Company Registration No. 2826284

METROLINE plc

Report and Financial Statements

Period ended 26 December 2003

Deloitte & Touche LLP
London

METROLINE plc

REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Ong Boon Leong
A Morris (resigned 31 March 2003)
D G O'Farrell
W N Alexander (resigned 7 May 2003)
K A Moffatt (resigned 7 May 2003)
Lim Jit Poh
Kua Hong Pak
Lim Hung Siang

SECRETARY

W N Alexander (resigned 31 December 2003)
S J Ellis (appointed 31 December 2003)

REGISTERED OFFICE

Hygeia
66-68 College Road
Harrow
Middlesex HA1 1BE

BANKERS

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA

ACTUARIES

Mercer Human Resources Consulting Limited
Telford House
14 Tothill Street
London SW1H 9NB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and accounts for the period ended 26 December 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

FINANCIAL RESULTS AND FUTURE PROSPECTS

The Group's results for the period are set out in the consolidated profit and loss account on page 6. The profit before taxation for the year was £8,697,000 (2002 - £6,088,000). The directors propose payment of a dividend of £2,400,000 for the period (2002: £2,400,000).

The Group intends to continue the provision of road passenger transport services. 2003 has seen expansion in the London bus market following the introduction of congestion charging and the full trading impact of this expansion will become apparent in 2004. Expansion is expected to continue albeit not at the same levels achieved in 2003.

DIRECTORS AND THEIR INTERESTS

Details of the current directors, dates of appointment and resignation are given on page 1.

None of the directors had any interests in the shares of the company or any other group company either at the beginning or end of the financial period which are required to be disclosed in accordance with schedule 7 of Companies Act 1985.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made during the year were £325 (2002 - £50).

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.

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

It is Group policy to agree the terms of payment with other suppliers and then to pay according to those terms. Trade creditor days for the Group for the period ended 26 December 2003 were 29 days (2002 – 17 days), calculated in accordance with the requirements set down in the Companies Act 1985. The company had no trade creditors at 26 December 2003 (2002:nil).

DIRECTORS' REPORT (continued)

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

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

Lim Jit Poh	D G O'Farrell
Director	Director

2 March 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METROLINE plc

We have audited the financial statements of Metroline plc for the period ended 26 December 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated statement of total recognised gains and losses and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group as at 26 December 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

23 April 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 26 December 2003

	Note	Period ended 26 December 2003 £'000	Period ended 31 December 2002 £'000
TURNOVER	2	144,426	118,488
Cost of sales		(122,025)	(99,195)
GROSS PROFIT		22,401	19,293
Administrative expenses		(11,330)	(10,300)
OPERATING PROFIT	5	11,071	8,993
Share of operating loss of associate		-	(13)
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		11,071	8,980
Interest receivable and similar income	6	76	181
Interest payable and similar charges	7	(2,450)	(3,073)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,697	6,088
Tax on profit on ordinary activities	8	(2,200)	(1,619)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	22	6,497	4,469
Proposed ordinary dividend	10,22	(2,400)	(2,400)
Retained profit for the year transferred to reserves		4,097	2,069

The results of the group are derived solely from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period ended 26 December 2003

	Note	Period ended 26 December 2003 £'000	Period ended 31 December 2002 £'000
Profit for the financial year		4,097	2,069
Currency translation differences on foreign currency net investments	22	(45)	(15)
Total recognised gains and losses in the year		4,052	2,054

METROLINE plc

CONSOLIDATED BALANCE SHEET
26 December 2003

	Note	At 26 December 2003 £'000	At 31 December 2002 £'000
FIXED ASSETS			
Intangible Assets	11	949	1,021
Tangible assets	12	89,408	81,080
		90,357	82,101
CURRENT ASSETS			
Stocks	14	1,211	1,201
Debtors	15	11,902	7,802
Cash at bank and in hand		1,544	3,322
		14,657	12,325
CREDITORS: amounts falling due within one year	16	(39,207)	(47,392)
NET CURRENT LIABILITIES		(24,550)	(35,067)
TOTAL ASSETS LESS CURRENT LIABILITIES		65,807	47,034
CREDITORS: amounts falling due after more than one year	17	(36,531)	(36,630)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(10,450)	(9,080)
NET ASSETS		18,826	1,324
CAPITAL AND RESERVES			
Called up share capital	21,22	15,002	1,552
Share premium account	22	24,272	24,272
Capital redemption reserve	22	100	100
Revaluation reserve	22	905	905
Profit and loss account	22	(21,453)	(25,505)
EQUITY SHAREHOLDERS' FUNDS	22	18,826	1,324

These financial statements were approved by the Board of Directors on 2 March 2004.

Signed on behalf of the Board of Directors

Lim Jit Poh
Director

D G O'Farrell
Director

COMPANY BALANCE SHEET
26 December 2003

	Note	At 26 December 2003 £'000	At 31 December 2002 £'000
FIXED ASSETS			
Tangible assets	12	459	470
Investments	13	46,753	46,827
		47,212	47,297
CURRENT ASSETS			
Debtors	15	13,996	15,742
Cash at bank and in hand		119	188
		14,115	15,930
CREDITORS: amounts falling due within one year	16	(6,429)	(23,217)
NET CURRENT ASETS/(LIABILITIES)		7,686	(7,287)
TOTAL ASSETS LESS CURRENT LIABILITIES		54,898	40,010
CREDITORS: amounts falling due after more than one year	17	(651)	(469)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(15)	-
NET ASSETS		54,232	39,541
CAPITAL AND RESERVES			
Called up share capital	21,22	15,002	1,552
Share premium account	22	24,272	24,272
Capital redemption reserve	22	100	100
Profit and loss account	22	14,858	13,617
EQUITY SHAREHOLDERS' FUNDS	22	54,232	39,541

These financial statements were approved by the Board of Directors on 2 March 2004.

Signed on behalf of the Board of Directors

Lim Jit Poh
Director

D G O'Farrell
Director

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

1. ACCOUNTING POLICIES

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

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.

Consolidation

The Group accounts consolidate the accounts of Metroline plc and all its subsidiary undertakings up to 26 December 2003. No company profit and loss account is presented for Metroline plc as permitted by Section 230 of the Companies Act 1985.

Intangible assets- 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, which is 10 years.

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	10 to 50 years
Leasehold improvements	Over life of the lease
Buses	3 to 17 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 are stated at the lower of cost and net realisable value.

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.

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.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

1. **ACCOUNTING POLICIES (continued)**

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.

Pension costs

The company 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.

Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The company also operates matched money purchase schemes, 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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Financial instruments

The Group hedges some of its exposure to fuel price movements using commodity swaps. The effect of the hedge is reflected in the purchase cost of fuel.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

2. TURNOVER

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

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 No.	2002 No.
The average number of persons employed (including directors)		
Traffic operations	2,881	2,508
Engineering and maintenance	187	194
Administration	156	151
	3,224	2,853

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	68,523	56,820
Social security costs	6,943	5,022
Pension costs	1,963	2,098
Redundancy payments	452	30
	77,881	63,970

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

4. DIRECTORS' EMOLUMENTS

	2003 £'000	2002 £'000
Directors' emoluments	308	467
Pension contributions	62	24
Compensation for loss of office	304	-
Highest paid director		
Emoluments	101	198
Compensation for loss of office	170	-
Accrued pension of highest paid director	14	13

Retirement benefits are accruing under a money purchase pension scheme for two (2002 – two) of the directors and one director (2002 – one) has retirement benefits accruing under a defined benefit pension scheme.

5. OPERATING PROFIT

	2003 £'000	2002 £'000
This is stated after charging / (crediting):		
Auditors' remuneration – audit	60	128
– non-audit services	118	43
Land and buildings rentals under operating leases	1,641	720
Bus rentals under operating leases	2,456	296
Other hire rentals under operating leases	18	9
Goodwill amortisation	103	9
Depreciation – assets owned	1,918	2,072
– assets held under finance leases and hire purchase contracts	5,602	4,786
Gain on fuel hedge	-	(55)
Loss on disposal of fixed assets	414	(12)
Loss on foreign exchange	27	-

The company pays the audit fees for all companies in the group.

6. INTEREST RECEIVABLE

	2003 £'000	2002 £'000
Bank interest	76	181

7. INTEREST PAYABLE

	2003 £'000	2002 £'000
Bank loans	25	534
Finance charges payable under finance leases and hire purchase contracts	2,303	2,435
Bank charges	122	104
	2,450	3,073

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Corporation tax charge for the year	830	763
Adjustments in respect of prior years	-	(324)
Total current tax charge	830	439
Provision for deferred taxation in the year	1,370	1,180
Tax on profit on ordinary activities	2,200	1,619

It is currently anticipated that the corporation tax charge for the year of £830,000 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 30% (in both periods). The actual tax charge for the current and previous year exceeds the standard rate for the reasons set out in the following reconciliation:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	8,697	6,088
Tax on profit on ordinary activities at standard rate	2,609	1,826
Factors affecting charge for the year:		
Disallowable expenses	124	180
Depreciation for the year in excess of capital allowances	(1,834)	(1,022)
Short-term timing differences arising in the year	(69)	(99)
Chargeable gains	-	(121)
Adjustments to tax charge in respect of previous year	-	(325)
Total current tax charge	830	439

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.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £3,641,000 (2002- £2,360,000).

10. DIVIDEND ON EQUITY SHARES

	2003 £'000	2002 £'000
Ordinary dividends on equity shares:		
Final proposed	2,400	2,400
Dividends per share	0.80p	7.73p

11. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost	
At 1 January 2003	1,513
Additions	31
At 26 December 2003	1,544
Accumulated amortisation	
At 1 January 2003	(492)
Charge for the year	(103)
At 31 December 2003	(595)
Net book value	
At 26 December 2003	949
At 31 December 2002	1,021

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

12. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Buses £'000	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost or valuation					
At 1 January 2003	15,136	88,420	470	5,918	109,944
Additions	2,218	12,560	-	2,428	17,206
Disposals	-	(4,167)	-	(196)	(4,363)
Reclassifications	-	(39)	(254)	293	-
At 26 December 2003	17,354	96,774	216	8,443	122,787
Accumulated depreciation					
At 1 January 2003	(1,268)	(25,587)	-	(2,009)	(28,864)
Charge for the year	(380)	(6,132)	(23)	(985)	(7,520)
Disposals	-	2,840	-	165	3,005
Reclassifications	-	36	-	(36)	-
At 26 December 2003	(1,648)	(28,843)	(23)	(2,865)	(33,379)
Net book value					
At 26 December 2003	15,706	67,931	193	5,578	89,408
At 31 December 2002	13,868	62,833	470	3,909	81,080

Company	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2003	470	-	470
Additions	-	52	52
Reclassification	(254)	254	-
At 26 December 2003	216	306	522
Accumulated depreciation			
At 1 January 2003	-	-	-
Charge for the year	(23)	(40)	(63)
At 26 December 2003	(23)	(40)	(63)
Net book value			
At 26 December 2003	193	266	459
At 31 December 2002	470	-	470

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.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

12. TANGIBLE FIXED ASSETS (continued)

Freehold land included in tangible fixed assets:

	2003 £'000	2002 £'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.

On 3 December 1993, certain operational properties were transferred from London Buses Limited (LBL) to a subsidiary of the company at an Existing Use value. If these properties are sold above this value before 1 April 2004, clawback arrangements are in place such that a proportion of any surplus is repayable to London Regional Transport (LRT). Similar clawback arrangements are in place over the operational properties of Metroline London Northern, by application to a value applying in 1993 which is less than the carrying value of the operational properties in the accounts.

Assets held under finance leases and hire purchase contracts

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

	2003 £'000	2002 £'000
Cost or valuation	85,131	71,754
Accumulated depreciation	(21,017)	(15,395)
Net book value	64,114	56,359

13. INVESTMENTS HELD AS FIXED ASSETS - COMPANY

	2003 £'000	2002 £'000
Investment in subsidiary undertakings:		
Cost and Net book value	46,753	46,827

Details of the company's principal subsidiary undertakings, the results of which are included in these group accounts, are as follows:

Subsidiary undertakings	Country of registration and operation	Activity	Portion of ordinary shares and voting rights held %
Metroline Travel Limited	England and Wales	Bus operation	100
Metroline London Northern Limited	England and Wales	Bus operation	100
Citylink Holdings Limited	Scotland	Holding company	100
Scottish Citylink Coaches Limited*	Scotland	Coach operator	100
Aerdart Limited	Ireland	Bus operation	100
Cummer Commercials Limited*	Ireland	Coach operator	100

* Shares are held by Citylink Holdings Limited, an intermediate holding company.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

14. STOCKS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bus maintenance stocks	874	887	-	-
Fuel stocks	337	314	-	-
	1,211	1,201	-	-

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

15. DEBTORS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	2,139	3,402	-	-
Amounts owed by group undertakings	-	28	13,813	15,718
Amounts owed by fellow subsidiaries	53	-	-	-
Value added tax	1,836	697	-	-
Fuel duty rebate	1,490	559	-	-
Other debtors	1,124	879	-	-
Prepayments and accrued income	5,260	2,237	183	24
	11,902	7,802	13,996	15,742

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdraft	-	757	-	-
Obligations under finance leases and hire purchase contracts (note 18)	11,462	9,785	111	77
Trade creditors	5,381	4,742	-	-
Amounts owed to group undertakings	3,619	14,220	5,807	22,651
Corporation tax	-	71	-	-
Other creditors, taxes and social security costs	1,584	1,621	-	-
Accruals and deferred income	17,161	16,196	511	489
	39,207	47,392	6,429	23,217

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts owed to group undertakings	185	-	233	-
Obligations under finance leases and hire purchase contracts (note 18)	36,346	36,630	418	469
	36,531	36,630	651	469

18. OBLIGATIONS DUE UNDER FINANCE LEASES AND HIRE PURCHASES CONTRACTS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts payable:				
Within one year	11,462	9,785	111	77
Within one to two years	9,487	9,607	95	83
Within two to five years	21,044	20,621	323	281
In more than five years	5,815	6,402	-	105
	47,808	46,415	529	546

Obligations under finance lease and hire purchase contracts are secured over tangible fixed assets with a net book value of £64,144,000 (£56,359,000).

19. OPERATING LEASE COMMITMENTS

	2003		2002	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	270	27	107	20
Between one and five years	428	2,899	70	1,116
In five years or more	954	-	999	1,175
	1,652	2,926	1,176	2,311

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
Deferred taxation	**2003 £'000**	**2002 £'000**	**2003 £'000**	**2002 £'000**
Capital allowances in advance of depreciation	10,773	9,316	15	-
Other timing differences	(323)	(236)	-	-
	10,450	9,080	15	-

Reconciliation of movement in deferred taxation provision				
Balance at beginning of period	9,080	7,900	-	-
Capital allowances in advance of depreciation	1,457	425	15	-
Other timing differences	(87)	755	-	-
Balance at end of period	10,450	9,080	15	-

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.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

21. CALLED UP SHARE CAPITAL

	2003 No. '000	2003 £'000	2002 No. '000	2002 £'000
Authorised:				
Ordinary shares of 5p each	310,500	15,525	41,500	2,075
Called up, allotted and fully paid:				
Ordinary shares of 5p each	300,040	15,002	31,040	1,552

During the period, the company allotted, at par, 269 million ordinary shares with a nominal value of 5p. The issue of shares was used to refinance the Group by repaying an intercompany loan with Braddell plc.

22. 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 2003	1,552	24,272	100	905	(25,505)	1,324
Profit for the year	-	-	-	-	6,497	6,497
Share issue	13,450	-	-	-	-	13,450
Foreign exchange differences on the translation of investments in foreign subsidiaries	-	-	-	-	(45)	(45)
Proposed dividend	-	-	-	-	(2,400)	(2,400)
At 26 December 2003	15,002	24,272	100	905	(21,453)	18,826

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
1 January 2003	1,552	24,272	100	-	13,617	39,541
Profit for the year	-	-	-	-	3,641	3,641
Share issue	13,450	-	-	-	-	13,450
Proposed dividend	-	-	-	-	(2,400)	(2,400)
At 26 December 2003	15,002	24,272	100	-	14,858	54,232

23. CONTINGENT LIABILITIES AND CAPITAL COMMITTMENTS

All companies in the Metroline Group are party to a cross guarantee in favour of the Group's bankers. The total of the Group overdraft owing to the Group's bankers at the period end was £nil (2002 - £757,000). The company has guaranteed certain hire purchase liabilities of Metroline Travel Limited, which amounted to £54.6 million at the period end (2002 - £40 million).

Amounts contracted for but not provided in the accounts amounted to £10,074,000 (2002: £9,606,000).

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

24. TRUSTS ASSOCIATED WITH THE COMPANY

The Metroline Employee Profit Sharing Scheme

The Metroline Employee Profit Sharing Scheme was established by a Deed dated 30 January 1995 made between the company and its wholly-owned subsidiary undertaking, Metroline Profit Sharing Trustee Limited, as trustee. The directors of the trustee are J Golledge and three employee representatives.

The company will not provide the trustee with any further funds to acquire shares in the company without prior approval from the company.

At 31 December 2002, £176,069 worth of loan notes in Bradell plc was held by the trust. During the period ended 26 December 2003, all loan notes were redeemed for cash. Members of the trust have been contacted and the funds are currently being distributed in proportion to each member's holding.

The Metroline Employee Benefit Trust

The Metroline Employee Benefit Trust was established by a Deed dated 7 October 1994 for the benefit of employees and former employees of The Metroline Group and their dependants. The trustee is Metroline Trustees Limited, a wholly owned subsidiary undertaking of the company, the directors of which are J Golledge and three employee representatives.

The company will not issue further shares to the trustee, nor will it provide the trustee with any further funds to acquire shares in the company, without prior approval of the company in general meeting.

At 31 December 2002, the trustee held £12,788 worth of floating rate guaranteed unsecured loan notes in Braddell Plc. The loan notes were redeemed during the period ended 26 December 2003 and all proceeds will be donated to charity.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS

Defined Benefit Scheme

Metroline Travel Limited

The Group operates a contracted out final salary plan defined benefit pension scheme for employees of Metroline Travel Limited who were employed prior to 7 October 1994, and is now closed to new members. Members contribute at a rate of 5% of pensionable pay, and the Group currently contributes at a rate of 13.7% of pensionable pay, plus a fixed value of £156,000 per annum.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. An actuarial valuation of the scheme was carried out as at 31 March 2002 and indicated that the scheme had a funding deficit of £1,174,000. This was based on a market value of the scheme's assets at 31 March 2002 of £8,933,000. It represents a level of funding (being the value of assets expressed as a percentage of the accrued liabilities, allowing for future salary increases) of 88%. The Group has agreed to pay additional contributions that aim to remove the ongoing funding deficit at 31 March 2002 over the expected future working lifetime of the active membership, assuming that the funding valuation assumptions are borne out.

The funding assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 7.0% p.a. before retirement, 6.0% p.a. after retirement, that pension increases would average 2.8% p.a. (in line with price inflation) and that pensionable pay increases would average 1.0% p.a. above price inflation. Allowance has been made for salary growth of 7% per annum for three years from April 2003.

The pensions charge for 2003 is £893,000 (2002 - £880,000), which includes £57,000 (2002 - £55,000) in respect of the amortisation of experience deficits that are being recognised over 10.5 years, the average remaining service lives of employees.

There is a provision in the balance sheet of £604,000 at 26 December 2003 (31 December 2002 - £724,000) resulting from a difference between amounts recognised as cost and the amounts funded or paid directly.

The transitional arrangements for Financial Reporting Standard 17 Retirement Benefits (FRS 17) require the following disclosures to be made. They detail the effect on the financial statements had FRS 17 been fully implemented in the year.

(i) Consolidated Balance sheet presentation

	2003 £'000	2002 £'000
Net assets excluding pension liability	19,430	2,048
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(4,609)	(3,544)
Net assets including pension liability	14,821	(1,496)

25. PENSION COMMITMENTS (continued)

	2003 £'000	2002 £'000
Profit and loss reserve excluding pension deficit	(20,849)	(24,781)
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(4,609)	(3,544)
Profit and loss reserve including pension deficit	(25,458)	(28,325)

(ii) Composition of the scheme

Assets and liabilities have been valued at 31 December 2003 (31 December 2002) by projecting forward the position from the latest funding valuation. The assets are unaudited values supplied by Deutsche Asset Management to WM Mercer, and assume net current assets are zero. The major assumptions used by the actuary were (in nominal terms):

	2003 % p.a.	2002 % p.a.
Rate of increase in salaries	3.60*	3.30
Rate of increase of pensions in payment	2.60	2.30
Rate of increase in deferred pensions	2.60	2.30
Discount rate	5.40	5.60
Inflation assumption	2.60	2.30

* Allowance has been made for salary growth of 7% p.a. for three years from April 2003.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS (continued)

The scheme's assets and the expected rate of return comprise the following:

	2003		2002	
	% p.a.	**£'000**	**% p.a.**	**£'000**
Equities	6.80	9,842	6.50	7,029
Bonds	4.80	2	4.50	58
Total market value of assets		9,844		7,087
Present value of scheme liability		(16,429)		(12,150)
Deficit in scheme		(6,585)		(5,063)
Related deferred tax asset		1,976		1,519
Net pension liability		(4,609)		(3,544)

(iii) Analysis of the amount charged to operating profit

	2003 £'000	2002 £'000
Service cost	873	763
Total operating charge	873	763

(iv) Analysis of net return on pension scheme

	2003 £'000	2002 £'000
Expected return on pension scheme assets	512	611
Interest on pension scheme liabilities	(711)	(637)
Net return	(199)	(26)

(v) Analysis of amount recognised in statement of total recognised gains and losses

	2003 £'000	2002 £'000
Actual return less expected return on assets	1,202	(2,647)
Experience gains and losses on liabilities	(1,157)	(310)
Changes in asumptions	(1,536)	(190)
Net loss recognised	(1,491)	(3,147)

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS (CONTINUED)

(vi) Movement in deficit during the year

	2003 £'000	2002 £'000
Deficit in scheme at beginning of the year	(5,063)	(1,962)
Movement in year:		
Current service cost	(873)	(763)
Contributions	1,041	835
Net interest cost	(199)	(26)
Actuarial loss	(1,491)	(3,147)
Deficit in scheme at year end	(6,585)	(5,063)

It has been agreed with the Trustees that contributions for the next two years will be based on a cost of future accrual of 13.7% of Pensionable Pay plus fixed monthly contributions of £13,000.

(vii) History of experience gains and losses

	2003 %	2003 £'000	2002 %	2002 £'000
Difference between expected and actual return on scheme assets:		1,202		(2,647)
Percentage of scheme's assets	12		37	
Experience loss on scheme liabilities		(1,157)		(310)
Percentage of scheme's liabilities	7		3	
Total amount recognised in statement of total recognised gains and losses		(1,491)		(3,147)
Percentage of scheme's liabilities	9		26	

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS (CONTINUED)

Metroline London Northern Limited

The Group also operates a contracted out final salary plan defined benefit pension scheme for employees of Metroline London Northern Limited. The scheme is closed to new entrants. Members contribute at a rate of 5% of pensionable pay, and the Group contributes at a rate of 13.3% of pensionable pay (excluding administration costs), plus a fixed value of £124,800 per annum.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. An actuarial valuation of the scheme was carried out as at 5 April 2002 and indicated that the scheme had a funding deficit of £1,087,000. This was based on a market value of the scheme's assets at 5 April 2002 of £10,401,000. It represents a level of funding (being the value of assets expressed as a percentage of the accrued liabilities, allowing for future salary increases) of 90.5%. The Group has agreed to pay additional contributions that aim to remove the ongoing funding deficit at 5 April 2002 over the expected future working lifetime of the active membership, assuming that the funding valuation assumptions are borne out.

The funding assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.85% p.a. before retirement, 5.85% p.a. after retirement, that pension increases would average 2.8% p.a. (in line with inflation) and that pensionable pay increases would average 1.0% above price inflation. Allowance has been made for salary growth of 7% per annum for three years from April 2003.

The pensions charge for 2003 is £886,000 (2002 - £796,000), which includes £105,000 (2002 - £70,000) in respect of the amortisation of experience deficits that are being recognised over 13 years, the average remaining service lives of employees.

There is a prepayment in the balance sheet of £36,000 at 26 December 2003 (31 December 2002 – provision of £141,000) resulting from a difference between amounts recognised as cost and the amounts funded or paid directly.

The transitional arrangements for Financial Reporting Standard 17 – Retirement Benefits (FRS 17) require the following disclosures to be made. They detail the effect on the financial statements had FRS 17 been fully implemented in the year.

(i) Consolidated Balance sheet presentation

	2003	**2002**
	£'000	**£'000**
Net assets excluding pension deficit	18,790	1,465
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(5,045)	(3,359)
Net assets including pension deficit	13,745	(1,894)

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS (continued)

	2003 £'000	2002 £'000
Profit and loss reserve excluding pension deficit	(21,489)	(25,364)
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(5,045)	(3,359)
Profit and loss reserve including pension deficit	(26,534)	(28,723)

(ii) Composition of the scheme
Assets and liabilities have been valued at 31 December 2003 (31 December 2002) by projecting forward the position from the last funding valuation. The assets are unaudited values supplied by Deutsche Asset Management to WM Mercer, and assume net current assets are zero. The major assumptions used by the actuary were (in nominal terms):

	2003 % p.a.	2002 % p.a.
Rate of increase in salaries	3.60*	3.30
Rate of increase of pensions in payment	2.60	2.30
Rate of increase in deferred pensions	2.60	2.30
Discount rate	5.40	5.60
Inflation assumption	2.60	2.30

* Allowance has been made for salary growth of 7% p.a. for three years from April 2003.

The scheme's assets and the expected rate of return comprise the following:

	2003		2002	
	% p.a.	£'000	% p.a.	£'000
Equities	6.80	8,745	6.50	6,693
Bonds	4.80	2,123	4.50	1,677
Property	6.80	188	6.50	292
Total market value of assets		11,056		8,662
Actuarial value of liability		(18,263)		(13,460)
Deficit in scheme		(7,207)		(4,798)
Related deferred tax asset		2,162		1,439
Net pension liability		(5,045)		(3,359)

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS (continued)

(iii) Analysis of the amount charged to operating profit

	2003 £'000	2002 £'000
Service cost	710	694
Total operating charge	710	694

(iv) Analysis of net return on pension scheme	2003 £'000	2002 £'000
Expected return on pension scheme assets	593	681
Interest on pension scheme liabilities	(780)	(653)
Net return	(187)	28

(v) Analysis of amount recognised in statement of total recognised gains and losses

	2003 £'000	2002 £'000
Actual return less expected return on assets	621	(2,554)
Experience gains and losses on liabilities	(1,289)	(1,297)
Changes in assumptions	(1,838)	(235)
Net loss recognised	(2,506)	(4,086)

(vi) Movement in deficit during the year

	2003 £'000	2002 £'000
Deficit in scheme at beginning of the year	(4,798)	(718)
Movement in year:		
Current service cost	(710)	(694)
Contributions	994	672
Net return on assets	(187)	28
Actuarial loss	(2,506)	(4,086)
Deficit in scheme at year end	(7,207)	(4,798)

It has been agreed with the Trustees that contributions for the next two years will be based on a cost of future accrual of 13.3% of Pensionable Pay plus fixed monthly contributions of £10,400.

NOTES TO THE ACCOUNTS
Period ended 26 December 2003

25. PENSION COMMITMENTS (continued)

(vii) History of experience gains and losses

	2003 %	2003 £'000	2002 %	2002 £'000
Difference between expected and actual return on scheme assets:		621		(2,554)
Percentage of scheme's assets	6		29	
Experience gains and losses on scheme liabilities		(1,289)		(1,297)
Percentage of scheme's liabilities	7		10	
Total amount recognised in statement of total recognised gains and losses		(2,506)		(4,086)
Percentage of scheme's liabilities	14		30	

Defined contribution scheme

The group operates a number of money purchase schemes. The charge for these schemes in 2003 is £169,000 (2002:£422,000). The contributions outstanding at the period end amounted to £50,000 (2002: £55,000).

26. 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 was Braddell Plc, a company incorporated in the United Kingdom and ComfortDelGro Corporation Limited, a company incorporated in Singapore.

Copies of these accounts can be obtained from 66-68 College Road, Harrow, HA1 1BE and from 205 Braddell Road, Singapore 579701 respectively.

27. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard 8 and is exempt from disclosing details of related party transactions, given the fact that copies of the consolidated financial statements of ComfortDelGro Corporation Limited are publicly available.

28. 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 Financial Reporting Standard No. 1 (revised) from the requirement to prepare a cash flow statement.