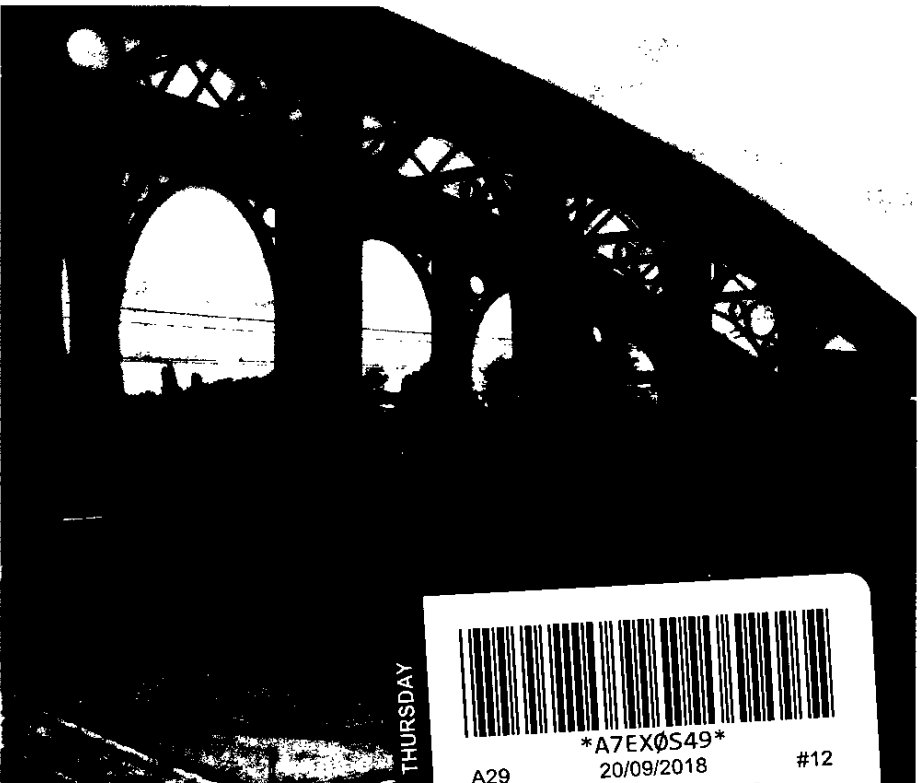
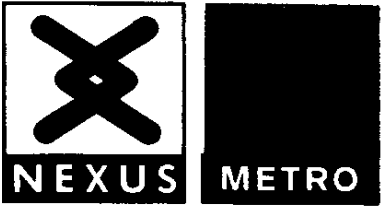


North East
Metro Operations Limited*

Annual Accounts
For the year ended 31 March 2018



*part of the Nexus Group

THURSDAY

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20/09/2018
COMPANIES HOUSE

Company registration number 10552145

NORTH EAST METRO OPERATIONS LIMITED

**Annual Report and Financial Statements for the Period ended
31 March 2018**

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

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NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

DIRECTORS, OFFICERS AND ADVISORS

Directors

TJ Hughes (appointed 9 January 2017)
JD Fenwick (appointed 9 January 2017)
R Johnstone (appointed 9 January 2017)
C Carson (appointed 27 November 2017)

Secretary

C Whittle (appointed 9 January 2017)

Registered Office

Nexus House
St James' Boulevard
Newcastle upon Tyne
NE1 4AX

Registered Number

10552145

Auditors

Mazars LLP
Appointed Auditor
Salvus House
Aykley Heads
Durham
DH1 5TS

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

STRATEGIC REPORT
FOR THE PERIOD ENDED 31 MARCH 2018

The directors present their report and the financial statements of the company for the period ended 31 March 2018.

Principal Activity

The company was incorporated in the United Kingdom on 9 January 2017 as a private company limited by shares. These accounts represent the company's first accounting period covering the 15 months ended 31 March 2018.

The company's principal activity during the year was the operation and maintenance of the Tyne and Wear Metro service on behalf of The Tyne and Wear Passenger Transport Executive (trading as Nexus).

Review of Business

The company formally commenced trading on 1st April 2017. As at this date the employees of the company were transferred via TUPE arrangements from their former employer. As a result the company now bears the costs and obligations of staff who are members of the Local Government Pension Scheme.

The company's statement of comprehensive income on page 10 shows a loss on ordinary activities before taxation of £27.418m and a total comprehensive expense for the period of £27.043m.

However, when actuarial pensions and taxation adjustments are excluded, the trading position shows a net surplus of £0.694m. This favourable position has been achieved against a backdrop of improved operational performance and a reduction in available resources.

The company has one £1 share held by Nexus and no dividends will be paid for the period.

The company is funded through the Metro Operating Payment payable each reporting period by Nexus and the year-end cash position is a cash balance of £4.385m.

North East Metro Operations Limited (NEMOL) does not hold any fixed assets on the balance sheet and no capital additions have been applied during the period.

Principal Risks and Uncertainties

NEMOL maintains a risk register and the Metro Senior Leadership Team review and control the risks through the risk management process.

The main risks to the business relate to the possibility of failing to achieve the following aims and objectives:-

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

- having sufficient resources with the skills and competencies to deliver business requirements;
- maintaining customer satisfaction;
- *delivering the programme of Special Events successfully; and*
- managing the current aged fleet and Depot infrastructure.

Future Developments

This is the first year trading as the operator of the Tyne and Wear Metro system which commenced on 1 April 2017 and the company has traded in line with expectations.

NEMOL currently provides maintenance of all Metro cars based at the Gosforth fleet depot site.

During the year, Nexus secured government capital grant funding of £337 million to replace its fleet of Metrocars and to construct a new Depot. This funding will be augmented by a further £25 million to be provided directly by Nexus. It is anticipated that the procurement of the new fleet will result in a long-term maintenance contract with the train manufacturer.

Key Performance Indicators

NEMOL's KPIs are reported to the North East Combined Authority's Transport Committee, having been reviewed by both the Metro Senior Leadership Team and Nexus. This range of performance indicators, both financial and operational, is used to measure the company's strategic objectives.

This report was approved by the board of Directors on 24 July 2018 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'JD Fenwick', written over the text 'by'.

JD Fenwick, CPFA
Director

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2018

Directors

The directors who served during the period ended 31 March 2018 were as follows:

TJ Hughes (appointed 9 January 2017)
JD Fenwick (appointed 9 January 2017)
R Johnstone (appointed 9 January 2017)
C Carson (appointed 27 November 2017)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records 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 to 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.

Disclosure of information to auditors

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

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

- So far as the directors are aware, there is no relevant audit information (information needed by the company's auditors in connection with the preparation of their report) of which the company's auditors are not aware; and
- the directors have taken all the steps necessary to ensure that they are aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Employee communication and involvement

NEMOL use many different channels to ensure our internal communications engage staff with corporate matters, as well as providing opportunities for them to provide feedback and share their own ideas and news. These include both NEMOL and Nexus intranets, which feature regular internal news articles, collaborative working areas and staff achievements.

We send regular newsletters to staff containing a broad range of articles to keep colleagues up to date with organisational news, raise awareness of relevant issues, boost morale and inform staff about the wider social and political landscape in which we operate.

NEMOL have a formal appraisal mechanism that includes regular 1-2-1s for staff to receive feedback on their performance, identify training needs and gain an understanding of how their targets feed into the achievement of the organisation's goals.

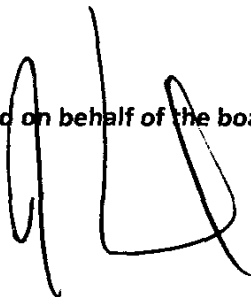
Employees with disabilities

Nexus is a Disability Confident Employer who has committed

- inclusive and accessible recruitment
- communicating vacancies
- offering an interview to disabled people
- providing reasonable adjustments
- supporting existing employees

NEMOL is currently working towards this accreditation.

Signed on behalf of the board

A handwritten signature in black ink, appearing to be 'JD Fenwick', written over the text 'Signed on behalf of the board'.

JD Fenwick, CPFA
Director

Approved by the board of Directors on 24 July 2018

Independent auditor's report to the members of North East Metro Operations Limited.

Opinion

We have audited the financial statements of North East Metro Operations Limited ("the Company") for the 15 month period ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including the FRS 101 "Reduced Disclosure Framework", "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the 15 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Gareth Hitchmough (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars LLP
Salvus House
Durham
DH1 5TS
25 July 2018

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2018

	Note	15 month period ended 31 March 2018 £'000
Turnover	3	34,189
Cost of Sales		(8,336)
Gross Profit		25,853
Administrative Expenses		(27,935)
Operating Loss	4	(2,082)
Exceptional loss on transfer of defined benefit pension scheme liability	14	(24,734)
Interest Payable		(602)
Loss on ordinary activities before taxation		(27,418)
Taxation credit for the period	5	4
Loss for the financial period		(27,414)
Actuarial gain on defined benefit pension		371
Total comprehensive expense for the financial period		(27,043)

NORTH EAST METRO OPERATIONS LIMITED
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BALANCE SHEET AT 31 MARCH 2018

	Note	2018 £'000
Current Assets		
Debtors and prepayments	8	2,518
Cash at bank and in hand		4,385
Total Assets		<u>6,903</u>
Creditors: Amounts falling due within one year	9	(6,205)
Net Current Assets		<u>698</u>
Total Assets less Current Liabilities		<u>698</u>
Net Assets (excluding pension liability)		<u>698</u>
Defined benefit pension liability	14	(27,741)
Net liabilities		<u>(27,043)</u>
Capital and Reserves		
Called up share capital	10	0
Profit and loss reserve	11	(27,043)
Total Shareholders' Funds		<u>(27,043)</u>

NORTH EAST METRO OPERATIONS LIMITED
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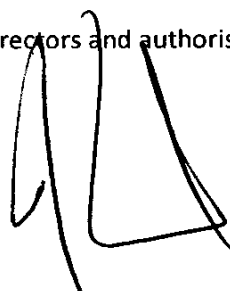
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	Called up share capital	Profit and loss Account	Total Shareholders' funds
	£'000	£'000	£'000
At 9 January 2017	0	0	0
Loss for the period	0	(27,043)	(27,043)
Total comprehensive expense for the period	0	(27,043)	(27,043)

The financial statements were approved by the board of directors and authorised for issue on 25 July 2018 and signed on its behalf.



TJ Hughes
Managing Director (Transport Operations)



JD Fenwick
Director of Finance and Resources

The notes on pages 13 to 23 form part of these financial statements

NOTES TO THE ACCOUNTS

1 Accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied. The financial statements have been prepared under the historic cost convention and in accordance with the Companies Act 2006.

b. 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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

c. Expenditure

The financial statements are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet.

d. Debtors

Trade and other debtors are initially measured at fair value. In general, this is equivalent to the costs of purchase. Receivables for which there are substantial objective indications of an impairment are adjusted appropriately.

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been

NORTH EAST METRO OPERATIONS LIMITED
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affected. In addition, certain trade and other debtors that are not considered to be individually impaired, may be assessed for impairment on a collective basis. Objective evidence for impairment could be observable changes in national or local economic conditions / government policies on transport.

d. Cash

Cash balances comprise cash in hand and bank balances and are stated in the balance sheet at fair value. The company does not hold any cash equivalents.

e. Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business.

Trade and other creditors are initially stated at fair value.

f. Contingent Liabilities

A contingent liability arises where an event has taken place that gives NEMOL a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within NEMOL's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet and would be disclosed in Note 13 to the accounts.

g. Events after the Balance Sheet date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any new information about that adjusting event.

Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but are disclosed as a separate note to the accounts.

Any events after the balance sheet date 2017/18 are described in Note 15.

h. VAT

VAT is a tax on the supply of goods and services that is eventually borne by the final consumer but collected at each stage of the production and distribution chain. The treatment of VAT in the accounts reflects NEMOL's role as a collector of the tax. VAT is not included in income or in expenditure except in circumstances where the VAT is irrecoverable, where it is included in the cost of the items reported in the financial statements.

i. Pensions

The company is an Admitted Body of the Local Government Pension Scheme administered by South Tyneside Metropolitan Borough Council, which is a defined benefit pension scheme and covers employees of the company. The assets of the defined benefit scheme are held separately from those of the company in independently administered funds. Independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the scheme so as to secure the benefits set out in the rules.

j. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is accounted for in respect of all material timing differences that have originated but not reversed at the balance sheet date. Timing differences arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is calculated at the rate which it is anticipated the timing differences will reverse and is measured on a non-discounted basis. Deferred tax assets are only recognised to the extent that they are reported as recoverable.

k. Going Concern

The directors have prepared the accounts on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

The company has a management agreement in place with Nexus which underpins both Nexus and NEMOL budgets and forecasts which show that the company is expected to be able to meet its liabilities as they fall due for the foreseeable future, in particular, for a period of at least twelve months from the date of approval of these financial statements. These budgets and forecasts include contributions payable to the pension scheme on the current agreed contribution schedule drawn up by the actuary. In this regard, NEMOL has confirmation from Nexus that they would assist in meeting its pension liabilities as and when they fall due, as this forms the basis of the guarantee held by the Local Government Pension Scheme with Nexus, to the extent that money is not otherwise available to NEMOL to meet such liabilities.

Accordingly, the directors believe that it is appropriate to prepare the financial statements on a going concern basis, on the grounds that they have reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future.

l. Financial Reporting Standard 101 – Reduced Disclosure Exemptions

The company is a qualifying entity for the purpose of FRS101 reduced disclosure as it is a member of a group where the parent of that group prepares publicly available,

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss).

That member is included in the consolidation and is a wholly owned subsidiary of the Tyne and Wear Passenger Transport Executive (trading as Nexus). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of IAS 24 Related Party Disclosures

2 Judgements and key source of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date, and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and sources of estimation uncertainty have had the most significant effect on the financial statements:

- Pension costs – The cost of a defined benefit pension plan is determined using actuarial valuations. This involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

3 Turnover

Turnover consists of the payment NEMOL receives from Nexus to operate the Tyne and Wear Metro and maintain the fleet of Metrocars, together with commercial income received in the normal course of its business. Income is accrued where it is earned in an earlier period to that in which it is billed or received in cash. Income is deferred where it is received in an earlier period than that to which it relates.

4 Operating Loss

This is stated after charging £2.776m in relation to an in-year actuarial pension adjustment and also includes:

15 month period ended
31 March 2018
£'000

Auditors' remuneration

13

5 Tax for the period

	15 month period ended 31 March 2018 £'000
Current Tax	0
Deferred Tax:	
Origination and reversal of fixed asset timing differences	(4)
Effect of changes in tax rates	0
Deferred Tax Asset at 31 March 2018	<u>(4)</u>
Total Tax for the period	(4)
The charge for the year can be reconciled to the profit per the income statement as follows:	
	(27,418)
Loss for the period	
Tax on loss at standard UK tax rate of 19% (2017: 19.25%)	(5,209)
Effects of:	
Expenses not deductible	1
Effects of group relief/other reliefs	(137)
Tax rate changes	0
Deferred Tax not provided	5,341
Total tax for the period	<u>(4)</u>
Deferred Tax Asset:	
Fixed asset timing differences	(4)

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2018. A further reduction from 19% to 17% was substantively enacted in September 2016 and will take effect from 1 April 2020.

The company has a defined benefit pension deficit of £27.741m. Please note that a possible deferred tax asset of £4.716m has not been recognised in respect of this amount as the company does not have reasonable expectations that they will be able to utilise the associated tax losses in future periods.

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

6 Staff Costs

**15 month period
ended 31 March 2018
£'000**

Wages and Salaries	17,389
National Insurance	1,774
Pension	3,274
	<u>22,437</u>

The average monthly number of employees, including the paid director, during the period was:-

**15 month period
ended 31 March 2018**

	No.
Drivers	170
Engineering	113
Customer Services	147
Support Services / Administration	102
	<u>532</u>

7 Directors' Emoluments

**15 month period
ended 31 March 2018
£'000**

Director's salary	87
Company contributions to defined benefit pension schemes	17
	<u>104</u>

The only Director charged to NEMOL from Nexus is the Metro Services Director who is the highest paid and received remuneration of £87,000.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £17,429

8 Debtors and prepayments

**2018
£'000**

Trade debtors	428
Amounts owed by group undertakings	35
Other debtors	2
Prepayments and accrued income	2,049
Deferred Tax Asset	4
	<u>2,518</u>

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

9 Creditors: amounts falling due within one year

	2018 £'000
Trade creditors	364
Amounts owed to group undertakings	160
Other creditors	1,432
Accruals and deferred income	2,776
VAT Creditor	1,473
	<hr/> 6,205 <hr/>

10 Called-up share capital

	2018 £
Allocated, called-up and fully paid equity shares	
Ordinary shares of £1 each	1
One share with a nominal value of £1 was issued at par value on 9 th January 2017	

11 Profit and Loss Reserve

	2018 £'000
As at 9 January 2017	0
Loss for the period	(27,043)
As at 31 March 2018	<hr/> (27,043) <hr/>

Included in the Profit and Loss Reserve are cumulative liabilities on a Defined Benefit Pension Scheme of £27.741m.

12 Contingent liabilities

There were no contingent liabilities at 31 March 2018.

13 Ultimate parent undertaking and controlling party

The ultimate controlling party is Tyne and Wear Passenger Transport Executive (Nexus) which is a body corporate by statute under the Transport Act 1968. During the year Tyne and Wear Passenger Transport Executive incurred costs on behalf of and made payments to North East Metro Operations Limited by way of an inter company account. The company's results are consolidated into the financial statements of Nexus. Nexus accounts are available from their website www.nexus.org.uk and their registered address as shown on page 2 of these accounts.

NORTH EAST METRO OPERATIONS LIMITED
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14 Pensions

The company participates in the Tyne and Wear Pension Fund which is a defined benefit pension scheme where contributions payable are held in a trust separately from the company. The main results and assumptions of the most recent valuation of the Tyne and Wear Pension Fund are as follows.

Contributions to the scheme have been charged to the comprehensive income statement on a cash basis. A qualified actuary has determined contribution rates and the company has been charged a rate of 21.2% from April to September 2017 and following review a rate of 18.4% applied from October 2017.

The following information is required under FRS102 and the valuation has been updated by an independent qualified actuary on an FRS 102 basis as at March 2018. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit credit method.

	2018
	£'000
Fair value of scheme assets	57,481
Present value of scheme liabilities	85,222
Funded Status	(27,741)

The scheme assets are made up of the following allocations

	2018
	%
Equities	67.0%
Property	8.5%
Government Bonds	4.0%
Corporate Bonds	11.7%
Cash	3.7%
Other	5.1%
Total	<u>100.0%</u>

The amounts recognised in the comprehensive income statement are based on the following assumptions and analysed as follows:

	2018
	£'000
Current service cost	5,968
Past service cost	0
Interest on defined benefit liability	602
Total recognised in the statement of comprehensive income	<u>6,570</u>

NORTH EAST METRO OPERATIONS LIMITED
Company number 10552145

Re-measurement gains/(losses) on assets taken to other comprehensive income	372
Re-measurement gains/(losses) on liabilities taken to other comprehensive income	(1)
Total amount recognised in other comprehensive income	371

Main assumptions	2018
Discount rate	2.60%
RPI inflation	3.10%
CPI inflation	2.00%
Pension increases	2.00%
Pension accounts revaluation rate	2.00%
Salary increases	3.50%

Mortality assumptions	2018
Male members aged 65 at accounting date	22.9
Male members aged 45 at accounting date	25.1
Female members aged 65 at accounting date	26.4
Female members aged 45 at accounting date	28.7

The above figures are sample life expectancies, in years, resulting from assumptions used by the actuaries.

Changes to the present value of the defined benefit obligations are analysed as follows:

	2018
	£'000
Opening defined benefit obligation at 9 January 2017	0
Obligation transferred at 1 April 2017	77,304
Current service cost	5,968
Interest expense on defined benefit obligation	2,010
Contributions by participants	1,081
Actuarial (gains)/losses on liabilities	1
Net benefits paid out	(1,142)
Closing defined benefit obligation	85,222

Changes to the fair value of assets are analysed as follows

	2018
	£'000
Opening fair value of assets at 9 January 2017	0
Asset value transferred at 1 April 2017	52,570
Interest income on assets	1,408
Re-measurement gains/(losses) on assets	372
Contributions by the employer	3,192
Contributions by participants	1,081
Net benefits paid out	(1,142)
Closing defined benefit obligation	57,481

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Movement in pension scheme deficit in the period	2018 £'000
As at 9 January 2017	0
Transferred in during the period	(24,734)
Net interest cost	(602)
Current service cost	(5,968)
Contributions by the employer	3,192
Actuarial gains	371
As at 31 March 2018	(27,741)

Expected employer contributions for the next year are £3.03m.

The duration of liabilities for NEMOL is 22.4 years.

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected service cost for the period ending 31 March 2019 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above.

We have not included sensitivity of unfunded benefits (where applicable) on materiality grounds.

Funded LGPS benefits

Discount Rate Assumptions	+0.1% p.a.	Base Figure	+0.1% p.a.
Adjustment to discount rate			
Present value of total obligation (£m)	83.335	85.222	87.152
% change in present value of total obligation	-2.2%		2.3%
Projected service cost (£m)	6.013	6.175	6.341
Approximate % change in projected service cost	-2.6%		2.7%
Rate of general increase in salaries	+0.1% p.a.	Base Figure	+0.1% p.a.
Adjustment to salary increase rate			
Present value of total obligation (£m)	86.088	85.222	84.364
% change in present value of total obligation	1.0%		-1.0%
Projected service cost (£m)	6.175	6.175	6.175
Approximate % change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% p.a.	Base Figure	+0.1% p.a.
Adjustment to pension increase rate			
Present value of total obligation (£m)	86.275	85.222	84.182
% change in present value of total obligation	1.2%		-1.2%
Projected service cost (£m)	6.341	6.175	6.013
Approximate % change in projected service cost	2.7%		-2.6%

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Post retirement mortality assumption		Base	
Adjustment to mortality age rating assumption*	-1 year	Figure	+1 year
Present value of total obligation (£m)	87.699	85.222	82.757
% change in present value of total obligation	2.9%		-2.9%
Projected service cost (£m)	6.388	6.175	5.963
Approximate % change in projected service cost	3.4%		-3.4%

**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them*

15 Post balance sheet events

There have been no material post balance sheet events that would affect these accounts.