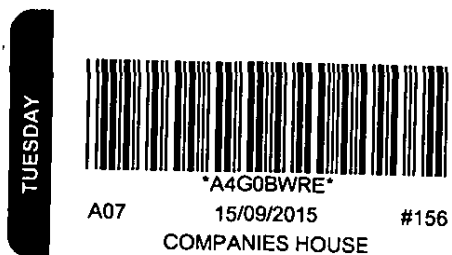


Company Registration No 2826284

Metroline Limited

Report and Financial Statements

Year ended 31 December 2014



Metroline Limited

Report and financial statements 2014

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Metroline Limited

Report and financial statements 2014

Officers and professional advisers

Directors

Lim Jit Poh
Kua Hong Pak
Jaspal Singh

Secretary

Ishai Novick

Registered office

ComfortDelGro House
329 Edgware Road
Cricklewood
London
NW2 6JP

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors

Teicher Stein LLP
37-41 Bedford Row
London WC1R 4JH

Actuaries

First Actuarial LLP
2nd Floor
The Square
Basing View
Basingstoke
Hampshire RG21 4EB

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Metroline Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2014

Principal activity

The Group's principal activity during the year continued to be the provision of road passenger transport services

Financial instruments and credit risk

The Group's principal financial assets are bank balances and trade debtors. The Group's credit risk is primarily attributable to its trade debtors. The Group has a small number of trade debtors and as such has a high concentration of credit risk with these customers. However, the Directors feel that the credit risk of the trade debtors is low because the main debtors are United Kingdom government bodies. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Details of complex financial instruments can be found in note 26 of the accounts.

Environment

Metroline Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

Directors

Details of the current directors are given on page 1.

Qualifying third party indemnity insurance was provided to the Directors and Officers of Metroline Limited for the entire period covered by these financial statements by the Group's ultimate parent company (see Note 23). This cover has continued to the date of approval of these financial statements.

Disabled employees

The company's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the company continues and where necessary appropriate training is arranged. It is the company's policy that training, career development and promotion of disabled persons should, as far as possible, be identical to that of all other employees in similar gradings.

Employee consultation

The Directors and Managers of the company place considerable value on the consultative meetings with employees. Information on matters affecting employees and on various factors affecting the performance of the company is disseminated through meetings, newsletters and training programmes. Employees' representatives are consulted regularly on a wide range of matters affecting employees' current and future interests.

Going concern

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policy note.

Metroline Limited

Directors' report (continued)

Auditor

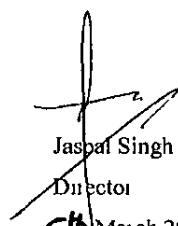
Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

In the case of each of the persons who are Directors of the company at the date when this report was approved,

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s 418(2) of the Companies Act 2006

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



Jaspal Singh
Director
5th March 2015

Metroline Limited

Strategic report

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiary undertakings when viewed as a whole

Financial results and future prospects

The Group's results for the year are set out in the consolidated profit and loss account on page 7. The profit before taxation for the year increased to £31,226,000 (2013: £21,246,000). Dividends paid in the year were £23,150,000 (2013: £nil).

As shown in the Group's profit and loss account on page 7, the Group's revenue has increased in the year by £73m (24%). The full year contribution of Metroline West, that was purchased in June 2013 contributed £50m to this increase, with the changes in the way that the Group receives the Bus Service Operators Grant ("BSOG") (through revenue from its route contracts with Transport for London ("TfL") rather than directly from the Department for Transport) added a further £12m. The balance of £11m in revenue improvements were largely the result of new route contracts that commenced operation in the year. Profit after tax also increased by 48% as the combined business benefitted from scale improvements and lower interest costs as the acquisition debt was paid off, supported by the £40m capital injection provided by the Shareholder during the year.

The Group's balance sheet on page 9 of the financial statements shows that the Group's net asset position has improved over prior year, with the £40m of equity capital introduced used to pay off the short term financing that was raised in the prior year to support the acquisition of Metroline West. Dividends declared during the year were used to clear inter-company balances between the Parent company and operating subsidiaries.

The full year operation of Metroline West also increased the average staff numbers by 19.7% over the period, averaging 5,429 in 2014 (2013: 4,535) although ending the year lower at 5,415.

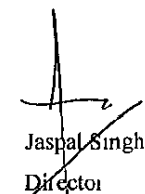
The Group intends to continue the provision of road passenger transport services. Expansion may be achieved through tendering for Transport for London ("TfL") routes, as they become available, and commercial services in the unregulated market.

Principal risks and uncertainties

Competitive pressure in the regulated London market is a continuing risk for the company, which could result in it losing routes to its key competitors. The company manages this risk by constantly striving to improve the quality of its services, extending route contracts for a further two years, where permissible by TfL and acceptable financial returns can be achieved, and by having a spread of route contracts with varying expiry dates.

Approval

This report was approved by the Board of Directors on 5th March 2015 and signed on its behalf by


Jaspal Singh
Director
5th March 2015

Metroline Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Metroline Limited

We have audited the financial statements of Metroline Limited for the year ended 31 December 2014 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheets and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Sukhbinder Koone (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
6 March 2015

Metroline Limited

Consolidated profit and loss account Year ended 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|--|------|---------------|---------------|
| Revenue | 2 | | |
| Existing operations | | 371,898 | 238,740 |
| Acquisitions | | - | 60,333 |
| Continuing operations | | 371,898 | 299,073 |
| Cost of sales | | (311,120) | (252,273) |
| Gross profit | | 60,778 | 46,800 |
| Administrative expenses | | (28,615) | (23,827) |
| Operating profit | 4 | | |
| Existing operations | | 32,163 | 18,944 |
| Acquisitions | | - | 4,029 |
| Continuing operations | | 32,163 | 22,973 |
| Interest receivable and similar income | 5 | 2,906 | 2,293 |
| Interest payable and similar charges | 6 | (3,843) | (4,020) |
| Profit on ordinary activities before taxation | | 31,226 | 21,246 |
| Tax on profit on ordinary activities | 7 | (6,663) | (4,660) |
| Profit on ordinary activities after taxation | 20 | 24,563 | 16,586 |

All results are derived from continuing operations

There are no material differences between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis

Metroline Limited

Consolidated statement of total recognised gains and losses Year ended 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|-------------|-----------------------|-----------------------|
| Profit for the financial year | | 24,563 | 16,586 |
| Actuarial adjustment on defined benefit pension schemes | 22 | (1,518) | (1,705) |
| Deferred tax charge on actuarial adjustment | | (69) | (21) |
| Total recognised gains in the year | | <u>22,976</u> | <u>14,860</u> |

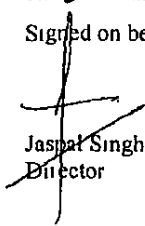
Metroline Limited

Consolidated balance sheet 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|--|--------|-----------------------|----------------------|
| Fixed assets | | | |
| Goodwill | 9 | 46,569 | 49,280 |
| Tangible fixed assets | 10 | 145,240 | 143,941 |
| | | <u>191,809</u> | <u>193,221</u> |
| Current assets | | | |
| Stocks | 12 | 2,695 | 2,724 |
| Debtors | 13 | 27,992 | 75,623 |
| Cash at bank and in hand | | 10,836 | 10,017 |
| | | <u>41,523</u> | <u>88,364</u> |
| Creditors' amounts falling due within one year | 14 | <u>(61,805)</u> | <u>(138,541)</u> |
| Net current liabilities | | <u>(20,282)</u> | <u>(50,177)</u> |
| Total assets less current liabilities | | <u>171,527</u> | <u>143,044</u> |
| Creditors' amounts falling due after more than one year | 15 | <u>(18,252)</u> | <u>(29,766)</u> |
| Provisions for liabilities | 18 | <u>(18,304)</u> | <u>(18,280)</u> |
| Net assets excluding pension liability | | <u>134,971</u> | <u>94,998</u> |
| Pension liability | 22 | <u>(6,821)</u> | <u>(6,674)</u> |
| Net assets | | <u><u>128,150</u></u> | <u><u>88,324</u></u> |
| Capital and reserves | | | |
| Called up share capital | 19, 20 | 61,002 | 21,002 |
| Share premium account | 20 | 24,272 | 24,272 |
| Capital redemption reserve | 20 | 100 | 100 |
| Revaluation reserve | 20 | 905 | 905 |
| Profit and loss account | 20 | 41,871 | 42,045 |
| Shareholders' funds | | <u><u>128,150</u></u> | <u><u>88,324</u></u> |

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on **5th** March 2015

Signed on behalf of the Board of Directors


Jaspreet Singh
Director

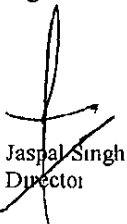
Metroline Limited

Company balance sheet 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|--------|----------------|-----------------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | - | - |
| Investments | 11 | 101,401 | 43,909 |
| | | <u>101,401</u> | <u>43,909</u> |
| Current assets | | | |
| Debtors | 13 | 23 | 84,971 |
| Deferred tax assets | 18 | 3 | 4 |
| Cash at bank and in hand | | - | - |
| | | <u>26</u> | <u>84,975</u> |
| Creditors: amounts falling due within one year | 14 | <u>(57)</u> | <u>(78,420)</u> |
| Net current (liabilities) / assets | | <u>(31)</u> | <u>6,555</u> |
| Net assets | | <u>101,370</u> | <u>50,464</u> |
| Capital and reserves | | | |
| Called up share capital | 19, 20 | 61,002 | 21,002 |
| Share premium account | 20 | 24,272 | 24,272 |
| Capital redemption reserve | 20 | 100 | 100 |
| Profit and loss account | 20 | 15,996 | 5,090 |
| Shareholders' funds | 20 | <u>101,370</u> | <u>50,464</u> |

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on **5th** March 2015

Signed on behalf of the Board of Directors


Jaspal Singh
Director

Metroline Limited

Notes to the accounts Year ended 31 December 2014

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

The accounts have been prepared under the historical cost convention, modified for the revaluation of certain assets, and in accordance with applicable United Kingdom accounting standards and law. As set out in more detail below the accounts have been prepared on the going concern basis.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in further detail in the notes to the financial statements. The directors are satisfied with the results and believe that the Group is well placed to manage its business risks successfully.

In particular, although the Group is exposed to wider macroeconomic events, the directors have given due consideration to the fact that the Group benefits from strong, predictable cash flows from the long-term contracts with government bodies which provide a substantial majority of its revenues. Although the Group has net current liabilities, it is in a net assets position and has remained within the terms of the covenants agreed with its bankers during the year. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to continue to operate within the level of the resources available to it.

The directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Consolidation

The Group accounts consolidate the accounts of Metroline Limited and all its subsidiary undertakings up to 31 December 2014. No company profit and loss account is presented for Metroline Limited as permitted by Section 408 of the Companies Act 2006 (see note 8). Acquisitions are accounted for under the acquisition method.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, up to a maximum of 20 years. A provision is made for any impairment.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost or valuation less accumulated depreciation and provision for impairment

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows

| | |
|------------------------|----------------------------|
| Freehold buildings | 50 years |
| Leasehold improvements | Over the life of the lease |
| Buses | 12 years |
| Plant and machinery | 1 to 10 years |

The company has taken advantage of the transitional provision of FRS15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks consist primarily of materials required for the operation and maintenance of buses. These materials are valued on a first in first out basis at the lower of cost and net realisable value to the Group.

Insurance

Insurance costs include insurance premiums which are written off to the profit and loss account over the period to which they relate. Included in provisions is an estimate of the liability for uninsured retained risks on unpaid claims arising out of events occurring up to the balance sheet date.

Revenue

Revenue represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Revenue includes Quality Incentive Contracts (QICs) revenue which is recognised over the period of the contract.

Taxation

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

Deferred taxation is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

1. Accounting policies (continued)

Taxation (continued)

Deferred tax 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.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The cost of operating leases is charged directly to the profit and loss account over the period of the leases on a straight line basis, even if the payments are not made on such a basis.

Pension costs

The Group operates two defined benefit pension schemes for certain employees, the assets of which are held in trustee administered funds. The related pension costs are assessed in accordance with the advice of a qualified actuary on the basis of final pensionable earnings. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual periods using the projected unit credit method. The schemes are now closed to new members.

The differences between the fair value of the assets held in the Group's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement Benefits'.

The company also operates a defined contribution pension scheme, the assets of which are held separately from those of the company and are managed by a third party. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currency

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

Metroline Limited

Notes to the accounts Year ended 31 December 2014

1. Accounting policies (continued)

Financial instruments

The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholder value. It is the Group's policy not to participate in speculation in financial instruments.

Interest rate swaps and Base Rate caps

Interest rate swaps and Base Rate caps are used to hedge the Group's exposure to movements on interest rates. The gains or losses on such swaps or caps are accrued in the same way as interest arising on deposits or borrowings. The fair values of these financial instruments are not held on the Group's or the company's balance sheet.

Hedges

The Group hedges some of its exposure to the fuel price and foreign currency exchange using swaps and options. The effect of the hedge is reflected in the purchase cost of fuel.

2. Revenue and operating profit

Revenue and operating profit are attributable to the Group's principal activity and arise entirely in the United Kingdom.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

3. Information regarding directors and employees

Group

| | 2014 £'000 | 2013 £'000 |
|---|----------------|----------------|
| Directors' remuneration | | |
| Directors' emoluments | 238 | 226 |
| Company contributions to money purchase pension schemes | 10 | 2 |
| | <u>248</u> | <u>228</u> |
| Highest paid director | | |
| Emoluments | 218 | 206 |
| Company contributions to money purchase pension schemes | 10 | 2 |
| | <u>228</u> | <u>208</u> |
| | 2014 No. | 2013 No. |
| The average number of persons employed (including directors) | | |
| Operating staff | 4,553 | 3,801 |
| Engineering | 293 | 260 |
| Administration | 583 | 474 |
| | <u>5,429</u> | <u>4,535</u> |
| | £'000 | £'000 |
| Staff costs during the year (including directors) | | |
| Wages and salaries | 187,247 | 156,048 |
| Social security costs | 19,444 | 16,365 |
| Pension costs | 4,100 | 3,151 |
| | <u>210,791</u> | <u>175,564</u> |
| Company | | |
| | 2014 £'000 | 2013 £'000 |
| Directors' remuneration | | |
| Emoluments | 20 | 20 |

Excluding the directors on page 1, there were no employees of the company in the year (2013: nil)

Excluding directors' remuneration, there were no staff costs of the company in the year (2013: £nil)

During the year certain of the directors received emoluments as executives including salaries, benefits in kind and contributions for pensions and other related payments from ComfortDelGro Corporation Limited, the ultimate parent undertaking. It is impractical to split directors' emoluments paid by ComfortDelGro Corporation Limited to these directors between its subsidiary companies.

Amounts paid to these directors are disclosed within the ComfortDelGro Corporation Limited accounts.

No directors (2013: nil) had retirement benefits accruing under a defined benefit pension scheme.

One director also receives remuneration for his services as a director of fellow subsidiary undertakings of ComfortDelGro Corporation Limited from those undertakings as disclosed in their accounts.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

4. Operating profit

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| This is stated after charging: | | |
| Rentals under operating leases | | |
| Land and buildings | 3,400 | 2,807 |
| Buses | 9,378 | 5,881 |
| Plant and machinery | 200 | 162 |
| Goodwill amortisation | 2,711 | 1,625 |
| Depreciation – assets owned | 10,721 | 9,056 |
| – assets held under finance leases and hire purchase contracts | 6,813 | 8,302 |
| (Reversal) / provision of impairment of tangible fixed assets – owned assets | (304) | 407 |
| Loss on disposal of fixed assets | 39 | 345 |

Auditor's remuneration

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 77 | 80 |
| Total audit fees | 77 | 80 |
| Tax compliance fees | 30 | 21 |
| Tax advisory | - | 15 |
| Other services | - | 10 |
| Total fees | 107 | 126 |

5. Interest receivable and similar income

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Bank interest | 65 | 66 |
| Expected return on pension scheme assets | 2,841 | 2,227 |
| | 2,906 | 2,293 |

6. Interest payable and similar charges

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Bank loan | 417 | 702 |
| Finance charges payable under finance leases and hire purchase contracts | 602 | 813 |
| Interest on pension scheme liabilities | 2,824 | 2,505 |
| | 3,843 | 4,020 |

Metroline Limited

Notes to the accounts Year ended 31 December 2014

7. Tax on profit on ordinary activities

a) Tax charge on profit on ordinary activities

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Current tax | | |
| Corporation tax charge for the year | 6,995 | 5,453 |
| Adjustments to tax charge in respect of prior year | (65) | - |
| Total current tax charge | 6,930 | 5,453 |
| Deferred tax | | |
| Timing differences, origination and reversal (note 18) | (267) | (793) |
| Total tax on profit on ordinary activities | 6,663 | 4,660 |

b) Factors affecting the tax charge for the year

It is currently anticipated that £8,000 of the corporation tax charge for the period (2013 £28,000) will be relieved by surrender of losses by another group company in exchange for a payment of the same amount

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 21.5% (average rate for year 90 days at 23%, 275 days at 21%) (2013 23.25%) The actual tax charge for the current year and previous year is different from the standard rate for the reasons set out in the following reconciliation

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | 31,226 | 21,246 |
| Tax on profit on ordinary activities at standard rate of 21.5% (2013 23.25%) | 6,713 | 4,939 |
| Factors affecting charge for the year | | |
| Disallowable expenses | 550 | 575 |
| Depreciation for the year in excess of capital allowances | 42 | 186 |
| Short-term timing differences arising in the year | (310) | (247) |
| Adjustments to tax charge in respect of prior year | (65) | - |
| Total current tax charge | 6,930 | 5,453 |

No provision has been made for deferred tax on revaluing property to its market value. The tax on the gains arising from the revaluation would only become payable if the property were sold without rollover relief being available. The tax which would be payable in such circumstances is estimated to be £200,000. These assets are expected to be used in the continuing operations of the business and therefore no tax is expected to be paid in the foreseeable future.

Metroline Limited

Notes to the accounts

Year ended 31 December 2014

8 Profit attributable to members of the parent company

No profit and loss account is presented for Metroline Limited as permitted by section 408 of the Companies Act 2006. The profit dealt with in the accounts of the parent company was £10,906,000 (2013: loss £220,000).

9. Goodwill

| | |
|--------------|--------------|
| Group | £'000 |
|--------------|--------------|

Cost

| | |
|--|--------|
| At 1 January 2014 and 31 December 2014 | 54,723 |
|--|--------|

Accumulated amortisation

| | |
|-------------------|---------|
| At 1 January 2014 | (5,443) |
|-------------------|---------|

| | |
|---------------------|---------|
| Charge for the year | (2,711) |
|---------------------|---------|

| | |
|---------------------|---------|
| At 31 December 2014 | (8,154) |
|---------------------|---------|

Net book value

| | |
|---------------------|--------|
| At 31 December 2014 | 46,569 |
|---------------------|--------|

| | |
|---------------------|--------|
| At 31 December 2013 | 49,280 |
|---------------------|--------|

Metroline Limited

Notes to the accounts Year ended 31 December 2014

10 Tangible fixed assets

| Group | Freehold land and buildings £'000 | Leasehold land and buildings improve- ments £'000 | Buses £'000 | Plant and machinery £'000 | Total £'000 |
|--|--|--|---|---------------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 January 2014 | 27,308 | 12,639 | 183,318 | 16,332 | 239,597 |
| Additions | 288 | 338 | 17,146 | 1,151 | 18,923 |
| Disposals | (2) | - | (5,499) | (12) | (5,513) |
| Reclassifications | (40) | (40) | - | 80 | - |
| At 31 December 2014 | 27,554 | 12,937 | 194,965 | 17,551 | 253,007 |
| Accumulated depreciation | | | | | |
| At 1 January 2014 | 4,531 | 4,155 | 73,838 | 13,132 | 95,656 |
| Charge for the year | 473 | 574 | 15,666 | 821 | 17,534 |
| Disposals | (2) | - | (5,111) | (6) | (5,119) |
| Provision for impairment | - | - | (304) | - | (304) |
| Reclassifications | (9) | (10) | - | 19 | - |
| At 31 December 2014 | 4,993 | 4,719 | 84,089 | 13,966 | 107,767 |
| Net book value | | | | | |
| At 31 December 2014 | 22,561 | 8,218 | 110,876 | 3,585 | 145,240 |
| At 31 December 2013 | 22,777 | 8,484 | 109,480 | 3,200 | 143,941 |
| Company | | | | | |
| | | | Leasehold improve- ments £'000 | Plant and machinery £'000 | Total £'000 |
| Cost | | | | | |
| At 1 January 2014 and 31 December 2014 | | | 216 | 306 | 522 |
| Accumulated depreciation | | | | | |
| At 1 January 2014 and 31 December 2014 | | | 216 | 306 | 522 |
| Net book value | | | | | |
| At 1 January 2014 and 31 December 2014 | | | - | - | - |

Metroline Limited

Notes to the accounts

Year ended 31 December 2014

10. Tangible fixed assets (continued)

Valuation of freehold land and buildings

The freehold properties held at 11 October 1997, being the aggregate of freehold land and freehold buildings, were valued at £3,500,000 by external valuers as at 11 October 1996 on an existing use basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. After receiving advice, the directors assigned a value of £2,680,000 to the freehold land. The directors were of the opinion that it would be imprudent to account for the surplus arising on the buildings as they concluded the existing use value of the buildings did not exceed the book value included in the accounts.

Freehold land included in tangible fixed assets

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Cost and net book value – historical cost basis | 4,940 | 4,940 |
| Cost and net book value – revalued basis | 5,845 | 5,845 |

Additions to freehold property after the last formal valuation on 11 October 1996 have been capitalised at cost.

Assets held under finance leases and hire purchase contracts

Included in the amounts for buses and plant and machinery above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

| | 2014 | | 2013 | |
|--------------------------|----------------|-------------------------------|----------------|-------------------------------|
| | Buses £'000 | Plant & equipment £'000 | Buses £'000 | Plant & equipment £'000 |
| Cost or valuation | 81,341 | - | 89,866 | 112 |
| Accumulated depreciation | (35,366) | - | (33,978) | (60) |
| Net book value | 45,975 | - | 55,888 | 52 |

Metroline Limited

Notes to the accounts Year ended 31 December 2014

11 Investments held as fixed assets - company

| | £'000 |
|--|-----------------|
| Cost | |
| At 1 January 2014 | 54,486 |
| Additions | 57,500 |
| Disposals | (8) |
| At 31 December 2014 | <u>111,978</u> |
| Provision for impairment | |
| At 1 January 2014 and 31 December 2014 | <u>(10,577)</u> |
| Net book value at 31 December 2014 | <u>101,401</u> |
| Net book value at 31 December 2013 | <u>43,909</u> |

On 30 April 2014, Metroline Limited was issued with 57,499,999 ordinary shares in Metroline West Limited in connection with the capitalisation of a shareholder's loan for £57,500,000

Details of the company's principal subsidiary undertaking, the results of which are included in these Group accounts, are as follows

| Subsidiary undertaking | Country of registration and operation | Activity | Portion of ordinary shares and voting rights held % |
|-------------------------------|--|-----------------|--|
| Metroline Travel Limited | England and Wales | Bus operation | 100 |
| Metroline West Limited | England and Wales | Bus operation | 100 |

Metroline Limited

Notes to the accounts Year ended 31 December 2014

12 Stocks

| | Group | | Company | |
|------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Bus maintenance stocks | 1,731 | 1,869 | - | - |
| Fuel stocks | 964 | 855 | - | - |
| | <u>2,695</u> | <u>2,724</u> | <u>-</u> | <u>-</u> |

In the directors' opinion there were no significant differences between the replacement cost and the values shown for stock categories

13 Debtors

Amounts falling due within one year

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Trade debtors | 796 | 7,758 | - | - |
| Amounts owed by group undertakings | 276 | 47,811 | 23 | 84,971 |
| Value added tax | 2,082 | 2,071 | - | - |
| Other debtors | 14 | 12 | - | - |
| Prepayments and accrued income | 24,824 | 17,971 | - | - |
| | <u>27,992</u> | <u>75,623</u> | <u>23</u> | <u>84,971</u> |

14 Creditors: amounts falling due within one year

| | Group | | Company | |
|--|---------------|----------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Bank loan | - | 57,500 | - | 57,500 |
| Obligations under finance leases and hire purchase contracts (note 16) | 9,213 | 10,370 | - | - |
| Trade creditors | 5,102 | 3,562 | - | - |
| Amounts due to group undertakings | 250 | 21,559 | 44 | 20,896 |
| Corporation tax | 3,363 | 3,165 | - | - |
| Other taxes and social security costs | 5,164 | 5,849 | - | - |
| Accruals and deferred income | 38,713 | 36,536 | 13 | 24 |
| | <u>61,805</u> | <u>138,541</u> | <u>57</u> | <u>78,420</u> |

Metroline Limited

Notes to the accounts Year ended 31 December 2014

15 Creditors' amounts falling due after more than one year

| | Group | | Company | |
|--|---------------|---------------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loan | - | 2,301 | - | - |
| Obligations under finance leases and hire purchase contracts (note 16) | 18,252 | 27,465 | - | - |
| | <u>18,252</u> | <u>29,766</u> | <u>-</u> | <u>-</u> |

The Group has access to an £11.8 million committed revolving credit facility used for the purchase of buses and amounts due under this facility are secured over those buses. This facility has a final maturity date of 26 June 2017, with the principal amount available to be drawn down under the facility reducing by £500,000 at yearly intervals each December to a final available principal amount of £10.3 million. As at 31 December 2014 no amounts were drawn down under this facility (2013: £2.3m). The Group also has access to additional £40.0 million omnibus lines with sub-limits for a loan facility, standby letters of credit and bank guarantees, of which £16.8 million had been utilised as at 31 December 2014 (2013: £14.1m).

16. Obligations due under finance leases and hire purchase contracts

| | Group | | Company | |
|--------------------------|---------------|---------------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts payable: | | | | |
| Within one year | 9,213 | 10,370 | - | - |
| Within one to two years | 7,683 | 9,213 | - | - |
| Within two to five years | 10,569 | 16,824 | - | - |
| In more than five years | - | 1,428 | - | - |
| | <u>27,465</u> | <u>37,835</u> | <u>-</u> | <u>-</u> |

Obligations under finance lease and hire purchase contracts are secured over tangible fixed assets with a net book value of £45,975,000 (2013: £55,940,000).

17. Operating lease commitments

The annual commitments under non-cancellable operating leases are as follows:

| | Land and buildings | | Other | |
|----------------------------|--------------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Group | | | | |
| Leases which expire | | | | |
| Within one year | 41 | 77 | 1,170 | 2,063 |
| Between one and five years | 944 | 1,014 | 5,961 | 6,676 |
| In five years or more | 1,297 | 1,297 | 423 | - |
| | <u>2,282</u> | <u>2,388</u> | <u>7,554</u> | <u>8,739</u> |

Metroline Limited

Notes to the accounts Year ended 31 December 2014

18. Provisions for liabilities

| Group | Deferred taxation £'000 | Insurance provision £'000 | Total £'000 |
|---|-------------------------------|---------------------------------|----------------|
| At 1 January 2014 | 7,512 | 10,768 | 18,280 |
| Utilisation of provision | - | (9,137) | (9,137) |
| (Credited)/charged to the profit and loss account | (267) | 9,428 | 9,161 |
| At 31 December 2014 | <u>7,245</u> | <u>11,059</u> | <u>18,304</u> |

The insurance provision relates to liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. The company self-insures its fleet of buses against claims in respect of traffic accidents, subject to an overall annual limit to its liability.

The directors have recognised as a liability in the accounts the undiscounted financial impact of the expected resolution of any outstanding claims on the basis of all information currently available, on a consistent basis.

However, it is inherent in the nature of insurance claims that the ultimate liabilities may vary as a result of subsequent developments, so that the provision made may be excessive or insufficient. There is an undiscounted unprovided loss of £2,993,000 (2013: £3,569,000), which is the unprovided amount that the company may possibly be called upon to pay to meet claims in excess of these already provided up to the maximum aggregate amount payable.

| Deferred taxation | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Capital allowances in advance of depreciation | <u>7,245</u> | <u>7,512</u> | <u>(3)</u> | <u>(4)</u> |
| Reconciliation of movement in deferred taxation provision | | | | |
| At 1 January 2014 | 7,512 | 8,305 | (4) | (6) |
| Capital allowances in advance of depreciation | (267) | (793) | 1 | 2 |
| At 31 December 2014 | <u>7,245</u> | <u>7,512</u> | <u>(3)</u> | <u>(4)</u> |

No provision has been made for deferred tax on revaluing land to its market value. The tax on the gains arising from the revaluation would only become payable if the land were sold without rollover relief being available. The tax which would be payable in such circumstances is estimated to be £200,000. These assets are expected to be used in the continuing operations of the business and, therefore, no tax is expected to be paid in the foreseeable future.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

19. Called up share capital

| | 2014 | | 2013 | |
|--|---------------|---------------|----------------|---------------|
| | No '000 | £'000 | No. '000 | £'000 |
| Authorised. | | | | |
| Ordinary shares of £1 each | 61,500 | 61,500 | - | - |
| Ordinary shares of 5p each | - | - | 430,000 | 21,500 |
| | <u>61,500</u> | <u>61,500</u> | <u>430,000</u> | <u>21,500</u> |
| Called up, allotted and fully paid: | | | | |
| Ordinary shares of £1 each | 61,002 | 61,002 | - | - |
| Ordinary shares of 5p each | - | - | 420,040 | 21,002 |
| | <u>61,002</u> | <u>61,002</u> | <u>420,040</u> | <u>21,002</u> |

On 4 April 2014, all ordinary shares of 5p each were consolidated by conversion of 20 such shares into one new ordinary share of £1 each

On 16 June 2014, Metroline Limited allotted 40,000,000 ordinary shares with a nominal value of £1 to its parent in connection with the capital injection of £40,000,000 made by Biaddell Limited

20. Reconciliation of shareholders' funds and movements on reserves

| Group | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Revaluation reserve £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|--|---------------------------|--------------------------------------|---|---------------------------------|--|--|
| At 1 January 2014 | 21,002 | 24,272 | 100 | 905 | 42,045 | 88,324 |
| Equity shares issued | 40,000 | - | - | - | - | 40,000 |
| Profit for the year | - | - | - | - | 24,563 | 24,563 |
| Ordinary dividends paid | - | - | - | - | (23,150) | (23,150) |
| Net actuarial adjustment on pension scheme liability | - | - | - | - | (1,587) | (1,587) |
| At 31 December 2014 | <u>61,002</u> | <u>24,272</u> | <u>100</u> | <u>905</u> | <u>41,871</u> | <u>128,150</u> |

| Company | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|-------------------------|---------------------------|--------------------------------------|---|--|--|
| At 1 January 2014 | 21,002 | 24,272 | 100 | 5,090 | 50,464 |
| Equity shares issued | 40,000 | - | - | - | 40,000 |
| Profit for the year | - | - | - | 34,056 | 34,056 |
| Ordinary dividends paid | - | - | - | (23,150) | (23,150) |
| At 31 December 2014 | <u>61,002</u> | <u>24,272</u> | <u>100</u> | <u>15,996</u> | <u>101,370</u> |

21. Contingent liabilities and capital commitments

The company has guaranteed certain hire purchase, insurance liabilities and operating leases of Metroline Travel Limited and Metroline West Limited which amounted to £50,866,000 at the year end (2013 £64,957,000)

Amounts contracted for but not provided in the accounts amounted to £6,591,000 (2013 £2,990,000)

Metroline Limited

Notes to the accounts Year ended 31 December 2014

22 Pension commitments

A Defined contribution scheme

The Group operates a defined contribution pension scheme. The charge for the scheme in 2014 is £4,100,000 (2013: £3,152,000). The contributions outstanding at the year end amounted to £nil (2013: £nil).

B. Defined benefit schemes

Metroline and Metroline London Northern Pension Schemes

The Group operates two separate schemes which provide salary-related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent full actuarial valuation and funding valuations of the schemes was prepared as at 31 March 2013. Following the review the Employer is making additional monthly contributions totalling £97,100 per month. This amount will rise each year and will continue to be paid until May 2023. These amounts are due to be reviewed at the next triennial review.

Both schemes are now closed to new entrants. On 28 February 2007 the schemes were closed to future accrual (with the exception of those members whose retirement date was no later than 31 January 2008). This means that their benefit entitlements no longer increase in line with their length of service and salary.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

22. Pension commitments (continued)

(i) The amounts recognised in the balance sheet are as follows:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Present value of pension liability | (71,048) | (62,718) |
| Fair value of pension fund assets | 62,522 | 54,270 |
| Deficit | (8,526) | (8,448) |
| Related deferred tax asset | 1,705 | 1,774 |
| Net liability | (6,821) | (6,674) |
| Liability recognised in the balance sheet | (6,821) | (6,674) |

(ii) The amounts recognised in the profit and loss account are as follows.

| | 2014 £'000 | 2013 £'000 |
|---------------------------------------|---------------|---------------|
| Recognised within net finance charge: | | |
| Interest costs on liability | 2,824 | 2,505 |
| Expected return on schemes' assets | (2,841) | (2,227) |
| Total (gain)/loss | (17) | 278 |

(iii) The amounts recognised in the statement of total recognised gains and losses (STRGL) are as follows.

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Actuarial adjustments | | |
| Difference between actual and expected return on schemes' assets | 6,491 | 3,612 |
| Changes in actuarial assumptions which affect liabilities | (8,009) | (5,317) |
| Actuarial adjustment recognised in the STRGL | (1,518) | (1,705) |

Metroline Limited

Notes to the accounts Year ended 31 December 2014

22 Pension commitments (continued)

(iv) Changes in the present value of the defined benefit obligation are as follows:

| | 2014 £'000 | 2013 £'000 |
|---|-----------------|-----------------|
| Opening pension obligation | (62,718) | (56,419) |
| Interest costs on liability | (2,824) | (2,505) |
| Adjustments from changes in actuarial assumptions | (8,009) | (5,317) |
| Benefits paid to pension scheme members | 2,503 | 1,523 |
| Closing defined benefit obligation | <u>(71,048)</u> | <u>(62,718)</u> |

(v) Changes in the fair value of the schemes' assets are as follows.

| | 2014 £'000 | 2013 £'000 |
|---|----------------|----------------|
| Opening fair value of the schemes' assets | 54,270 | 48,613 |
| Expected return on assets in year | 2,841 | 2,227 |
| Gains on expected return on schemes' assets | 6,491 | 3,612 |
| Contributions by the company to the schemes | 1,423 | 1,341 |
| Benefits paid to pension scheme members | <u>(2,503)</u> | <u>(1,523)</u> |
| Closing fair value of the schemes' assets | <u>62,522</u> | <u>54,270</u> |

All contributions with the exception of a fixed monthly contribution have now ceased. Current monthly contribution is £97,100 per month and is due to increase to £100,600 per month from June 2015.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

22 Pension commitments (continued)

(vi) Principal actuarial assumptions at the balance sheet date were as follows.

| | 2014 | 2013 |
|---|--|---------------------------------------|
| Rate of increase in salaries (%) | ~* | ~* |
| Annual rate of pension increases – in deferment (%) | 1.90 | 2.20 |
| Annual rate of pension increases – in payment (%) | 2.90 | 3.10 |
| Assumed life expectancies (in years / age) on retirement at age 65 are | | |
| Retiring today | | |
| - Males | 84.4 | 84.8 |
| - Females | 86.6 | 86.9 |
| Retiring in 20 years' time | | |
| - Males | 85.7 | 85.3 |
| - Females | 88.0 | 87.6 |
| Life expectancies are based on the following published mortality tables | | |
| – current pensioners | SIPA CMI_2013_M/F (YOB) rated by 3 years | SIPA MC tables (YOB) rated up 2 years |
| – non-pensioners | SIPA CMI_2013_M/F (YOB) rated by 3 years | SIPA MC tables (YOB) rated up 2 years |
| Inflation assumption - RPI (%) | 3.00 | 3.30 |
| Inflation assumption - CPI (%) | 1.90 | 2.20 |
| Discount rate for future pension liabilities (%) | 3.60 | 4.60 |

* As there are no members with benefits related to future salary progression, no assumption needs to be made with regard to salary increases

Metroline Limited

Notes to the accounts Year ended 31 December 2014

22. Pension commitments (continued)

- (vii) The major categories of assets for Metroline and Metroline London Northern Pension Schemes and the expected rates of return on those assets were as follows:

| | Long-term rate of return expected at 31/12/14 % | Fair Value at 31/12/14 £'000 | Percentage of fair value of the total schemes' assets 31/12/14 % | Long-term rate of return expected at 31/12/13 % | Fair Value at 31/12/13 £'000 | Percentage of fair value of the total schemes' assets 31/12/13 % |
|--|--|--|---|--|--|---|
| Equities | 7.35 | 32,025 | 51.22 | 7.35 | 31,137 | 57.38 |
| Bonds | 2.40 | 27,060 | 43.28 | 3.60 | 20,194 | 37.21 |
| Property | 5.85 | 3,204 | 5.13 | 6.10 | 2,763 | 5.09 |
| Cash | 0.50 | 233 | 0.37 | 0.50 | 176 | 0.32 |
| Total market value of assets | | 62,522 | 100.00 | | 54,270 | 100.00 |
| Present value of the schemes' liabilities | | (71,048) | | | (62,718) | |
| Combined deficit in the schemes | | (8,526) | | | (8,448) | |

The overall weighted average expected return on schemes' assets at 31 December 2014 was 4.5% (2013: 5.3%), net of 0.6% estimated deduction for scheme expenses. The actual return on assets over the period was 17.0% (2013: 12.0%).

The schemes' assets do not directly include any of the Group's financial instruments, nor any property occupied by, or other assets used by the Group.

Metroline Limited

Notes to the accounts Year ended 31 December 2014

22 Pension commitments (continued)

(viii) History of experience gains and losses – pension schemes:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------|----------|----------|----------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of schemes' liabilities | (71,048) | (62,718) | (56,419) | (56,312) | (54,093) |
| Fair value of schemes' assets | 62,522 | 54,270 | 48,613 | 45,404 | 43,649 |
| Deficit in the schemes | (8,526) | (8,448) | (7,806) | (10,908) | (10,444) |
| Difference between the expected and actual return on pension schemes' assets. | | | | | |
| Amount (£'000s) | 6,491 | 3,612 | 1,225 | (699) | 1,208 |
| Percentage of pension schemes' assets (%) | 10% | 7% | 3% | -2% | 3% |
| Experience losses on pension schemes' liabilities due to membership movement | | | | | |
| Amount (£'000s) | (1) | (955) | 228 | 266 | 6,592 |
| Percentage of the present value of the pension schemes' liabilities (%) | 0% | 1.5% | -0.4% | -0.5% | -12% |
| Adjustments in pension schemes' liabilities due to changes in actuarial assumptions | | | | | |
| Amount (£'000s) | (8,008) | (4,362) | 889 | (827) | (527) |
| Percentage of the present value of the pension schemes' liabilities (%) | 11% | 7% | -2% | 1% | 1% |
| Actuarial adjustments arising during the year | (1,518) | (1,705) | 2,342 | (1,260) | 7,273 |
| Cumulative actuarial adjustments at start of year | (7,410) | (5,705) | (8,047) | (6,787) | (14,060) |
| Cumulative actuarial adjustments at end of year | (8,928) | (7,410) | (5,705) | (8,047) | (6,787) |

Metroline Limited

Notes to the accounts

Year ended 31 December 2014

23. Parent undertaking and controlling party

The parent company and the controlling party of the smallest and largest group of which the company is a member and for which Group accounts are prepared at the balance sheet date is Braddell Limited, a company incorporated in Great Britain and ComfortDelGro Corporation Limited, a company incorporated in Singapore, respectively

Copies of these accounts can be obtained from ComfortDelGro House, 329 Edgware Road, Cricklewood, London, NW2 6JP and from 205 Braddell Road, Singapore 579701 respectively

24. Related party transactions

The Group has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 'Related party disclosures' and is exempt from disclosing details of related party transactions with other wholly owned Group companies, given the fact that copies of the consolidated financial statements of ComfortDelGro Corporation Limited are publicly available

During the year, Metroline Limited Group companies entered into the following transactions with ComfortDelGro Group companies who are not covered by an exemption under FRS 8

| | Amounts owed by related parties | Amounts due to related parties | Amounts owed by related parties | Amounts due to related parties |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | 2014 | 2014 | 2013 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Scottish Citylink Coaches Limited | 170 | - | 352 | - |
| Westbus Coach Services Limited | - | - | 1 | - |
| Computer Cab plc | 2 | 1 | 38 | 8 |
| Cityfleet Networks Limited | 4 | - | 12 | - |
| Flightlink International Limited | - | 1 | - | 2 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received, and no provisions have been made for doubtful debts in respect of the amounts owed by related parties

25. Cash flow exemption

The Group is a wholly-owned subsidiary of ComfortDelGro Corporation Limited and the cashflows of the Group are included in the consolidated cashflow statement of ComfortDelGro Corporation Limited. Consequently, the company is exempt under FRS 1 (revised 1996) 'Cash flow statements' from the requirement to prepare a cash flow statement

Metroline Limited

Notes to the accounts

Year ended 31 December 2014

26. Hedging and other financial instruments

The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholder value. It is the Group's policy not to participate in speculation in financial instruments. Management oversees financial risk management and regularly reviews its policy governing risk management practices.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks.

The Group manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge and also through active currency management using hedging instruments such as forwards and options where necessary.

The Group's primary interest rate risk relates to its borrowings. The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments which have the economic effect of converting borrowings from floating rates to fixed rates.

Fuel is part of the operating cost of the Group. The Group seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

Currency profile of financial assets and liabilities:

Financial assets denominated in US Dollars were £8,000 (2013: £52,000), the rest were denominated entirely in Pounds Sterling.

Interest rate risk profile of financial liabilities at 31 December 2014:

| | Floating rate financial liabilities 2014 £'000 |
|----------------------------------|---|
| Hire purchase and finance leases | 27,465 |
| Bank loans | - |
| | <hr/> 27,465 <hr/> |

The profile at 31 December 2013 for comparative purposes was as follows

| | Floating rate financial liabilities 2013 £'000 |
|----------------------------------|---|
| Hire purchase and finance leases | 37,835 |
| Bank loans | 59,801 |
| | <hr/> 97,636 <hr/> |

Metroline Limited

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Year ended 31 December 2014

26. Hedging and other financial instruments (continued)

The Group's floating rate financial liabilities amount to £27,465,000 (2013: £97,636,000). Various Bank Base Rates are used as the benchmark rate in determining interest on £27,465,000 (2013: £37,835,000) in hire purchase agreements which are included in total financial liabilities. The benchmark rate for determining interest on the Group's remaining floating rate financial liabilities, namely bank loans of £nil (2013: £59,801,000) is LIBOR.

Maturity of financial liabilities:

The maturity of the Group's financial liabilities at 31 December 2014 was as follows:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| In one year or less, or on demand | 9,213 | 67,870 |
| In more than one year but not more than two | 7,683 | 9,213 |
| In more than two years, but not more than five | 10,569 | 19,125 |
| In more than five years | - | 1,428 |
| | <u>27,465</u> | <u>97,636</u> |

Fair value of financial assets and financial liabilities:

| | Book value 2014 £'000 | Fair value 2014 £'000 | Book value 2013 £'000 | Fair value 2013 £'000 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Primary financial instruments held or issued to finance the Group's operations | | | | |
| Short-term financial liabilities and current position of long-term borrowings | 9,213 | 9,213 | 67,870 | 67,870 |
| Long-term borrowings | 18,252 | 18,252 | 29,766 | 29,766 |
| | <u>27,465</u> | <u>27,465</u> | <u>97,636</u> | <u>97,636</u> |

Hedging instruments held

| | | Notional 2014 | Notional 2013 | Fair Value 2014 £'000 | Fair Value 2013 £'000 |
|-------------------------|-----|------------------|------------------|-----------------------------|-----------------------------|
| Interest rate hedges | GBP | 20,000,000 | 20,000,000 | 2 | 86 |
| Foreign currency hedges | GBP | 2,356,252 | 13,680,000 | 12 | (941) |
| Fuel hedges | MT | 22,632 | 11,520 | (3,549) | 512 |
| | | | | <u>(3,535)</u> | <u>(343)</u> |

The Group's hedging instruments are measured at fair value whereby future cash flows are estimated based on contracted rates and observable forward rates at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

Metroline Limited

Notes to the accounts

Year ended 31 December 2014

26 Hedging and other financial instruments (continued)

The Group has total sterling denominated cash assets of £10,828,000 (2013 £9,965,000) of which £10,882,000 (2013 £9,851,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit

Gains and losses on hedges

The Group uses commodity swaps to manage its fuel cost. The fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures

27 Audit exemption

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of that Act

| Subsidiary undertaking | Registration number |
|-------------------------------|----------------------------|
| Metroline Travel Limited | 02328401 |
| Metroline West Limited | 08401654 |