Company registration number 07599425 (England and Wales)

TRAMLINK NOTTINGHAM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

TRAMLINK NOTTINGHAM LIMITED

COMPANY INFORMATION

Directors	A De Monts de Savasse	
	B R King	
	P Richardson	
	I D Hudson	
	K Brown	
	T S N Cuingnet	
	C de Carmoy	
	J A Charoud	(Appointed 20 December 2021)
Secretary	Fulcrum Infrastructure Management Limited	
Company number	07599425	
Registered office	105 Piccadilly London W1J 7NJ	
Independent Auditor	Goodman Jones LLP 29/30 Fitzroy Square London W1T 6LQ	

TRAMLINK NOTTINGHAM LIMITED

CONTENTS

TRAMLINK NOTTINGHAM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

Principal activities

Tramlink Nottingham Limited (the Company) is a Private Finance Initiative (PFI) concession to finance, build, operate and maintain two new tram lines (NET Phase Two) as well as operate and maintain the existing tram line (NET Phase One) in Nottingham until 20 March 2034 for the Authority, Nottingham City Council. The Company entered into a contract with Taylor Woodrow Alstom JV (TWA JV), which is an unincorporated joint venture of Vinci Construction UK Limited and Alstom Transport, and carried out the works on the construction of two new tram lines. The Company entered into a sub contract with Nottingham Trams Limited (NTL) to operate the tram lines.

NET Phase Two became operational on 25 August 2015 following substantial completion of construction.

Review of business and future developments

The directors note that underlying operational turnover increased by 12.7% to £55,006,000 (2021: £48,818,000) as the business continued to recover from the Covid 19. The company received Covid support grants from the Department for Transport of £12,559,000 (2021: £18,500,000) which have been disclosed separately under Other Income in the Profit and Loss account. The Company made a loss before tax of £20,424,000 (2021 restated: £21,980,000). Depreciation of NET Phase Two assets, financing fees and interest are recognised in the profit and loss account following service commencement which account for the majority of the loss in the current year.

NET Phase One and Two tram line operations are sub-contracted to NTL and are operating satisfactorily.

The company has been in constant dialogue with its Senior Lenders and a Standstill Agreement in respect of potential forward annual debt service cover ratios was signed on 2 June 2021 which had been further extended until 30 September 2022. The Senior Lenders are working with the Company to restructure the business in the longer term to take account of dynamic changes in working patterns and the energy supply market and have issued a Reservation of Rights Letter. Hence the Senior Lenders remain supportive of the Company but observant of their contractual rights.

The directors believe that, due to the nature of the Concession Agreement, that it is in the best commercial interests of Senior Lenders to continue to support the company for the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

For the purposes of statutory presentation, all senior loan balances and the fair value of interest rate swap liabilities have been shown as repayable on demand in the financial statements since the Company was in potential breach of certain covenants at the Balance Sheet date. This gave the banks the right to declare an event of default which would have required all loan balances to be repaid upon demand.

Key performance indicators

The Company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract, which stipulates key performance criteria on operational activities.

The key performance indicators used by the directors for understanding the performance of the business (in addition to turnover and profit before tax) are: passenger journeys: 9,100,000 (2021: 3,400,000) and passenger kilometres travelled: 60,000,000 (2021: 22,400,000). These key performance indicators were affected by reduced passenger journeys and service levels due to the pandemic and the subsequent recovery period.

Principal risk and uncertainties

The company's principal risk is revenue risk relating to fare box and concessionary sales. The income from these sales forms part of the expected cash inflow over the life of the concession. This risk is mitigated by the ability of the company to set its own fares and through other initiatives aimed at boosting passenger volumes. This risk has been further mitigated by the provision of the above mentioned targeted grant support to maintain essential public services during the pandemic.

Other financial risks, including going concern, and the steps taken to mitigate them, are set out in the Directors' Report.

Promoting the success of the company

The directors have worked with the Authority, the Operator, Nottingham Trams Limited, to ensure that additional but appropriate health and safety measures have been introduced to protect staff and customers during the pandemic.

The directors of the Company have had regard to the matters set out in S172 of the Companies Act 2006 and consider that they have acted in a manner which promotes the long term success of the Company. By fostering collaborative relationships with key stakeholders, the Directors have been able to build long term relationships enabling them to steer the Company in the direction envisaged by the shareholders. The Company has no full time employees and management services are provided through a third party provider whose key policies such as the Anti-Bribery policy, Harassment Policy, and Equality and Diversity policy ensure that relationships are fair to both the Company and the respective stakeholders.

The Company's five year Business Plan, which outlines the long term strategy of the company, coupled with a comprehensive and dynamic risk report, demonstrates the Directors regard to the long term success of the company, including the impact of the Company on the local community and environment.

To facilitate the active involvement and duty of the Directors, regular feedback sessions are held with the Management Team to ensure that the Board is receiving adequate information and updates to allow them to act in the best interest of the Company. Board induction programs are carried out for all new Directors to ensure that they are provided with a detailed orientation of the Company, including current affairs and the Company's Business Plan.

The Board actively participated in the following key engagements to fulfil the requirements of S172 of the Companies Act 2006 during the course of the current financial year:

- Annual review of the Business Plan to ensure the performance of the Company is in line with expectations so as to ensure the achievement of the Company's long term strategy;

- Quarterly updating and reporting of the Risk Register to ensure all risks to the Company are identified, monitored and appropriately mitigated;

- Active engagement with the Management Team to ensure the Company is managed in a responsible manner with high reporting and operational standards, as well as good governance;

- Regular communication with shareholders to ensure that their returns are well managed;

- Stakeholder mapping ensures that all stakeholder's best interests upheld, and that they are kept up to date with key information impacting them;

Feedback from customers is captured on a regular basis through a customer surveys and presented to the Board

Since the Company has no full time direct employees, regular engagement is primarily carried out with its principal subcontractors (namely Nottingham Trams Limited and Fulcrum Infrastructure Management Limited) and data is collected on employee wellbeing on an annual basis

The Company, led by the Directors, has a collaborative approach and culture to decision making and sharing of best practices to ensure the long term success and resilience of the Company.

This report was approved by the board on and signed on its behalf.

On behalf of the board

Christopher de Carmoy

....

C de Carmoy
Director

....

09-11-22

TRAMLINK NOTTINGHAM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and the financial statements for the year ended 31 March 2022.

Principal activities

The company is a Private Finance Initiative (PFI) concession to finance, build, operate and maintain two new tram lines (NET Phase Two) as well as operate and maintain the existing tram line (NET Phase One) in Nottingham. The company has entered into a contract with Taylor Woodrow Alstom JV TWA JV, which is an unincorporated joint venture of Vinci Construction UK Limited and Alstom Transport, to carry out the works on construction of two new tram lines. The company has entered into a sub contract with Nottingham Trams Limited (NTL) to operate the tram lines.

Results and dividends

The results for the year are set out on Page 11. The company's loss for the financial year amounted to £20,425,000 (2021 restated: £21,991,000). A discussion of the results and future developments is given in the Strategic Report

No ordinary dividends were paid (2021: none). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R M Ashcroft	(Resigned 20 December 2021)
A De Monts de Savasse	
B R King	
P Richardson	
I D Hudson	
K Brown	
T S N Cuingnet	
C de Carmoy	
J A Charoud	(Appointed 20 December 2021)
R Eden	(Appointed 25 November 2021 and resigned 25 November 2021)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

PricewaterhouseCoopers LLP resigned as statutory auditor during the year. The auditor, Goodman Jones LLP, was appointed on 15 June 2022 under the Companies Act 2006. The auditor, Goodman Jones LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities. Energy for the tram network is procured by the Operator, Nottingham Trams Limited, in accordance with contractual arrangements for the concession.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that 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 auditor is aware of that information.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effects on the company's performance. The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The company is not exposed to interest rate risks as these risks are hedged by interest rate swap agreements the company has entered into with the Commercial Loan providers. Mezzanine and subordinated debt interest rates have been fixed. Details of these can be found on note 13.

Price and inflation risk

The company is able to adjust fare prices to take account of inflation and most of its costs were linked to inflation at the inception of the project. Income from the local authority is not inflation adjusted which provides natural hedging against non-inflation linked finance costs.

Credit risk

Credit risk is considered to be low given that revenue is earned from cash sales. Cash investments are with institutions of a suitable credit quality.

Liquidity risk

Whilst there is some liquidity risk attributable to insufficient fare revenue received to fund the operational side of the project, the majority of the company's funding is under long term financing facilities. The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash resources to meet its obligations as they fall due.

Major maintenance replacement risk

The company is responsible for managing the on-going major maintenance replacement of the trams and infrastructure, but the risks associated with this activity are largely borne by the subcontractor.

Going concern

The directors believe that the company remains a going concern, although a material uncertainty continues to exist, as explained in detail in Note 1 to the accounts.

On behalf of the board

Christophe de Carmoy
....

C de Carmoy
Director

09-11-22
Date: ....

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

The directors 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.

TRAMLINK NOTTINGHAM LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF TRAMLINK NOTTINGHAM LIMITED

Opinion

We have audited the financial statements of Tramlink Nottingham Limited (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the company's ability to continue as a going concern. The Company is currently in breach of certain bank covenant ratios and a standstill agreement has been reached with senior lenders which was extended until 30 September 2022. The Senior Lenders are working with the Company to restructure the business in the longer term to take account of dynamic changes in working patterns and the energy supply market and have issued a Reservation of Rights Letter. Since the standstill agreement has not been extended the Company has returned to being in breach of covenant ratios within a period of 12 months from the date of approval of these financial statements. These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF TRAMLINK NOTTINGHAM LIMITED

Reporting on other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF TRAMLINK NOTTINGHAM LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance,but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Goodman Jones LLP

Paul Bailey (Senior Statutory Auditor)
For and on behalf of Goodman Jones LLP

09-11-22
....

Chartered Accountants
Statutory Auditor

29/30 Fitzroy Square
London
W1T 6LQ

TRAMLINK NOTTINGHAM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'000	2021 Restated £'000
Turnover		55,006	48,818
Cost of sales		(50,106)	(52,430)
Gross profit/(loss)		4,900	(3,612)
Administrative expenses		(2,701)	(2,666)
Other income - Covid grant		12,559	18,500
Operating profit	3	14,758	12,222
Interest receivable and similar income	6	28	23
Interest payable and similar expenses	7	(35,210)	(34,225)
Loss before taxation		(20,424)	(21,980)
Tax on loss	8	(1)	(11)
Loss for the financial year		(20,425)	(21,991)

All of the company's results are derived from continuing operations.

TRAMLINK NOTTINGHAM LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	2022 £'000	2021 Restated £'000
Loss for the year	(20,425)	(21,991)
Other comprehensive income net of taxation		
Cash flow hedges gain arising in the year	16,010	9,957
Cash flow hedges loss reclassified to profit or loss account	(4,359)	(4,298)
Other comprehensive income/(expense) for the year	11,651	5,659
Total comprehensive expense for the year	(8,774)	(16,332)

TRAMLINK NOTTINGHAM LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 Restated £'000
Fixed assets					
Tangible assets	**9**		301,307		326,460
Current assets					
Debtors	**10**	2,126		844	
Investments	**11**	23,536		-	
Cash at bank and in hand		1,723		24,466	
		27,385		25,310	
Creditors: amounts falling due within one year	**12**	(222,850)		(253,868)	
Net current liabilities			(195,465)		(228,558)
Total assets less current liabilities			105,842		97,902
Creditors: amounts falling due after more than one year	**13**		(276,934)		(260,220)
Net liabilities			(171,092)		(162,318)
Capital and reserves					
Called up share capital	**16**		100		100
Hedging reserve	**17**		(5,838)		(17,489)
Profit and loss account			(165,354)		(144,929)
Total equity			(171,092)		(162,318)

The financial statements were approved by the board of directors and authorised for issue on 09-11-22 and are signed on its behalf by:

Christophe de Carmoy

C de Carmoy
Director

Company Registration No. 07599425

TRAMLINK NOTTINGHAM LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Hedging reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	100	(23,148)	(121,706)	(144,754)
Restatement of depreciation	-	-	(1,232)	(1,232)
Restated balance at 1 April 2020	100	(23,148)	(122,938)	(145,986)
Year ended 31 March 2021:				
Loss for the year	-	-	(21,991)	(21,991)
Other comprehensive income/expense net of taxation:				
Cash flow hedges gains	-	9,957	-	9,957
Cash flow hedges gains reclassified to profit or loss account	-	(4,298)	-	(4,298)
Total comprehensive income/(expense) for the year	-	5,659	(21,991)	(16,332)
Balance at 31 March 2021	100	(17,489)	(144,929)	(162,318)
Year ended 31 March 2022:				
Loss for the year	-	-	(20,425)	(20,425)
Other comprehensive income net of taxation:				
Cash flow hedges gains	-	16,010	-	16,010
Cash flow hedges gains reclassified to profit or loss account	-	(4,359)	-	(4,359)
Total comprehensive income/(expense) for the year	-	11,651	(20,425)	(8,774)
Balance at 31 March 2022	100	(5,838)	(165,354)	(171,092)

1 Accounting policies

Company information

Tramlink Nottingham Limited is a private finance initiative (PFI) concession to finance, build, operate and maintain two new tram lines (NET Phase Two) as well as operate and maintain the existing tram line (Net Phase One) in Nottingham.

The company is a private company limited by shares incorporated in England and Wales. The registered office is 4th Floor, 105 Piccadilly, London, W1J 7NJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention as modified by the measurement of derivative financial instruments at fair value. The principal accounting policies are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Tramlink Nottingham (Holdings) Limited. These consolidated financial statements are available from its registered office, 4th Floor, 105 Piccadilly, London, W1J 7NJ.

1 Accounting policies **(Continued)**

1.2 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

At the balance sheet date, the company was in potential breach of certain bank covenant ratios, giving the lenders the right to declare an Event of Default under the terms of the loan agreements. This would give the lenders the right to accelerate repayment of the senior debt, making it repayable on demand, and hence all senior debt balances have been shown in these financial statements as due within less than one year. As such, the company had net current liabilities of £195,465,000 (2021 restated: £228,558,000), including bank loans and interest rate swap agreements to the value of £208,118,000 (2021: £228,670,000).

The company has been in constant dialogue with its Senior Lenders and a Standstill Agreement in respect of potential forward annual debt service cover ratios was signed on 2 June 2021 which had been further extended until 30 September 2022. The Senior Lenders are working with the Company to restructure the business in the longer term to take account of dynamic changes in working patterns and the energy supply market and have issued a Reservation of Rights Letter. Hence the Senior Lenders remain supportive of the Company but observant of their contractual rights. This gave the banks the right to declare an event of default which would have required all loan balances to be repaid upon demand. These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The directors believe that, due to the nature of the Concession Agreement, that it is in the best commercial interests of Senior Lenders to continue to support the company for the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Service concession arrangement

The company has elected to take the exemption under FRS 102 Section 35.10 (i) to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. The costs incurred in constructing the assets under the PFI contract have therefore been treated as a tangible fixed asset. This treatment arose from applying the guidance within previous UK GAAP which indicated that under the project's principal agreements, the risks and rewards relating to the assets reside primarily with the company.

Turnover comprises revenue recognised by the company in respect of the contract payment provided by Nottingham City Council and passenger fare revenue, net of value added taxes and discounts.

1.4 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present location and condition and borrowing costs capitalised. Liquidated damages receivable from the construction sub-contractor have been reflected as a reduction in the cost of the asset.

1 Accounting policies **(Continued)**

Depreciation is calculated, using a straight line method, to allocate the cost to the residual value of each asset over its expected useful life, as follows:

- Computers and office equipment – 3 years
- Plant and equipment - NET Phase Two assets – 18.5 years

No depreciation is provided on assets in the course of construction until they are brought into use.

1.5 Impairment of fixed assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

Basic financial assets
Basic financial assets, which include trade and other debtors and cash, are initially recognised at transaction prices and are subsequently carried at amortised cost using the effective interest method. At the end of each period, financial assets are assessed for objective evidence of impairment, and if such an impairment is identified, the impairment loss is recognised in the profit and loss account.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, which include trade and other creditors, bank loans and overdrafts and amounts owed to group undertakings, are recognised initially at fair value and subsequently at amortised cost using the effective interest method. The effective interest rate is computed taking account of all finance costs incurred over the life of the debt, including initial costs of issuing the debt.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

1.8 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies **(Continued)**

1.9 Hedge accounting

The company applies hedge accounting for transactions entered into to manage the cash flow exposure of borrowings. Interest rate swaps are used to hedge the company's exposure to movements on interest rates and are designed as cash flow hedges of floating rate borrowings.

Changes in the fair values of interest rate swaps, that are designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship is recognised in the profit and loss.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.12 Service concession arrangement

The company has elected to take the exemption under FRS 102 Section 35.10 (i) to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. The costs incurred in constructing the assets under the PFI contract have therefore been treated as a tangible fixed asset. This treatment rose from applying the guidance within previous UK GAAP which indicated that under the project's principal agreements, the risks and rewards relating to the assets reside primarily with the company.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with FRS 102 requires the Directors to select appropriate accounting policies and to make estimates and judgements that affect the recognition of assets and liabilities. Estimates are made based on historical experience and other factors that are believed to be relevant and reasonable at the time the financial statements are prepared, but actual amounts may subsequently differ from these estimates.

The critical accounting judgments made by the Directors in the preparation of these financial statements are described below:

Tangible fixed assets
The directors have assessed whether the project falls to be treated as a service concession arrangement in accordance with Section 34 of FRS 102. They have concluded that since the Authority does not have control over pricing of a majority of passenger fare revenue, that the project is outside of the scope of Section 34. Accordingly the PFI assets have been treated as tangible fixed assets in these financial statements.

Estimates
The key estimates made by the directors that could result in the carrying value of assets or liabilities being amended in the next twelve months are:

Impairment of non-financial assets
In accordance with FRS 102 Section 27, the directors have carried out an impairment review of the company's tangible assets and all areas have been considered within this review including appropriate sensitivity analysis. The key assumptions used in this calculation are the estimates of future passenger numbers, which are based on an independent third party report, and the discount rate used of 6.18% (2021: 6.18%). The benefit of the wholesale energy rate business price cap announced by UK government on 21 September 2022 has not been included since it was not known at the time of this review. The calculation assumes that it takes two years for passenger numbers to return to their pre-Covid levels and that no further government support is received beyond September 2022. If passenger numbers were to be approximately 3% lower than these projections in all future periods then an impairment would result. An increase in the discount of more than 0.7% would also cause an impairment.

Deferred tax judgment
In assessing whether it is appropriate to recognise a deferred tax asset, the directors are required to assess the level of forecast future taxable profits against which the asset may be realised. The directors have concluded that based on evidence currently available, there is insufficient certainty over whether taxable profits will be made in the foreseeable future and hence that it is not appropriate to recognise a deferred tax asset.

3 Operating profit

Operating profit for the year is stated after charging/(crediting):	2022 £'000	2021 Restated £'000
Covid grant income	(12,559)	(18,500)
Fees payable to the company's auditor for the audit of the company's financial statements	46	37
Depreciation of owned tangible fixed assets	25,153	25,153

The abovementioned audit fees also included the audit work for Tramlink Nottingham (Finco) Limited and Tramlink Nottingham (Holdings) Limited.

Fees payable to PFA Security Limited for one director's services were included in adminstrative expenses amounting to £17,000 (2021: £33,000). All other directors were paid by their employing organisations and received no remuneration from the group/company.

4 Employees

The company has one employee (2021: nil) for whom the aggregate remuneration for the year was £15,000 (2021: £nil). Other management services are provided by Fulcrum Infrastructure Management Limited.

5 Directors' remuneration

P Richardson received a salary of £15,000 during the year (2021: £nil). Other director's services were provided by PFA Security Limited at a cost of £17,000 (2021: £33,000) or by their employing organisations and received no remuneration from the Company.

6 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	28	23

7 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on bank overdrafts and loans	12,814	13,741
Interest payable to group undertakings	20,837	18,861
Bank and other charges	49	62
Amortization of discounts	656	656
Amortization of debt issue costs	854	905
	35,210	34,225

TRAMLINK NOTTINGHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

(Continued)

7 Interest payable and similar expenses

Debt issue costs and discounts relating to loans received have been deferred through an offset against the related liability and amortised over the life of the debt facility (note 14).

Interest payable on bank loans includes amounts payable/receivable under interest rate swaps (note 17).

8 Tax on loss

	2022 £'000	2021 £'000
Current tax		
UK Corporation tax on profits for the current period	1	11

The actual charge for the year of £1,000 (2021: £11,000l) can be reconciled to the expected credit to the profit or loss and the standard rate of tax as follows:

	2022 £'000	Restated 2021 £'000
Loss before taxation	(20,424)	(21,980)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(3,881)	(4,176)
Tax effect of expenses that are not deductible in determining taxable profit	5,409	5,103
Tax effect of income not taxable in determining taxable profit	(1,023)	(1,023)
Change in unrecognised deferred tax assets	(2,717)	(979)
Other non-reversing timing differences	2,213	1,075
Taxation charge for the year	1	-
Adjustments in respect of prior years	-	11
Total current tax	1	11

Factors affecting future tax charge

In the March 2021 budget, the UK government announced an increase in the standard rate of corporation tax to 25% with effect from 1 April 2023. As the company has not recognized deferred tax, this change will not have an impact on the financial statements.

9 Tangible fixed assets

	Restated Plant and equipment - NET Phase Two	Computers and office equipment	Restated Total
	£'000	£'000	£'000
Cost			
At 1 April 2021 and 31 March 2022	497,031	374	497,405
Accumlated depreciation and impairment			
At 1 April 2021	170,735	210	170,945
Depreciation charged in the year	25,047	106	25,153
At 31 March 2022	195,782	316	196,098
Carrying amount			
At 31 March 2022	301,249	58	301,307
At 31 March 2021	326,296	164	326,460

Included in the cost of plant and machinery is £90,574,000 (2021: £90,574,000) relating to capitalised interest and similar charges. Interest costs have been capitalised based on the actual rate of interest incurred on capital funding as summarised in note 14.

In accordance with FRS 102, the directors have carried out an impairment review of the company's tangible fixed assets. There was no impairment charge in 2022 (2021: £nil).

10 Debtors

	2022	2021
Amounts falling due within one year:	£'000	£'000
Trade debtors	941	23
Prepayments and accrued income	1,185	821
	2,126	844

11 Current asset investments

	2022	2021
	£'000	£'000
Short term deposits	23,536	-

12 Creditors: amounts falling due within one year

	Notes	2022 £'000	2021 £'000
Bank loans and overdrafts	14	206,234	226,323
Trade creditors		177	284
Amounts owed to group undertakings		105	74
Taxation and social security		467	271
Derivative financial instruments		5,837	17,489
Accruals and deferred income		10,030	9,427
		222,850	253,868

Deferred income includes the current portion of a capital contribution received from Nottingham City Council after construction practical completion date in August 2015 of £5,388,000 (2021: £5,388,000).

13 Creditors: amounts falling due after more than one year

	Notes	2022 £'000	2021 £'000
Other loans	14	6,590	6,377
Loans from related parties		211,279	189,394
Deferred income		59,065	64,449
		276,934	260,220

The company has no undrawn borrowing facilities as at 31 March 2022 (2021: £nil).

Deferred income includes the non-current portion of a capital contribution received from Nottingham City Council after construction practical completion date in August 2016 of £59,065,000 (2021: £64,449,000).

14 Loans and overdrafts

	2022 £'000	2021 £'000
In one year or less, or on demand	208,118	228,670
In more than one but less than five years	-	-
In more than five years	226,619	205,570
	434,737	434,240
Unamortized issue costs	(4,735)	(5,589)
Unamortized discount	(5,901)	(6,557)
Total net borrowings	**424,101**	**422,094**

14 Loans and overdrafts (Continued)

Bank loans include senior loans consisting of:

- A commercial term loan with an original principal of £210,554,000. The loan bears interest at SONIA plus a variable margin repayable in six monthly instalments commencing 30 September 2015 and is due on 19 March 2030.
- A loan from the European Investment Bank with an original principal of £109,644,000. The loan bears interest at a fixed rate of 4.948% repayable in six monthly instalments commencing 30 September 2015 and is due on 19 March 2030.

Amounts due to related parties include subordinated loans consisting of:

- A mezzanine loan with an original principal of £20,000,000. The loan bears an interest rate of 9.5% and is repayable in six monthly instalments commencing 30 September 2015 and is due on 30 September 2032. Provision is also made for accrued interest of £27,832,000 (2021: £23,677,000).
- A subordinated loan of with an original principal of £75,487,000. The loan bears an interest rate of 10.5% and is repayable in six monthly instalments commencing 30 September 2015 and is due on 31 March 2032. Provision is also made for accrued interest of £93,451,000 (2021: £76,321,000).
- Additional subordinated loans with an original principal of £3,000,000 were agreed on 22 May 2019 in two tranches of £1,500,000 each. Tranche A bears an interest rate of 8.5% and Tranche B bears an interest rate of 3.5% which is payable every six months. The loans are repayable by 31 March 2030. Provision is also made for accrued interest of £560,000 (2021: £352,000).
- Other loans of £6,590,000 (2021: £6,377,000) were also outstanding at the year end. These are repayable by 31 March 2034.

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	**Assets 2022 £'000**	**Assets 2021 £'000**
Accelerated capital allowances	(3,218)	(2,633)
Tax losses	(12,349)	(13,599)
Revaluations	(1,459)	(4,372)
Potential deferred tax asset	(17,026)	(20,604)
Deferred tax not recognised	17,026	20,604
Deferred tax not recognised	-	-

The company has not recognised deferred tax asset of £17,026,000 (2021: £20,604,000) as it is not probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

16 Called up share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
Ordinary shares of £1 each	99,999	99,999	100	100

17 Hedging reserve

The company has entered into interest rate swap agreements in relation to the total commercial term loan. Swap agreements have been entered into until maturity of the loans which convert the borrowings linked to SONIA to fixed rates of 3.107% on the Term Loan plus a margin of 2.80% after NET Phase Two became operational on 25 August 2015.

The fair value of the interest rate swap is a liability of £5,837,000 (2021: £17,489,000).

During year ended 31 March 2022 a hedging gain of £11,651,000 (2021: gain of £5,659,000) was recognised in other comprehensive income, consisting of a gain of £16,010,000 (2021: gain of £9,957,000) for changes in the fair value of the interest rate swap and a cost of £4,359,000 (2021: £4,298,000) being reclassified from other comprehensive income to the profit and loss account for amounts settled in the year.

The interest rate swaps are the only financial instruments held at fair value. All other financial assets and liabilities (which comprise trade and other receivables, trade payables, amounts due to related parties and bank loans) are held at amortised cost.

18 Related party transactions

The company has taken advantage of the exemption provided in FRS 102 not to disclose transactions with companies within a group of which it is a member, where these transactions occur between entities which are 100% owned members of that group.

During the year, the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The details of these transactions and balances with related parties are shown below.

	Description of transaction	Expense 2022 £'000	Payable 2022 £'000	Expense 2021 £'000	Payable 2021 £'000
Fulcrum Infrastructure Management Limited	Management services	829	2	667	-
PFA Security LImited	Director services	17	-	33	3
Nottingham Trams Limited	Services	24,585	48	26,167	-

19 Ultimate controlling party

The immediate parent undertaking of the company is Tramlink Nottingham (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales. Tramlink Nottingham (Holdings) Limited is the smallest and largest group to consolidate the results of the company. Copies of Tramlink Nottingham (Holdings) Limited consolidated financial statements can be obtained from the company secretary at 4th Floor, 105 Piccadilly, London, W1J 7NJ, United Kingdom.

Tramlink Nottingham (Holdings) Limited's ordinary share capital is jointly owned in the following proportions by:

Meridiam Infrastructure NET s.a.r.l, - 30.001%
Aberdeen European Infrastructure Partners III LLP – 19.999%
Vinci UK Developments Ltd – 12.5%
Wellglade Ltd – 12.5%
Keolis (UK) Ltd – 12.5%
Alstom Transport UK (Holdings) Ltd – 12.5%

There is no ultimate or controlling party of Tramlink Nottingham (Holdings) Limited.

20 Prior year adjustment

A prior year adjustment has been made in relation to historic error in the calculation of depreciation on plant and machinery. This has resulted in the increase in accumulated losses of £1,801,000 as at 31 March 2021 of which £569,000 related to the financial year ending 31 March 2021.