

Metroline Holdings Limited

Registered No. 2826284

DIRECTORS

D G O'Farrell (Chairman)
J Golledge
M J Smith
G Tennant
C J Harper

SECRETARY

J Golledge

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

Société Générale
Exchange House
Primrose Street
London EC2A 2HT

National Westminster Bank Plc
1 Princes Street
London EC2R 8PH

REGISTERED OFFICE

118 - 122 College Road
Harrow
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HA1 1DB

ERNST & YOUNG



Metroline Holdings Limited

DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 11 October 1996.

BUSINESS REVIEW

The group's principal activity continues to be the provision of road passenger transport services within the Greater London area.

FINANCIAL RESULTS

The profit for the year was £3,009,000 (1995 - £1,678,000) before taxation. The directors paid an interim preference dividend of £11,766 (1995 - £7,003) and recommend a further interim preference dividend of £nil (1995 - £2,400). For details of the reserve movements in the year, see note 20 to the accounts.

FIXED ASSETS

The significant changes in tangible fixed assets during the year arose principally from additions to buses.

Details of fixed assets are in note 9 and note 10 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year and their interests in the share capital of the company were as follows:

		<i>At 11 October 1996</i>	<i>At 13 October 1995</i>
D G O'Farrell	C ordinary shares of 0.2 pence each	110,400	110,400
	Deferred shares of 0.1 pence each	2,000	2,000
J Golledge	C ordinary shares of 0.2 pence each	55,200	55,200
	Deferred shares of 0.1 pence each	1,000	1,000
M J Smith	C ordinary shares of 0.2 pence each	55,200	55,200
	Deferred shares of 0.1 pence each	1,000	1,000
G Tennant	C ordinary shares of 0.2 pence each	55,200	55,200
	Deferred shares of 0.1 pence each	1,000	1,000
C J Harper		—	—
P Simpson	(appointed 10 September 1996, resigned 5 March 1997)	—	—

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations were made during the year.

HEALTH AND SAFETY

The health, safety and welfare of its employees and passengers is of the utmost importance to the group. Audits of safety performance were frequently undertaken during the year. Full support was given to joint consultation and employee participation on safety matters.

DISABLED EMPLOYEES

The group 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 group continues and where necessary appropriate training is arranged. It is the group policy that training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees in similar gradings.

DIRECTORS' REPORT

EMPLOYEE CONSULTATION

The directors and managers of the group 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.

AUDITORS

A resolution proposing the reappointment of Ernst & Young will be submitted at the Annual General Meeting.

By order of the board

J Golledge
Secretary

29 May 1997

Metroline Holdings Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

REPORT OF THE AUDITORS
to the members of Metroline Holdings Limited

We have audited the accounts on pages 6 to 24, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

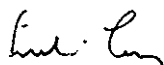
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 11 October 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'L. L.', written in a cursive style.

Ernst & Young
Chartered Accountants
Registered Auditor
London

29 May 1997

Metroline Holdings Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 11 October 1996

		<i>Year ended 11 October 1996 £000</i>	<i>Period ended 13 October 1995 £000</i>
	<i>Notes</i>		
TURNOVER	2	37,097	32,553
Cost of sales:			
Other cost of sales		26,093	23,564
Exceptional item	9	524	—
		26,617	23,564
GROSS PROFIT		10,480	8,989
Administrative expenses		5,439	5,298
OPERATING PROFIT		5,041	3,691
Profit/(loss) on disposal of tangible fixed assets		8	(3)
		5,049	3,688
Other interest receivable and similar income	3	112	115
Interest payable and similar charges	3	(2,152)	(2,125)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,009	1,678
Tax on profit on ordinary activities	6	1,001	169
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,008	1,509
Preference dividends on non-equity shares	8	12	9
OTHER APPROPRIATIONS: non-equity shares	8	273	284
RETAINED PROFIT FOR THE YEAR	20	1,723	1,216

Metroline Holdings Limited

GROUP STATEMENT OF RECOGNISED GAINS AND LOSS

for the year ended 11 October 1996

	<i>Year ended 11 October 1996 £000</i>	<i>Period ended 13 October 1995 £000</i>
Profit for the year/period	2,008	1,509
Unrealised surplus on revaluation of freehold land	905	—
Total recognised gains and losses for the year	<u>2,913</u>	<u>1,509</u>

Metroline Holdings Limited

BALANCE SHEETS

at 11 October 1996

		<i>Group</i>		<i>Company</i>	
		<i>11 October</i>	<i>13 October</i>	<i>11 October</i>	<i>13 October</i>
		<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
FIXED ASSETS					
Tangible assets	9	15,350	14,369	—	—
Investments	10	100	100	14,434	14,434
		<u>15,450</u>	<u>14,469</u>	<u>14,434</u>	<u>14,434</u>
CURRENT ASSETS					
Stocks	11	388	337	—	—
Debtors	12	4,775	3,756	1,054	1,101
Cash at bank and in hand	13	1,809	2,347	—	—
		<u>6,972</u>	<u>6,440</u>	<u>1,054</u>	<u>1,101</u>
CREDITORS: amounts falling due within one year	14	<u>10,275</u>	<u>8,510</u>	<u>9,525</u>	<u>6,404</u>
NET CURRENT LIABILITIES		<u>(3,303)</u>	<u>(2,070)</u>	<u>(8,471)</u>	<u>(5,303)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,147</u>	<u>12,399</u>	<u>5,963</u>	<u>9,131</u>
CREDITORS: amounts falling due after more than one year	15	<u>14,274</u>	<u>17,251</u>	<u>3,050</u>	<u>7,020</u>
		<u>(2,127)</u>	<u>(4,852)</u>	<u>2,913</u>	<u>2,111</u>
CAPITAL AND RESERVES					
Called up share capital	19	71	101	71	101
Share premium account	20	298	298	298	298
Capital redemption reserve	20	30	—	30	—
Revaluation reserve	20	905	—	—	—
Goodwill write off reserve	20	—	(6,751)	—	—
Profit and loss account	20	(3,431)	1,500	2,514	1,712
		<u>(2,608)</u>	<u>(5,236)</u>	<u>2,432</u>	<u>1,727</u>
Shareholders' funds:		<u>481</u>	<u>384</u>	<u>481</u>	<u>384</u>
Equity		<u>(2,127)</u>	<u>(4,852)</u>	<u>2,913</u>	<u>2,111</u>
Non-equity		<u>2,127</u>	<u>(4,852)</u>	<u>2,913</u>	<u>2,111</u>

The accounts were approved by the board of directors on 29 May and were signed on its behalf by:



D G O'Farrell

Director

29 May 1997

Metroline Holdings Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 11 October 1996

		<i>Year ended</i> <i>11 October</i> 1996 £000	<i>Period ended</i> <i>13 October</i> 1995 £000
	<i>Notes</i>		
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3(b)	7,660	(872)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(1,952)	(1,710)
Interest received		112	115
Dividends paid - preference shares		(12)	(9)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,852)	(1,604)
TAXATION			
Corporation tax paid		(106)	(35)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(97)	(413)
Proceeds from sale of tangible fixed assets		276	-
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		179	(413)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings		-	(14,434)
Cash balances acquired within subsidiary undertakings		-	646
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		-	(13,788)
FINANCING			
Issue of ordinary share capital		-	399
Proceeds from new borrowings		-	10,000
Issue costs of new borrowings		-	(255)
Repayment of bank loan		(4,250)	(1,600)
Repayment of loan notes 2000/2002		(1,020)	-
Proceeds from sale and leaseback of assets		-	10,506
Capital element of finance lease rental payments		(1,349)	-
Payments to redeem preference shares - nominal amount		(30)	-
- premium		(146)	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(6,795)	19,050
(DECREASE)/INCREASE IN CASH FOR THE YEAR/PERIOD	13	(914)	2,338

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention, modified where appropriate to incorporate the professional valuation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Metroline Holdings Limited and all its subsidiary undertakings drawn up to 11 October 1996. No profit and loss account is presented for Metroline Holdings Limited as permitted by section 230 of the Companies Act 1985.

All subsidiaries have been included in the group accounts using the acquisition method of accounting.

Goodwill

Depending on the circumstances of each acquisition, purchased and consolidated goodwill is either set off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation. Freehold land has been subsequently revalued as at 11 October 1996. Depreciation is provided on the straight line basis over the estimated useful lives of the assets as follows:

Freehold buildings	-	10 years
Plant and equipment	-	range from 1 to 10 years
Buses	-	range from 3 to 17 years

Freehold land is not depreciated.

Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, 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.

Stocks

Stocks consist primarily of materials required for the operation and maintenance of buses. These materials are valued at the lower of cost and net realisable value to the company.

Pensions

The company operates a defined benefit pension scheme, the assets of which are held in trustee administered funds.

The group's pension costs are assessed in accordance with the advice of a qualified actuary on the basis of final pensionable earnings.

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

2. TURNOVER AND PROFIT BEFORE TAXATION

The group's turnover, which is stated net of value added tax, and profit before taxation derive from the provision of road passenger transport services in and from the Greater London area.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging/(crediting):

	<i>Year ended 11 October 1996 £000</i>	<i>Period ended 13 October 1995 £000</i>
Auditors' remuneration - audit	44	39
- non-audit services	70	16
Hire rentals under operating leases	284	57
Depreciation - owned assets	280	245
- assets held under leases and hire purchase contracts	2,364	1,708
Interest receivable:		
- Bank interest receivable	(112)	(115)
Interest payable:		
- Loan stock interest payable	366	416
- Loan interest payable	542	565
- Finance lease and hire purchase interest payable	1,074	1,037
- Amortisation of issue costs	133	42
- Bank charges payable	37	65
	<u> </u>	<u> </u>

During 1995 the company's auditors provided other services in connection with the acquisitions, the remuneration for which amounted to £225,500. These amounts were capitalised under cost of investments.

The amortisation of issue costs in interest payable above, was previously charged to administrative expenses.

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

(b) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities.

	<i>Year ended</i> <i>11 October</i> <i>1996</i> <i>£000</i>	<i>Period ended</i> <i>13 October</i> <i>1995</i> <i>£000</i>
Operating profit	5,041	3,691
Depreciation charge	2,644	1,953
(Increase)/decrease in stocks	(51)	19
Increase in debtors	(1,019)	(391)
Increase/(decrease) in creditors	1,045	(6,144)
Net cash inflow/(outflow) from operating activities	<u>7,660</u>	<u>(872)</u>

(c) Reconciliation of net cash flow to movement in net debt.

	<i>Year ended</i> <i>11 October</i> <i>1996</i> <i>£000</i>	<i>Period ended</i> <i>13 October</i> <i>1995</i> <i>£000</i>
(Decrease)/increase in cash in the period	(914)	2,338
Proceeds from new borrowings	–	(10,000)
Cash outflow from bank loan repayments	4,250	1,600
Cash outflow from repayment of loan notes 2000/2002	1,020	–
Proceeds from sale and leaseback of assets	–	(10,506)
Capital element of finance lease rental payments	1,349	–
Change in net debt resulting from cash flows	<u>5,705</u>	<u>(16,568)</u>
Loan and finance leases acquired with subsidiaries	–	(397)
New finance leases	(2,891)	(596)
Capitalisation of issue costs	–	255
Amortisation of issue costs	(133)	(42)
Movement in net debt in the period	<u>2,681</u>	<u>(17,348)</u>
Opening net debt (note 3(d))	(17,348)	–
Closing net debt (note 3(d))	<u>(14,667)</u>	<u>(17,348)</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

(d) Analysis of net debt.

	<i>At 1 October</i>	<i>Cash flow</i>	<i>Acquisitions excluding cash and overdrafts</i>	<i>Other non-cash changes</i>	<i>At 13 October</i>
	<i>1994</i>				<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	—	2,347			2,347
Overdrafts	—	(9)			(9)
	<u>—</u>	<u>2,338</u>			<u>2,338</u>
Debt due after 1 year	—	(7,233)	—	213	(7,020)
Debt due within 1 year	—	(1,167)	—	—	(1,167)
Finance leases	—	(10,506)	(397)	(596)	(11,499)
Total	<u>—</u>	<u>(16,568)</u>	<u>(397)</u>	<u>(383)</u>	<u>(17,348)</u>

	<i>At 14 October</i>	<i>Cash flow</i>	<i>Other non-cash changes</i>	<i>At 11 October</i>
	<i>1995</i>			<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	2,347	(538)		1,809
Overdrafts	(9)	(376)		(385)
	<u>2,338</u>	<u>(914)</u>		<u>1,424</u>
Debt due after one year	(7,020)	4,103	(133)	(3,050)
Debt due within one year	(1,167)	1,167	—	—
Finance leases	(11,499)	1,349	(2,891)	(13,041)
Total	<u>(17,348)</u>	<u>5,705</u>	<u>(3,024)</u>	<u>(14,667)</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

4. DIRECTORS' EMOLUMENTS

	<i>Year ended</i> <i>11 October</i> <i>1996</i> <i>£000</i>	<i>Period ended</i> <i>13 October</i> <i>1995</i> <i>£000</i>
Fees	7	—
Other emoluments (including pension contributions)	320	277
Payments to third parties for the services of a director	10	10
	<u>337</u>	<u>287</u>

The directors received emoluments as executives including salaries, benefits in kind and excluding pension contributions, as follows:

	<i>Year ended</i> <i>11 October</i> <i>1996</i> <i>No.</i>	<i>Period ended</i> <i>13 October</i> <i>1995</i> <i>No.</i>
£5,001 - £10,000	1	1
£10,001 - £15,000	1	—
£15,001 - £20,000	1	3
£20,001 - £25,000	1	—
£25,001 - £30,000	1	—
£30,001 - £35,000	—	1
£35,001 - £40,000	1	—

The emoluments, excluding pension contributions, of the chairman (who was also the highest paid director) were £96,453 (1995 - £81,961).

5. STAFF COSTS

Staff costs during the year were as follows:

	<i>Year ended</i> <i>11 October</i> <i>1996</i> <i>£000</i>	<i>Period ended</i> <i>13 October</i> <i>1995</i> <i>£000</i>
Wages and salaries	16,549	16,108
Social security costs	1,359	1,281
Other pension costs	802	800
Redundancy payments	48	280
	<u>18,758</u>	<u>18,469</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

5. STAFF COSTS (continued)

The average weekly number of persons, including directors, employed by the group during the year was as follows:

	<i>Year ended 11 October 1996 No.</i>	<i>Period ended 13 October 1995 No.</i>
Traffic operations	1,098	1,022
Engineering and maintenance	97	119
Administration	52	41
	<u>1,247</u>	<u>1,182</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>Year ended 11 October 1996 £000</i>	<i>Period ended 13 October 1995 £000</i>
Based on the profit for the year:		
Corporation tax at 33% (1995 - 33%)	1,001	92
Under provided in prior years	—	77
	<u>1,001</u>	<u>169</u>

7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £990,000 (1995 - £1,721,000).

8. DIVIDENDS AND OTHER APPROPRIATIONS

	<i>Year ended 11 October 1996 £000</i>	<i>Period ended 13 October 1995 £000</i>
Non-equity dividends on preference shares:		
Interim paid	<u>12</u>	<u>9</u>
Other non-equity appropriations:		
Amortisation of redemption premium on preference shares	<u>273</u>	<u>284</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

9. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Buses</i> <i>£000</i>	<i>Freehold</i> <i>land</i> <i>£000</i>	<i>Freehold</i> <i>buildings</i> <i>£000</i>	<i>Plant and</i> <i>equipment</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost or valuation:					
At 14 October 1995	23,188	1,775	431	1,636	27,030
Additions	2,965	—	4	19	2,988
Disposals	(504)	—	(2)	(54)	(560)
Surplus on revaluation	—	905	—	—	905
At 11 October 1996	25,649	2,680	433	1,601	30,363
Depreciation:					
At 14 October 1995	11,511	—	84	1,066	12,661
Charge for the year	2,465	—	45	134	2,644
Disposals	(230)	—	(2)	(60)	(292)
At 11 October 1996	13,746	—	127	1,140	15,013
Net book value:					
At 11 October 1996	11,903	2,680	306	461	15,350
At 14 October 1995	11,677	1,775	347	570	14,369

The freehold properties, being the aggregate of freehold land and freehold buildings, were valued at £3.5m by external valuers, Healey & Baker International Real Estate Consultants, 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 from Healey & Baker the directors have assigned a value of £2,680,000 to the freehold land.

The surplus in excess of the previous net book value of £1,775,000 has been recognised in the accounts.

The directors feel it would be imprudent to account for the surplus arising on the buildings at this time as they are of the belief that the Existing Use value of the buildings does not exceed the book value included in the accounts.

On 3 December 1993, the 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).

Exceptional item

Included in the depreciation charge for the year is an amount of £524,000, which represents the directors' estimate of the permanent diminution in value of certain single decker buses.

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

9. TANGIBLE FIXED ASSETS (continued)

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

	<i>11 October 1996 £000</i>	<i>13 October 1995 £000</i>
Cost or valuation	25,104	22,720
Accumulated depreciation	13,700	11,499
Net book value	<u>11,404</u>	<u>11,221</u>

10. INVESTMENTS

	<i>11 October 1996 £000</i>	<i>13 October 1995 £000</i>
<i>Group - trade investment</i>		
Cost	<u>100</u>	<u>100</u>

The trade investment represents the group's 10% holding in the ordinary share capital of Routemaster Reinsurance Limited, a company incorporated in the Republic of Ireland.

	<i>11 October 1996 £000</i>	<i>13 October 1995 £000</i>
<i>Company - subsidiary undertakings</i>		
Cost and net book value	<u>14,434</u>	<u>14,434</u>

Details of the company's subsidiary undertakings are as follows:

<i>Name of company</i>	<i>Country of registration and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
All held by the company unless otherwise indicated.				
Metroline Travel Limited	England and Wales	Ordinary shares	100%	Bus operator
Atlas Bus and Coach Limited	England and Wales	Ordinary shares	100%	Bus operator (Dormant at year end)
Brents Travel Group Limited	England and Wales	Ordinary shares	100%	Coach hire (Dormant at year end)

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

10. INVESTMENTS (continued)

<i>Name of company</i>	<i>Country of registration and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
*Brents Luxury Coach Hire Limited	England and Wales	Ordinary shares	100%	Coach hire and operators of coach tours
*Brents Travel Services Limited	England and Wales	Ordinary shares	100%	Operator of coach tours and excursions (Dormant at year end)

* Shares are held by Brents Travel Group Limited.

11. STOCKS

	<i>Group</i>		<i>Company</i>	
	<i>11 October 1996</i>	<i>13 October 1995</i>	<i>11 October 1996</i>	<i>13 October 1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bus maintenance stocks	247	211	—	—
Fuel and lubricants	141	126	—	—
	<u>388</u>	<u>337</u>	<u>—</u>	<u>—</u>

12. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>11 October 1996</i>	<i>13 October 1995</i>	<i>11 October 1996</i>	<i>13 October 1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	3,207	2,725	—	—
Amounts due from subsidiary undertakings	—	—	476	517
Value added tax	783	288	—	—
Fuel duty rebate	67	252	—	—
Other debtors	122	74	27	6
Prepayments and accrued income	596	417	8	8
Corporation tax - group relief	—	—	543	570
	<u>4,775</u>	<u>3,756</u>	<u>1,054</u>	<u>1,101</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

13. CASH AND CASH EQUIVALENTS

	<i>11 October</i> <i>1996</i> <i>£000</i>	<i>13 October</i> <i>1995</i> <i>£000</i>	<i>Movement</i> <i>in year</i> <i>£000</i>
<i>Group</i>			
Cash at bank and in hand	1,809	2,347	(538)
Bank overdraft	(385)	(9)	(376)
	<u>1,424</u>	<u>2,338</u>	<u>(914)</u>
	<i>13 October</i> <i>1995</i> <i>£000</i>	<i>1 October</i> <i>1994</i> <i>£000</i>	<i>Movement</i> <i>in period</i> <i>£000</i>
Cash at bank and in hand	2,347	–	2,347
Bank overdraft	(9)	–	(9)
	<u>2,338</u>	<u>–</u>	<u>2,338</u>

The bank overdraft is guaranteed under a Composite Cross Guarantee Structure entered into with the bankers to include Metroline Holdings Limited and all its trading subsidiaries. The bank accrues interest and charges based on the net balance held or owed.

14. CREDITORS: amounts falling due within one year

	<i>11 October</i> <i>1996</i> <i>£000</i>	<i>Group</i> <i>13 October</i> <i>1995</i> <i>£000</i>	<i>11 October</i> <i>1996</i> <i>£000</i>	<i>Company</i> <i>13 October</i> <i>1995</i> <i>£000</i>
Bank loans (note 17)	–	1,167	–	1,167
Bank overdraft (note 13)	385	9	261	–
Obligations under finance leases and hire purchase contracts (note 18)	1,817	1,268	–	–
Trade creditors	1,482	1,806	–	–
Amounts due to subsidiary undertaking	–	–	8,845	4,898
Current corporation tax	1,070	169	21	–
Other taxation and social security	599	631	–	–
Other creditors	646	429	–	–
Accruals and deferred income	4,276	3,031	398	339
	<u>10,275</u>	<u>8,510</u>	<u>9,525</u>	<u>6,404</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

15. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>11 October</i>	<i>13 October</i>	<i>11 October</i>	<i>13 October</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan notes 2000/2002 (note 17)	2,380	3,400	2,380	3,400
Bank loans (note 17)	750	3,833	750	3,833
Obligations under finance leases and hire purchase contracts (note 18)	11,224	10,231	—	—
	<u>14,354</u>	<u>17,464</u>	<u>3,130</u>	<u>7,233</u>
Less unamortised issue costs	(80)	(213)	(80)	(213)
	<u>14,274</u>	<u>17,251</u>	<u>3,050</u>	<u>7,020</u>

16. DEFERRED TAXATION

No provision for deferred taxation is provided in these accounts (1995 - £nil) as no liabilities are expected to crystallise within the foreseeable future.

Deferred taxation not provided is as follows:

<i>Group</i>	<i>11 October</i>	<i>13 October</i>
	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	870	522
Other timing differences	(20)	(67)
	<u>850</u>	<u>455</u>
<i>Company</i>	<i>11 October</i>	<i>13 October</i>
	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	—	—
Other timing differences	—	(14)
	<u>—</u>	<u>(14)</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

17. LOANS

On 7 October 1994, an amount of £3,400,000 subordinated unsecured £1 loan notes 2000/2002 was issued. The loan notes carry interest at 12% per annum until redemption, payable quarterly. The loan note repayment shall be in conjunction with the redemption of the preference shares. During the year a repayment of £1,020,000 was made.

Bank loans represent the balance of a £6,600,000 six year bank term loan at a rate of interest determined by the bank to be the aggregate of a margin, LIBOR and the mandatory liquid asset costs. Repayments of this bank loan are at six monthly intervals and commenced on 30 September 1995. The quantum of such repayments is based in part on asset disposals and surplus cash flows. During the year a repayment of £4,250,000 (1995 - £1,600,000) was made.

	<i>Group</i>		<i>Company</i>	
	<i>11 October</i>	<i>13 October</i>	<i>11 October</i>	<i>13 October</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not wholly repayable within 5 years by instalment	2,380	2,828	2,380	2,828
Wholly repayable within 5 years	750	5,572	750	5,572
	<u>3,130</u>	<u>8,400</u>	<u>3,130</u>	<u>8,400</u>
Less issue costs	(80)	(213)	(80)	(213)
	<u>3,050</u>	<u>8,187</u>	<u>3,050</u>	<u>8,187</u>
Amounts due within 1 year	–	1,167	–	1,167
Amounts due after more than 1 year	3,050	7,020	3,050	7,020
	<u>3,050</u>	<u>8,187</u>	<u>3,050</u>	<u>8,187</u>

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

<i>Group</i>	<i>11 October</i>	<i>13 October</i>
	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
within one year	1,817	1,268
within two to five years	9,934	8,340
in more than five years	1,290	1,891
	<u>13,041</u>	<u>11,499</u>

Analysis of changes in finance leases and hire purchase contracts during the year:

	<i>£000</i>
At 1 October 1994	–
Inception of finance leases	11,102
Acquired as part of subsidiary undertaking	397
At 13 October 1995	<u>11,499</u>
Inception of finance leases	2,891
Capital element of finance lease rental payments	(1,349)
At 11 October 1996	<u>13,041</u>

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

19. SHARE CAPITAL

	<i>11 October 1996 No.</i>	<i>Authorised 13 October 1995 No.</i>
A ordinary shares of 0.1p each	526,000	526,000
B ordinary shares of 0.1p each	175,000	175,000
C ordinary shares of 0.2p each	276,000	276,000
D ordinary shares of 0.1p each	23,000	23,000
Unclassified shares of 0.1p each	50,000	50,000
Deferred shares of 0.1p each - non-equity	5,000	5,000
Preference shares of £1 each - non-equity	100,000	100,000
	<u> </u>	<u> </u>
	<i>Allotted, called up and fully paid</i>	
	<i>11 October 1996 £</i>	<i>13 October 1995 £</i>
A ordinary shares of 0.1p each	526	526
B ordinary shares of 0.1p each	175	175
C ordinary shares of 0.2p each	552	552
D ordinary shares of 0.1p each	23	23
Deferred shares of 0.1p each - non-equity	5	5
Preference shares of £1 each - non-equity	70,000	100,000
	<u> </u>	<u> </u>
	71,281	101,281

On 15 March 1996 the company redeemed 15,000 preference shares of £1 each at a premium of £4.1256 per share for total consideration of £76,884.

On 13 September 1996 the company redeemed a further 15,000 preference shares of £1 each at a premium of £5.6335 per share for total consideration of £99,502.

The preference shares shall confer upon the holders thereof as a class the right to priority payment in the event of a winding up of the company and the right in priority to any payment by way of dividend to the holders of any other shares to receive a preferential dividend. The gross preference dividend shall be an amount equal to 12% per annum payable by four equal instalments each year. Interest is payable on any overdue amounts. The preference shares shall be redeemed in tranches on 7 October 2000, 2001 and 2002 at a premium. Preference shareholders have no right to vote unless the preference dividend or any amount due on the subordinated loan stock is in arrears.

B ordinary shares rank ahead of any other shares (other than preference shares) to receive a participating dividend of an amount equal to the relevant percentage of the net profit for the financial year as set out in the Articles of Association, but not before 31 March 1999.

The balance of any profit after the redemption of the preference shares and the payment of the participating dividend and any arrears thereof, shall be distributed amongst the holders of the A ordinary shares, the B ordinary shares, the C ordinary shares and the D ordinary shares for which purpose the same constitute one class of stocks.

The deferred shares and unclassified shares have no right to income nor have any voting rights.

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

at 11 October 1996

19. SHARE CAPITAL (continued)

In the event of a sale or listing taking place certain conversion rights exist affecting the relative value of the B ordinary shares and the C ordinary shares.

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

<i>Group</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital redemption reserve</i>	<i>Revaluation reserve</i>	<i>Goodwill write off reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 October 1994	—	—	—	—	—	—	—
Profit for the period						1,216	1,216
Share capital issued	101						101
Share premium		298					298
Goodwill on acquisitions					(6,751)		(6,751)
Other appropriations added back						284	284
At 13 October 1995	101	298	—	—	(6,751)	1,500	(4,852)
Profit for the year						1,723	1,723
Surplus arising on revaluation of land				905			905
Preference share capital redeemed	(30)					(146)	(176)
Capital redemption reserve			30			(30)	—
Other appropriations added back						273	273
Transfer from profit and loss					6,751	(6,751)	—
At 11 October 1996	71	298	30	905	—	(3,431)	(2,127)

<i>Company</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 October 1994	—	—	—	—	—
Profit for the period				1,428	1,428
Share capital issued	101				101
Share premium		298			298
Other appropriations added back				284	284
At 13 October 1995	101	298	—	1,712	2,111
Profit for the year				705	705
Preference share capital redeemed	(30)			(146)	(176)
Capital redemption reserve			30	(30)	—
Other appropriations added back				273	273
At 11 October 1996	71	298	30	2,514	2,913

Metroline Holdings Limited

NOTES TO THE ACCOUNTS

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21. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £2,554,000 for the group and £nil for the company (1995 - £nil for both).

22. PENSION COMMITMENTS

The company has set up a new self-administered Metroline pension fund for existing employees of a subsidiary. The scheme is a final salary scheme. An actuarial valuation is due to be carried out by October 1997.

The amount owed to the scheme at 11 October 1996 amounted to £145,534 (13 October 1995 - £85,131).

23. OTHER COMMITMENTS

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

<i>Group</i>	<i>Land and Buildings</i>		<i>Other</i>	
	<i>11 October</i>	<i>13 October</i>	<i>11 October</i>	<i>13 October</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	182	25	51	67
within two to five years	99	110	193	117
over five years	—	100	—	—
	<u>281</u>	<u>235</u>	<u>244</u>	<u>184</u>

24. CONTINGENT LIABILITIES

On 7 October 1994 Metroline Travel Limited, a subsidiary, committed itself to a sale and leaseback (under a hire contract) of its fleet of buses. On that date the subsidiary granted a cross guarantee and indemnity in favour of Société Générale (in its capacity as security trustee for itself and Soc Gen Lease Limited) guaranteeing all group secured liabilities which, at 11 October 1996, were £10.2m (1995 - £15.5m). A debenture was also granted on the same date by the subsidiary, as a fixed and floating security for the payment and discharge of all or any obligations to any of the secured parties.