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**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**DIRECTORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2004**



# TRANSPORT INITIATIVES EDINBURGH LIMITED

## COMPANY INFORMATION

<b>Directors</b>	E Brown (Chairman) J Brown A D Burns M M Child W S Cunningham G J N Gemmell R R Henderson J S Richards
<b>Secretary</b>	D.W. Company Services Limited
<b>Company Number</b>	SC230949
<b>Registered Office</b>	City Chambers High Street Edinburgh EH1 1YJ
<b>Business address</b>	Verity House 19 Haymarket Yards Edinburgh EH12 5BH
<b>Auditors</b>	Geoghegan & Co 6 St Colme Street Edinburgh EH3 6AD
<b>Bankers</b>	Royal Bank of Scotland plc 36 St Andrews Square Edinburgh EH2 2YB

# TRANSPORT INITIATIVES EDINBURGH LIMITED

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# TRANSPORT INITIATIVES EDINBURGH LIMITED

## DIRECTORS' REPORT

for the year ended 31 March 2004

The directors present their report and financial statements for the year ended 31 March 2004.

### Principal activities

The principal activity of the company is to promote, support and effect the development, procurement and implementation of certain projects defined or referred to in the Local Transport Strategy of The City of Edinburgh Council.

### Review of business

During the year to 31 March 2004, substantial progress was achieved on all of the projects for which tie has responsibility. The Draft Charging Order for the Congestion Charging Scheme was published as a precursor to the Public Inquiry which has recently completed and the report from the Inquiry Reporters is expected later this year. The Private Bills for Tram Lines 1 and 2 were prepared during 2003 and submitted to the Scottish Parliament in December 2003 following extensive public consultation. Preparation of the Bill for Line 3 is now underway. tie was given responsibility for preparing the Bill for the Edinburgh Airport Rail Link and this work is also making good progress.

The West Edinburgh Busways bus priority system was developed in 2003 and construction is now well-underway. Tie has continued to manage the integrated travel ticket for the East of Scotland, "One Ticket", achieving substantial revenue growth. Tie also performed preliminary work on other projects within the City of Edinburgh Council's Local Transport Strategy.

Each project undertaken by tie is subject to rigorous budget and financial control, risk assessment and project management discipline.

This represents a far-reaching and complex set of projects which are fundamental to the successful delivery of improved transport facilities for people living and working in Edinburgh. Good progress has continued in the current financial year.

### Directors

The following directors have held office during the year:

E Brown  
J Brown  
A D Burns  
M M Child  
G J N Gemmell  
R R Henderson (Resigned 19 July 2004)  
J S Richards

Since the year end W S Cunningham was appointed as a director with effect from 19 July 2004.

### Directors' interests

No directors had any interest in the shares of the company during the year under review.

# TRANSPORT INITIATIVES EDINBURGH LIMITED

## **DIRECTORS' REPORT (continued)** **for the year ended 31 March 2004**

### **Auditors**

A resolution to reappoint Geoghegan & Co as auditors will be proposed at the Annual General Meeting.

### **Corporate governance**

Tie seeks to apply high standards of corporate behaviour and has entered into an Operating Agreement which governs the relationship between the company and its 100% shareholder, the City of Edinburgh Council. As part of its responsibility for oversight of these arrangements, the Board has established Remuneration and Audit Committees comprising independent non-executive directors. The remit and operational process of these committees are in line with best practice for UK companies, as adapted for the circumstances of the company. The company operates a detailed delegated authority structure which sets out the matters which are reserved for Board approval and the level of authority permitted to management.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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;
- ◆ 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

On behalf of the Board



**E Brown**  
Director

23 August 2004

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF TRANSPORT INITIATIVES  
EDINBURGH LIMITED**

We have audited the financial statements of Transport Initiatives Edinburgh Limited on pages 4 to 14 for the year ended 31 March 2004. 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 members, 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 2 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 United Kingdom Auditing Standards.*

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 United Kingdom Auditing Standards 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 of the state of the company's affairs as at 31 March 2004 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Geoghegan & Co

Chartered Accountants and  
Registered Auditors

23 August 2004

6 St Colme Street  
Edinburgh EH3 6AD

**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 2004

	Notes	2004	2003 (11 months)
<b>Turnover</b>	2	12,257,425	3,605,923
External charges		<u>(10,860,562)</u>	<u>(2,749,420)</u>
		<u>1,396,863</u>	<u>856,503</u>
Staff costs	15	(1,247,280)	(652,826)
Other operating charges		<u>(141,603)</u>	<u>(196,268)</u>
		<u>(1,388,883)</u>	<u>(849,094)</u>
<b>Operating Profit</b>	3	7,980	7,409
Interest receivable		2,962	-
Interest payable	4	<u>(10,942)</u>	<u>(7,409)</u>
<b>Results of ordinary activities before taxation</b>		-	-
Tax of ordinary activities	5	<u>-</u>	<u>-</u>
<b>Results on ordinary activities after taxation</b>	12	<u>£ -</u>	<u>£ -</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than those passing through the profit and loss account.

**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**BALANCE SHEET**  
as at 31 March 2004

	Notes	2004	2003
<b>Fixed assets</b>			
Tangible assets	6	<u>34,090</u>	<u>28,287</u>
<b>Current assets</b>			
Debtors	7	2,035,820	492,336
Cash at bank and in hand		<u>229,902</u>	<u>300,253</u>
		2,265,722	792,589
<b>Creditors: amounts falling due within one year</b>	8	<u>(2,264,722)</u>	<u>(791,589)</u>
<b>Net current assets</b>		<u>1,000</u>	<u>1,000</u>
<b>Total assets less current liabilities</b>		35,090	29,287
<b>Accruals and deferred income</b>	9	<u>(34,090)</u>	<u>(28,287)</u>
		<u>£ 1,000</u>	<u>£ 1,000</u>
<b>Capital and reserves</b>			
Called up share capital	11	1,000	1,000
Profit and loss account		<u>-</u>	<u>-</u>
<b>Shareholders' funds – equity interests</b>	12	<u>£ 1,000</u>	<u>£ 1,000</u>

The financial statements were approved by the Board on 23 August 2004

  
**A D Burns**  
Director

  
**E Brown**  
Director



**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**CASH FLOW STATEMENT**  
for the year ended 31 March 2004

	Notes	2004	2003 (11 months)
<b>Net cash (outflow)/ inflow from operating activities</b>	1	<u>(62,371)</u>	<u>305,054</u>
<b>Returns on investments and servicing of finance</b>			
Interest (paid)/received		<u>(7,980)</u>	<u>(7,409)</u>
<b>Capital expenditure</b>			
Payments to acquire tangible assets		(15,668)	(34,038)
Receipts from sales of tangible assets		<u>-</u>	<u>1,608</u>
<b>Net cash outflow for capital expenditure</b>		<u>(15,668)</u>	<u>(32,430)</u>
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		<u>(86,019)</u>	<u>265,215</u>
<b>Financing</b>			
Issue of ordinary share capital		-	1,000
Capital payments received		<u>15,668</u>	<u>34,038</u>
<b>Net cash inflow from financing</b>		<u>15,668</u>	<u>35,038</u>
<b>(Decrease)/Increase in cash in the year</b>	2	<u>£ (70,351)</u>	<u>£ 300,253</u>

**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**NOTES TO THE CASH FLOW STATEMENT**  
for the year ended 31 March 2004

	2004	2003 (11 months)
<b>1 Reconciliation of operating profit to net cash (outflow)/ inflow from operating activities</b>		
Operating profit	7,980	7,409
Depreciation of tangible assets	9,865	4,143
Increase in debtors	(1,543,484)	(492,336)
Increase in creditors within one year	1,473,133	791,589
Movement on capital payments provision	<u>(9,865)</u>	<u>(5,751)</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>£ (62,371)</b>	<b>£ 305,054</b>
 <b>2 Reconciliation of net cash flow to movement in net funds</b>		
(Decrease)/Increase in cash in the year	<u>(70,351)</u>	<u>300,253</u>
<b>Movement in net funds in the year</b>	<b>(70,351)</b>	<b>300,253</b>
Opening net funds	<u>300,253</u>	<u>-</u>
<b>Closing net funds – Cash at bank and in hand</b>	<b>£ 229,902</b>	<b>£ 300,253</b>

# TRANSPORT INITIATIVES EDINBURGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2004

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

#### 1.3 Turnover

Turnover represents amounts receivable for services net of VAT.

#### 1.4 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:

Fixtures, fittings and equipment	25% Straight line
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#### 1.5 Leasing

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

#### 1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

The Company is a member of the Lothian Pension Fund which is a multi-employer Defined Benefits Scheme and contributions payable are charged to the profit and loss account in the period to which they relate.

#### 1.7 Deferred capital payments

Capital receipts in respect of capital expenditure are credited to the deferred income account and are released to the profit and loss 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.

**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2004**

3	<b>Operating profit</b>	2004	2003 (11 months)
	Operating profit is stated after charging:		
	Depreciation of tangible assets	£ 9,865	£ 4,143
	Operating lease rentals	56,975	18,750
	Auditors' remuneration	3,600	2,800
	And after crediting:		
	Capital payment amortisation	<u>9,865</u>	<u>4,143</u>
4	<b>Interest payable</b>		
	On bank overdraft	<u>£ 10,942</u>	<u>£ 7,409</u>
5	<b>Taxation</b>		
	Current tax charge	<u>£ -</u>	<u>£ -</u>
6	<b>Tangible fixed assets</b>		Fixtures, fittings & equipment
	<b>Cost</b>		
	At 31 March 2003		32,430
	Additions		15,668
	Disposals		<u>-</u>
	At 31 March 2004		<u>48,098</u>
	<b>Depreciation</b>		
	At 31 March 2003		4,143
	Charge for the year		9,865
	Disposals		<u>-</u>
	At 31 March 2004		<u>14,008</u>
	<b>Net book value</b>		
	At 31 March 2004	<u>£</u>	<u>34,090</u>
	At 31 March 2003	<u>£</u>	<u>28,287</u>

**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2004**

7	<b>Debtors</b>	2004	2003
	Trade debtors	1,778,080	321,837
	Other debtors	5,774	1,684
	Prepayments and accrued income	251,966	168,815
		£ 2,035,820	£ 492,336
8	<b>Creditors: amounts falling due within one year</b>		
	Trade creditors	1,924,893	491,193
	Taxes and social security costs	82,184	38,579
	Other creditors	11,984	5,197
	Accruals and deferred income	245,661	256,620
		£ 2,264,722	£ 791,589
9	<b>Accruals and deferred income</b>		Capital payments
	Balance at 31 March 2003		28,287
	Capital payments received during the year		15,668
	Amortisation in the year		(9,865)
	Balance at 31 March 2004		£ 34,090
10	<b>Pension commitments</b>		

The company is a member of the Lothian Pension Fund and provides benefits based on final pensionable pay to certain of its 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 2002. Contributions to the Fund are charged to the profit and loss account and although centrally calculated provide a fair basis to spread the cost of pensions over the employees' average working lives with the company. The contributions of the company and the employees were 14.7% and 6.0% of pensionable salary respectively during the year.

TRANSPORT INITIATIVES EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2004

10	<b>Pension commitments (continued)</b>	2004	2003	
			(11 months)	
	Contributions payable by the company for the year	£ 66,340	£ 10,736	
		31 March	31 March	1 May
		2004	2003	2002
		%	%	%
	<b>The main financial assumptions are as follows:</b>			
	Rate of increase in salaries	4.4	4.0	4.2
	Rate of increase in pensions in payment	2.9	2.5	2.7
	Discount rate	5.5	5.4	5.8
	Inflation assumption	2.9	2.5	2.7
	<b>The long term expected rates of return are as follows:</b>			
	Equities	7.7	8.0	7.5
	Bonds	5.1	4.8	5.5
	Property	6.5	6.0	6.0
	Other assets	4.0	4.0	4.0
	<b>Fund Value</b>	31 March	31 March	1 May
		2004	2003	2002
		£'000	£'000	£'000
	<b>The estimated employer assets in the scheme are as follows:</b>			
	Equities	561	372	499
	Bonds	46	45	56
	Property	61	55	53
	Other assets	48	14	37
	<b>Total</b>	£ 716	£ 486	£ 645
	Estimated company's assets	716	486	645
	Present value of company's liabilities	(1,010)	(811)	(740)
	<b>Company's net pension liability</b>	£ (294)	£ (325)	£ (95)

The following disclosures are made in accordance with the transitional arrangements of Financial Reporting Standard 17, Retirement Benefits. These disclosures are for information purposes only. In accordance with the transitional arrangements, the pension scheme deficit amounting to £294,000 (2003 £325,000) has not been accounted for in the financial statements.

TRANSPORT INITIATIVES EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2004

10 Pension commitments (continued)

Analysis of amount that would be charged to operating profit	2004 £'000	2003 £'000 (11 months)
Current service cost	70	14
Past service cost	-	-
<b>Total operating charge (A)</b>	<b>£ 70</b>	<b>£ 14</b>
<b>Projected amount that would be credited to other finance income</b>		
Expected return on employer assets	39	42
Interest on pension scheme liabilities	(46)	(39)
<b>Net return (B)</b>	<b>£ (7)</b>	<b>£ 3</b>
<b>Net profit and loss account (A)-(B)</b>	<b>£ 77</b>	<b>£ 11</b>
	2004 £'000	2003 £'000 (11 months)
<b>Analysis of amount which would be recognised in statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	107	(172)
Experience gains and losses arising on the scheme liabilities	-	(27)
Changes in financial assumptions underlying the present value of the scheme liabilities	(59)	(31)
<b>Actuarial gain/(loss) in pension plan</b>	<b>£ 48</b>	<b>£ (230)</b>
<b>Actuarial gain/(loss) which would be recognised in STRGL</b>	<b>£ 48</b>	<b>£ (230)</b>
	2004 £'000	2003 £'000 (11 months)
<b>Movement in deficit during year</b>		
Deficit at beginning of year	(325)	(95)
Current service cost	(70)	(14)
Employer contributions	60	11
Net return on assets	(7)	3
Actuarial gains/(losses)	48	(230)
<b>Deficit at end of year</b>	<b>£ (294)</b>	<b>£ (325)</b>

TRANSPORT INITIATIVES EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2004

10	<b>Pension commitments (continued)</b>	2004	2003
		£'000	£'000
	<b>History of experience gains and losses</b>		(11 months)
	Difference between expected and actual return on scheme assets:	107	(172)
	<i>Percentage of scheme assets</i>	15.0%	(35.4%)
	Experience gains and losses on scheme liabilities	-	(27)
	<i>Percentage of present value of liabilities</i>	-	(3.3%)
	Total recognised actuarial gains and losses	48	(230)
	<i>Percentage of present value of the scheme liabilities</i>	4.8%	(28.4%)
11	<b>Share Capital</b>	2004	2003
	<b>Authorised</b>		
	1,000 ordinary shares of £1 each	£ 1,000	£ 1,000
	<b>Allotted, called up and fully paid</b>		
	1,000 ordinary shares of £1 each	£ 1,000	£ 1,000
12	<b>Reconciliation of movements in shareholders' funds</b>	2004	2003
	Profit for the financial year	-	-
	Proceeds from issue of shares	-	1,000
	Net addition to shareholders' funds	-	1,000
	Opening shareholders' funds	1,000	-
	Closing shareholders' funds	£ 1,000	£ 1,000
13	<b>Financial commitments</b>		
	At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:		
		Land and buildings	
		2004	2003
	Expiry date:		
	Within one year	£ 16,050	£ 7,500
14	<b>Directors' emoluments</b>	2004	2003
			(11 months)
	Emoluments for qualifying services	£ 15,000	£ 15,000



TRANSPORT INITIATIVES EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2004

15	<b>Staff costs</b>	2004 Number	2003 Number
	<b>Number of employees</b>		
	The average monthly number of employees (excluding seconded and contracted staff) during the year was:		
	Technical and administration	<u>13</u>	<u>7</u>
	<b>Employment and other staff costs</b>	2004	2003 (11 months)
	Salaries	592,791	79,352
	Social security costs	60,046	6,430
	Other pension costs	<u>68,910</u>	<u>10,736</u>
		721,747	96,518
	Seconded and contracted staff	486,739	469,387
	Other staff costs	<u>38,794</u>	<u>86,921</u>
		<u>£ 1,247,280</u>	<u>£ 652,826</u>

16 **Related party transactions**

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

Three of the directors namely A D Burns, M M Child and R R Henderson are also considered to be related parties as they are members of CEC. The company provides services to CEC under the terms of a contractual agreement.

During the year the company made service charges to CEC amounting to £12,143,196. At the year end the amounts due by CEC to the company were £1,777,962.