

Registered number: 10932342

MIDLAND METRO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

MIDLAND METRO LIMITED

COMPANY INFORMATION

Directors	L M Shoaf SA McAleavy LK Horne N Arif (resigned 23 September 2020) PG Hewitt (resigned 20 September 2019)
Company secretary	S G Allison (appointed 2 December 2020)
Registered number	10932342
Registered office	16 Summer Lane Birmingham B19 3SD
Independent auditor	BDO LLP Two Snowhill Birmingham B4 6GA

MIDLAND METRO LIMITED

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MIDLAND METRO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their strategic report for the year ended 31 March 2020.

Business review

The company completed its first full year of operations. The company successfully commenced commercial operation of its first extension to the existing system with the opening of Centenary Square - Library in December 2019 for passenger service. This extension was catenary free (the first of its type in the United Kingdom) with trams being powered by batteries. Midland Metro Limited will continue to support the network expansions of the West Midland Metro in the foreseeable future.

Key performance indicators

Operational performance is measured through a number of KPIs for the year since the company took over operations including punctuality and reliability:

During the period to 31 March 2020, the company aimed to achieve a target of 98% of the scheduled kilometres according to the operational timetable. During the period the company achieved an average of 86.7%. Performance improved over the course of the period and continues to improve post year-end.

Total revenue from fare income and other revenues (e.g. advertising) came to £12.8m (2019 - £8.3m), which sets the benchmark for monitoring future performance.

The operating loss before other operating income for the period amounted to £1.047m (2019 - £0.804m) which is covered by a subsidy received from the parent company.

The company's operating cash has remained strong throughout the period. The balance sheet on page 9 of the financial statements shows the company's financial position at the period-end.

Principal risks and uncertainties

The key risks and uncertainties to the company are:

Management of Revenues – this is the company's major risk as it derives its income from passenger fares and other third party revenue e.g. advertising. The company closely monitors passenger numbers, fare income, and the public transport market in the region in order to implement strategies to maximise its income.

On commencement of the initial lockdown on 17th March due to the Covid 19 pandemic, MML saw an immediate reduction in passenger revenue by 90% through to the year end. Post year end through 2020, passenger revenues have recovered to 60-65% business as usual and MML has been supported by a light rail support grant provided by the Department of Transport.

Controlling costs – the major cost risks for the company are around traction power and staff costs. A purchasing strategy is in place to mitigate against any unforeseen increases in traction power costs, and staff costs are closely monitored.

Other Risks

The company has exposure to a number of financial risks which are managed with the purpose of minimising any potential adverse effects on the company's performance. The Board has the following policies for managing these risks:

Price risk

The company is able to adjust its fares as required to match any potential increases in costs.

MIDLAND METRO LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Credit risk

Credit risk is low as revenue is mainly earned from sales on tram, with other counterparties being low risk entities. Cash investments are with institutions of a suitable credit quality.

Liquidity and cash flow risk

The company has entered into a short term borrowing facility agreement in order to manage its short term cash requirements.

Future developments

Over the coming years the company is anticipated to grow substantially with the opening of extensions to Centenary Square, Edgbaston, Birmingham Eastside and Wednesbury to Brierley Hill, with a further extension being planned to Solihull.

Going concern

Management has produced forecasts that reflect likely downside scenarios as a result of the COVID 19 pandemic. Whilst there was a significant decrease in passenger revenues when restrictions were first put in place in March 2020, passenger revenues subsequently rebounded to 60-65% pre covid levels. In addition the company has received indicative grants from the Department of Transport through to 31st March 2021.

In addition, the company has obtained a letter of comfort from it's parent undertaking, West Midlands Combined Authority stating for a period of at least 12 months from the date of the signing of these financial statements they will continue to provide the financial support to the company. This letter reiterates the terms and conditions of the Public Service Contract between West Midlands Combined Authority and the company. As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing these financial statements.

Post Balance Sheet Events

As at the balance sheet date, Midland Metro Limited were aware that a grant from the Department for Transport was likely, however the value was unknown. Subsequently, the Department of Transport announced an indicative grant to the value of £3.7 million covering the period 17th March 2020 to 3rd August 2020. In addition, a further indicative grant of £5.57m covering the period 4th August 2020 to 31 March 2021.

This report was approved by the board on 8 December 2020 and signed on its behalf.



SA McAleavy
Director

MIDLAND METRO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Results and dividends

The profit for the year, after taxation, amounted to £NIL (2019 - £NIL).

Interim dividends of £Nil have been paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

L M Shoaf
SA McAleavy (appointed 20 September 2019)
LK Horne
N Arif (resigned 23 September 2020)
PG Hewitt (resigned 20 September 2019)

MIDLAND METRO LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Disclosure of information to the auditor

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

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

Post balance sheet events

As at the balance sheet date, Midland Metro Limited were aware that a grant from the Department for Transport was likely, however the value was unknown. Subsequently, the Department of Transport announced an indicative grant to the value of £3.7 million covering the period 17th March 2020 to 3rd August 2020. In addition, a further indicative grant of £5.57m covering the period 4th August 2020 to 31 March 2021.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 8 December 2020 and signed on its behalf.



SA McAleavy
Director

MIDLAND METRO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLAND METRO LIMITED

Opinion

We have audited the financial statements of Midland Metro Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our 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.

MIDLAND METRO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLAND METRO LIMITED (CONTINUED)

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

MIDLAND METRO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLAND METRO LIMITED (CONTINUED)

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 our report

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



Jonathan Gilpin (Senior Statutory Auditor)

for and on behalf of
BDO LLP

Two Snowhill
Birmingham
B4 6GA

Date: 9 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MIDLAND METRO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £000	2019 £000
Turnover	4	12,843	8,327
Cost of sales		(10,862)	(7,047)
Gross profit		<u>1,981</u>	<u>1,280</u>
Administrative expenses		(3,015)	(2,086)
Other operating income	5	1,047	804
Operating profit/(loss)	6	<u>13</u>	<u>(2)</u>
Interest receivable and similar income	9	15	2
Interest payable and expenses	10	(28)	-
Profit before tax		<u>-</u>	<u>-</u>
Taxation	11	(2)	-
(Loss)/profit for the financial year		<u>(2)</u>	<u>-</u>
Other comprehensive income for the year			
Other comprehensive income		-	-
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive (loss)/ income for the year		<u><u>(2)</u></u>	<u><u>-</u></u>

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED
REGISTERED NUMBER: 10932342

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	12	358	382
		<u>358</u>	<u>382</u>
Current assets			
Stocks	13	829	368
Debtors: amounts falling due within one year	14	1,993	1,647
Cash at bank and in hand	15	107	392
		<u>2,929</u>	<u>2,407</u>
Creditors: amounts falling due within one year	16	(3,287)	(2,789)
		<u>(358)</u>	<u>(382)</u>
Net current liabilities			
Total assets less current liabilities		<u>-</u>	<u>-</u>
Provisions for liabilities			
Deferred tax	18	(2)	-
		<u>(2)</u>	<u>-</u>
Net (liabilities)/assets		<u>(2)</u>	<u>-</u>
Capital and reserves			
Profit and loss account		(2)	-
		<u>(2)</u>	<u>-</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
8 December 2020



SA McAleavy
Director

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Profit and loss account £000	Total equity £000
At 1 April 2019	-	-
Comprehensive income for the year		
Loss for the year	(2)	(2)
	<hr/>	<hr/>
Other comprehensive income for the year	-	-
	<hr/>	<hr/>
Total comprehensive loss for the year	(2)	(2)
	<hr/>	<hr/>
Total transactions with owners	-	-
	<hr/>	<hr/>
At 31 March 2020	(2)	(2)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £000	Total equity £000
At 1 April 2018	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-
At 31 March 2019	-	-

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Midland Metro Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is 16 Summer Lane, Birmingham, B19 3SD. The nature of the company's operations and its principle activities are set out in the business review on page 1.

The company is a wholly owned subsidiary of West Midlands Combined Authority. Copies of the Authorities financial statements, the only entity preparing group financial statements which include Midland Metro Limited, are available to the public on the Authorities website www.wmca.org.uk.

The company was incorporated on 24 August 2017 and was dormant until it commenced trading on 24 June 2018.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going Concern

Management has produced forecasts that reflect likely downside scenarios as a result of the COVID 19 pandemic. Whilst there was a significant decrease in passenger revenues when restrictions were first put in place in March 2020, passenger revenues subsequently rebounded to 60-65% pre covid levels. In addition the company has received indicative grants from the Department of Transport through to 31st March 2021.

In addition, the company has obtained a letter of comfort from it's parent undertaking, West Midlands Combined Authority stating for a period of at least 12 months from the date of the signing of these financial statements they will continue to provide the financial support to the company. This letter reiterates the terms and conditions of the Public Service Contract between West Midlands Combined Authority and the company. As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing these financial statements.

2.3 Revenue recognition

Revenue is recognised by reference to the stage of completion of the customer's travel or service provided under contractual arrangement as a proportion of total services to be provided. Advertising revenue is recognised when the service is provided.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.5 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax as recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except as otherwise indicated. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 13 years straight line basis
Fixtures and fittings	- 4 years straight line basis
Computer equipment	- 3 years straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial report requires the directors' to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The directors do not consider that there are any complex transactions that are not covered by the accounting policies outlined in note 2 that required any judgements and hence disclosure.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

4. Turnover

Revenue is stated net of value added tax where applicable and is wholly derived within the United Kingdom.

5. Other operating income

	2020	<i>2019</i>
	£000	<i>£000</i>
Subsidy receivable	1,047	<i>804</i>
	1,047	<i>804</i>

Other income is in respect of the subsidy receivable from West Midlands Combined Authority under the terms of the Public Service Contract (PSC).

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2020	<i>2019</i>
	£000	<i>£000</i>
Other operating lease rentals	38	<i>29</i>
Depreciation	127	<i>113</i>

7. Auditor's remuneration

	2020	<i>2019</i>
	£000	<i>£000</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	16	<i>16</i>

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employees

Staff costs were as follows:

	2020	<i>2019</i>
	£000	<i>£000</i>
Wages and salaries	5,797	<i>3,542</i>
Social security costs	526	<i>328</i>
Cost of defined contribution scheme	155	<i>70</i>
	6,478	<i>3,940</i>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	<i>2019</i>
	No.	<i>No.</i>
Operations	154	<i>131</i>
Engineering	40	<i>35</i>
Management and administration	25	<i>15</i>
	219	<i>181</i>

The directors of the company are remunerated by West Midlands Combined Authority. They did not receive any remuneration in respect of their services to the company.

9. Interest receivable

	2020	<i>2019</i>
	£000	<i>£000</i>
Other interest receivable	15	<i>2</i>
	15	<i>2</i>

10. Interest payable and similar expenses

	2020	<i>2019</i>
	£000	<i>£000</i>
Loans from group undertakings	28	<i>-</i>
	28	<i>-</i>

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Taxation

	2020 £000	2019 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	2	-
Total deferred tax	2	-
Taxation on loss on ordinary activities	2	-

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £000	2019 £000
Effects of:		
Expenses not deductible for tax purposes	1	-
Adjustments to tax charge in respect of prior periods	1	-
Total tax charge for the year	2	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2019	204	-	291	495
Additions	99	2	2	103
At 31 March 2020	<u>303</u>	<u>2</u>	<u>293</u>	<u>598</u>
Depreciation				
At 1 April 2019	16	-	97	113
Charge for the year on owned assets	29	-	98	127
At 31 March 2020	<u>45</u>	<u>-</u>	<u>195</u>	<u>240</u>
Net book value				
At 31 March 2020	<u>258</u>	<u>2</u>	<u>98</u>	<u>358</u>
At 31 March 2019	<u>188</u>	<u>-</u>	<u>194</u>	<u>382</u>

13. Stocks

	2020 £000	2019 £000
Tram spares & consumables	829	368
	<u>829</u>	<u>368</u>

The cost of inventories expensed in the year and included in operating costs was £303,338 (2019 - £351,296). Impairment provision at the year-end relating to damaged or obsolete inventories amounted to £Nil (2019 - £Nil).

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14. Debtors

	2020	2019
	£000	£000
Trade debtors	17	40
Amounts owed by group undertakings	631	377
Other debtors	170	295
Prepayments and accrued income	1,175	935
	<u>1,993</u>	<u>1,647</u>

Included in prepayments and accrued income was an amount of £378,776 (2019 - £156,825) attributable to a group undertaking.

15. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	107	392
	<u>107</u>	<u>392</u>

16. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Payments received on account	100	100
Trade creditors	777	525
Amounts owed to group undertakings	1,628	550
Other taxation and social security	140	130
Other creditors	30	65
Accruals and deferred income	612	1,419
	<u>3,287</u>	<u>2,789</u>

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets measured at fair value through profit or loss	107	392
Financial assets that are debt instruments measured at amortised cost	1,260	1,148
	<u>1,367</u>	<u>1,540</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(3,048)	(2,559)

Financial assets measured at fair value through profit or loss comprise of cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals and deferred income.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. Deferred taxation

	2020 £000
Charged to profit or loss	(2)
At end of year	<u>(2)</u>

The deferred taxation balance is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(2)	-
	<u>(2)</u>	<u>-</u>

19. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid 100 (2019 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

20. Contingent liabilities

There were no contingent liabilities or guarantees at the end of the year.

21. Capital commitments

There were no capital commitments at the end of the year.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	<i>2019</i>
	£000	<i>£000</i>
Not later than 1 year	53,125	-
Later than 1 year and not later than 5 years	38,983	-
	<u>92,108</u>	<u>-</u>

23. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 Section 33.1A from the requirement to disclose transactions with group entities that are wholly owned members of the group.

During the year there were purchases of £Nil (2019 - £3,090) with UKTram Limited in which a director had an interest. Amounts outstanding at the year were £Nil (2019 - £Nil). This transaction was conducted at arm's length on normal trading arms.

24. Post balance sheet events

As at the balance sheet date, Midland Metro Limited were aware that a grant from the Department for Transport was likely, however the value was unknown. Subsequently, the Department of Transport announced an indicative grant to the value of £3.7 million covering the period 17th March 2020 to 3rd August 2020. In addition, a further indicative grant of £5.57m covering the period 4th August 2020 to 31 March 2021.

25. Ultimate Parent Company

The company is a subsidiary of West Midlands Combined Authority which is the ultimate parent company incorporated in Great Britain. The consolidated accounts are available on www.wmca.org.uk.