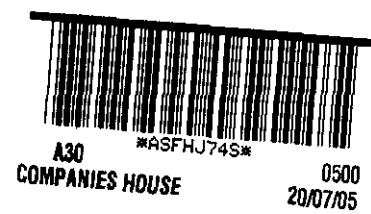


Company Registration No. 2826284

Metroline plc

Report and Financial Statements

31 December 2004



Metroline plc

Report and financial statements 2004

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Notes to the accounts	10

Metroline plc

Report and financial statements 2004

Officers and professional advisers

Directors

Ong Boon Leong
D G O'Farrell (resigned 6 September 2004)
Lim Jit Poh
Kua Hong Pak
Lim Hung Siang
J Singh (appointed 1 October 2004)

Secretary

S J Ellis

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

Metroline plc

Directors' report

The directors present their annual report and accounts for the period ended 31 December 2004.

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 period was £12,004,000 (2003 - £8,697,000). The directors propose payment of a dividend of £3,300,000 for the period (2003: £2,400,000).

The Group intends to continue the provision of road passenger transport services. 2004 has seen expansion in the London bus market following the introduction of congestion charging. The group purchased two new subsidiary undertakings operating in the same industry during the period. Expansion is expected to continue albeit not at the same levels achieved in 2004.

Directors and their interests

Details of the current directors and their dates of appointment and resignation, where applicable, 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 period were £2,612 (2003 - £325).

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 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 31 December 2004 were 37 days (2003 - 29 days), calculated in accordance with the requirements set down in the Companies Act 1985. The company had no trade creditors at 31 December 2004 (2003 - nil).

Metroline plc

Directors' report

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

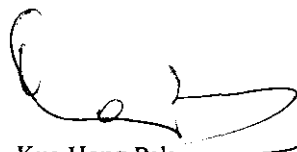
Approved by the Board of Directors
and signed on behalf of the Board



Lim Jit Poh

Director

29 April 2005



Kua Hong Pak

Director

29 April 2005

Metroline plc

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 31 December 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets 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 period 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 31 December 2004 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

5 May 2005

Metroline plc

Consolidated profit and loss account Period ended 31 December 2004

	Note	Period ended 31 December 2004 £'000	Period ended 26 December 2003 £'000
Turnover	2		
- existing operations		168,608	144,426
- acquisitions		5,182	-
		<hr/>	<hr/>
- continuing operations		173,790	144,426
Cost of sales		(145,738)	(122,025)
		<hr/>	<hr/>
Gross profit		28,052	22,401
Administrative expenses		(13,559)	(11,330)
		<hr/>	<hr/>
Operating profit	5		
Existing operations		14,210	11,071
Acquisition		283	-
		<hr/>	<hr/>
Continuing operations		14,493	11,071
Interest receivable and similar income	6	188	76
Interest payable and similar charges	7	(2,677)	(2,450)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		12,004	8,697
Tax on profit on ordinary activities	8	(4,802)	(2,200)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	23	7,202	6,497
Proposed ordinary dividend	10,23	(3,300)	(2,400)
		<hr/>	<hr/>
Retained profit for the period transferred to reserves		<u>3,902</u>	<u>4,097</u>

Metroline plc

Consolidated statement of total recognised gains and losses **Period ended 31 December 2004**

	Note	Period ended 31 December 2004 £'000	Period ended 26 December 2003 £'000
Profit for the financial period		7,202	6,497
Currency translation differences on foreign currency net investments	23	(1)	(45)
Total recognised gains and losses in the period		<u>7,201</u>	<u>6,452</u>

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 plc

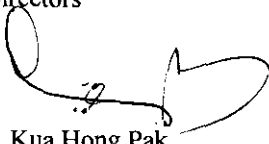
Consolidated balance sheet 31 December 2004

	Note	At 31 December 2004 £'000	At 26 December 2003 £'000
Fixed assets			
Goodwill	11	9,039	949
Tangible assets	12	96,113	89,408
		<u>105,152</u>	<u>90,357</u>
Current assets			
Stocks	15	1,646	1,211
Debtors	16	16,174	11,902
Cash at bank and in hand		4,725	1,544
		<u>22,545</u>	<u>14,657</u>
Creditors: amounts falling due within one year	17	(51,994)	(32,713)
Net current liabilities		<u>(29,449)</u>	<u>(18,056)</u>
Total assets less current liabilities		<u>75,703</u>	<u>72,301</u>
Creditors: amounts falling due after more than one year	18	(32,002)	(36,531)
Provisions for liabilities and charges	21	(20,974)	(16,944)
Net assets		<u>22,727</u>	<u>18,826</u>
Capital and reserves			
Called up share capital	22,23	15,002	15,002
Share premium account	23	24,272	24,272
Capital redemption reserve	23	100	100
Revaluation reserve	23	905	905
Profit and loss account	23	(17,552)	(21,453)
Equity shareholders' funds	23	<u>22,727</u>	<u>18,826</u>

These financial statements were approved by the Board of Directors on 29 April 2005.

Signed on behalf of the Board of Directors


Lim Jit Poh
Director


Kua Hong Pak
Director

Metroline plc

Company balance sheet 31 December 2004

	Note	At 31 December 2004 £'000	At 26 December 2003 £'000
Fixed assets			
Tangible assets	12	396	459
Investments	13	43,402	46,753
		<u>43,798</u>	<u>47,212</u>
Current assets			
Debtors	16	13,771	13,996
Cash at bank and in hand		-	119
		<u>13,771</u>	<u>14,115</u>
Creditors: amounts falling due within one year	17	(10,627)	(6,429)
Net current assets		<u>3,144</u>	<u>7,686</u>
Total assets less current liabilities		<u>46,942</u>	<u>54,898</u>
Creditors: amounts falling due after more than one year	18	(1,117)	(651)
Provisions for liabilities and charges	21	(66)	(15)
Net assets		<u>45,759</u>	<u>54,232</u>
Capital and reserves			
Called up share capital	22,23	15,002	15,002
Share premium account	23	24,272	24,272
Capital redemption reserve	23	100	100
Profit and loss account	23	6,385	14,858
Equity shareholders' funds	23	<u>45,759</u>	<u>54,232</u>

These financial statements were approved by the Board of Directors on 29 April 2005.

Signed on behalf of the Board of Directors


Lim Jit Poh
Director


Kua Hong Pak
Director

Metroline plc

Notes to the accounts Period ended 31 December 2004

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 and law.

Consolidation

The Group accounts consolidate the accounts of Metroline plc and all its subsidiary undertakings up to 31 December 2004. No company profit and loss account is presented for Metroline plc as permitted by Section 230 of the Companies Act 1985.

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 10-20 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.

Metroline plc

Notes to the accounts Period ended 31 December 2004

1. Accounting policies (continued)

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.

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.

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.

Metroline plc

Notes to the accounts Period ended 31 December 2004

1. Accounting policies (continued)

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.

2. Turnover

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

In relation to the acquisition of F.E. Thorpe & Sons Limited and E.H. Mundy Holdings Limited Group, continuing operations in 2004 include cost of sales of £4,050,000, gross profit of £1,132,000 and administrative expenses of £849,000.

3. Information regarding directors and employees

	2004 No.	2003 No.
The average number of persons employed (including directors)		
Traffic operations	3,089	2,881
Engineering and maintenance	200	187
Administration	167	156
	<u>3,456</u>	<u>3,224</u>
	£'000	£'000
Staff costs during the period (including directors)		
Wages and salaries	80,984	68,523
Social security costs	8,069	6,943
Pension costs	2,847	1,963
Redundancy payments	745	452
	<u>92,645</u>	<u>77,881</u>

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

4. Directors' emoluments

	2004 £'000	2003 £'000
Directors' emoluments	57	308
Pension contributions	-	62
Compensation for loss of office	-	304
Highest paid director		
Emoluments	37	101
Compensation for loss of office	-	170
Accrued pension of highest paid director	-	14

Retirement benefits are accruing under a money purchase pension scheme for none (2003 – two) of the directors and no directors (2003 – one) had retirement benefits accruing under a defined benefit pension scheme.

5. Operating profit

	2004 £'000	2003 £'000
This is stated after charging/(crediting):		
Auditors' remuneration – audit	80	60
– non-audit services	34	118
Land and buildings rentals under operating leases	1,770	1,641
Bus rentals under operating leases	3,677	2,456
Other hire rentals under operating leases	28	18
Goodwill amortisation	228	103
Depreciation – assets owned	4,307	1,918
– assets held under finance leases and hire purchase contracts	7,513	5,602
Gain on fuel hedge	(1,569)	-
Loss on disposal of fixed assets	244	414
Loss on foreign exchange	20	27
Loss on disposal of subsidiary undertaking	1,296	-
Write off of intercompany debtor	838	-

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

6. Interest receivable

	2004 £'000	2003 £'000
Bank interest	188	76

Metroline plc

Notes to the accounts Period ended 31 December 2004

7. Interest payable

	2004 £'000	2003 £'000
Bank loans	-	25
Finance charges payable under finance leases and hire purchase contracts	2,462	2,303
Bank charges	215	122
	<u>2,677</u>	<u>2,450</u>

8. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Corporation tax charge for the period	3,993	830
Adjustments in respect of prior periods	(3)	-
Total current tax charge	<u>3,990</u>	<u>830</u>
Provision for deferred taxation in the period	812	1,370
Tax on profit on ordinary activities	<u>4,802</u>	<u>2,200</u>

It is currently anticipated that £988,000 of the corporation tax charge for the period (2003: £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 period, based on the UK standard rate of corporation tax is 30% (in both periods). The actual tax charge for the current and previous period is different from the standard rate for the reasons set out in the following reconciliation:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	12,004	8,697
Tax on profit on ordinary activities at standard rate	3,601	2,609
Factors affecting charge for the period:		
Disallowable expenses	920	124
Depreciation for the period in excess of capital allowances	(842)	(1,834)
Short-term timing differences arising in the period	372	(69)
Utilisation of losses from prior periods	(58)	-
Adjustments to tax charge in respect of previous period	(3)	-
Total current tax charge	<u>3,990</u>	<u>830</u>

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 plc

Notes to the accounts Period ended 31 December 2004

9. Profit attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £8,473,000 (2003 - Profit £3,641,000).

10. Dividend on equity shares

	2004 £'000	2003 £'000
Ordinary dividends on equity shares:		
Final proposed	3,300	2,400
Dividends per share	1.10p	0.80p

11. Goodwill

Group	£'000
Cost	
At 27 December 2003	1,544
Additions	9,161
Disposals to group companies	(1,544)
At 31 December 2004	9,161
Accumulated amortisation	
At 27 December 2003	(595)
Charge for the period	(228)
Disposals to group companies	701
At 31 December 2004	(122)
Net book value	
At 31 December 2004	9,039
At 26 December 2003	949

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

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 27 December 2003	17,354	96,774	216	8,443	122,787
Additions	312	14,085	-	2,335	16,732
Acquisition of subsidiary undertakings	-	2,951	51	316	3,318
Disposals	-	(5,556)	-	(90)	(5,646)
Disposals to group companies	-	(1)	-	(1,230)	(1,231)
At 31 December 2004	17,666	108,253	267	9,774	135,960
Accumulated depreciation					
At 27 December 2003	1,648	28,843	23	2,865	33,379
Charge for the period	1,385	9,073	26	1,336	11,820
Disposals	-	(4,847)	-	(12)	(4,859)
Disposals to group companies	-	-	-	(493)	(493)
At 31 December 2004	3,033	33,069	49	3,696	39,847
Net book value					
At 31 December 2004	14,633	75,184	218	6,078	96,113
At 26 December 2003	15,706	67,931	193	5,578	89,408
Company					
			Leasehold improvements £'000	Plant and machinery) £'000	Total £'000
Cost					
At 27 December 2003 and 31 December 2004			216	306	522
Accumulated depreciation					
At 27 December 2003			23	40	63
Charge for the period			23	40	63
At 31 December 2004			46	80	126
Net book value					
At 31 December 2004			170	226	396
At 26 December 2003			193	266	459

Metroline plc

Notes to the accounts Period ended 31 December 2004

12. 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:

	2004	2003
	£'000	£'000
Cost and net book value – historical cost basis	4,940	4,940
Cost and net book value – revalued basis	<u>5,845</u>	<u>5,845</u>

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

	2004	2003
	£'000	£'000
Cost or valuation	83,063	85,131
Accumulated depreciation	<u>(23,453)</u>	<u>(21,017)</u>
Net book value	<u>59,610</u>	<u>64,114</u>

Change in useful lives and residual values

At the start of the period the estimated lives of the double decker buses were reduced from 15 years to 12 years. In addition the estimated residual value has been reduced to zero.

The effect of this change was to increase the depreciation charge for the period by £1,836,000.

Metroline plc

Notes to the accounts Period ended 31 December 2004

13. Investments held as fixed assets - company

	£'000
Cost	
At 27 December 2003	46,753
Additions (see note 14)	7,321
	<hr/>
At 31 December 2004	54,074
Provision for impairment	
At 27 December 2003	-
Impairment in the period	(10,672)
	<hr/>
At 31 December 2004	(10,672)
	<hr/>
Net book value at 31 December 2004	43,402
Net book value at 26 December 2003	46,753
	<hr/>

During the year the investment in Citylink Holdings Limited was impaired to nil after it disposed of its trading subsidiaries to the parent company Braddell plc.

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
Logistical Cleaning Services**	England and Wales	Cleaning and fuel replacement	100
F.E. Thorpe and Sons Limited	England and Wales	Bus operation	100
E.H. Mundy Holdings Limited	England and Wales	Holding company	100
Armchair Passenger Transport Company Limited***	England and Wales	Bus operation	100

* Shares are held by Citylink Holdings Limited, an intermediate holding company until 31 December 2004 when they transferred to Braddell plc.

** Shares held by Metroline Travel Limited

*** Shares held by E.H. Mundy Holdings Limited, an intermediate holding company.

Metroline London Northern Limited transferred its trade and assets to Metroline Travel Limited on 31 December 2004. This company will no longer trade.

Metroline plc

Notes to the accounts Period ended 31 December 2004

14. Acquisition of subsidiary undertakings

On 1 August 2004 the group acquired 100% of the issued share capital of F.E. Thorpe and Sons Limited for £3,206,000.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value and fair value to group £'000
Tangible fixed assets	444
Stocks	79
Debtors	890
Cash	352
	<hr/>
Total assets	1,765
Liabilities	(2,228)
	<hr/>
Net liabilities	(463)
Goodwill	3,669
	<hr/>
	3,206
	<hr/>
Satisfied by:	
Cash	3,025
Acquisition costs	181
	<hr/>
	3,206
	<hr/>
	<hr/>
Net cash (outflows)/ inflows in respect of the acquisition comprised:	£'000
Cash consideration	(3,025)
Cash at bank and in hand acquired	352
Acquisition costs	(181)
	<hr/>
	(2,854)
	<hr/>

Metroline plc

Notes to the accounts Period ended 31 December 2004

14. Acquisition of subsidiary undertakings (continued)

F.E. Thorpe & Sons Limited earned a profit after tax of £373,000 in the 13 months ended 31 December 2004 (year ended 30 November 2003 £86,000), of which £164,000 arose in the period from 1 December 2003 to 1 August 2004. The summarised profit and loss account for the period from 1 December 2003 to 1 August 2004, shown on the basis of the accounting policies of F.E. Thorpe and Sons Limited prior to the acquisition are as follows:

	£'000
Profit and loss account	
Turnover	6,460
Operating profit	182
Profit before tax	164
Tax on profit on ordinary activities	-
	<hr/>
Profit for the financial period	164
	<hr/>

On 18 November 2004 the group acquired 100% of the issued share capital of E.H. Mundy Holdings Limited for £4,115,000.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £'000	Revaluation £'000	Fair value to group £'000
Tangible fixed assets	3,246	(372)	2,874
Stocks	139	(47)	92
Debtors	1,607	-	1,607
Cash	4	-	4
	<hr/>	<hr/>	<hr/>
Total assets	4,996	(419)	4,577
Liabilities	(5,954)	-	(5,954)
	<hr/>	<hr/>	<hr/>
Net liabilities	(958)	(419)	(1,377)
Goodwill			5,492
			<hr/>
			4,115
			<hr/>
Satisfied by:			
Cash			4,000
Acquisition costs			115
			<hr/>
			4,115
			<hr/>

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

14. Acquisition of subsidiary undertakings (continued)

Details of the fair value adjustments are as follows:

	£'000
Net cash (outflows)/ inflows in respect of the acquisition comprised:	
Cash consideration	(4,000)
Cash at bank and in hand acquired	4
Bank overdraft acquired	(488)
Acquisition costs	(115)
	<u>(4,599)</u>

The E.H. Mundy group suffered a loss after tax of £2,265,000 in the year ended 31 December 2004 (year ended 31 December 2003 profit - £591,000), of which £1,898,000 arose in the period from 1 January 2004 to 18 November 2004. The summarised profit and loss account for the period from 1 January 2004 to 18 November 2004, shown on the basis of the accounting policies of E.H Mundy Holdings Limited prior to the acquisition are as follows:

	£'000
Profit and loss account	
Turnover	12,663
Operating loss	(1,748)
Loss before tax	(1,898)
Tax on loss on ordinary activities	-
Loss for the financial period	<u>(1,898)</u>

Metroline plc

Notes to the accounts Period ended 31 December 2004

15. Stocks

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bus maintenance stocks	1,224	874	-	-
Fuel stocks	422	337	-	-
	<u>1,646</u>	<u>1,211</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.

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

16. Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	3,801	2,139	-	-
Amounts owed by group undertakings	-	-	13,621	13,813
Amounts owed by fellow subsidiaries	-	53	-	-
Value added tax	1,480	1,836	-	-
Fuel duty rebate	2,555	1,490	-	-
Other debtors	1,230	1,124	15	-
Prepayments and accrued income	7,108	5,260	135	183
	<u>16,174</u>	<u>11,902</u>	<u>13,771</u>	<u>13,996</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans and overdraft	-	-	76	-
Obligations under finance leases and hire purchase contracts (note 19)	10,230	11,462	96	111
Trade creditors	4,204	5,381	-	-
Amounts owed to group undertakings	21,591	3,619	10,178	5,807
Corporation tax	2,241	-	-	-
Other taxes and social security costs	2,891	1,584	-	-
Accruals and deferred income	10,837	10,667	277	511
	<u>51,994</u>	<u>32,713</u>	<u>10,627</u>	<u>6,429</u>

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	-	185	791	233
Obligations under finance leases and hire purchase contracts (note 19)	32,002	36,346	326	418
	<u>32,002</u>	<u>36,531</u>	<u>1,117</u>	<u>651</u>

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

19. Obligations due under finance leases and hire purchases contracts

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts payable:				
Within one year	10,230	11,462	96	111
Within one to two years	9,125	9,487	102	95
Within two to five years	16,684	21,044	224	323
In more than five years	6,193	5,815	-	-
	<u>42,232</u>	<u>47,808</u>	<u>422</u>	<u>529</u>

Obligations under finance lease and hire purchase contracts are secured over tangible fixed assets with a net book value of £59,610,000 (£64,144,000).

20. Operating lease commitments

	2004		2003	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Group				
Leases which expire:				
Within one year	95	286	270	27
Between one and five years	745	5,518	428	2,899
In five years or more	954	-	954	-
	<u>1,794</u>	<u>5,804</u>	<u>1,652</u>	<u>2,926</u>

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

21. Provisions for liabilities and charges

	Deferred taxation £'000	Insurance provision £'000	Total £'000
At 27 December 2003	10,450	6,494	16,944
Utilisation of provision	-	(3,887)	(3,887)
Acquisition of subsidiary undertaking	-	1,831	1,831
Charged for the profit and loss account	812	5,305	6,117
Disposal of subsidiary undertaking	(31)	-	(31)
At 31 December 2004	11,231	9,743	20,974

The group 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 financial impact of the expected resolution of any outstanding claims on the basis of all information currently available, on a prudent and 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 a maximum unprovided loss of £6,839,000 (2003: £4,949,000), which is the unprovided amount that the company may be called upon to pay to meet claims in excess of these already provided up to the maximum aggregate amount payable.

	Group		Company	
Deferred taxation	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Capital allowances in advance of depreciation	11,653	10,773	66	15
Other timing differences	(372)	(323)	-	-
Revenue losses	(50)	-	-	-
	11,231	10,450	66	15

Reconciliation of movement in deferred taxation provision

Balance at beginning of period	10,450	9,080	15	-
Capital allowances in advance of depreciation	911	1,457	51	15
Other timing differences	(99)	(87)	-	-
Disposal of subsidiary undertaking	(31)	-	-	-
Balance at end of period	11,231	10,450	66	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.

Metroline plc

Notes to the accounts Period ended 31 December 2004

22. Called up share capital

	2004		2003	
	No. '000	£'000	No. '000	£'000
Authorised:				
Ordinary shares of 5p each	310,500	15,525	310,500	15,525
Called up, allotted and fully paid:				
Ordinary shares of 5p each	300,040	15,002	300,040	15,002

23. 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 27 December 2003	15,002	24,272	100	905	(21,453)	18,826
Profit for the period	-	-	-	-	7,202	7,202
Foreign exchange differences on the translation of investments in foreign subsidiaries	-	-	-	-	(1)	(1)
Proposed dividend	-	-	-	-	(3,300)	(3,300)
At 31 December 2004	15,002	24,272	100	905	(17,552)	22,727

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 27 December 2003	15,002	24,272	100	14,858	54,232
Loss for the period	-	-	-	(8,473)	(8,473)
At 31 December 2004	15,002	24,272	100	6,385	45,759

24. Contingent liabilities and capital commitments

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 (2003 - £nil). The company has guaranteed certain hire purchase and insurance liabilities of Metroline Travel Limited, which amounted to £51.7 million at the period end (2003 - £54.6 million).

Amounts contracted for but not provided in the accounts amounted to £1,504,000 (2003: £10,074,000).

Metroline plc

Notes to the accounts

Period ended 31 December 2004

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 contribution of £13,000 per month.

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. A valuation update was carried out on 30 November 2003 and indicated that the scheme had a funding deficit of £4.3m. This was based on an estimated market value of the scheme's assets at 30 November 2003 of £9.6m. 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 69%. The company 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 on average from 31 March 2002. This will be reviewed at the formal valuation due as at 31 March 2005.

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 6.75% p.a. before retirement, 5.75% p.a. after retirement, that pension increases would average 2.6% p.a. (in line with price inflation) and that pensionable pay increases would average 1.0% p.a. above price inflation.

The pensions charge for 2004 is £1,313,000 (2003 - £893,000), which includes £428,000 (2003 - £57,000) in respect of the amortisation of experience deficits that are being recognised over 10 years, the estimated average remaining service lives of employees.

There is a provision in the balance sheet of £969,000 at 31 December 2004 (26 December 2003 - £604,000) 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 period.

(i) Consolidated Balance sheet presentation

	2004	2003
	£'000	£'000
Net assets excluding pension liability	23,696	19,430
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(4,596)	(4,609)
Net assets including pension liability	<u>19,100</u>	<u>14,821</u>
	2004	2003
	£'000	£'000
Profit and loss reserve excluding pension deficit	(15,626)	(20,849)
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(4,596)	(4,609)
Profit and loss reserve including pension deficit	<u>(20,222)</u>	<u>(25,458)</u>

Metroline plc

Notes to the accounts

Period ended 31 December 2004

25. Pension commitments (continued)

(ii) Composition of the scheme

Assets and liabilities have been valued at 31 December 2004 (26 December 2003) 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):

	2004 % p.a.	2003 % p.a.
Rate of increase in salaries	3.60	3.60*
Rate of increase of pensions in payment	2.60	2.60
Rate of increase in deferred pensions	2.60	2.60
Discount rate	5.40	5.40
Inflation assumption	2.60	2.60

* 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:

	2004		2003		2002	
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	6.60	11,059	6.80	9,842	6.50	7,029
Bonds	4.60	818	4.80	2	4.50	58
Total market value of assets		11,877		9,844		7,087
Present value of scheme liability		(18,443)		(16,429)		(12,150)
Deficit in scheme		(6,566)		(6,585)		(5,063)
Related deferred tax asset		1,970		1,976		1,519
Net pension liability		<u>(4,596)</u>		<u>(4,609)</u>		<u>(3,544)</u>

(iii) Analysis of the amount charged to operating profit

	2004 £'000	2003 £'000
Service cost	1,005	873
Total operating charge	<u>1,005</u>	<u>873</u>

Metroline plc

Notes to the accounts

Period ended 31 December 2004

25. Pension commitments (continued)

(iv) Analysis of net return on pension scheme

	2004 £'000	2003 £'000
Expected return on pension scheme assets	706	512
Interest on pension scheme liabilities	(918)	(711)
Net return	(212)	(199)

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

	2004 £'000	2003 £'000
Actual return less expected return on assets	252	1,202
Experience gains and losses on liabilities	36	(1,157)
Changes in assumptions	-	(1,536)
Net gain/(loss) recognised	288	(1,491)

(vi) Movement in deficit during the period

	2004 £'000	2003 £'000
Deficit in scheme at beginning of the period	(6,585)	(5,063)
Movement in period:		
Current service cost	(1,005)	(873)
Contributions	948	1,041
Net interest cost	(212)	(199)
Actuarial loss	288	(1,491)
Deficit in scheme at period end	(6,566)	(6,585)

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

	2004		2003		2002	
	%	£'000	%	£'000	%	£'000
Difference between expected and actual return on scheme assets		252		1,202		(2,647)
Percentage of scheme's assets	2		12		37	
Experience loss on scheme liabilities		36		(1,157)		(310)
Percentage of scheme's liabilities	0		7		3	
Total amount recognised in statement of total recognised gains and losses		288		(1,491)		(3,147)
Percentage of scheme's liabilities	2		9		26	

Metroline plc

Notes to the accounts Period ended 31 December 2004

25. Pension commitments (continued)

Metroline London Northern Limited

The company operates a contracted out final salary plan defined benefit pension scheme for its employees. The scheme is closed to new entrants. Members contribute at a rate of 5% of pensionable pay, and the company contributes at a rate of 13.3% of pensionable pay (excluding administration costs), plus a fixed contribution of £10,400 per month.

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. A valuation update was carried out on 30 November 2003 and indicated that the scheme had a funding deficit of £3.6m. This was based on an estimated market value of the scheme's assets at 30 November 2003 of £11.4m. 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 76%. The company 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 on average from 5 April 2002. This will be reviewed at the formal valuation due as at 5 April 2005.

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 6.75% p.a. before retirement, 5.75% after retirement, that pension increases would average 2.6% 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 averaging 7% per annum over 3 years from April 2003.

The pensions charge for 2004 is £1,059,000 (2003 - £886,000), which includes £350,000 (2003 - £105,000) in respect of the amortisation of experience deficits that are being recognised over 12.5 years, the estimated average remaining service lives of employees.

There is a provision in the balance sheet of £213,000 at 31 December 2004 (26 December 2003 – prepayment of £36,000) 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 period.

(i) Consolidated Balance sheet presentation

	2004 £'000	2003 £'000
Net assets excluding pension deficit	22,940	18,790
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(4,570)	(5,045)
Net assets including pension deficit	18,370	13,745
Profit and loss reserve excluding pension deficit	(16,382)	(21,489)
Amount relating to defined benefit pension scheme deficit, net of related deferred tax	(4,570)	(5,045)
Profit and loss reserve including pension deficit	(20,952)	(26,534)

Metroline plc

Notes to the accounts Period ended 31 December 2004

25. Pension commitments (continued)

(ii) Composition of the scheme

Assets and liabilities have been valued at 31 December 2004 (26 December 2003) 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):

	2004 % p.a.	2003 % p.a.
Rate of increase in salaries	3.60*	3.60*
Rate of increase of pensions in payment	2.60	2.60
Rate of increase in deferred pensions	2.60	2.60
Discount rate	5.40	5.40
Inflation assumption	2.60	2.60

* 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:

	2004		2003		2002	
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	6.60	9,913	6.80	8,745	6.50	6,693
Bonds	4.60	3,514	4.80	2,123	4.50	1,677
Property	6.60	220	6.80	188	6.50	292
Total market value of assets		13,647		11,056		8,662
Actuarial value of liability		(20,175)		(18,263)		(13,460)
Deficit in scheme		(6,528)		(7,207)		(4,798)
Related deferred tax asset		1,958		2,162		1,439
Net pension liability		(4,570)		(5,045)		(3,359)

Metroline plc

Notes to the accounts **Period ended 31 December 2004**

25. Pension commitments (continued)

(iii) Analysis of the amount charged to operating profit

	2004	2003
	£'000	£'000
Service cost	840	710
Total operating charge	840	710

(iv) Analysis of net return on pension scheme

	2004	2003
	£'000	£'000
Expected return on pension scheme assets	739	593
Interest on pension scheme liabilities	(1,012)	(780)
Net return	(273)	(187)

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

	2004	2003
	£'000	£'000
Actual return less expected return on assets	929	621
Experience gains and losses on liabilities	53	(1,289)
Changes in assumptions	-	(1,838)
Net gain/(loss) recognised	982	(2,506)

(vi) Movement in deficit during the period

	2004	2003
	£'000	£'000
Deficit in scheme at beginning of the period	(7,207)	(4,798)
Movement in period:		
Current service cost	(840)	(710)
Contributions	810	994
Net return on assets	(273)	(187)
Actuarial loss	982	(2,506)
Deficit in scheme at period end	(6,528)	(7,207)

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.

Metroline plc

Notes to the accounts Period ended 31 December 2004

25. Pension commitments (continued)

(vii) History of experience gains and losses

	2004		2003		2002	
	%	£'000	%	£'000	%	£'000
Difference between expected and actual return on scheme assets		929		621		(2,554)
Percentage of scheme's assets	7		6		29	
Experience loss on scheme liabilities		53		(1,289)		(1,297)
Percentage of scheme's liabilities	0		7		10	
Total amount recognised in statement of total recognised gains and losses		982		(2,506)		(4,086)
Percentage of scheme's liabilities	5		14		30	

Defined contribution scheme

The group operates a number of money purchase schemes. The charge for these schemes in 2004 is £475,000 (2003: £169,000). The contributions outstanding at the period end amounted to £nil (2003: £50,000).

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 Great Britain and ComfortDelGro Corporation Limited, a company incorporated in Singapore, respectively.

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.