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Company Registration No 2826284

Metroline Limited

Report and Financial Statements

Year ended 31 December 2013

Metroline Limited

Report and financial statements 2013

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Report and financial statements 2013

Officers and professional advisers

Directors

Lim Jit Poh
Kua Hong Pak
Jaspal Singh

Secretary

Ishai Novick

Registered office

ComfortDelGro House
329 Edgware Road
Cricklewood
London
NW2 6JP

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors

Teacher Stern LLP
37-41 Bedford Row
London WC1R 4JH

Actuaries

JLT Benefit Solutions
Leon House
233 High Street
Croydon
Surrey
CR4 9AF

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Metroline Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013

Principal activity

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

Financial instruments and credit risk

The Group's principal financial assets are bank balances and trade debtors The Group's credit risk is primarily attributable to its trade debtors The Group has a small number of trade debtors and as such has a high concentration of credit risk with these customers However, the Directors feel that the credit risk of the trade debtors is low because the main debtors are United Kingdom government bodies The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies Details of complex financial instruments can be found in note 27 of the accounts

Environment

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

Directors

Details of the current directors are given on page 1

Qualifying third party indemnity insurance was provided to the Directors and Officers of Metroline Limited for the entire period covered by these financial statements by the Group's ultimate parent company (see Note 24) This cover has continued to the date of approval of these financial statements

Disabled employees

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

Employee consultation

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

Metroline Limited

Directors' report (continued)

Auditor

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

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

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

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

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

Jaspal Singh
Director
11th March 2014

Metroline Limited

Strategic report

To the members of Metroline Limited

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

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

Financial results and future prospects

The Group's results for the year are set out in the consolidated profit and loss account on page 7 The profit before taxation for the year increased to £21,246,000 (2012 £14,264,000) Dividends paid in the year were £nil (2012 £nil)

As shown in the Group's profit and loss account on page 7, the Group's revenue has increased in the year by 28 8%, primarily due to revenues from Metroline West, a newly acquired subsidiary undertaking that was purchased from FirstGroup plc Profit after tax also increased by 39 9%

The Group's balance sheet on page 9 of the financial statements shows that the Group's net asset position has improved over prior year The movement is explained in the consolidated statement of total recognised gains and losses on page 8, as well as being partly attributed to a further reduction in finance creditors during the year

As a result of the acquisition of Metroline West Limited, average staff numbers have increased by 22% over the period, averaging 4,535 in 2013 (2012 3,718) although ending the year higher at 5,466

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

Principal risks and uncertainties

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

Going concern

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

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

Approval

This report was approved by the Board of Directors on 11th March 2014 and signed on its behalf by

Jaspal Singh
Director
11th March 2014

Metroline Limited

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the members of Metroline Limited

We have audited the financial statements of Metroline Limited for the year ended 31 December 2013 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheets and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Sukhbinder Kooner (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
14 March 2014

Metroline Limited

Consolidated profit and loss account
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Revenue	2		
Existing operations		238,740	232,279
Acquisitions		60,333	-
Continuing operations		299,073	232,279
Cost of sales		(252,273)	(196,079)
Gross profit		46,800	36,200
Administrative expenses		(23,827)	(20,059)
Operating profit	4		
Existing operations		18,944	16,141
Acquisitions		4,029	-
Continuing operations		22,973	16,141
Interest receivable and similar income	5	2,293	2,119
Interest payable and similar charges	6	(4,020)	(3,996)
Profit on ordinary activities before taxation		21,246	14,264
Tax on profit on ordinary activities	7	(4,660)	(2,412)
Profit on ordinary activities after taxation	21	16,586	11,852

All results are derived from continuing operations

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

During the year, certain expenses previously classified as administrative expenses, £1,168,000, were reclassified as cost of sales and prior year comparatives have been adjusted accordingly There is no impact on operating profit, profit on ordinary activities before and after taxation

Consolidated statement of total recognised gains and losses
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year		16,586	11,852
Actuarial adjustment on defined benefit pension schemes	23	(1,705)	2,342
Deferred tax charge on actuarial adjustment		(21)	(1,040)
Total recognised gains in the year		14,860	13,154

Metroline Limited

Consolidated balance sheet
31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Goodwill	9	49,280	5,420
Tangible fixed assets	10	143,941	125,066
		193,221	130,486
Current assets			
Stocks	13	2,724	1,845
Debtors	14	75,623	69,666
Cash at bank and in hand		10,017	7,541
		88,364	79,052
Creditors amounts falling due within one year	15	(138,541)	(66,965)
Net current (liabilities) / assets		(50,177)	12,087
Total assets less current liabilities		143,044	142,573
Creditors: amounts falling due after more than one year	16	(29,766)	(44,178)
Provisions for liabilities	19	(18,280)	(18,920)
Net assets excluding pension liability		94,998	79,475
Pension liability	23	(6,674)	(6,011)
Net assets		88,324	73,464
Capital and reserves			
Called up share capital	20, 21	21,002	21,002
Share premium account	21	24,272	24,272
Capital redemption reserve	21	100	100
Revaluation reserve	21	905	905
Profit and loss account	21	42,045	27,185
Shareholders' funds		88,324	73,464

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on 11th March 2014

Signed on behalf of the Board of Directors

Jaspal Singh
Director

Metroline Limited

Company balance sheet
31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	10	-	-
Investments	11	43,909	43,496
		43,909	43,496
Current assets			
Debtors	14	84,971	28,035
Deferred tax assets	19	4	6
Cash at bank and in hand		-	12
		84,975	28,053
Creditors amounts falling due within one year	15	(78,420)	(20,865)
Net current assets		6,555	7,188
Net assets		50,464	50,684
Capital and reserves			
Called up share capital	20, 21	21,002	21,002
Share premium account	21	24,272	24,272
Capital redemption reserve	21	100	100
Profit and loss account	21	5,090	5,310
Shareholders' funds	21	50,464	50,684

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on 11th March 2014

Signed on behalf of the Board of Directors

Jaspal Singh
Director

Notes to the accounts
Year ended 31 December 2013

1. **Accounting policies**

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

Basis of accounting

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 2 The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in further detail in the notes to the financial statements The directors are satisfied with the results and believe that the Group is well placed to manage its business risks successfully

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

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

Consolidation

The Group accounts consolidate the accounts of Metroline Limited and all its subsidiary undertakings up to 31 December 2013 No company profit and loss account is presented for Metroline Limited as permitted by Section 408 of the Companies Act 2006 (see note 8) Acquisitions are accounted for under the acquisition method

Goodwill

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

1 **Accounting policies (continued)**

Tangible fixed assets and depreciation

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

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

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

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

Investments

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

Stocks

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

Insurance

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

Revenue

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

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

Taxation

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

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

1. **Accounting policies (continued)**

Taxation (continued)

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Leases

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

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

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

Pension costs

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

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

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

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

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

Foreign currency

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

Notes to the accounts
Year ended 31 December 2013

1 **Accounting policies (continued)**

Financial instruments

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

Interest rate swaps and Base Rate caps

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

Hedges

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

2 **Revenue and operating profit**

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

In relation to the acquisition of Metroline West Limited, continuing operations in 2013 include cost of sales of £51,950,000, gross profit of £8,383,000 and administrative expenses of £4,354,000

Notes to the accounts
Year ended 31 December 2013

3. Information regarding directors and employees

Group

	2013 £'000	2012 £'000
Directors' remuneration		
Directors' emoluments	226	208
Company contributions to money purchase pension schemes	2	-
	228	208
Highest paid director		
Emoluments	206	188
Company contributions to money purchase pension schemes	2	-

	2013 No.	2012 No.
The average number of persons employed (including directors)		
Traffic operations	3,801	3,107
Engineering and maintenance	260	236
Administration	474	375
	4,535	3,718

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	156,048	122,355
Social security costs	16,365	13,279
Pension costs	3,151	2,624
	175,564	138,258

Company

	2013 £'000	2012 £'000
Directors' remuneration		
Emoluments	20	20

Excluding the directors on page 1, there were no employees of the company in the year (2012 nil)

Excluding directors' remuneration, there were no staff costs of the company in the year (2012 £nil)

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

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

No directors (2012 nil) had retirement benefits accruing under a defined benefit pension scheme

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

Notes to the accounts
Year ended 31 December 2013

4. Operating profit

	2013 £'000	2012 £'000
This is stated after charging		
Rentals under operating leases		
Land and buildings	2,807	2,079
Buses	5,881	2,082
Plant and machinery	162	118
Goodwill amortisation	1,625	462
Depreciation – assets owned	9,056	7,634
– assets held under finance leases and hire purchase contracts	8,302	8,265
Impairment of tangible fixed assets – owned assets	407	455
Loss on disposal of fixed assets	345	251

Auditor's remuneration

	2013 £'000	2012 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	80	5
The audit of the company's subsidiaries pursuant to legislation	-	70
Total audit fees	80	75
Tax compliance fees	21	21
Tax advisory	15	-
Other services	10	-
Total fees	126	96

5 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest	66	59
Expected return on pension scheme assets	2,227	2,057
Other interest receivable	-	3
	2,293	2,119

6 Interest payable and similar charges

	2013 £'000	2012 £'000
Bank loan	702	233
Finance charges payable under finance leases and hire purchase contracts	813	1,114
Interest on pension scheme liabilities	2,505	2,649
	4,020	3,996

Metroline Limited

Notes to the accounts
Year ended 31 December 2013

7. Tax on profit on ordinary activities

a) Tax charge on profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
Corporation tax charge for the year	5,453	3,708
Adjustments to tax charge in respect of prior year	-	(60)
Total current tax charge	5,453	3,648
Deferred tax		
Timing differences, origination and reversal (note 19)	(793)	(1,236)
Total tax on profit on ordinary activities	4,660	2,412

b) Factors affecting the tax charge for the year

It is currently anticipated that £28,000 of the corporation tax charge for the period (2012 £150,000) 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 23 25% (average rate for year 90 days at 24%, 275 days at 23%) (2012 24 5%) The actual tax charge for the current year and previous year is different from the standard rate for the reasons set out in the following reconciliation

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	21,246	14,264
Tax on profit on ordinary activities at standard rate of 23 25% (2012 24 5%)	4,939	3,494
Factors affecting charge for the year		
Disallowable expenses	575	307
Depreciation for the year in excess of capital allowances	186	93
Short-term timing differences arising in the year	(247)	(186)
Adjustments to tax charge in respect of prior year	-	(60)
Total current tax charge	5,453	3,648

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

Notes to the accounts
Year ended 31 December 2013

8 Profit attributable to members of the parent company

No profit and loss account is presented for Metroline Limited as permitted by section 408 of the Companies Act 2006 The loss dealt with in the accounts of the parent company was £220,000 (2012 profit £4,000)

9. Goodwill

Group	**£'000**
Cost	
At 1 January 2013	9,238
Additions	45,485
At 31 December 2013	54,723
Accumulated amortisation	
At 1 January 2013	(3,818)
Charge for the year	(1,625)
At 31 December 2013	(5,443)
Net book value	
At 31 December 2013	49,280
At 31 December 2012	5,420

Goodwill additions relate to the acquisition of Centrewest (No 2) Limited (subsequently renamed to Metroline West Limited) The goodwill is being amortised over 20 years Refer to note 12

Notes to the accounts
Year ended 31 December 2013

10. Tangible fixed assets

Group

	Freehold land and buildings £'000	Leasehold land and buildings improve-ments £'000	Buses £'000	Plant and machinery £'000	Total £'000
Cost or valuation					
At 1 January 2013	23,272	4,940	176,743	14,482	219,437
Additions	28	34	20,464	1,736	22,262
Acquisition of subsidiary undertaking	4,341	7,350	4,415	118	16,224
Disposals	-	(18)	(18,304)	(4)	(18,326)
Reclassifications	(333)	333	-	-	-
At 31 December 2013	27,308	12,639	183,318	16,332	239,597
Accumulated depreciation					
At 1 January 2013	4,350	3,274	74,329	12,418	94,371
Charge for the year	474	598	15,570	716	17,358
Disposals	-	(10)	(17,172)	(2)	(17,184)
Provision for impairment	-	-	1,111	-	1,111
Reclassifications	(293)	293	-	-	-
At 31 December 2013	4,531	4,155	73,838	13,132	95,656
Net book value					
At 31 December 2013	22,777	8,484	109,480	3,200	143,941
At 31 December 2012	18,922	1,666	102,414	2,064	125,066

Company

	Leasehold improve-ments £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2013 and 31 December 2013	216	306	522
Accumulated depreciation			
At 1 January 2013 and 31 December 2013	216	306	522
Net book value			
At 1 January 2013 and 31 December 2013	-	-	-

10 Tangible fixed assets (continued)

Valuation of freehold land and buildings

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

Freehold land included in tangible fixed assets

	2013 £'000	2012 £'000
Cost and net book value – historical cost basis	4,940	4,940
Cost and net book value – revalued basis	5,845	5,845

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

Assets held under finance leases and hire purchase contracts

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

	2013		2012	
	Buses £'000	Plant & equipment £'000	Buses £'000	Plant & equipment £'000
Cost or valuation	89,866	112	93,585	112
Accumulated depreciation	(33,978)	(60)	(29,378)	(38)
Net book value	55,888	52	64,207	74

11 Investments held as fixed assets - company

	£'000
Cost	
At 1 January 2013	54,073
Additions (refer to note 12)	413
At 31 December 2013	54,486
Provision for impairment	
At 1 January 2013 and 31 December 2013	(10,577)
Net book value at 31 December 2013	43,909
Net book value at 31 December 2012	43,496

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

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

12. Acquisition of subsidiary undertaking

On 22 June 2013 the Group acquired 100 per cent of the issued share capital of Centrewest (No2) Limited (subsequently renamed Metroline West Limited) from FirstGroup plc for a consideration of £56,904,000 The consideration was paid via a loan of cash from Metroline Limited to Metroline West Limited that was in turn used to fund the acquisition of the assets and trade of five London bus depots from First Group plc Directly attributable costs of £413,000 have also been capitalised as part of the cost of acquisition

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	Fair value to Group £'000
Tangible fixed assets	16,224	16,224
Stocks	1,019	1,019
Total assets	17,243	17,243
Liabilities	(5,411)	(5,411)
Net assets	11,832	11,832
Goodwill	45,485	45,485
	57,317	57,317
Satisfied by		
Cash	56,904	56,904
Acquisition costs	413	413
	57,317	57,317

13 Stocks

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bus maintenance stocks	1,869	1,188	-	-
Fuel stocks	855	657	-	-
	2,724	1,845	-	-

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

14. Debtors

Amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	7,758	4,753	-	-
Amounts owed by group undertakings	47,811	51,810	84,971	28,035
Value added tax	2,071	1,201	-	-
Fuel duty rebate	-	445	-	-
Other debtors	12	33	-	-
Prepayments and accrued income	17,971	11,424	-	-
	75,623	69,666	84,971	28,035

15 Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loan	57,500	-	57,500	-
Obligations under finance leases and hire purchase contracts (note 17)	10,370	11,412	-	-
Trade creditors	3,562	4,553	-	-
Amounts due to group undertakings	21,559	20,967	20,896	20,851
Corporation tax	3,165	1,709	-	-
Other taxes and social security costs	5,849	3,398	-	-
Accruals and deferred income	36,536	24,926	24	14
	138,541	66,965	78,420	20,865

The bank loan is a short-term bridging loan repayable 19 June 2014 The loan was undertaken to satisfy the acquisition

16 Creditors amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loan	2,301	6,343	-	-
Obligations under finance leases and hire purchase contracts (note 17)	27,465	37,835	-	-
	29,766	44,178	-	-

The bank loan is a drawdown from a £12 3 million committed revolving credit facility used for the purchase of buses and the amount due is secured over those buses As at 31 December 2013, the facility limit remains at £12 3 million This facility has a final maturity date of 26 June 2017, with the principal amount available to be drawn down under the facility reducing by £500,000 at yearly intervals each December, starting from 2014, to a final available principal amount of £10 3 million The Group also has access to additional £40 0 million omnibus lines with sub-limits for a loan facility, standby letters of credit and bank guarantees, of which £14 1 million had been utilised as at 31 December 2013

17 Obligations due under finance leases and hire purchase contracts

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts payable				
Within one year	10,370	11,412	-	-
Within one to two years	9,213	10,370	-	-
Within two to five years	16,824	22,319	-	-
In more than five years	1,428	5,146	-	-
	37,835	49,247	-	-

Obligations under finance lease and hire purchase contracts are secured over tangible fixed assets with a net book value of £55,940,000 (2012 £64,281,000)

18. Operating lease commitments

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

	Land and buildings		Other	
	2013	2012	2013	2012
Group	£'000	£'000	£'000	£'000
Leases which expire				
Within one year	77	52	2,063	242
Between one and five years	1,014	300	6,676	1,403
In five years or more	1,297	869	-	-
	2,388	1,221	8,739	1,645

19. Provisions for liabilities

Group

	Deferred taxation £'000	Insurance provision £'000	Total £'000
At 1 January 2013	8,305	10,615	18,920
Utilisation of provision	-	(4,896)	(4,896)
(Credited)/charged to the profit and loss account	(793)	5,049	4,256
At 31 December 2013	7,512	10,768	18,280

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

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

However, it is inherent in the nature of insurance claims that the ultimate liabilities may vary as a result of subsequent developments, so that the provision made may be excessive or insufficient There is an undiscounted unprovided loss of £3,569,000 (2012 £3,798,000), which is the unprovided amount that the company may possibly be called upon to pay to meet claims in excess of these already provided up to the maximum aggregate amount payable

	Group		Company	
Deferred taxation	**2013 £'000**	**2012 £'000**	**2013 £'000**	**2012 £'000**
Capital allowances in advance of depreciation	7,512	8,305	(4)	(6)
Reconciliation of movement in deferred taxation provision				
At 1 January 2013	8,305	9,541	(6)	(2)
Capital allowances in advance of depreciation	(793)	(1,236)	(2)	(4)
At 31 December 2013	7,512	8,305	(4)	(6)

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

Notes to the accounts
Year ended 31 December 2013

20. Called up share capital

	2013 No. '000	2013 £'000	2012 No '000	2012 £'000
Authorised.				
Ordinary shares of 5p each	430,000	21,500	430,000	21,500
Called up, allotted and fully paid.				
Ordinary shares of 5p each	420,040	21,002	420,040	21,002

21 Reconciliation of shareholders' funds and movements on reserves

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2013	21,002	24,272	100	905	27,185	73,464
Profit for the year	-	-	-	-	16,586	16,586
Net actuarial adjustment on pension scheme liability	-	-	-	-	(1,726)	(1,726)
At 31 December 2013	21,002	24,272	100	905	42,045	88,324

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2013	21,002	24,272	100	5,310	50,684
Loss for the year	-	-	-	(220)	(220)
At 31 December 2013	21,002	24,272	100	5,090	50,464

22 Contingent liabilities and capital commitments

The company has guaranteed certain hire purchase, insurance liabilities and operating leases of Metroline Travel Limited and Metroline West Limited which amounted to £64,957,000 at the year end (2012 £59,862,000)

Amounts contracted for but not provided in the accounts amounted to £2,990,000 (2012 £20,744,000)

23 Pension commitments

A Defined contribution scheme

The Group operates a defined contribution pension scheme The charge for the scheme in 2013 is £3,152,000 (2012 £2,624,000) The contributions outstanding at the year end amounted to £nil (2012 £nil)

B Defined benefit schemes

Metroline and Metroline London Northern Pension Schemes

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

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method The most recent full actuarial valuation and funding valuations of the schemes was prepared as at 31 March 2010 Following the review the Employer is making additional monthly contributions totalling £93,700 per month This amount will rise by retail price inflation each year and will continue to be paid until the conclusion of the 31 March 2013 triennial valuation which is ongoing as at the date that the accounts were approved

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

Metroline Limited

Notes to the accounts
Year ended 31 December 2013

23. Pension commitments (continued)

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

	2013 £'000	2012 £'000
Present value of pension liability	(62,718)	(56,419)
Fair value of pension fund assets	54,270	48,613
Deficit	(8,448)	(7,806)
Related deferred tax asset	1,774	1,795
Net liability	(6,674)	(6,011)
Liability recognised in the balance sheet	(6,674)	(6,011)

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

	2013 £'000	2012 £'000
Recognised within net finance charge		
Interest costs on liability	2,505	2,649
Expected return on schemes' assets	(2,227)	(2,057)
Total	278	592

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

Actuarial adjustments	2013 £'000	2012 £'000
Difference between actual and expected return on schemes' assets	3,612	1,225
Changes in actuarial assumptions which affect liabilities	(5,317)	1,117
Actuarial adjustment recognised in the STRGL	1,705	2,342

Metroline Limited

Notes to the accounts
Year ended 31 December 2013

23 Pension commitments (continued)

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

	2013 £'000	2012 £'000
Opening pension obligation	(56,419)	(56,312)
Interest costs on liability	(2,505)	(2,649)
Adjustments from changes in actuarial assumptions	(5,317)	1,118
Benefits paid to pension scheme members	1,523	1,424
Closing defined benefit obligation	(62,718)	(56,419)

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

	2013 £'000	2012 £'000
Opening fair value of the schemes' assets	48,613	45,404
Expected return on assets in year	2,227	2,057
Gains on expected return on schemes' assets	3,612	1,225
Contributions by the company to the schemes	1,341	1,351
Benefits paid to pension scheme members	(1,523)	(1,424)
Closing fair value of the schemes' assets	54,270	48,613

All contributions with the exception of a fixed monthly contribution have now ceased Current monthly contribution is £93,700 per month and is due to increase to £97,100 per month from June 2014

23 **Pension commitments (continued)**

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

	2013	2012
Rate of increase in salaries (%)	-*	-*
Annual rate of pension increases – in deferment (%)	2 20	1 85
Annual rate of pension increases - in payment (%)	3 10	2 40
Assumed life expectancies (in years / age) on retirement at age 65 are		
Retiring today		
- Males	84 8	84 0
- Females	86 9	86 4
Retiring in 20 years' time		
- Males	85 3	85 1
- Females	87 6	87 4
Life expectancies are based on the following published mortality tables		
– current pensioners	S1PA MC tables (YOB) rated up 2 years	S1PA MC tables (YOB) rated up 2 years
– non-pensioners	S1PA MC tables (YOB) rated up 2 years	S1PA MC tables (YOB) rated up 2 years
Inflation assumption - RPI (%)	3 30	2 60
Inflation assumption - CPI (%)	2 20	1 85
Discount rate for future pension liabilities (%)	4 60	4 50

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

Notes to the accounts
Year ended 31 December 2013

23 Pension commitments (continued)

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

	Long-term rate of return expected at 31/12/13 %	Fair Value at 31/12/13 £'000	Percentage of fair value of the total schemes' assets 31/12/13 %	Long-term rate of return expected at 31/12/12 %	Fair Value at 31/12/12 £'000	Percentage of fair value of the total schemes' assets 31/12/12 %
Equities	7 35	31,137	57 38	6 45	22,345	45 97
Diversified growth fund	7 35	-	0 00	6 45	7,001	14 4
Bonds	3 60	20,194	37 21	2 70	14,253	29 32
Property	6 10	2,763	5 09	5 20	4,504	9 26
Cash	0 50	176	0 32	0 50	510	1 05
Total market value of assets		54,270	100 00		48,613	100 00
Present value of the schemes' liabilities		(62,718)			(56,419)	
Combined deficit in the schemes		(8,448)			(7,806)	

The overall weighted average expected return on schemes' assets at 31 December 2013 was 5 3% (2012 4 6%), net of 0 6% estimated deduction for scheme expenses The actual return on assets over the period was 12 0% (2012 7 2%)

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

Notes to the accounts
Year ended 31 December 2013

23. Pension commitments (continued)

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

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Present value of schemes' liabilities	(62,718)	(56,419)	(56,312)	(54,093)	(58,411)
Fair value of schemes' assets	54,270	48,613	45,404	43,649	40,208
Deficit in the schemes	(8,448)	(7,806)	(10,908)	(10,444)	(18,203)
Difference between the expected and actual return on pension schemes' assets					
Amount (£'000s)	3,612	1,225	(699)	1,208	3,638
Percentage of pension schemes' assets (%)	7%	3%	-2%	3%	9%
Experience losses on pension schemes' liabilities due to membership movement					
Amount (£'000s)	(955)	228	266	6,592	(654)
Percentage of the present value of the pension schemes' liabilities (%)	1 5%	-0 4%	-0 5%	-12%	1%
Adjustments in pension schemes' liabilities due to changes in actuarial assumptions.					
Amount (£'000s)	(4,362)	889	(827)	(527)	(15,223)
Percentage of the present value of the pension schemes' liabilities (%)	7%	-2%	1%	1%	26%
Actuarial adjustments arising during the year	(1,705)	2,342	(1,260)	7,273	(12,239)
Cumulative actuarial adjustments at start of year	(5,705)	(8,047)	(6,787)	(14,060)	(1,821)
Cumulative actuarial adjustments at end of year	(7,410)	(5,705)	(8,047)	(6,787)	(14,060)

Notes to the accounts
Year ended 31 December 2013

24 Parent undertaking and controlling party

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

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

25. Related party transactions

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

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

	Amounts owed by related parties	**Amounts due to related parties**	**Amounts owed by related parties**	**Amounts due to related parties**
	2013	**2013**	**2012**	**2012**
	£'000	**£'000**	**£'000**	**£'000**
Scottish Citylink Coaches Limited	352	-	334	-
Westbus Coach Services Limited	1	-	-	-
Computer Cab plc	38	8	73	1
Cityfleet Networks Limited	12	-	-	-
Flightlink International Limited	-	2	-	1

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

26 Cash flow exemption

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

27 Hedging and other financial instruments

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

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

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

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

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

Currency profile of financial assets and liabilities:

Financial assets and liabilities denominated in US Dollars were £52,000 (2012 £296,000), the rest were denominated entirely in Pounds Sterling

Interest rate risk profile of financial liabilities at 31 December 2013:

	Floating rate financial liabilities 2013 £'000
Hire purchase and finance leases	37,835
Bank loans	59,801
	97,636

The profile at 31 December 2012 for comparative purposes was as follows

	Floating rate financial liabilities 2012 £'000
Hire purchase and finance leases	49,247
Bank loans	6,343
	55,590

27 **Hedging and other financial instruments (continued)**

The Group's floating rate financial liabilities amount to £97,636,000 (2012 £55,590,000) Various Bank Base Rates are used as the benchmark rate in determining interest on £37,835,000 (2012 £49,247,000) in hire purchase agreements which are included in total financial liabilities The benchmark rate for determining interest on the Group's remaining floating rate financial liabilities, namely bank loans of £59,801,000 (2012 £6,343,000) is LIBOR

Maturity of financial liabilities

The maturity of the Group's financial liabilities at 31 December 2013 was as follows

	2013 £'000	2012 £'000
In one year or less, or on demand	67,870	11,412
In more than one year but not more than two	9,213	10,370
In more than two years, but not more than five	19,125	28,662
In more than five years	1,428	5,146
	97,636	55,590

Fair value of financial assets and financial liabilities

	Book value 2013 £'000	Fair value 2013 £'000	Book value 2012 £'000	Fair value 2012 £'000
Primary financial instruments held or issued to finance the Group's operations				
Short-term financial liabilities and current position of long-term borrowings	67,870	67,870	11,412	11,412
Long-term borrowings	29,766	29,766	44,178	44,178
	97,636	97,636	55,590	55,590

Hedging instruments held

		Notional 2013	Notional 2012	Fair Value 2013 £'000	Fair Value 2012 £'000
Interest rate hedges	GBP	20,000,000	20,000,000	86	58
Foreign currency hedges	GBP	13,680,000	6,240,000	(941)	(36)
Fuel hedges	MT	11,520	12,000	512	378
				(343)	400

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

27 Hedging and other financial instruments (continued)

The Group has total sterling denominated cash assets of £9,965,000 (2012 £7,245,000) of which £9,851,000 (2012 £7,398,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit

Gains and losses on hedges

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

28 Audit exemption

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

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