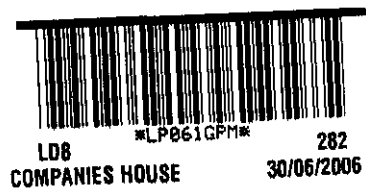


Year ended 31 December 2005

Metroline plc

Report and financial statements 2005

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 2005

Officers and professional advisers

Directors

Ong Boon Leong
Lim Jit Poh
Kua Hong Pak
Lim Hung Siang
J Singh
Kah Wah Lee (appointed 9 June 2005)

Secretary

David Donnelly (appointed 25 May 2005)

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 year ended 31 December 2005.

Principal activity and business review

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

Financial results and future prospects

The Group's results for the year are set out in the consolidated profit and loss account on page 6. The profit before taxation for the year was £12,785,000 (2004 - £12,046,000 (restated)). Dividends paid in the year were £3,660,000 (2004: £3,300,000).

The Group intends to continue the provision of road passenger transport services. Expansion is expected to continue through tendering for TFL routes as they become available.

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 year 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 £20 (2004 - £2,612).

No political donations were made during the year. (2004: nil).

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 year ended 31 December 2005 were 22 days (2004 - 37 days), calculated in accordance with the requirements set down in the Companies Act 1985. The company had no trade creditors at 31 December 2005 (2004 - nil).

Metroline plc

Directors' report (continued)

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

22ND JUNE 2006



Kua Hong Pak

Director

22ND JUNE 2006

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 group and individual company financial statements (the "financial statements") of Metroline plc for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual company balance sheets and the related notes 1 to 29. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 company'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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and individual company's affairs as at 31 December 2005 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

27 June

2006

Metroline plc

Consolidated profit and loss account Year ended 31 December 2005

	Note	Year ended 31 December 2005 £'000	Period ended 31 December 2004 £'000 (Restated)
Turnover	2	186,849	173,790
Cost of sales		(153,188)	(145,738)
Gross profit		33,661	28,052
Administrative expenses		(18,550)	(13,032)
Operating profit	5	15,111	15,020
Interest receivable and similar income	6	335	188
Interest payable and similar charges	7	(2,661)	(3,162)
Profit on ordinary activities before taxation		12,785	12,046
Tax on profit on ordinary activities	8	(2,991)	(5,012)
Profit on ordinary activities after taxation	22	9,794	7,034
Ordinary dividends paid	10,22	(3,660)	(3,300)
Retained profit for the year transferred to reserves	22	6,134	3,734

Prior year comparatives have been restated due to the first time adoption of FRS17 'Retirement Benefits'. Refer to note 23.

All results are derived from continuing operations.

Metroline plc

Consolidated statement of total recognised gains and losses **Year ended 31 December 2005**

	Note	Year ended 31 December 2005 £'000	Period ended 31 December 2004 £'000 (Restated)
Profit for the financial year		9,794	7,034
Net actuarial (loss)/gain on pension schemes net of deferred tax	25	(1,280)	889
Currency translation differences on foreign currency net investments		-	(1)
Total recognised gains and losses relating to the financial year		8,514	7,922
Prior period adjustment	23	(7,998)	-
Total gains and losses recognised since last accounts		516	7,922

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

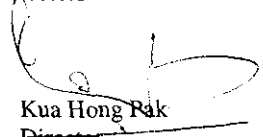
Consolidated balance sheet 31 December 2005

	Note	At 31 December 2005 £'000	At 31 December 2004 £'000 (Restated)
Fixed assets			
Goodwill	11	8,649	9,039
Tangible assets	12	93,933	96,113
		<u>102,582</u>	<u>105,152</u>
Current assets			
Stocks	14	1,570	1,646
Debtors	15	15,151	16,174
Cash at bank and in hand		12,168	4,725
		<u>28,889</u>	<u>22,545</u>
Creditors: amounts falling due within one year	16	<u>(48,516)</u>	<u>(50,826)</u>
Net current liabilities		<u>(19,627)</u>	<u>(28,281)</u>
Total assets less current liabilities		<u>82,955</u>	<u>76,871</u>
Creditors: amounts falling due after more than one year	17	<u>(30,492)</u>	<u>(32,002)</u>
Provisions for liabilities and charges	20	<u>(22,082)</u>	<u>(20,974)</u>
Net assets excluding pension liability		<u>30,381</u>	<u>23,895</u>
Pension liability	22, 23, 25	<u>(10,798)</u>	<u>(9,166)</u>
Net assets		<u>19,583</u>	<u>14,729</u>
Capital and reserves			
Called up share capital	21, 22	15,002	15,002
Share premium account	22	24,272	24,272
Capital redemption reserve	22	100	100
Revaluation reserve	22	905	905
Profit and loss account	22	(20,696)	(25,550)
Equity shareholders' funds	22	<u>19,583</u>	<u>14,729</u>

These financial statements were approved by the Board of Directors on 22nd June 2006.

Signed on behalf of the Board of Directors


Lim Jit Poh
Director


Kua Hong Pak
Director


Metroline plc

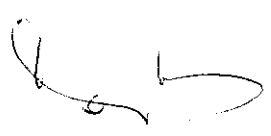
Company balance sheet 31 December 2005

	Note	At 31 December 2005 £'000	At 31 December 2004 £'000
Fixed assets			
Tangible assets	12	333	396
Investments	13	43,497	43,402
		<u>43,830</u>	<u>43,798</u>
Current assets			
Debtors	15	5,577	13,771
Cash at bank and in hand		13	-
		<u>5,590</u>	<u>13,771</u>
Creditors: amounts falling due within one year	16	<u>(7,499)</u>	<u>(10,627)</u>
Net current (liabilities)/assets		<u>(1,909)</u>	<u>3,144</u>
Total assets less current liabilities		<u>41,921</u>	<u>46,942</u>
Creditors: amounts falling due after more than one year	17	(228)	(1,117)
Provisions for liabilities and charges	20	<u>(67)</u>	<u>(66)</u>
Net assets		<u><u>41,626</u></u>	<u><u>45,759</u></u>
Capital and reserves			
Called up share capital	21	15,002	15,002
Share premium account	22	24,272	24,272
Capital redemption reserve	22	100	100
Profit and loss account	22	<u>2,252</u>	<u>6,385</u>
Equity shareholders' funds	22	<u><u>41,626</u></u>	<u><u>45,759</u></u>

These financial statements were approved by the Board of Directors on 22nd June 2006.

Signed on behalf of the Board of Directors


Lim Jit Poh
Director


Kua Hong Pak
Director

Metroline plc

Notes to the accounts Year ended 31 December 2005

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year 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 2005. 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.

Insurance

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

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

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

Metroline plc

Notes to the accounts Year ended 31 December 2005

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.

The group has fully adopted accounting standards FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

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

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

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

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.

Metroline plc

Notes to the accounts Year ended 31 December 2005

1. Accounting policies (continued)

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.

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

	2005 No.	2004 No.
The average number of persons employed (including directors)		
Traffic operations	3,177	3,089
Engineering and maintenance	214	200
Administration	359	167
	<hr/> 3,750	<hr/> 3,456
	<hr/> £'000	<hr/> £'000
Staff costs during the year (including directors)		
Wages and salaries	93,363	80,984
Social security costs	9,601	8,069
Pension costs	2,187	2,847
Redundancy payments	93	745
	<hr/> 105,244	<hr/> 92,645

The company employed no directors or other employees in the year (2004: nil).

Metroline plc

Notes to the accounts Year ended 31 December 2005

4. Directors' emoluments

	2005 £'000	2004 £'000
Directors' emoluments	175	57
Highest paid director		
Emoluments	141	37

Retirement benefits are accruing under a money purchase pension scheme for none (2004 – nil) of the directors and no directors (2004 – nil) had retirement benefits accruing under a defined benefit pension scheme.

5. Operating profit

	2005 £'000	2004 £'000
This is stated after charging/(crediting):		
Auditors' remuneration – audit	72	80
– non-audit services	143	34
Land and buildings rentals under operating leases	1,979	1,770
Bus rentals under operating leases	5,908	3,677
Other hire rentals under operating leases	-	28
Goodwill amortisation	462	228
Depreciation – assets owned	4,373	4,307
– assets held under finance leases and hire purchase contracts	7,682	7,513
Loss / (gain) on fuel hedge	14	(1,569)
Loss on disposal of fixed assets	335	244
Loss on foreign exchange	-	20
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

	2005 £'000	2004 £'000
Bank interest	335	188

Metroline plc

Notes to the accounts Year ended 31 December 2005

7. Interest payable

	2005 £'000	2004 £'000 (Restated)
Finance charges payable under finance leases and hire purchase contracts	2,178	2,462
Net interest on pension liability	482	485
Bank charges	-	215
Overdraft interest	1	-
	<u>2,661</u>	<u>3,162</u>

8. Tax on profit on ordinary activities

	2005 £'000	2004 £'000 (Restated)
Corporation tax charge for the year	2,543	3,993
Adjustments in respect of prior periods	(644)	(3)
Total current tax charge	<u>1,899</u>	<u>3,990</u>
Provision for deferred taxation in the year	<u>1,093</u>	<u>1,022</u>
Tax on profit on ordinary activities	<u>2,991</u>	<u>5,012</u>

It is currently anticipated that £974,000 of the corporation tax charge for the period (2004: £988,000) 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 year and previous period is different from the standard rate for the reasons set out in the following reconciliation:

	2005 £'000	2004 £'000 (Restated)
Profit on ordinary activities before tax	<u>12,785</u>	<u>12,046</u>
Tax on profit on ordinary activities at standard rate of 30% (2004: 30%)	3,836	3,614
Factors affecting charge for the year:		
Disallowable expenses	197	920
Depreciation for the year in excess of capital allowances	(664)	(842)
Short-term timing differences arising in the year	(427)	372
Utilisation of losses from prior periods	(399)	(58)
Adjustments to tax charge in respect of previous period	(644)	(3)
Deferred pension liability	-	(13)
Total current tax charge	<u>1,899</u>	<u>3,990</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 Year ended 31 December 2005

9. Profit attributable to members of the parent company

No profit and loss account is presented for Metroline plc as permitted by section 230 of the Companies Act 1985. The loss dealt with in the accounts of the parent company was £4,133,000 (2004 - loss £8,473,000).

10. Dividend on equity shares

	2005 £'000	2004 £'000
Ordinary dividends on equity shares	<u>3,660</u>	<u>3,300</u>
Dividends per share	<u>1.22p</u>	<u>1.10p</u>

11. Goodwill

Group Cost	£'000
At 31 December 2004	9,161
Additions	<u>72</u>
At 31 December 2005	<u>9,233</u>
Accumulated amortisation	
At 31 December 2004	(122)
Charge for the year	<u>(462)</u>
At 31 December 2005	<u>(584)</u>
Net book value	
At 31 December 2005	<u>8,649</u>
At 31 December 2004	<u>9,039</u>

The additional goodwill in the year relates to fair value adjustments from the acquisition of F.E Thorpe & Sons Limited and E.H. Mundy Holdings Limited in 2004. The goodwill above is being amortised over twenty years.

Metroline plc

Notes to the accounts Year ended 31 December 2005

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 31 December 2004	17,666	108,253	267	9,774	135,960
Additions	358	9,611	-	947	10,916
Disposals	(4)	(3,614)	(1)	(246)	(3,865)
At 31 December 2005	18,020	114,250	266	10,475	143,011
Accumulated depreciation					
At 31 December 2004	3,033	33,069	49	3,696	39,847
Charge for the year	461	9,851	30	1,713	12,055
Disposals	(3)	(2,645)	-	(176)	(2,824)
At 31 December 2005	3,491	40,275	79	5,233	49,078
Net book value					
At 31 December 2005	14,529	73,975	187	5,242	93,933
At 31 December 2004	14,633	75,184	218	6,078	96,113
Company					
			Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost					
At 31 December 2004 and 31 December 2005			216	306	522
Accumulated depreciation					
At 31 December 2004			46	80	126
Charge for the year			24	39	63
At 31 December 2005			70	119	189
Net book value					
At 31 December 2005			146	187	333
At 26 December 2004			170	226	396

Metroline plc

Notes to the accounts Year ended 31 December 2005

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:

	2005	2004
	£'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:

	2005	2004
	£'000	£'000
Cost or valuation	57,348	83,063
Accumulated depreciation	<u>(12,984)</u>	<u>(23,453)</u>
Net book value	<u>44,364</u>	<u>59,610</u>

Metroline plc

Notes to the accounts Year ended 31 December 2005

13. Investments held as fixed assets - company

	£'000
Cost	
At 31 December 2004	54,074
Additions	-
At 31 December 2005	54,074
Provision for impairment	
At 31 December 2004	(10,672)
Impairment in the year	95
At 31 December 2005	(10,577)
Net book value at 31 December 2005	43,497
Net book value at 31 December 2004	43,402

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
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 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 no longer trades.

Scottish Citylink Coaches Limited, Cummer Commercials Limited and Aerdart Limited were transferred from the Metroline Group to the Braddell Group on 1 January 2005.

Metroline plc

Notes to the accounts Year ended 31 December 2005

14. Stocks

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bus maintenance stocks	1,228	1,224	-	-
Fuel stocks	342	422	-	-
	<u>1,570</u>	<u>1,646</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.

15. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	3,927	3,801	-	-
Amounts owed by group undertakings	1,224	-	5,433	13,621
Value added tax	2,154	1,480	-	-
Fuel duty rebate	2,863	2,555	-	-
Other debtors	242	1,230	10	15
Prepayments and accrued income	4,741	7,108	134	135
	<u>15,151</u>	<u>16,174</u>	<u>5,577</u>	<u>13,771</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
		(Restated)		
Bank loans and overdraft	-	-	-	76
Obligations under finance leases and hire purchase contracts (note 19)	9,964	10,230	100	96
Trade creditors	3,833	4,204	-	-
Amounts owed to group undertakings	19,628	21,591	6,425	10,178
Corporation tax	35	2,241	-	-
Other taxes and social security costs	3,373	2,891	-	-
Accruals and deferred income	11,683	9,669	974	277
	<u>48,516</u>	<u>50,826</u>	<u>7,499</u>	<u>10,627</u>

Metroline plc

Notes to the accounts Year ended 31 December 2005

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

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts owed to group undertakings	-	-	-	791
Obligations under finance leases and hire purchase contracts (note 18)	30,492	32,002	228	326
	<u>30,492</u>	<u>32,002</u>	<u>228</u>	<u>1,117</u>

18. Obligations due under finance leases and hire purchases contracts

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts payable:				
Within one year	9,964	10,230	100	96
Within one to two years	8,400	9,125	115	102
Within two to five years	16,191	16,684	113	224
In more than five years	5,901	6,193	-	-
	<u>40,456</u>	<u>42,232</u>	<u>328</u>	<u>422</u>

Obligations under finance lease and hire purchase contracts are secured over tangible fixed assets with a net book value of £44,364,000 (2004: £59,610,000).

19. Operating lease commitments

Group	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	-	263	95	286
Between one and five years	1,016	5,380	745	5,518
In five years or more	684	-	954	-
	<u>1,700</u>	<u>5,643</u>	<u>1,794</u>	<u>5,804</u>

Metroline plc

Notes to the accounts Year ended 31 December 2005

20. Provisions for liabilities and charges

	Deferred taxation £'000	Insurance provision £'000	Total £'000
At 31 December 2004	11,231	9,743	20,974
Utilisation of provision	-	(5,466)	(5,466)
Acquisition of subsidiary undertaking	-	-	-
Charged for the profit and loss account	1,093	5,481	6,574
At 31 December 2005	12,324	9,758	22,082

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 £4,166,000 (2004: £6,839,000), 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	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Capital allowances in advance of depreciation	12,853	11,653	67	66
Other timing differences	(529)	(372)	-	-
Revenue losses	-	(50)	-	-
	12,324	11,231	67	66
Reconciliation of movement in deferred taxation provision				
Balance at beginning of year	11,231	10,450	66	15
Capital allowances in advance of depreciation	1,200	911	1	51
Other timing differences	(107)	(99)	-	-
Disposal of subsidiary undertaking	-	(31)	-	-
Balance at end of year	12,324	11,231	67	66

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 Year ended 31 December 2005

21. Called up share capital

	2005		2004	
	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

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
					(Restated)	
At 31 December 2004 (restated)	15,002	24,272	100	905	(25,550)	14,729
Profit for the year	-	-	-	-	9,794	9,794
Ordinary dividends paid	-	-	-	-	(3,660)	(3,660)
Net actuarial loss on pension scheme liability	-	-	-	-	(1,280)	(1,280)
At 31 December 2005	15,002	24,272	100	905	(20,696)	19,583
Company		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 31 December 2004		15,002	24,272	100	6,385	45,759
Loss for the year		-	-	-	(473)	(473)
Ordinary dividends paid		-	-	-	(3,660)	(3,660)
At 31 December 2005		15,002	24,272	100	2,252	41,626

23. Prior year adjustment

The prior year adjustment relates to the first time adoption of FRS17 'Retirement Benefits'. The adoption of FRS17 has resulted in a decrease in administrative expenses of £527,000, and an increase in interest payable of £485,000; taxation charge of £210,000; a reduction in creditors falling due in less than one year of £1,168,000; and a pension liability of £9,166,000.

Metroline plc

Notes to the accounts

Year ended 31 December 2005

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 year end was £nil (2004 - £nil). The company has guaranteed certain hire purchase and insurance liabilities of Metroline Travel Limited, which amounted to £50.2 million at the year end (2004 - £51.7 million).

Amounts contracted for but not provided in the accounts amounted to £2,367,000 (2004: £1,504,000).

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 2005. A valuation update was carried out on 31 March 2005 and indicated that the scheme had a funding deficit of £5.8m. This was based on an estimated market value of the scheme's assets at 31 March 2005 of £12.4m. 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 68%. The company has agreed to pay additional contributions that aim to remove the ongoing funding deficit at 31 March 2005 over the expected future working lifetime of the active membership, assuming that the funding valuation assumptions are borne out on average from 31 March 2005. This will be reviewed at the formal valuation due as at 31 March 2008.

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 6.7% p.a. before retirement, 5.45% 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.

The pensions charge for 2005 is £1,220,000 (2004 - £1,217,000 (restated)), following the first time adoption of Financial Reporting Standard 17 – Retirement Benefits (FRS17) during the year.

Metroline plc

Notes to the accounts Year ended 31 December 2005

25. Pension commitments (continued)

(i) Composition of the scheme

Liabilities have been valued at 31 December 2005 by a qualified independent actuary by projecting forward the position from the last funding valuation. The assets are unaudited values supplied by the investment manager as at 31 December 2005 (or nearest available date) and assume net current assets are zero. The major assumptions used by the actuary were (in nominal terms):

	2005 % p.a.	2004 % 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	5.00	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:

	2005		2004		2003	
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	7.10	13,735	6.60	11,059	6.80	9,842
Bonds	4.10	1,941	4.60	818	4.80	2
Total market value of assets		15,676		11,877		9,844
Present value of scheme liability		(23,593)		(18,443)		(16,429)
Deficit in scheme		(7,917)		(6,566)		(6,585)
Related deferred tax asset		2,375		1,970		1,976
Net pension liability		(5,542)		(4,596)		(4,609)

Metroline plc

Notes to the accounts Year ended 31 December 2005

25. Pension commitments (continued)

(ii) Analysis of the amount charged to operating profit

	2005 £'000	2004 £'000
Service cost	995	1,005
Total operating charge	995	1,005

(iii) Analysis of net return on pension scheme

	2005 £'000	2004 £'000
Expected return on pension scheme assets	800	706
Interest on pension scheme liabilities	(1,025)	(918)
Net return	(225)	(212)

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

	2005 £'000	2004 £'000
Actual return less expected return on assets	1,954	252
Experience gains and losses on liabilities	(955)	36
Changes in assumptions	(2,103)	-
Net (loss)/gain recognised	(1,104)	288

(v) Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of the year	(6,566)	(6,585)
Movement in year:		
Current service cost	(995)	(1,005)
Contributions	973	948
Net interest cost	(225)	(212)
Actuarial (loss)/gain	(1,104)	288
Deficit in scheme at year end	(7,917)	(6,566)

It has been agreed with the Trustees that contributions for the next three years will be based on a cost of future accrual of 16.8% of Pensionable Pay plus fixed monthly contributions of £70,833.

Metroline plc

Notes to the accounts Year ended 31 December 2005

25. Pension commitments (continued)

(vi) History of experience gains and losses

	2005		2004		2003	
	%	£'000	%	£'000	%	£'000
Difference between expected and actual return on scheme assets		1,954		252		1,202
Percentage of scheme's assets	12		2		12	
Experience loss on scheme liabilities		(955)		36		(1,157)
Percentage of scheme's liabilities	-4		0		7	
Total amount recognised in statement of total recognised gains and losses		(1,104)		288		(1,491)
Percentage of scheme's liabilities	-5		2		9	

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 2005. A valuation update was carried out on 5 April 2005 and indicated that the scheme had a funding deficit of £4.5m. This was based on an estimated market value of the scheme's assets at 5 April 2005 of £13.6m. 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 76%. The company has agreed to pay additional contributions that aim to remove the ongoing funding deficit at 5 April 2005 over the expected future working lifetime of the active membership, assuming that the funding valuation assumptions are borne out on average from 5 April 2005. This will be reviewed at the formal valuation due as at 5 April 2008.

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 6.7% p.a. before retirement, 5.45% 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.

The pensions charge for 2005 is £1,078,000 (2004 - £1,113,000 (restated)), following the first time adoption of Financial Reporting Standard 17 – Retirement Benefits (FRS17) during the year.

Metroline plc

Notes to the accounts Year ended 31 December 2005

25. Pension commitments (continued)

(i) Composition of the scheme

Liabilities have been valued at 31 December 2005 by a qualified independent actuary by projecting forward the position from the last funding valuation. The assets are unaudited values supplied by the investment manager as at 31 December 2005 (or nearest available date) and assume net current assets are zero. The major assumptions used by the actuary were (in nominal terms):

	2005 % p.a.	2004 % 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	5.00	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:

	2005		2004		2003	
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	7.10	12,309	6.60	9,913	6.80	8,745
Bonds	4.10	4,027	4.60	3,514	4.80	2,123
Property	7.10	-	6.60	220	6.80	188
Total market value of assets		16,336		13,647		11,056
Actuarial value of liability		(23,845)		(20,175)		(18,263)
Deficit in scheme		(7,509)		(6,528)		(7,207)
Related deferred tax asset		2,253		1,958		2,162
Net pension liability		(5,256)		(4,570)		(5,045)

Metroline plc

Notes to the accounts Year ended 31 December 2005

25. Pension commitments (continued)

(ii) Analysis of the amount charged to operating profit

	2005 £'000	2004 £'000
Service cost	821	840
Total operating charge	821	840

(iii) Analysis of net return on pension scheme

	2005 £'000	2004 £'000
Expected return on pension scheme assets	857	739
Interest on pension scheme liabilities	(1,114)	(1,012)
Net return	(257)	(273)

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

	2005 £'000	2004 £'000
Actual return less expected return on assets	933	929
Experience gains and losses on liabilities	920	53
Changes in assumptions	(2,577)	-
Net (loss)/gain recognised	(724)	982

(v) Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of the year	(6,528)	(7,207)
Movement in year:		
Current service cost	(821)	(840)
Contributions	821	810
Net return on assets	(257)	(273)
Actuarial (loss)/gain	(724)	982
Deficit in scheme at year end	(7,509)	(6,528)

It has been agreed with the Trustees that contributions for the next three years will be based on a cost of future accrual of 17.2% of Pensionable Pay plus fixed monthly contributions of £55,000.

Metroline plc

Notes to the accounts Year ended 31 December 2005

25. Pension commitments (continued)

(vi) History of experience gains and losses

	2005		2004		2003	
	%	£'000	%	£'000	%	£'000
Difference between expected and actual return on scheme assets		933		929		621
Percentage of scheme's assets	6		7		6	
Experience loss on scheme liabilities		920		53		(1,289)
Percentage of scheme's liabilities	4		0		7	
Total amount recognised in statement of total recognised gains and losses		(724)		982		(2,506)
Percentage of scheme's liabilities	-3		5		14	

Defined contribution scheme

The group operates a number of money purchase schemes. The charge for these schemes in 2005 is £476,000 (2004:£475,000). The contributions outstanding at the year end amounted to £nil (2004: £nil).

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.

29. Post balance sheet events

On the 1st June 2006 Metroline plc issued 120,000,000 shares to its parent in connection with the capitalisation of a shareholder's loan for £6,000,000 made by Braddell plc.