

Company Registration No. 07644670

NOTTINGHAM TRAMS LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022



NOTTINGHAM TRAMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS

Page

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Profit and loss account	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Cash flow statement	14
Notes to the financial statements	15

NOTTINGHAM TRAMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Graham Sutton
Mark Greasley
Paul Robinson (resigned 30th April 2022)
Virginie Merle
Alistair Gordon
Sir Derek Jones
Christopher Wright (appointed 16th August 2022)

REGISTERED NUMBER

07644670

REGISTERED OFFICE

19 – 21 Hatton Garden
London
EC1N 8BA

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

NOTTINGHAM TRAMS LIMITED

STRATEGIC REPORT

Introduction

The Company operates and maintains passenger tramway services in Nottingham, under contract until 2034. It is an integrated venture between Keolis (UK) Ltd (80%) and Wellglade Ltd (20%).

The financial statements present the results for the year ended 31 December 2022.

Accounting framework

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Business review and future developments

During 2022 Nottingham Trams Limited (NTL) adjusted the business to return to rising passenger demands following the COVID-19 pandemic.

In January 2022 the service was temporarily reduced in agreement with the Authority (Nottingham City Council) due to the prominence of the Omicron variant of the COVID-19 pandemic. However, by March 2022 all restrictions were removed, with passenger demand rising from 61% of pre-pandemic levels to a peak of 93% during Autumn 2022.

The increase in demand reflects the return of a number of high profile events within Nottingham, including the Summer Beach and Winter Wonderland in the City Centre and an extended 10-day Goose Fair, as well as the full return of students to the Universities and more significant return of commuters.

Particular effort has been made in tackling fare evasion, with the re-introduction of revenue protection duties leading to ticketless travel reducing to less than 5%. The company has also been recertified for ISO accreditations 55001, 45001 and 14001.

The focused management of the business in adjusting quickly to the operating environment post pandemic was recognised by the Global Light Rail awards as the "Most Improved System" in 2022. This success is underpinned by continued good financial performance adding to shareholder value. The directors do not anticipate any changes in the principal activities in the foreseeable future.

The Directors are satisfied with the Company's performance for the year. Turnover was £29,765,493 (2021: £25,918,919). Operating profit was £847,946 (2021: £502,639).

Key performance indicators (KPIs)

The Company considers its KPIs to be turnover, operating profit and its Performance Measurement System.

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk, price risk and safety risk.

Foreign currency risk

The Company's activities occasionally expose it to the financial risks of changes in foreign currency exchange rates. Foreign currency transaction values in the period have been small and as such have been conducted on the spot market.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has a significant concentration of credit risk in that it has one key customer (Tramlink Nottingham Limited). However, this risk is mitigated by the Concession Agreement and Operator Sub-Contract, which protect the interests of both Tramlink Nottingham Limited and the Company within the scope of the concession as a whole.

NOTTINGHAM TRAMS LIMITED

STRATEGIC REPORT (CONTINUED)

Credit risk (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that the Company's available cash will not be sufficient to meet its financial obligations. The Company ensures that at all times it has sufficient cash resources to continue operations to minimise cash flow and liquidity risk

Price risk

The operator fee received by the Company is subject to annual indexation linked to indices of which our costs are subject, thus hedging price inflation.

Safety risk

The Company remains committed to providing a safe and secure environment for its passengers, workforce and the general public.

The Company has continued to implement and reinforce human factors principles to better learn from events rather than to apportion blame. Together with a drive to a Predict and Prevent approach to safety culture, this supports the Company's aspiration for Zero Harm.

Safety targets are set annually using continuous improvement to focus on reducing key metrics including Signals Passed at Stop (SPAS), Road Traffic Collisions (RTC), staff and passenger injuries and anti-social behaviour (ASB).

Good progress is being made with implementing the recommendations of the Railway Accident Investigation Branch (RAIB) following the overturning of a tram in Croydon in 2017. Two trams are in operation with the new safety systems which prevent tram over speeding and ensure driver alertness. The modification programme will continue over the next 18-months.

The Company continues to assess any emerging changes which could affect health and safety and will take any actions required to contain associated risks

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

Christopher Wright

Director 

Date: 23/05/2023

NOTTINGHAM TRAMS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £577,550 (2021: £343,704).

No dividends have been paid in the year ended 31 December 2022 (2021: £nil).

No dividends are proposed.

Directors

The Directors who served during the year and thereafter were:

Mark Greasley

Graham Sutton

Paul Robinson (resigned 30th April 2022)

Virginie Merle

Alistair Gordon

Sir Derek Jones

Christopher Wright (appointed 16th August 2022)

Going concern

The principal activity of the Company is to operate and maintain the passenger tramway services in Nottingham. The Company is not exposed to passenger revenue risk and only to the credit risks outlined in the strategic report and hence has not been affected by the reductions in passenger demand arising from the COVID 19 pandemic. This credit risk is mitigated by the Concession Agreement and Operator Sub-Contract, which protect the interests of both Tramlink Nottingham Limited and the Company within the scope of the concession as a whole.

The Company's Directors have made enquiries, have reviewed the Company's current financial and cash position and have assessed the forecasts and projections for a period of reporting to the end of May 2024 which is more than 12 months from the date of approval of these financial statements. They have also examined the status of the Company principal contracts and the likely developments in the foreseeable future which consider the impact of reduced patronage, increases in energy costs and increases in inflation. Following this assessment, the Company's Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being for a period to the end of May 2024). Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Subsequent events after the year end

There have been no subsequent events after the year end requiring disclosure in or adjustment to the financial statements.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks that have been discussed in the Strategic Report above.

Employee involvement and Directors' engagement with employees

The Directors place considerable value on the input of its employees and put in place several initiatives to ensure they are engaged, empowered and involved in the decision-making process of the business. The Directors recognise that an engaged workforce results in greater outcomes being achieved. One of the ways in which the Directors engage directly with their employees is to hold business briefings regularly giving employees opportunities to ask any questions or raise concerns. Following the briefings, any questions or concerns raised are recorded, followed up and implemented. The Directors also discuss the results of the annual employee engagement survey with an action plan being implemented to increase engagement year on year. The Company has continued to focus on employee wellbeing

NOTTINGHAM TRAMS LIMITED

DIRECTORS' REPORT

Employee involvement and Directors' engagement with employees (continued)

with a wellbeing room now available for all employees to utilise. The number of trained mental health first aiders within the company have increased in the year. A Culture Club was launched to give employees another opportunity to have their say and influence the management of the business. The Culture Club is a staff engagement forum where staff representatives meet every month to discuss employee engagement. These are just a few examples of how the Directors understand the importance of employee engagement. Looking forward there are plans to increase the number of staff trained in Trauma Risk Management, launch of Menopause Ambassadors and introduce wellbeing days.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to auditor

Each of the persons who is a Director at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Christopher Wright

Director 

Date: 23/05/2023

NOTTINGHAM TRAMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 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. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM TRAMS LIMITED

Opinion

We have audited the financial statements of Nottingham Trams Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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 company's affairs as at 31 December 2022 and of its profit 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 Auditor's 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 UK, including the FRC'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.

Conclusions relating to 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 May 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM TRAMS LIMITED

Opinions 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 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 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 set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws & regulations related to its operations, such as General Data Protection Regulation (GDPR), Employment Rights Act 1996, The Equality Act 2010, as well as industry-specific regulations, including Railways Act 1993, Railways Act 2005, Health and Safety at Work Act 1974 and the Railways and Other Guided Transport (Safety) Regulations 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM TRAMS LIMITED

- We understood how the company is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation, including the company's Anti-Corruption Policy.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud; determining which account balances are subjective in nature; understanding the company's key performance indicators and considering the process and controls which the company has established to prevent and detect fraud, and how these are monitored.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiries of management (and where applicable those charged with governance), review of Board minutes; and obtaining written representations. In addition, we tested journals identified by specific risk criteria back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

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

Use of our report

This report is made solely to the company's members, as a body, 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 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.

DocuSigned by:

Ernst & Young LLP

6746549038DA4C1...

Claire Johnson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 23 May 2023

NOTTINGHAM TRAMS LIMITED**PROFIT AND LOSS ACCOUNT**
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £	Year ended 31 December 2021 £
TURNOVER	3	29,765,493	25,918,919
Cost of Sales		(15,866,326)	(13,238,089)
GROSS PROFIT		13,899,167	12,680,830
Administrative Expenses		(13,051,221)	(12,178,191)
OPERATING PROFIT	5	847,946	502,639
Interest payable	19	(112,374)	(75,721)
Interest receivable and similar income	4	3,558	532
PROFIT BEFORE TAXATION		739,130	427,450
Tax on profit	7	(161,580)	(83,746)
PROFIT AFTER TAXATION		577,550	343,704

All results relate to continuing activities.

The notes on pages 15 to 27 form part of these financial statements.

NOTTINGHAM TRAMS LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2022

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
PROFIT AFTER TAX	<u>577,550</u>	<u>343,704</u>
OTHER COMPREHENSIVE INCOME/(LOSS)	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	<u><u>577,550</u></u>	<u><u>343,704</u></u>

NOTTINGHAM TRAMS LIMITED**BALANCE SHEET**
31 December 2022

	Note	31 December 2022 £	31 December 2021 £
FIXED ASSETS			
Intangible assets	8	507,625	552,925
Tangible assets	9	729,977	442,750
		<u>1,237,602</u>	<u>995,675</u>
CURRENT ASSETS			
Stocks	10	191,101	169,522
Debtors	11	6,852,019	6,401,132
Cash at bank		5,489,767	5,663,134
		<u>12,532,887</u>	<u>12,233,788</u>
CREDITORS: amounts falling due within one year	12	<u>(4,078,142)</u>	<u>(4,949,991)</u>
NET CURRENT ASSETS		<u>8,454,745</u>	<u>7,283,797</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,692,347</u>	<u>8,279,472</u>
CREDITORS: amounts falling due after more than one year	13	<u>(3,420,000)</u>	<u>(2,660,000)</u>
PROVISIONS FOR LIABILITIES			
Deferred tax	14	<u>(133,388)</u>	<u>(58,063)</u>
NET ASSETS		<u>6,138,959</u>	<u>5,561,409</u>
CAPITAL AND RESERVES			
Called up share capital	15	250,000	250,000
Profit and loss account		5,888,959	5,311,409
SHAREHOLDERS' FUNDS		<u>6,138,959</u>	<u>5,561,409</u>

The notes on pages 15 to 27 form part of these financial statements.

These financial statements for Nottingham Trams Limited (registered number 07644670) were approved and authorised for issue by the Board and were signed on its behalf by:

Christopher Wright
Director

Date: 23/05/2023

NOTTINGHAM TRAMS LIMITED**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2022

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2021	250,000	4,967,705	5,217,705
Total comprehensive income for the financial year	-	343,704	343,704
At 31 December 2021	250,000	5,311,409	5,561,409
Total comprehensive income for the financial year	-	577,550	577,550
At 31 December 2022	250,000	5,888,959	6,138,959

NOTTINGHAM TRAMS LIMITED**CASH FLOW STATEMENT**
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Net cash flows used in operating activities	16	(319,051)	(2,740,617)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		483	12,000
Purchase of tangible fixed assets		(505,983)	(230,513)
Interest received		3,558	532
Net cash flows used in investing activities		<u>(820,993)</u>	<u>(217,981)</u>
Cash flows from financing activities			
Loan received		760,000	2,660,000
Interest paid		(112,374)	(52,321)
Net cash flows from financing activities		<u>647,626</u>	<u>2,607,679</u>
Net decrease in cash and cash equivalents		<u>(173,367)</u>	<u>(350,919)</u>
Cash and cash equivalents at beginning of year		<u>5,663,134</u>	<u>6,014,053</u>
Cash and cash equivalents at end of year		<u><u>5,489,767</u></u>	<u><u>5,663,134</u></u>

The notes on pages 15 to 27 form part of these financial statements.

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below.

General information and basis of accounting

Nottingham Trams Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company's financial statements are presented in Sterling and no rounding has been applied.

The financial statements present the results for the year ended 31 December 2022.

Going concern

The principal activity of the Company is to operate and maintain the passenger tramway services in Nottingham. The Company is not exposed to passenger revenue risk and only to the credit risks outlined in the strategic report and hence has not been affected by the reductions in passenger demand arising from the COVID 19 pandemic. This credit risk is mitigated by the Concession Agreement and Operator Sub-Contract, which protect the interests of both Tramlink Nottingham Limited and the Company within the scope of the concession as a whole.

The Company's Directors have made enquiries, have reviewed the Company's current financial and cash position and have assessed the forecasts and projections for a period of reporting to the end of May 2024 which is more than 12 months from the date of approval of these financial statements. They have also examined the status of the Company principal contracts and the likely developments in the foreseeable future which consider the impact of reduced patronage, increases in energy costs and increases in inflation. Following this assessment, the Company's Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being for a period to the end of May 2024). Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible assets - capitalised mobilisation costs

Directly attributable incremental costs incurred after achieving preferred bidder status have been capitalised as an intangible asset and are being amortised on a straight-line basis over the life of the concession of 22 years (which ends in 2034). The amortisation cost is recorded under administrative expenses. The carrying value of the intangible asset is reviewed annually for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	- 3 years straight line
Motor vehicles	- 6 years straight line
Computer equipment and software	- 3 to 5 years straight line

Assets in the course of construction are typically software developments which have not been completed yet. They are included at cost and depreciation is not charged until the development has been completed and the software is bought into use.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises purchase price paid for the stock. Net realisable value is based on estimated selling price, less further costs expected to

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. ACCOUNTING POLICIES (Continued)

Stocks and work in progress (continued)

be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Turnover

Turnover represents the income receivable in the ordinary course of business from Tramlink Nottingham Limited and from other parties, representing the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Amounts are credited to the profit and loss account in relation to the provision of services and in the period to which they relate. Where payments are received in advance of services provided, the amounts are recorded as deferred income and included as part of creditors. Performance deductions to turnover are accounted for on an accrual basis.

Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently managed funds. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

1. ACCOUNTING POLICIES (Continued)

Leases (continued)

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Basic financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in interest payable and similar expenses in the profit and loss account. Short term trade and other payables are recorded at transaction price.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying the Company's accounting policies

In applying the Company's accounting policies, management have made estimates and judgements in a number of key areas. Actual results may, however, differ from the estimates calculated and management believe that the following area presents the greatest level of uncertainty:

Revenue recognition - performance deductions

Under its concession agreement to operate the Nottingham Express Transit network, the Company faces deductions to its revenue based on a variety of key performance indicators. The calculations behind these deductions involve data from a variety of sources which take time to compile and can be recalculated at future dates as more accurate data becomes available. To quantify the deductions due at a point in time requires an element of estimation. In quantifying the deductions, the Directors have calculated the performance deductions as far as the known data allows and estimated the remainder based on previous experience.

3. TURNOVER

An analysis of the Company's turnover is as follows:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Rendering of services	29,765,493	25,918,919
	<u>29,765,493</u>	<u>25,918,919</u>

The turnover and profit before taxation are attributable to the principal activities of the Company. All turnover was generated in the United Kingdom.

4. INTEREST RECEIVABLE

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Other interest receivable – bank interest	3,558	532
	<u>3,558</u>	<u>532</u>

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

5. OPERATING PROFIT

Profit before taxation is stated after charging:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Cost of stock recognised as expense	7,362	39,694
Depreciation of tangible fixed assets:		
- Owned	218,756	182,879
Auditor's remuneration	58,097	54,355
Non audit fees: other assurance services	4,500	4,100
Operating lease rentals:		
- land and buildings	24,600	24,600
- other operating leases	2,437	2,437
Amortisation of intangible fixed assets	45,299	45,299
Profit on disposal of fixed assets	483	12,000

6. STAFF COSTS

Staff costs were as follows:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Wages and salaries	9,674,378	9,057,148
Social Security costs	1,078,839	910,758
Other pension costs	416,160	398,750
	<u>11,169,377</u>	<u>10,366,656</u>

The Directors that served during the period received remuneration, which is disclosed in Note 20.

The average monthly number of employees (including executive Directors) during the period was as follows:

	Year ended 31 December 2022 No	Year ended 31 December 2021 No
Operations	233	227
Engineering and maintenance	42	43
Other	33	32
	<u>308</u>	<u>302</u>

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

7. TAXATION

Analysis of tax charge in the year

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Current tax (see note below)		
UK corporation tax charge on profit for the year	72,590	51,112
Adjustments in respect of prior periods	13,665	-
Total current tax	<u>86,255</u>	<u>51,112</u>
Deferred tax (see note 14)		
Origination of timing differences	57,247	18,699
Effect of tax rate change on opening balance	18,078	13,935
Tax on profit	<u>161,580</u>	<u>83,746</u>

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Profit before tax	<u>739,130</u>	<u>427,450</u>
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	140,435	81,216
Effects of:		
- Expenses not deductible for tax purposes	20,950	132
- Fixed Asset differences	(24,603)	(11,537)
- Remeasurements of deferred tax for changes in tax rates	18,078	13,935
- Group relief	(6,945)	-
- Adjustments to tax charge in respect of previous periods	13,665	-
Total tax charge for year	<u>161,580</u>	<u>83,746</u>

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% for companies with taxable profits in excess of £250,000 (effective from 1 April 2023) was substantively enacted on 24 May 2021. This rate increase will have a consequential effect on the company's future tax charge.

NOTTINGHAM TRAMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 December 2022**8. INTANGIBLE FIXED ASSETS**

	Capitalised Mobilisation Costs £
Cost	
At 1 January 2022 and 31 December 2022	1,007,757
Amortisation	
At 1 January 2022	454,831
Charge for the year	45,299
At 31 December 2022	500,131
Net book value	
At 31 December 2022	507,625
At 31 December 2021	552,925

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

9. TANGIBLE FIXED ASSETS

	Assets in the Course of Construction £	Plant and machinery £	Motor vehicles £	Computer equipment and software £	Total £
Cost					
At 1 January 2022	28,115	715,722	365,113	910,218	2,019,168
Additions	10,896	353,099	70,213	71,775	505,983
Transfer from assets in the course of construction	(28,115)	15,493	-	12,622	-
Disposals	-	-	(20,890)	(48,590)	(69,480)
At 31 December 2022	10,896	1,084,314	414,436	946,025	2,455,671
Depreciation					
At 1 January 2022	-	562,975	268,857	744,586	1,576,418
Charge for the year	-	107,425	31,913	79,418	218,756
Disposals	-	-	(20,890)	(48,590)	(69,480)
At 31 December 2022	-	670,400	279,880	775,414	1,725,694
Net book value					
At 31 December 2022	10,896	413,914	134,556	170,611	729,977
At 31 December 2021	28,115	152,747	96,256	165,632	442,750

10. STOCKS

	31 December 2022 £	31 December 2021 £
Raw materials	141,101	119,522
Consumables	50,000	50,000
	191,101	169,522

There is no material difference between the balance sheet value of stocks and their replacement cost.

11. DEBTORS

Amounts falling due within one year	31 December 2022 £	31 December 2021 £
Trade debtors	47,821	158,532
Prepayments	523,269	1,338,208
Accrued income	6,280,929	4,904,392
	6,852,019	6,401,132

NOTTINGHAM TRAMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 December 2022**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 December 2022	31 December 2021
	£	£
Trade creditors	203,397	147,002
Amounts owed to group undertakings	465,567	545,063
Corporation tax / group relief	137,366	51,112
Other taxation and social security	679,895	804,642
Accruals	2,591,917	3,273,747
Deferred income	-	128,425
	<u>4,078,142</u>	<u>4,949,991</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2022	31 December 2021
	£	£
Shareholders' loan (see note 19)	3,420,000	2,660,000
	<u>3,420,000</u>	<u>2,660,000</u>

£450,000 (2021: £1,660,000) of the shareholders' loan falls due to be repaid after 5 years.

14. DEFERRED TAXATION

	31 December 2022	31 December 2021
	£	£
At beginning of year	(58,063)	(25,429)
(Charged)/released for year	(75,325)	(32,634)
At end of year	<u>(133,388)</u>	<u>(58,063)</u>

The deferred taxation balance is made up as follows:

	31 December 2022	31 December 2021
	£	£
Fixed asset timing differences	(142,563)	(65,845)
Other timing differences	9,175	7,782
	<u>(133,388)</u>	<u>(58,063)</u>

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

15. SHARE CAPITAL

	31 December 2022 £	31 December 2021 £
Allotted, called-up and fully paid		
200,000 Ordinary 'A' shares of £1 each	200,000	200,000
50,000 Ordinary 'B' shares of £1 each	50,000	50,000
	<u>250,000</u>	<u>250,000</u>

16. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash flows from operating activities:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Operating Profit	847,946	502,639
Adjustment for:		
Depreciation and amortisation	264,055	228,178
Gain on disposal of fixed assets	(483)	(12,000)
Operating cash flow before movement in working capital	<u>1,111,518</u>	<u>718,817</u>
Decrease/(increase) in stocks	(21,579)	46,401
Decrease/(increase) in debtors	(450,887)	(3,311,813)
(Decrease)/increase in creditors	(958,103)	(194,022)
Net cash flows used in operating activities	<u>(319,051)</u>	<u>(2,740,617)</u>

Included within the movement in working capital is tax paid by group relief of £127,197 (2021: £158,746).

(b) Analysis of changes in net debt:

	At 1 January 2022 £	Cash flows £	Interest and finance charges £	At December 2022 £
Cash and cash equivalents	5,663,134	(173,368)	-	5,489,767
Loans	(2,683,400)	(760,000)	(112,374)	(3,555,774)
Net debt	<u>2,979,734</u>	<u>(933,368)</u>	<u>(112,374)</u>	<u>1,933,993</u>

17. PENSION COMMITMENTS

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £416,160 (2021: £398,750). Contributions totalling £64,987 (2021: £55,535) were payable by the Company at the balance sheet date and are included in creditors.

NOTTINGHAM TRAMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 December 2022**18. FINANCIAL COMMITMENTS**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2022		31 December 2021	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	12,300	2,437	24,600	2,437
- between one and five years	-	-	12,300	-
- after five years	-	-	-	-
	<u>12,300</u>	<u>2,437</u>	<u>36,900</u>	<u>2,437</u>

19. RELATED PARTY TRANSACTIONS

During the year the Company was invoiced for services rendered in the ordinary course of business from entities with control over the Company at a cost of £727,053 (2021: £856,373) and issued invoices to entities with control over the Company amounted to £6,588 (2021: £nil). Amounts owed by group undertakings £3,996 (2021: £nil) and to group undertakings at the reporting date were £466,298 (2021: £545,063). These amounts all relate to trading balances.

Transactions with related parties also includes loans provided by Keolis (UK) Limited with a balance at 31 December 2022 of £2,736,000 (2021: £2,128,000) and Wellglade Limited with a balance at 31 December 2022 of £684,000 (2021: £532,000). These loan balances are included in the shareholder loans due after more than one year. The loans are due to be repaid in instalments by 2028 with the first instalment repayment in 2026. Interest on these loans is incurred at 6 year SWAP LIBOR as at 28 February 2020 +3%. During the year, the Company incurred interest on loans of £89,899 (2021: £60,576) to Keolis (UK) Limited and £22,475 (2021: £15,144) to Wellglade Limited. Interest outstanding on loans at 31 December 2022 includes amounts payable to Keolis (UK) Limited of £15,958 (2021: £18,719) and Wellglade Limited of £6,016 (2021: £4,680). These amounts are included in amounts owed to group undertakings falling due within one year.

All directors are considered to be key management personnel. Total remuneration in respect of these individuals is £184,584 (2021: £233,939). This was paid by the parent undertaking on behalf of the Company.

20. DIRECTORS' REMUNERATION

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Remuneration	155,560	198,449
Contribution to defined contribution pension scheme	<u>7,837</u>	<u>9,660</u>
Number of directors accruing benefits under defined contribution pension schemes	<u>2</u>	<u>1</u>

NOTTINGHAM TRAMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 December 2022**20. DIRECTORS' REMUNERATION (Continued)**

The amounts in respect of highest paid director are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Remuneration	96,799	198,449
Contribution to defined contribution pension scheme	3,425	9,660

21. FINANCIAL INSTRUMENTS

The carrying values of the company's financial assets and liabilities are summarised by category below:

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Financial assets		
Measured at amortised cost		
• Trade and other debtors (see note 11)	47,821	158,532
	<u>47,281</u>	<u>158,532</u>
Financial liabilities		
Measured at undiscounted amount payable		
• Trade and other creditors (see note 12)	203,397	147,002
• Amounts owed to group undertakings (see note 12)	465,567	545,063
Measured at amortised cost	3,420,000	
• Shareholders' loan (see note 13)		2,660,000
	<u>4,088,964</u>	<u>3,352,065</u>

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Interest income		
Total interest income for financial assets at amortised cost	3,558	532
	<u>3,558</u>	<u>532</u>
	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Interest payable		
Total interest payable for financial assets at amortised cost	(112,374)	(75,721)
	<u>(112,374)</u>	<u>(75,721)</u>

NOTTINGHAM TRAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is owned 80% by Keolis (UK) Limited and 20% by Wellglade Limited, companies registered in England and Wales.

In the Directors' opinion, the Company's parent company is Keolis (UK) Limited by virtue of control arising from shareholding. Keolis (UK) Limited's immediate parent company is Keolis S.A., a non-quoted public company incorporated in France. Keolis S.A. is the parent undertaking of the smallest group of companies for which group accounts are prepared. Copies of these accounts can be obtained from the registered office of Keolis S.A. located at 34, avenue Leonard de Vinci 92400 Courbevoie, France, or on the Keolis website at www.keolis.com.

The Company's ultimate parent companies and controlling shareholders are SNCF and Caisse de Depot et Placement du Quebec ("CDPQ"). SNCF is registered in France. CDPQ is established by statute in Quebec, Canada. Their respective controlling interests in the group at 31 December 2020 were 70% SNCF and 30% CDPQ. SNCF is the parent undertaking of the largest group of companies for which Group accounts are prepared. Copies of these accounts can be obtained at SNCF, 34 rue du Commandant Rene Mouchette 75014, Paris, France, or on the SNCF website at www.sncf.com.