losses in the year	464,000	308,415
Opening shareholders' funds	(332,000)	(670,415)
Closing shareholders' funds	123,000	(332,000)

15 **Financial commitments**

At 31 March 2008 the company was committed to making the following annual payments under non-cancellable operating leases.

	Land and buildings		Other	
	2008	2007	2008	2007
	£	£	£	£
Operating leases which expire				
In less than one year	-	127,039	1,040	-
Between two and five years	428,275	416,275	-	1,040
	428,275	543,314	1,040	1,040

16	**Directors' emoluments**	2008 £	2007 £
	Emoluments for qualifying services	252,018	133,173
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments for qualifying services	204,018	105,840

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"). 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 £57,912,785 (2007 - £27,308,329) and at the year end the amount due by CEC to the company was £61,683,198 (2007 - £778,162) in respect of the provision of services.

During the year the company was recharged by Lothian Buses plc, a subsidiary of CEC, for consultancy fees and expenses totalling £631,626 (2007 - £439,797) in respect of the TRAM project.

City of Edinburgh Council have provided a guarantee to a contractor in respect of the company's financial obligations relating to the contract for delivery of the infrastructure of the Edinburgh Tram Network.

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.