EDINBURGH TRAMS LIMITED

Financial Statements

For the period ended 31 December 2013

Registered number SC451434

EDINBURGH TRAMS LIMITED

Financial Statements

For the period ended 31 December 2013

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EDINBURGH TRAMS LIMITED

Company information

For the period ended 31 December 2013

Board of Directors:	William Campbell Ian Craig Thomas Norris Norman Strachan Alastair MacLean	(appointed 30 August 2013) (appointed 30 August 2013) (appointed 30 August 2013) (appointed 30 August 2013) (from 3 June to 30 August 2013)
Company Registration:	Registered Office	55 Annandale Street Edinburgh EH7 4AZ
	Registration Number	451434 in Scotland
	Secretary	Norman Strachan
Bankers:	The Royal Bank of Scotland plc	
Auditor:	Scott-Moncrieff Chartered Accountants Exchange Place 3 Semple Street Edinburgh EH3 8BL	

Directors' report

The directors present their annual report and audited financial statements for the period from incorporation, 3 June 2013, to 31 December 2013.

Principal Activities

The company was incorporated on 3 June 2013 and issued one ordinary share of £1 at par value on this date.

The principal activity of the company during the period under review was preparing the company for operating trams in Edinburgh and integration with Lothian Buses Limited.

Future Prospects

The directors aim to begin operating trams during the next year, with the objective of stabilising operations and growing patronage.

Directors

The directors of the company are set out on page 2.

Responsibilities of the directors

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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.

EDINBURGH TRAMS LIMITED

Directors' report (continued)

For the period ended 31 December 2013

Disclosure of information to auditor

As far as each of the directors at the time the report is approved are aware:

a) there is no relevant information of which the company's auditor is unaware, and
b) the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under Section 487 (2) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

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

Date: 24 April 2014

NJ Strachan

Norman J Strachan
Finance Director
and Company
Secretary

Independent auditor's report to the members of Edinburgh Trams Limited

For the period ended 31 December 2013

We have audited the financial statements of Edinburgh Trams Limited for the period ended 31 December 2013 which comprise the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective Responsibilities of the Directors and the Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the Audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we will consider the implications of our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the company's results for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter(s) Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

EDINBURGH TRAMS LIMITED

Independent auditor's report to the members of Edinburgh Trams Limited (continued)

For the period ended 31 December 2013

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where 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 company 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors report.

Nick Bennett

Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 24 April 2014

EDINBURGH TRAMS LIMITED

Statement of Profit or Loss and other Comprehensive Income

For the period ended 31 December 2013

	Note	2013 £
Continuing Operations		
Revenue	1e	936,347
Administrative expenses		(936,347)
Profit before income tax expense		-
Attributable to:		
Equity holders		-

The accompanying notes on pages 11 to 21 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Financial Position

As at 31 December 2013

	Note	As at 31 December 2013 £
Current assets		
Cash and cash equivalents	4	197,354
Trade and other receivables	5	167,713
Total current assets		365,067
Total assets		365,067
Equity and liabilities		
Contributed equity	7	1
Total equity		1
Liabilities		
Current liabilities		
Trade and other payables	6	365,066
Total current liabilities		365,066
Total liabilities		365,066
Total equity and liabilities		365,067

The financial statements were authorised for issue by the Board of Directors on 24 April 2014 and were signed on its behalf by:

Ian Craig

Ian Craig, Chief Executive

Registered number SC451434

The accompanying notes on pages 11 to 21 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Changes in Equity

For the period ended 31 December 2013

	Share Capital £	Total £
Share issued on incorporation	1	1
Balance at 31 December 2013	1	1

The accompanying notes on pages 11 to 21 form part of these financial statements

EDINBURGH TRAMS LIMITED

Statement of Cash Flows

For the period ended 31 December 2013

	2013 £
Cash flow from operating activities	
Profit from operations:	-
Changes in assets and liabilities:	
(Increase)/decrease in receivables and other financial assets	(167,713)
Increase/(decrease) in payables	365,066
Cash flows from operations	197,353
Income tax paid	-
Net cash flows from operating activities	197,353
Cash flow from investing activities:	
Net cash flows from investing activities	-
Cash flow from financing activities:	
Share capital issued	1
Net cash flows from financing activities	1
Net (decrease)/increase in cash and cash equivalents	197,354
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	197,354
Bank balances and cash	197,354

The accompanying notes on pages 11 to 21 form part of these financial statements

1. Statement of significant accounting policies

The financial statements of Edinburgh Trams Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. This is the first accounting period being presented by the company.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Edinburgh Trams Limited financial statements are listed below. This listing is of standards and interpretations issued, which Edinburgh Trams Limited reasonably expects to be applicable at a future date. Edinburgh Trams Limited intends to adopt those standards when they become effective.

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the company beginning after 1 January 2013, but which have not been adopted early by the company:

- IFRS 9, 'Financial Instruments', is effective for accounting periods beginning on or after 1 January 2015. The standard was issued in November 2009, which was added to in October 2009 and further amended in December 2011 amending the effective date from 1 January 2013 to 1 January 2015. Currently IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and the derecognition criteria for financial assets. Financial assets are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost if the company has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. On adoption of the standard the company will have to redetermine the classification of its financial assets specifically for available-for-sale and held-to-maturity financial assets. Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit and loss (for example derivatives) with changes in the liabilities' credit risk to be recognised in other comprehensive income. The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement', have been transferred to IFRS 9. There is unlikely to be an impact on the company from this section of the standard when it is applied. The company has not evaluated the full extent of the impact that the standard will have on its financial statements.

- IFRS 7 (amendment), 'Disclosures – Offsetting Financial Assets and Financial Liabilities' and IAS 32 'Offsetting Financial Assets and Financial Liabilities'. The amendment to IFRS 7 addresses the disclosures surrounding the offsetting of financial assets and financial liabilities. The IAS 32 amendment clarifies the existing offsetting requirements and therefore will have no impact on the company. The overall impact of these amendments will result in additional disclosures being provided on adoption. The amendments are effective for annual periods beginning on or after 1 January 2013.

- IFRS 10, 'Consolidated Financial Statements', is effective for accounting periods beginning on or after 1 January 2013. The standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard provides extensive guidance on applying the principle of control, which then governs the consolidation of an entity. The standard sets out the accounting requirements for the preparation of consolidated financial statements, which are unchanged from those that are required by the current IAS 27, 'Consolidated and Separate Financial Statements'. However IAS 27 has been amended to conform

1. Statement of significant accounting policies (continued)

with IFRS 10, and will only apply to separate financial statements when IFRS 10 is applied. The company has not evaluated the full extent of the impact that the standard will have on its financial statements but given that the company has no subsidiaries, the introduction of the standard is unlikely to have a material impact on the accounts.

- IFRS 11, 'Joint Arrangements', is effective for accounting periods beginning on or after 1 January 2013. The standard applies to all entities that are a party to a joint arrangement and will replace IAS 31, 'Interest in Joint Ventures'. The accounting treatment is dependent on the type of joint arrangement, which is determined by considering the rights and obligations of the investor. On application of IFRS 11, IAS 28 is amended and retitled to 'Investment in Associates and Joint Ventures'. The company does not currently have any joint arrangements that would fall within the scope of this standard therefore the introduction of the standard is unlikely to have a material impact on the organisation.

- IFRS 12, 'Disclosures of Interests in Other Entities' is effective for accounting periods beginning on or after 1 January 2013. The standard requires disclosure of information on the nature of, and risks associated with, interests in other entities; and the effects of those interests on the primary financial statements. The disclosures required relate to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is unlikely to have a material effect on the company.

- IFRS 13, 'Fair Value Measurement', is effective for accounting periods beginning on or after 1 January 2013. The standard outlines a single framework for measuring fair value when required by other IFRSs and the disclosures required about fair value. The standard is unlikely to impact the fair value measurement of assets and liabilities that are recognised at fair value, however there will be greater disclosures given as all items measured at fair value will need to fall within the fair value hierarchy.

- IAS 1 (amendment), 'Presentation of Items of Other Comprehensive Income', is effective for accounting periods beginning on or after 1 July 2012. The amendment requires items of other comprehensive income to be split between those that have the potential to be recycled to profit or loss and those that do not. As the company presents its other comprehensive items on a gross basis, the tax on those items will also need to be split between those that have the potential to be recycled to profit or loss and those that do not. The primary performance statement is retitled to the statement of profit or loss and other comprehensive income. The impact of the amendment will result in a change in the presentation for other comprehensive income but not the items reflected within.

- IAS 19 (revised), 'Employee Benefits' is effective for accounting periods beginning on or after 1 January 2013. The revised standard amends the recognition and presentation requirements for defined benefit schemes. Currently the company does not recognise any defined benefit schemes and therefore it is unlikely to have an impact on the company's accounts.

- IAS 16 (amendment), 'Property, Plant and Equipment', is effective for accounting periods beginning on or after 1 January 2013. The amendment as part of the Annual Improvements 2012, clarifies that as long as servicing equipment meets the definition of property, plant and equipment, it should be classified as such in accordance with IAS 16, regardless of whether the equipment is used in connection with an item of property, plant and equipment. Given the value of inventory this amendment is unlikely to have a material effect on the company.

1. Statement of significant accounting policies (continued)

Going concern

The Directors are of the opinion that the company has adequate resources to enable it to undertake its planned activities for a period of at least one year from the date that the financial statements are approved.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IFRIC interpretations and the Companies Act 2006 as augmented to apply to entities reporting in accordance with IFRS

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements are set out below.

a. Income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

1. Statement of significant accounting policies (continued)

c. Employee entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to the balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at an amount that is considered to approximate the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee pension funds and are charged as expenses when incurred.

d. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions and is net of bank overdrafts.

e. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is derived wholly from the provision of services in setting up transport services in the United Kingdom. Revenue is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of value added tax (VAT).

f. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

i. Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. For receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

g. Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

h. Employee benefits

The company contributes to a money purchase scheme for employees, managed by Scottish Widows. Contributions to the scheme are charged to the statement of comprehensive income account as they arise.

i. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates – impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

j. Financial instruments

Classification

The company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Recognition and measurement

Loans and receivables are subsequently carried at amortised cost.

k. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. Profit or loss on ordinary activities

	2013
	£
The profit or loss is stated after charging	
Auditor's remuneration:	
Audit services	3,250
Non-audit services	1,000

3. Employee Benefits Expense

The average number of persons employed by the company (including directors) during the period was 67.

The aggregate payroll costs of these persons were as follows:

	2013
	£
Wages and salaries	567,376
Social security costs	56,314
Other pension costs	16,533
	640,223

Only one of the directors is paid through Edinburgh Trams Limited. Further details are provided in note 12, related parties. The other directors received remuneration from Lothian Buses Limited, a company under common control. Their remuneration is disclosed in the financial statements of Lothian Buses Limited.

4. Cash and cash equivalents

	2013
	£
Cash at bank and in hand	197,354

5. Trade and other receivables

	2013
	£
Prepayments and accrued income	167,713
	167,713

Analysed as:

	2013
	£
Current	167,713
	167,713

The company considers the fair value of receivables to be in line with carrying values.

6. Trade and other payables

	2013 £
Trade and other payables	141,769
Taxation and social security	145,654
Accruals and deferred income	77,643
	365,066

Analysed as:

	2013 £
Current	365,066

Trade and other payables aged as:

	2013 £
Less than three months	365,066

The company considers the fair value of payables to be in line with carrying values.

7. Contributed equity

	2013 £
Authorised	
Ordinary shares of £1 each	1
	1
Allotted, called up and fully paid	
Ordinary shares of £1 each	1
	1

On incorporation the company issued one ordinary share of £1 at par value.

8. Pension – defined contribution

As explained in the Accounting Policies, employees of the company can participate in a pension scheme which is managed by Scottish Widows. This scheme is of the defined contribution type.

The charge to the Profit and Loss Account represents the contributions payable relating to the accounting period.

	£
Contributions to Scottish Widows Pension charged to the profit and loss account	16,533
Amount outstanding at the balance sheet date	4,628

9. Ultimate parent undertaking

Edinburgh Trams Limited is a wholly owned subsidiary company of Transport for Edinburgh Limited. By virtue of its controlling interest in the parent's equity capital, The City of Edinburgh Council is the ultimate controlling party. Group accounts are available to the public from the Director of Finance, Waverley Court, Edinburgh EH8 8BG.

10. Related parties

The following transactions were carried out with related parties:

	2013 £
a) Reimbursement of expenses incurred:	
City of Edinburgh Council	936,347
b) Purchases of goods and services:	
Lothian Buses Limited – management charges	273,377
c)Year end balances arising from purchase/sales of goods and services:	
Receivables: City of Edinburgh Council	129,057
Payables: Lothian Buses Limited	(136,560)

All transactions are conducted on an arm's length basis.

10. Related parties (continued)

Directors' remuneration:

	2013 £'000
Aggregate emoluments and benefits	27,133
Aggregate pension contributions	2,467

11. Financial Risk Management

Financial instruments consist mainly of deposits with banks, short-term investments and accounts receivable and payable.

The main purpose of non-derivative financial instruments is in respect to Edinburgh Trams' trading activities and to raise finance for company operations. The company does not have any derivative instruments at 31 December 2013.

The totals for each category of financial instruments, measured in accordance with IAS 39 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2013 £
Financial Assets		
Cash and cash equivalents	4	197,354
Trade and other receivables	5	167,713
Total Financial Assets		365,067
Financial Liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	6	365,066
Total Financial Liabilities		365,066

11. Financial Risk Management (continued)

Financial Risk Management Policies

The company's overall risk management strategy seeks to assist the consolidated company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Treasury Risk Management

Senior management meet on a regular basis to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Financial Risk Exposures and Management

The main risks that Edinburgh Tour's is exposed to through its financial instruments are credit risk and liquidity risk and market risk consisting of interest rate risk. These are managed as follows:

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and notes to the financial statements.

Credit risk is managed on a company basis and reviewed regularly by senior management. It arises from exposures to customers.

Senior management monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and institutions with an acceptable credit rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- customers that do not meet Edinburgh Trams Limited strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for all counter parties included in trade and other receivables at 31 December 2013 is not rated.

b. Liquidity Risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- ensuring that adequate unutilised borrowing facilities are maintained.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows as presented in the table (to settle financial liabilities) reflects the earliest contractual settlement dates.

b. Liquidity Risk (continued)

Financial liability and financial asset maturity analysis

	Note	Within 1 Year 2013 £	1 to 5 Years 2013 £	Total 2013 £
Financial liabilities due for payment				
Trade and other payables	6	365,066	-	365,066
Total expected outflows		365,066	-	365,066
Financial assets — cash flows realisable				
Cash and cash equivalents	4	197,354	-	197,354
Trade, term and loan receivables	5	167,713	-	167,713
Total anticipated inflows		365,067	-	365,067
Net outflow of financial instruments		(1)	-	(1)

c. Market risk

There is no significant exposure to the commodity or other market risk as the trams were not operating during the period.