



TRAM OPERATIONS LIMITED

**Annual Report and Financial Statements
for the Year Ended 31 March 2021**



**Company Registered
Number: 03097532**

TRAM OPERATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

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TRAM OPERATIONS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

The directors in preparing this strategic report have complied with s414C of the Companies Act 2006.

Principal activities

Tram Operations Limited (the “Company” and “TOL”) is part of FirstGroup plc and provides tram operating services (the provision of passenger transport services on Croydon tram link) to the concessionaire, Tramtrack Croydon Limited, and, ultimately, to Transport for London.

Business review

In the year ended 31 March 2021, turnover decreased by 1.47% (2020: increased by 4.5%). This is primarily due to the large reduction in penalty fare income due to Covid restrictions, a change in relation to penalty fare income in the concession agreement with London Trams and additional services. Operating margin decreased to (1.05%) due to penalty fare loss and no recovery on incident legal costs, partly offset by Covid reduction in services (2020 – Operating margin was 8.1%).

The results showed a loss before tax of £237k (2020: profit before tax £1,358k), which is detailed in the profit and loss account on page 15.

Tramlink incident at Sandilands Junction on 9 November 2016

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 completed on 22 July 2021. The Office of Rail & Road (ORR) has informed the company that it intends to prosecute the company under the Health and Safety at Work Act. The specific timing and substance of any ORR proceedings remains unclear and, as such, it is not possible to assess whether any financial penalties or related costs could be incurred.

Future developments

The trading environment for the next 12 months is set to continue to be challenging due to the impact of the pandemic on operations. In spite of this, the directors remain optimistic about the current and future opportunities to grow the business with innovative ideas, improved service quality and reliability while retaining a tight control on costs. The directors remain confident that the company’s activities will generate a satisfactory result in the coming period and the return to profitability.

Key performance indicators

In addition to the principal financial performance measures as detailed above, the company monitors one non-financial key performance indicator: percentage of scheduled kilometrage operated (excluding loss due to tram availability).

In the year, this was 98.76% against a target of 98.7% (2020: 99.03% against a target of 99%).

Principal risks and uncertainties

To fully consider both opportunities and risks, the management team consults regularly. Risk is an inherent part of doing business. The management of the risks is based on a balance of risk and reward determined through careful consideration of both the potential likelihood and impact.

The principal risks identified by the Board and the corresponding mitigating controls are set out below in no order of priority. Other pressures relate to possible changes in UK Government and EU regulation (payroll), pensions and for external charges on policing.

TRAM OPERATIONS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Principal risks and uncertainties (continued)

Coronavirus Pandemic

Government and societal responses to the pandemic have had a significant impact on the company's activities and will continue to do so for some time to come. Passenger volumes have reduced very substantially and while guidance to limit travel and socially distance remains in place, this will have a significant impact on our service capacity. At the same time, the government recognises the need to maintain our services and is enabling this through contractual support to Transport for London. The company's turnover is based on a retail price index linked fee, which is renegotiated every five years with Transport for London. This fee arrangement substantially mitigates the financial consequences of the pandemic to the company.

Coronavirus has impacted and will continue to impact some of the company's key risk areas, notably:

- The company's first priority from the start of the coronavirus outbreak was the health and safety of our passengers, employees and the communities in which we operate. The company, in conjunction with FirstGroup plc, took rapid action to apply the advice of governments and health authorities, including implementing additional cleaning regimes and the provision of advice to passengers. At the same time, steps were taken to ensure that we could continue to provide essential transport services so that key workers and people who needed to travel could still do so safely.
- We worked closely with our suppliers to ensure we had the appropriate equipment in place, in line with relevant public health authority guidance for our operations. We followed, and in some cases developed, best practice areas such as the cleaning and decontamination of the depot and offices. Engineering colleagues worked with cleaning suppliers on a new improved and efficient cleaning regime.

Information technology

The company relies on information technology in all aspects of its business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error, could result in a service interruption, accident or misappropriation of confidential information (including credit card data). Process failure, security breach or other operational difficulties may also lead to revenue loss. Extensive security controls are in place, which in conjunction with policy and procedures are designed to enhance the resilience and security of the company's information technology systems and the data they contain.

Customer service

The company's revenues are at risk if it does not continue to provide the level of service expected by the customer through its contractual obligations. There were no payments made by way of penalties for unsatisfactory delivery.

Litigation

The company has three main insurable risks: third party claims arising from passenger accidents, employee injuries and property damage. The company has a very strong focus on safety - it is one of our core values. The company self-insures these risks up to certain limits. It purchases insurance above these limits from reputable global insurance firms. Claims are managed by experienced claims handlers.

TRAM OPERATIONS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Principal risks and uncertainties (continued)

Environment and sustainability

The key risk facing the company in this area relates to reducing the environmental impact of the business with a focus on reducing waste and energy usage across its trams and office. A number of initiatives are in place, led by the Safety Executive Group to meet our customers' requirements in this area.

Business continuity and acts of terrorism

A major incident or act of terrorism could impact on the company's ability to trade. In the event of a potentially disruptive incident, detailed plans are in place to maintain business continuity.

Legislation and regulation

The business is subject to numerous laws regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues and considerations. These laws and regulations are constantly subject to change. The costs associated with complying with the adoption of new legislation, regulations or other laws could adversely impact the results of our operations. To help mitigate the risk of legislative or regulatory changes the company regularly lobbies both government and transport bodies.

Business strategy

If the company adopts the wrong business strategy or does not implement its strategies effectively, the business may be negatively impacted. Strategic risk needs to be properly understood and managed to sustain long-term benefit for all stakeholders. A clear strategy is in place to regularly monitor costs and business performance.

Economic and market risks

Challenges to household/business disposable income and competitor pricing positions can affect the performance of the company in terms of costs, only. Focus continues on delivering a punctual service with excellent customer service standards and mitigating any cost pressures. This is achieved through effective management of the business's activities.

Financial risk management objectives and policies

The company's principal financial assets are bank balances, trade debtors and intercompany receivables. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has sufficient processes in place to ensure debtors are collected in a timely manner. The credit risk on liquid funds is limited because the counterparties are banks. FirstGroup plc has a treasury department which manages these risks.

TRAM OPERATIONS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Principal risks and uncertainties (continued)

Labour costs, employee relations, recruitment and retention

Labour costs represent a significant component of the company's operating costs. Labour shortages, or low unemployment rates, could hinder the company's ability to recruit and retain qualified employees leading to a higher than expected increase in the cost of recruitment, training and other staff costs. Industrial action could adversely impact customer service and have a financial impact on the company's operations. To mitigate this risk, the company seeks to structure its recruitment and retention policies, training schemes and working practices. Our employees are key to service delivery and therefore it is important that good employee relations are maintained. Our working practices include building communication and engagement with trade unions and the wider workforce. Examples of this engagement include regular leadership conferences and employee surveys.

General Political Risk

Changes in economic activity may impact upon the passenger numbers and hence our operations. Brexit has not had a significant impact on our operations. Economic conditions may result in a tightening of labour markets, resulting in employee shortages, pressure to increase pay, or affect the availability of public funding for transport services. The same factors could also affect our key suppliers. To mitigate these risks, we continue to focus on building revenue streams and controlling costs to ensure we remain competitive.

Companies Act 2006 Section 172 statement

The directors have a duty to promote the success of the company for the benefit of its members as a whole. The Board understands the need to act fairly between the members of the company when assessing the consequences of a decision over the longer term. The Board believes that its key stakeholders are:

- Customers (passengers, Tramtrack Croydon Limited and Transport for London)
- Investors (CentreWest Limited and, ultimately, FirstGroup plc)
- Government and political stakeholders
- Our People
- Communities
- Strategic partners and suppliers

The Board believes that strong engagement, collaboration and dialogue are critical to the effectiveness of our long-term relationships with key stakeholders. The Board has adopted the FirstGroup plc processes, policies and governance structures that are relevant to our business and contributes to their development and refinement.

Engaging ethically

In line with our values and the expectations of our customers and partners, we are committed to conducting our relationships with our stakeholders with high ethical and moral standards in all our interactions. Our values and ethical commitment shape not only what we do, but also how we do it.

TRAM OPERATIONS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Companies Act 2006 Section 172 statement (continued)

Engaging ethically (continued)

The company has adopted the FirstGroup plc Code of Ethics which applies to everybody working for, or on behalf of, the company. The code sets out the standards that our customers and stakeholders expect of us, and which we expect of each other. It is supported by detailed policies and procedures which are implemented and managed by the senior management team, including our Code of Conduct on Anti-Slavery and Human Trafficking Prevention and our Anti-Bribery Policy.

We are committed to recognising human rights. We are committed to the prevention of modern slavery and human trafficking in all its forms, which extends to all business dealings and transactions in which we are involved. We have a zero-tolerance approach to any violations within our company or by business partners.

We have a zero-tolerance approach to bribery, and never offer or accept any form of payment or incentive intended to improperly influence a business decision. Equally, we support free and open competition, gaining our competitive advantage by providing the highest level of service, not through unethical or illegal business practices.

We have internal control systems and procedures in place to counter bribery and corruption. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation, including the General Data Protection Regulation and the UK Data Protection Act. We have an externally managed whistleblowing service for colleagues available with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

The primary methods in which the company engages with its stakeholders are outlined below:

Customers

- Regular passenger satisfaction surveys to identify what we do well and where we can improve
- Robust customer feedback processes through online and traditional channels

Investors

- Alignment of strategy and the governance structure to deliver the strategy
- Agreement on budgets and forecasts and the reporting of actual performance

Government and political stakeholders

- Engagement with industry forums
- Direct engagement with policymakers
- Strong links with regional governments

Our People

- Regular 'Your Voice' employee engagement surveys
- Dialogue with employee representatives, including with the trade unions
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps
- Individual performance reviews and development discussions or "Time With Your Manager" meetings

TRAM OPERATIONS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2021

Companies Act 2006 Section 172 statement (continued)

Communities

- Targeted engagement plans and activities
- Regular dialogue, events and direct engagement activities
- Community investment, charitable engagement and employee volunteering

Strategic partners and suppliers

- Regular dialogue with key partners
- Collaboration in cross-industry forums
- Certified systems for collaborative supplier relationships
- Clear ethical and sustainability standards

Below we describe the effect of having regard to Section 172 on the company's decisions and strategies during the financial year:

The company has remained focussed on delivering a safe and reliable service for its passengers including working with Transport for London on the implementation of physical prevention of over speeding systems. It has introduced a "Just Culture" programme and introduced the use of body-worn cameras to reduce incidence of assaults.

During March 2020 as the spread of Coronavirus was approaching its peak, the company engaged with Transport for London, employee representatives and FirstGroup plc to establish a revised timetable which provided ongoing Tram access to key workers to allow them to get to work. The revised timetable allowed the company to minimize ongoing exposure to the virus for the company's on-tram employees through a reduction of the onboard services being provided, including ticket checking.

In addition, new cleaning regimes were established in Tram stops, and in our offices to lower the risk of infection for both our passengers and our employees. The company also procured additional IT equipment to enable office-based staff to work from home to help mitigate the risk of the infection spreading within the office environments.

Tramlink Depot
Coomber Way
Croydon
CR0 4TQ

Approved by the Board of Directors
And signed on behalf of the Board



A Wlodarski
Director
24 March 2022

DIRECTORS' REPORT
For the year ended 31 March 2021

The directors submit their annual report and the audited financial statements for the year ended 31 March 2021. A review of the business for the year, future developments and principal risks have been considered in the Strategic Report.

Results and dividends

The results showed a loss before tax of £237k (2020: profit of £1,358k), which is detailed in the profit and loss account on page 15.

The directors have not recommended payment of a dividend (2020: nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Nicholas Chevis	(resigned 01 February 2021)
Andrew James	
Adrian Wlodarski	
Stephen Montgomery	
Jacqueline Townsend	
Andrew Mellors	

Statement of corporate governance arrangements

The company is a subsidiary of FirstGroup plc, a UK premium listed company that is subject to the UK Corporate Governance Code 2018 (the "Code"). In accordance with the Listing Rules, FirstGroup plc has included a detailed corporate governance report in its 2021 Annual Report and Accounts describing how FirstGroup plc has applied the Code's main principles and highlighting any non-compliance with the Code. The 2021 Annual Report and Accounts are available on FirstGroup plc's website (www.firstgroupplc.com).

As FirstGroup plc applies the Code throughout the Group, its corporate governance report also describes corporate governance at subsidiary level. The company has not adopted any corporate governance code; however, they have applied the principles of the UK corporate governance code adopted by FirstGroup plc.

The Code contains to a substantial extent principles and provisions that are concerned with the listed parent company only and which are therefore not applicable to the company. These particular principles and provisions of the Code are applied by FirstGroup plc on a comply or explain basis. They relate, for example, to the role of the FirstGroup plc board in engaging with shareholders, processes for board appointments, succession and evaluation, director remuneration and the role of the board's audit committee. Given the nature of the company, as a wholly owned subsidiary with no external shareholders, these elements of the Code are not applicable and so were not applied by the company. Other parts of the Code can be seen to apply to the Group as a whole, including the Code's focus on promoting long-term sustainable success and contributing to society and the Code's requirement that workforce policies and practices are consistent with the company's values.

TRAM OPERATIONS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2021

Subsidiary level governance framework

The Board of TOL comprises five Directors and their role is to:

- Execute TOL's strategy
- Ensure the values and culture align with that of the Group
- Establish a framework of prudent and effective controls to enable TOL's risks to be assessed and managed
- Engage effectively with shareholders and stakeholders
- Ensure workforce policies and practices are implemented which are consistent with the values and support TOL's long-term sustainable success
- Ensure there are mechanisms in place that allow the workforce to raise any matters of concern
- Provide effective governance and stewardship of TOL's assets
- Ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations

Going concern

As at 31st March 2021 the company had cash of £7,391k (2020: £6,497k) and net assets of £2,939k (2020: £4,346k). The company made a loss before taxation of £237k due to reduction in penalty fare income as a result of Covid 19 in the year. Trading since year end has been in line with management forecasts.

The company's revenues are earned under a Retail Price Index linked government backed contract with the ability to renegotiate for any changes in the cost base every five years. The most recent changes to the base contract, which runs to May 2030, were agreed from May 2020 to May 2025.

The company is not dependent on its ultimate parent FirstGroup plc for support, given its available cash at 31 March 2021 and its financial forecasts prepared for business modelling and liquidity purposes.

Additionally, the directors have considered the consequences to the company of the incident at Sandilands Junction on 9 November 2016. There is no reliable estimate for the eventual costs of the incident. The directors consider the comprehensive insurance in place and current and projected cash balances provide adequate headroom to meet the ongoing costs of the investigations.

The directors have considered the impact of Covid-19 on the going concern assumption and consider that, since the company earns revenues based on an RPI index-linked contract, it is not affected by Covid-19. Hence, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future (defined as 12 months from the date of approval of these financial statements) and they continue to adopt the going concern basis in the financial statements.

TRAM OPERATIONS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2021

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which must be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Colleague engagement, retention and capability

The company's employees are critical to the success of the business. Maintaining good relations with colleagues and investing in their training and development is essential to the efficiency and sustainability of the company's operations. The company's employment policies and remuneration and benefits packages are regularly reviewed and designed to be competitive with other companies, as well as providing colleagues with fulfilling career opportunities. Colleague surveys, performance reviews, communications with trade unions and regular communication of business activities are some of the methods the company uses to understand and respond to colleagues' needs. Processes are also in place to identify talent and actively manage succession planning throughout the business.

Directors' indemnities

The company's ultimate parent company, FirstGroup plc, has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Engagement with customers, suppliers and other key stakeholders

The Section 172 report contained within the Strategic Report on pages 4 to 6 outlines the primary ways in which the company fosters its business relationships with its key stakeholders.

Future events

The directors are satisfied with the performance of the company for the year. Future events have been considered by the directors within the Strategic Report and can be found on page 1.

Events subsequent to the end of the year

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 completed on 22 July 2021. The Office of Rail & Road (ORR) has informed the company that it intends to prosecute the company under the Health and Safety at Work Act. The specific timing and substance of any ORR proceedings remains unclear and, as such, it is not possible to assess whether any financial penalties or related costs could be incurred. Please refer to Note 24 for more information.

TRAM OPERATIONS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2021

Auditors' information

Each of the persons who is a director at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was passed at FirstGroup plc's Annual General Meeting on 13 September 2021.

Tramlink Depot
Coomber Way
Croydon
CR0 4TQ

Approved by the Board of Directors
And signed on behalf of the Board



A Wlodarski
Director
24 March 2022

TRAM OPERATIONS 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 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, 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;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; 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 also 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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CR0 4TQ

Approved by the Board of Directors
And signed on behalf of the Board



A Wlodarski
Director
24 March 2022

Independent auditors' report to the members of Tram Operations Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tram Operations Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2021; the Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Tram Operations Limited

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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.

Auditors' 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 the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- Reviewing minutes and the claims provision in respect of actual and potential claims and making inquiries of management regarding any unprovided claims;
- Obtaining supporting evidence for the significant assumptions and estimates made by management, particularly in respect of pensions accounting;

Independent auditors' report to the members of Tram Operations Limited

- Identifying and testing journal entries on a sample basis, in particular those used to recognise revenue; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
24 March 2022

TRAM OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	5	17,471	17,732
Operating costs	6	<u>(17,655)</u>	<u>(16,294)</u>
Operating (loss)/profit		(184)	1,438
Interest payable and similar expenses	9	<u>(53)</u>	<u>(80)</u>
(Loss)/profit before taxation	11	(237)	1,358
Tax on (loss)/profit	12	<u>43</u>	<u>(288)</u>
(Loss)/profit for the financial year		<u>(194)</u>	<u>1,070</u>

All activities in the current and preceding year relate to continuing operations.

Statement of comprehensive income For the year ended 31 March 2021

	Note	2021 £000	2020 £000
(Loss)/profit for the financial year		<u>(194)</u>	<u>1,070</u>
(Loss)/gain recognised on defined benefit pension scheme	21	(1,513)	914
Movement on deferred tax relating to pension deficit	17	<u>287</u>	<u>(105)</u>
Other comprehensive (expense)/income		<u>(1,226)</u>	<u>809</u>
Total comprehensive (expense)/income for the year		<u>(1,420)</u>	<u>1,879</u>

TRAM OPERATIONS LIMITED

BALANCE SHEET

As at 31 March 2021

Company Registered Number: 03097532

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	13	71	80
Tangible assets	14	<u>58</u>	<u>72</u>
		129	152
Current assets			
Debtors	15	4,953	5,400
Cash at bank and in hand		<u>7,391</u>	<u>6,497</u>
		12,344	11,897
Creditors:			
Amounts falling due within one year	16	<u>(5,858)</u>	<u>(5,149)</u>
Net current assets		<u>6,486</u>	<u>6,748</u>
Total assets less current liabilities		6,615	6,900
Provisions for liabilities and charges	18	<u>(117)</u>	<u>(147)</u>
Net assets excluding pension liability		6,498	6,753
Pension liability	21	(3,559)	(2,407)
Net assets		<u><u>2,939</u></u>	<u><u>4,346</u></u>
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		2,939	4,346
Shareholder's funds		<u><u>2,939</u></u>	<u><u>4,346</u></u>

The accompanying notes on pages 18 to 31 form an integral part of these financial statements.

These financial statements of Tram Operations Limited registered number 03097532 on pages 15 to 31 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf by:



A Wlodarski
Director

TRAM OPERATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2021

	Note	Called up share capital £000	Profit and loss account £000	Total £000
Balance at 1 April 2019		-	2,448	2,448
Profit for the year		-	1,070	1,070
Other comprehensive income for the year		-	809	809
Total comprehensive income for the year		-	1,879	1,879
Share-based payment charge	10	-	19	19
Balance at 31 March 2020		-	4,346	4,346
Loss for the year		-	(194)	(194)
Other comprehensive expense for the year		-	(1,226)	(1,226)
Total comprehensive expense for the year		-	(1,420)	(1,420)
Share-based payment charge	10	-	13	13
Balance at 31 March 2021		-	2,939	2,939

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1 General information

Tram Operations Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office address is Tramlink Depot, Coomber Way, Croydon, CR0 4TQ. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2 Statement of compliance

The financial statements of Tram Operations Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value in accordance with FRS 102.

The functional and presentation currency of Tram Operations Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

(b) Going concern

The company currently meets its day-to-day working capital requirements through its bank facilities and is not dependent on its ultimate parent FirstGroup plc for support at present. The company's business modelling forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

The company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions in relation to share-based payments, financial instruments, preparation of a cashflow statement and remuneration of key management personnel which have been disclosed in FirstGroup plc's accounts.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows:

Plant and equipment	-	2 to 8 years straight line.
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Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

3 Principal accounting policies (continued)

(e) **Intangible fixed assets and amortisation**

Intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided to write off the cost less residual value of intangible assets over the shorter of their estimated useful economic lives or the duration of the contract. Our amortisation policy is as follows:

Deferred Contract Costs - duration of contract (30 years)

(f) **Leases**

The company continues to account for leases under FRS 102 where all leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

(g) **Financial assets and liabilities**

All financial assets and liabilities are measured at transaction price (including transaction cost). All the financial assets and liabilities are classified as 'basic' under Section 11 of FRS 102. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

(h) **Impairment of financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(i) **Taxation**

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

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

3 Principal accounting policies (continued)

(j) Employee benefits

The company participates in the FirstGroup UK Bus Pension Scheme and Flexible Benefits Scheme in separately administered funds, both of which are defined benefit schemes.

The amounts charged to profit and loss account regarding the defined benefit scheme are the current service costs, administration costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. The interest cost on the net pension scheme liability is shown in net interest receivable. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

For defined contribution schemes, contributions are charged to the profit and loss account as they become payable.

(k) Share-based payment

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model or other appropriate valuation models. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(l) Turnover

Turnover (Revenue) is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business and is shown net of VAT where appropriate.

Turnover includes amounts attributable to contracted income predominantly based on providing drivers and support services to run trams to a timetable. It also includes a small amount of other variable income.

(m) Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Provisions are split between those falling due within one year and those falling due in one year.

4 Significant judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with general accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from these estimates. The key source of estimation uncertainty is considered to relate to the defined benefit pension scheme assumptions such as the discount rate and mortality rates. These are discussed further in note 21. There are no significant judgements.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

5 Turnover

Turnover is stated net of VAT and it originates within the United Kingdom. Turnover is based on an annual RPI inflated fee agreed every five years. The company has one principal class of business, namely, the provision of passenger transport services on Croydon tram link via the concession.

6 Operating costs

	2021 £000	2020 £000
Staff costs (note 7)	13,520	13,611
Operating Expenses	4,110	2,658
Depreciation of tangible assets (note 14)	25	25
	<u>17,655</u>	<u>16,294</u>

Operating expenses increased during the year, due to higher incident legal costs.

7 Employee numbers and costs

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	2021 Number	2020 Number
Operations	217	215
Maintenance	1	1
Administration	19	15
	<u>237</u>	<u>231</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	11,551	11,676
Social security costs	1,252	1,237
Other pension costs	704	679
Share-based payment charge	13	19
	<u>13,520</u>	<u>13,611</u>

8 Directors' remuneration

Four directors received remuneration from other group companies in the current and prior years, details of which are disclosed in their accounts. It is not considered practical to allocate this between services provided to those companies and services provided in their capacity as directors to the company. No directors were granted any shares options in the year.

The remuneration of the two directors paid by Tram Operations Limited was as follows:

	2021 £000	2020 £000
Aggregate emoluments (excluding pension contributions)	248	244
Company pension contributions	15	15
	<u>263</u>	<u>259</u>

Retirement benefits accrue to two directors under a defined contribution scheme.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

8 Directors' remuneration (continued)

Emoluments of the highest paid director amounted to:

	2021 £000	2020 £000
Aggregate emoluments (excluding pension contributions)	176	167
Company pension contributions	<u>6</u>	<u>6</u>
	<u>182</u>	<u>173</u>

9 Interest payable and similar charges

	2021 £000	2020 £000
Net interest expense on post-employment benefits (Note 21)	<u>53</u>	<u>80</u>
	<u>53</u>	<u>80</u>

10 Share-based payments

Equity-settled share option plans

Save as you earn (SAYE)

The company's ultimate parent company operates an HMRC approved savings-related share option scheme. The scheme is based on eligible employees being granted options and their agreement to opening a share save account with a nominated savings carrier and to save weekly or monthly over a specified period. Share save accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months. Details of the share options outstanding during the year are disclosed in the published financial statements for FirstGroup plc.

Buy as you earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. The company provides two matching shares in FirstGroup plc for every three shares bought by employees, subject to a maximum company contribution or shares to a value of £20 per employee per month. If the shares are held in a trust for five years or more, no income tax or national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

The group has allocated the expense over its participating trading subsidiaries based on employee numbers. The company has recognised a total expense of £13k (2020: £19k) relating to equity-settled share-based payment transactions.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

11 (Loss)/profit before taxation

This is stated after charging:

	2021 £000	2020 £000
Audit fees for audit of company's annual accounts	24	24
Amortisation on intangible assets (note 14)	9	9
Rentals payable under operating leases		
- plant and machinery	13	22
- other	15	33

12 Tax on (loss)/profit

	2021 £000	2020 £000
Current taxation		
Group relief (receivable)/payable	(110)	237
Adjustment in respect of prior years	(2)	(1)
	<u>(112)</u>	<u>236</u>
Deferred taxation		
Origination and reversal of timing differences	70	24
Impact on deferred tax arising from rate change	-	(2)
Adjustment in respect of prior years	(1)	30
Total deferred taxation (note 17)	<u>69</u>	<u>52</u>
Total tax (credit)/charge on (loss)/profit	<u>(43)</u>	<u>288</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2020: 19%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

The actual current tax charge on profit for the current and previous years differed from the profit multiplied by the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2021 £000	2020 £000
(Loss)/profit before taxation	(237)	1,358
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(45)	258
Factors affecting charge:		
- Expenses not deductible	5	3
- Prior year adjustments	(3)	29
- Impact on deferred tax arising from rate change	-	(2)
Total tax (credit)/charge on (loss)/profit	<u>(43)</u>	<u>288</u>

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

13 Intangible assets

	Deferred contract costs £000
Cost	
At 1 April 2020 and 31 March 2021	<u>261</u>
Accumulated amortisation	
At 1 April 2020	181
Charge for the year	<u>9</u>
At 31 March 2021	190
Net book value	
At 31 March 2021	<u>71</u>
At 31 March 2020	<u>80</u>

Deferred contract costs are development costs which were incurred at the beginning of the contract. Amortisation charge is included within operating expenses in the profit and loss account.

14 Tangible fixed assets

	Plant and equipment £000
Cost	
At 1 April 2020	286
Additions	11
Disposals	-
At 31 March 2021	<u>297</u>
Accumulated depreciation	
At 1 April 2020	214
Charge for the year	25
Disposals	-
At 31 March 2021	<u>239</u>
Net book value	
At 31 March 2021	<u>58</u>
At 31 March 2020	<u>72</u>

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

15 Debtors

	2021 £000	2020 £000
Trade debtors	1,672	2,366
Amounts owed by group undertakings	2,529	2,492
Deferred tax asset (note 17)	696	478
Prepayments and accrued income	56	64
	<u>4,953</u>	<u>5,400</u>

Amounts due from group undertakings are interest-free and repayable on demand.

16 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	446	750
Amounts owed to group undertakings	2,271	1,861
Other creditors	403	61
Tax and social security	307	548
Accruals and deferred income	<u>2,431</u>	<u>1,929</u>
	<u>5,858</u>	<u>5,149</u>

Amounts owed to group undertakings are interest-free and repayable on demand.

17 Deferred tax

	Deferred tax £000
As at 1 April 2020	478
Debited to the profit and loss account	(69)
Credited to other comprehensive income	<u>287</u>
As at 31 March 2021	<u>696</u>

The deferred tax asset consists of the following amounts:

	2021 £000	2020 £000
Pension	675	457
Depreciation in excess of capital allowances	10	10
Other timing differences	<u>11</u>	<u>11</u>
Deferred tax asset	<u>696</u>	<u>478</u>

The deferred tax balance is included within Debtors note 15.

The deferred tax asset has been recognised because it is anticipated that the tax deductions generated by the reversal of the timing differences will be offset against future taxable profits of the company by way of group relief.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

18 Provisions for liabilities and charges

	Insurance claims provision £000
As at 1 April 2020	(147)
Additions	(6)
Released to the profit and loss account	36
As at 31 March 2021	<u>(117)</u>
Current	(6)
Non-Current	(111)

The insurance claims provision arises from estimated exposures for incidents occurring prior to 31 March 2021. It is anticipated that most of these claims will be settled within the next three years.

19 Called up share capital

	2021	2020
Authorised:	£000	£000
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

The company ordinary shareholders have no right to fixed income.

20 Operating lease commitments

The company had the following future minimum lease payments under non- cancellable operating leases for each of the following periods:

	2021		2020	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	15	13	33	22
Within two to five years	0	7	15	19
Total	<u>15</u>	<u>20</u>	<u>48</u>	<u>41</u>

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

21 Pension liability

Defined Contribution Scheme- Tram Operations Limited Section within Railway Pensions Scheme

The company operates a defined contribution scheme for all qualifying employees. The total expense charged during the year ended 31st March 2021 was £513,560 (2020: £499,091). Amounts due as at 31st March 2021 £6,470 (2020: £12,683).

Defined benefit schemes

FirstGroup Pension Schemes (Flexible Benefit)

The company is a member of defined benefit pension schemes, which are funded. Details of the FirstGroup flexible benefit scheme are disclosed in the financial statements of FirstGroup Holdings Limited (company registration number 02029363) and is funded separately by defined contributions, which have been expensed during the year ended 31st March 2021. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme.

The funding level of the scheme on 5 April 2017 failed to reach a pre-agreed funding level, and as such, the scheme closed to defined benefit accrual on 5 April 2018.

As from April 2018 all new and existing members have been enrolled in the defined contribution scheme SIPP.

The First UK Bus Pension Scheme

This provides pension benefits to employees in Tram Operations Limited. Historically it provided salary related benefits on a shared cost basis, but from April 2013, all new members have been enrolled in the defined contribution section.

The funding level of the scheme on 5 April 2017 failed to reach a pre-agreed funding level, and as such, the scheme closed to defined benefit accrual on 5 April 2018.

As from April 2018 all new and existing members have been enrolled in a defined contribution scheme SIPP.

As at 31 March 2021 FirstGroup plc is committed to make deficit recovery payments with a net present value of £216.5m (2020: £145.8m), over the period to 5 July 2035, in respect of the First UK Bus Pension Scheme. The company contributed £494,620 in respect of these deficit contributions in the current year.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

21 Pension schemes (continued)

Defined benefit schemes (continued)

The First UK Bus Pension Scheme (continued)

The key financial assumptions used in this update were as follows:

	2021	2020
Discount rate	2.05%	2.40%
Expected rate of salary increases	2.55%	1.80%
Inflation – CPI	2.55%	1.80%
Rate of increase of pensions in payment	2.55%	1.80%
Post-retirement mortality (life expectancy in years):		
Current pensioners aged 65	19.1	19.1
Future pensioners at 65 aged 45 now	20.6	20.6

(a) Profit and Loss account

Amounts (charged)/credited to the Profit and loss account in respect of these defined benefit schemes are as follows:

	2021 £000	2020 £000
Past service cost	(14)	-
Administrative cost	(68)	(82)
	<u>(82)</u>	<u>(82)</u>

	2021 £000	2020 £000
Net interest cost comprises:		
Interest cost	(523)	(563)
Interest income on scheme assets	470	483
	<u>53</u>	<u>(80)</u>

During the year £68k (2020: £82k) of administrative expenses were incurred.
Actuarial gains and losses have been reported in the statement of comprehensive income.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

21 Pension schemes (continued)

Defined benefit schemes (continued)

The First UK Bus Pension Scheme (continued)

Reconciliation of the actual return on scheme assets:	2021 £000	2020 £000
Interest income on scheme assets	470	483
Return on scheme assets excluding interest income	2,103	(352)
	<u>2,573</u>	<u>131</u>

(b) Balance sheet

The amounts included in the balance sheet arising from the company's obligations of its defined benefit pension scheme are as follows:

	2021 £000	2020 £000
Fair value of scheme assets	22,003	19,827
Present value of defined benefit obligations	<u>(25,562)</u>	<u>(22,234)</u>
Deficit in the scheme	(3,559)	(2,407)
Related deferred tax asset (note 17)	675	457
Net pension liability	<u>(2,884)</u>	<u>(1,950)</u>

(c) Asset allocation

The majority of the assets held by the closing pension arrangements are invested in pooled funds with a quoted market price. The analysis of the scheme's assets at the balance sheet date were as follows:

The assets in the scheme at the balance sheet date were:	2021 £000	2020 £000
Equities	4,758	2,685
Fixed Income	12,493	12,275
Property	495	583
Cash	292	114
Other return seeking assets	3,965	4,170
	<u>22,003</u>	<u>19,827</u>

(d) Defined benefit obligations (DBO)

Movement in the present value of DBO were as follows:	2021 £000	2020 £000
As at 1 April	22,234	23,849
Past Service Cost	14	-
Employer administration expenses	68	82
Interest cost	523	563
Experience (gain) on DBO	(317)	(81)
Loss/(gain) on change of assumptions (financial)	3,933	(1,186)
Benefit payments	<u>(893)</u>	<u>(993)</u>
As at 31 March	<u>25,562</u>	<u>22,234</u>

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2021

21 Pension schemes (continued)

Defined benefit schemes (continued) The First UK Bus Pension Scheme (continued)

(e) Fair value of scheme assets

Movements in the fair value of scheme assets were as follows:	2021 £000	2020 £000
As at 1 April	19,827	20,400
Interest income on assets	470	483
Employer contributions	496	289
Actuarial gain (loss)	2,103	(352)
Benefit payments	(893)	(993)
As at 31 March	<u>22,003</u>	<u>19,827</u>

(f) Statement of comprehensive income

Amounts presented in the statement of comprehensive income comprise:	2021 £000	2020 £000
Net Actuarial (loss)/gain on DBO	(3,616)	1,266
Actuarial gain /(loss) on scheme assets	2,103	(352)
	<u>(1,513)</u>	<u>914</u>

22 Contingent Liabilities

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 completed on 22 July 2021. The Office of Rail & Road (ORR) has informed the company that it intends to prosecute the company under the Health and Safety at Work Act. The specific timing and substance of any ORR proceedings remains unclear and, as such, it is not possible to assess whether any financial penalties or related costs could be incurred.

23 Related party transactions

The company is taking advantage of exemption under FRS102 paragraph 33.1A not to disclose transactions with wholly owned group companies that are related parties. Details of outstanding balances with related parties can be found in notes 15 Debtors and 16 Creditors.

TRAM OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

24 Events subsequent to the end of the year

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 completed on 22 July 2021. The Office of Rail & Road (ORR) has informed the company that it intends to prosecute the company under the Health and Safety at Work Act. The specific timing and substance of any ORR proceedings remains unclear and, as such, it is not possible to assess whether any financial penalties or related costs could be incurred.

25 Ultimate and immediate parent company and controlling party

The directors regard FirstGroup plc, a company incorporated in the United Kingdom and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared.

The company's immediate parent company is CentreWest Limited. CentreWest Limited's registered address is: 8th Floor The Point, 37 North Wharf Road, London, United Kingdom W2 1AF. It is a wholly owned subsidiary of FirstGroup plc and therefore does not prepare consolidated accounts.

Copies of the accounts of FirstGroup plc can be obtained from its registered address: 395 King Street, Aberdeen AB24 5RP.