Company Registration No: SC230949 (Scotland)

tie LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

tie LIMITED

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tie LIMITED

COMPANY INFORMATION

Directors	D J Mackay	(Chairman)
	B J Cox K J Hogg A G Jackson G Mackenzie I Perry N Scales P Strachan A P M Wheeler	
Secretary	DW 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	

DIRECTORS' REPORT
for the year ended 31 March 2009

The directors present their report and financial statements for the year ended 31 March 2009.

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 31st March 2009 the Edinburgh Tram Project (TRAM) accounted for 97% (2008: 78%) of the turnover disclosed in the Income and Expenditure account on page 8 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.

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. The company accounts were prepared on a going-concern basis which incorporates the assumption that the receipt of funding from the Scottish Government and the City of Edinburgh Council will continue until project completion. 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 2009

Directors
The following directors have held office since 1 April 2008 unless otherwise indicated:

D J Mackay	(Chairman)	(Appointed 23 April 2009)
B J Cox		
W G Gallagher		(Resigned 23 April 2009)
R Henderson		(Resigned 2 September 2008)
K J Hogg		
A G Jackson		
G Mackenzie		
I Perry		(Appointed 2 September 2008)
N Scales		
P Strachan		
A P M Wheeler		

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.

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.

tie LIMITED

DIRECTORS' REPORT (continued)
for the year ended 31 March 2009

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]

D J Mackay
Director

8 July 2009

tie LIMITED

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL
for the year ended 31 March 2009

(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 Deloitte Touche LLP 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]

D J Mackay
Chairman

[redacted]

S McGarrity
Finance and Performance Director

8 July 2009

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 2009. 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 2009 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 8 July 2009

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 2009

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]

8 July 2009

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

tie LIMITED

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2009

	Notes	2009 £	2008 £
Turnover	2	127,201,480	58,672,739
External charges		(119,182,423)	(47,553,461)
		8,019,057	11,119,278
Staff costs	3	(5,405,673)	(5,969,455)
Other operating charges		(2,544,156)	(5,218,672)
		(7,949,829)	(11,188,127)
Operating surplus/(deficit)	4	69,228	(68,849)
Interest receivable		7,308	18,646
Other finance income	11	20,000	35,000
Interest payable	5	(580)	(1,512)
Surplus/(deficit) on ordinary activities before taxation		95,956	(16,715)
Tax on surplus/(deficit) on ordinary activities	6	18,044	7,715
Surplus/(deficit) on ordinary activities after taxation	13	114,000	(9,000)

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 2009

	Note	2009 £	2008 £
Surplus/(deficit) for the financial year		114,000	(9,000)
Actuarial (loss)/gains on pension scheme	11	(797,000)	464,000
Total recognised gains and losses in the year		(683,000)	455,000

tie LIMITED

BALANCE SHEET
as at 31 March 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	7	1,596,405	1,822,041
Current assets			
Debtors	8	38,078,747	64,117,584
Cash at bank and in hand		164	53,373
		38,078,911	64,170,957
Creditors: amounts falling due within one year	9	(38,077,911)	(64,109,957)
Net current assets		1,000	61,000
Total assets less current liabilities		1,597,405	1,883,041
Accruals and deferred income	10	(1,596,405)	(1,822,041)
Pension scheme (liability)/asset	11	(561,000)	62,000
		(560,000)	123,000
Capital and reserves			
Called up share capital	12	1,000	1,000
Income and expenditure account	13	(561,000)	122,000
Shareholders' funds – equity interests	14	(560,000)	123,000

The financial statements were approved and authorised for issue by the Board of Directors on 8th July 2009.

[redacted]

D J Mackay
Director

[redacted]

K J Hogg
Director

tie LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2009

Reconciliation of operating surplus/(deficit) to net cash Inflow/(outflow) from operating activities	2009 £	2008 £
Operating surplus/(deficit)	69,228	(68,849)
Depreciation of tangible assets	340,081	309,288
Decrease/(increase) in debtors	26,057,570	(50,876,272)
Increase/(decrease) in creditors within one year	(26,064,513)	50,364,775
Movement on capital payments provision	(340,081)	(309,288)
Difference between pension charge and cash contribution	(154,000)	104,000
Net cash (outflow) from operating activities	(91,715)	(476,346)

CASH FLOW STATEMENT	Notes		
Net cash (outflow) from operating activities		(91,715)	(476,346)
Returns on investments and servicing of finance			
Interest received		7,308	18,646
Interest paid		(580)	(1,512)
		6,728	17,134
Capital expenditure			
Payments to acquire tangible assets		(114,445)	(1,087,812)
Net cash outflow for capital expenditure		(114,445)	(1,087,812)
Net cash (outflow) before management of liquid resources and financing		(199,432)	(1,547,024)
Financing			
Capital payments received		114,445	1,087,812
Net cash inflow from financing		114,445	1,087,812
(Decrease) in cash in the year	1	(84,987)	(459,212)

tie LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 March 2009

1 Analysis of net funds

	1 April 2008 £	Cashflow £	31 March 2009 £
Bank overdraft	-	(31,778)	(31,778)
Cash at bank and in hand	53,373	(53,209)	164
Net funds	53,373	(84,987)	(31,614)

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

	2009 £	2008 £
(Decrease) in cash in the year	(84,987)	(459,212)
Movement in net funds in the year	(84,987)	(459,212)
Opening net (debt)/funds	53,373	512,585
Closing net (debt)/funds	(31,614)	53,373

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

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 its day to day working capital requirements through the use of rolling operating agreements with the City of Edinburgh Council and the Scottish Executive. The company accounts were prepared on a going-concern basis which incorporates the assumption that the receipt of funding from the Scottish Government and the City of Edinburgh Council will continue until project completion. The balance sheet has been adjusted to reflect the company's attributable share of the net liabilities of the Lothian Pension Fund as reported to us by the scheme's actuary. The bank overdraft facility was not renewed in April 20[illegible] on the basis that tie's working capital requirements would be met by the City of Edinburgh Council. The directors are of the opinion that the financial statements should be prepared on a 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.

tie LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2009

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**

	2009	2008
	No	No
Number of employees		
The average monthly number of employees (excluding seconded and contracted staff) during the year was:		
Technical and administration	84	80

Employment and other staff costs	2009	2008
	£	£
Salaries	4,479,965	5,044,720
Social security costs	534,627	520,988
Other pension costs	391,081	389,757
	5,405,673	5,955,465
Other staff costs	-	13,990
Total	5,405,673	5,969,455

4 Operating surplus/(deficit)

	2009	2008
	£	£
Operating surplus/(deficit) is stated after charging:		
Depreciation of tangible assets	340,081	309,288
Operating lease rentals	467,923	449,471
Auditors' remuneration:		
- Audit	11,250	7,500
- Other	5,050	4,000
And after crediting:		
Capital payment amortisation	(340,081)	(309,288)

5 Interest payable

	2009	2008
	£	£
On bank overdraft	580	1,512

6 Taxation

	2009	2008
	£	£
Current tax:		
UK corporation tax	689	-
Adjustment for prior years:		
- Group relief receipts	(18,733)	-
- Other	-	(7,715)
Current tax credit	(18,044)	(7,715)

Factors affecting the tax charge for year:

	2009	2008
Surplus / (deficit) on ordinary activities before tax	95,956	(16,715)
Surplus / (deficit) on ordinary activities before taxation multiplied by standard rate of corporation tax 28% (2008 - 20%)	26,868	(3,343)
Effects of:		
Other tax adjustments	22,541	1,543
Adjustment for prior years	(18,733)	(7,715)
Tax effects of FRS 17 adjustments	(48,720)	1,800
Current tax credit for the year	(18,044)	(7,715)

7 **Tangible fixed assets**

	Heritable Property	Tenants improvements	Fixtures & Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2008	1,077,922	283,251	941,740	96,610	2,399,523
Additions	-	24,220	90,225	-	114,445
Disposals	-	-	-	-	-
At 31 March 2009	1,077,922	307,471	1,031,965	96,610	2,513,968
Depreciation					
At 1 April 2008	12,791	61,745	462,691	40,255	577,482
Charge for the year	21,559	73,725	220,645	24,152	340,081
Disposals	-	-	-	-	-
At 31 March 2009	34,350	135,470	683,336	64,407	917,563
Net book value					
At 31 March 2009	1,043,572	172,001	348,629	32,203	1,596,405
At 31 March 2008	1,065,131	221,506	479,049	56,355	1,822,041

8 **Debtors**

	2009	2008
	£	£
Trade debtors	807,037	15,659
Amounts due from parent undertaking	12,051,622	61,743,198
Amounts due from Scottish Executive	1,640	484,573
Other debtors	237,097	-
Prepayments and accrued income	24,981,351	1,874,154
	38,078,747	64,117,584

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2009

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

	2009	2008
	£	£
Bank overdraft	31,778	-
Trade creditors	45,444	1,838,988
Corporation tax	689	-
Taxes and social security costs	119,091	9,223,286
Other creditors	65,992	50,027
Accruals and deferred income	37,814,917	52,997,656
	38,077,911	64,109,957

The Royal Bank of Scotland plc, at the behest of tie Limited, have confirmed in their letter of 18th May 2009 that the overdraft facility has not been renewed. tie's banking facility is now provided by Group Treasury of The City of Edinburgh Council.

10 **Accruals and deferred income**

	Capital Payments
	£
At 1 April 2008	1,822,041
Capital payments received during the year	114,445
Amortisation in the year	(340,081)
At 31 March 2009	1,596,405

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 2008. In order to assess the value of the employer's liabilities in the Fund at 31 March 2009 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 no allowance has been made for the effect of the abolition of the 'Rule of 85' for new members since 31 March 2008. The principal reason for this is that insufficient information is available to make any adjustment but the effect is likely to be immaterial in actuarial terms.

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 2009, the actuaries of Lothian Pension Fund calculated the company's share of the overall scheme deficit to be a deficit of £561,000 and this figure is included in the financial statements.

11 Pension commitments (continued)

The principal assumptions used by the actuary were:

	2009	2008
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions payment	3.1%	3.6%
Discount rate	6.9%	6.9%
Long term expected rate of return on scheme assets:		
Equities	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%
Mortality – life expectancies from age 65:		
Males		
Current pensioners	19.8	19.8
Future pensioners	21.0	21.0
Females		
Current pensioners	22.8	22.8
Future pensioners	24.0	24.0

Amounts recognised in the balance sheet

	2009 £'000	2008 £'000
Fair value of employer assets	4,053	3,558
Present value of employer liabilities	(4,554)	(3,433)
Present value of unfunded liabilities	(60)	(63)
Company's net pension (liability) / asset	(561)	62

Analysis of amounts recognised in income and expenditure	2009 £'000	2008 £'000
Amounts charged to – staff costs		
Current service cost	268	368
Curtailment and settlements	45	130
Total operating charge (A)	313	498
Amount credited to – other finance income		
Expected return on employer assets	277	244
Interest on employer liabilities	(257)	(209)
Net return (B)	20	35
Net income and expenditure account (A)-(B)	293	463

11 Pension commitments (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2009 £'000	2008 £'000
Actual return less expected return on employer assets	(376)	(336)
Experience gains and losses arising on the employer liabilities	(918)	(8)
Changes in financial assumptions underlying the present value of the employer liabilities	497	808
Actuarial (loss) / gain recognised in STRGL	(797)	464

The cumulative amount of actuarial losses recognised in the STRGL to date are £365,000 (2008 – gain to date £432,000)

Reconciliation of the present value of employer liabilities	2009 £000	2008 £000
Present value of employer liabilities at 1 April 2008	(3,496)	(3,450)
Allocation adjustment	(42)	-
Current service cost	(268)	(368)
Interest cost	(257)	(209)
Contributions by members	(145)	(152)
Actuarial (losses) / gains	(421)	800
(Losses) on curtailments	(45)	(130)
Unfunded benefits paid	3	13
Benefits paid	57	-
Present value of employer liabilities at 31 March 2009	(4,614)	(3,496)

Reconciliation of the fair value of employer assets	2009 £000	2008 £000
Fair value of employer assets at 1 April 2008	3,558	3,117
Allocation adjustment	42	-
Expected return on assets	277	244
Contributions by members	145	152
Contributions by the employer	464	381
Contributions in respect of unfunded benefits	3	13
Actuarial (losses)	(376)	(336)
Unfunded benefits paid	(3)	(13)
Benefits paid	(57)	-
Fair value of employer assets at 31 March 2009	4,053	3,558

The company expects to contribute £572,000 to the defined benefit scheme during the year to 31 March 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2009

11 **Pension commitments (continued)**

The fair value of major categories of employer assets are as follows:

	2009 £000	2008 £000
Equities	3,202	2,701
Bonds	446	316
Property	405	424
Cash	-	117
	4,053	3,558

History of Surplus / (deficit) in the scheme and experience adjustments

Analysis of the current and previous four periods:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of employer liabilities	(4,614)	(3,496)	(3,450)	(3,260)	(1,247)
Fair value of employer assets	4,053	3,558	3,117	2,589	922
Surplus / (deficit) in scheme	(561)	62	(333)	(671)	(325)
Experience gains / (losses) on assets	(376)	(336)	18	393	26
Experience gains / (losses) on liabilities	(918)	(8)	(1)	(315)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2009

12 Share capital

	2009	2008
	£	£
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

	2009
	£
At 1 April 2008	122,000
Result for the financial year	114,000
Other recognised gains and losses in the year	(797,000)
At 31 March 2009	(561,000)

14 Reconciliation of movements in shareholders' funds

	2009	2008
	£	£
Result for the financial year	114,000	(9,000)
Other recognised gains and losses in the year	(797,000)	464,000
Opening shareholders' funds	123,000	(332,000)
Closing shareholders' funds	(560,000)	123,000

15 Financial commitments

At 31 March 2009 the company was committed to making the following annual payments under non-cancellable operating leases.

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire		
In less than one year	-	-
Between two and five years	496,115	428,275
	496,115	428,275

16	**Directors' emoluments**	2009 £	2008 £
	Emoluments for qualifying services	239,686	252,018
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments for qualifying services	191,686	204,018

17 Related party transactions

Five of the directors of the company subsisting during the year, namely R Henderson, A G Jackson, G Mackenzie, I Perry 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 £127,096,583 (2008 - £57,912,785) and at the year end the amount due by CEC to the company was £12,051,622 (2008 - £61,683,198) 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 £697,031 (2008 - £631,626) 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.