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SCOTO Limited

Financial statements for the year ended 30 April 2007

Registered office

Daw Bank
Stockport
Cheshire
SK3 0DU

Registered number

3795345

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Directors' report

For the year ended 30 April 2007

The directors are pleased to present their annual report on the affairs of the Company, together with the financial statements and auditors' report for the year ended 30 April 2007

Principal activity and business review

The principal activity of the Company is in holding investments and loans to group subsidiary companies

The Company also holds a number of properties on finance lease which it sub-leases to various group undertakings in return for rental income

In the year the Company provided a new loan to fellow group undertaking At the year end the Company did not have any derivatives in place

Results and dividends

The Company reported a profit before taxation of £153,327,000 (2006 £55,045,504)

The directors declared and paid an interim ordinary dividend of £207,700,000 (2006 £Nil) The directors do not propose a final ordinary dividend (2006 £Nil)

Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in interest rates and foreign exchange rates The directors of Stagecoach Group plc, the Company's ultimate parent, consider these financial risks in the context of the group as a whole For this reason, the Company's directors believe that a discussion of the Group's financial risks would not be appropriate for an understanding of the performance or position of the Company's business The principal risks and uncertainties of Stagecoach Group plc, which include the impact of those of the Company, are discussed in the Group's annual report, which does not form part of this report

Directors

The directors of the Company are listed below

Martin Griffiths

Nicholas Guest

John Hamilton

Nicola Salmond

Ross Paterson - appointed 19 June 2006

Colin Brown - appointed 11 August 2006

Katrina Leese - appointed 11 August 2006

Directors' report (continued)

For the year ended 30 April 2007

Directors' responsibilities

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 of the profit or loss of the Company 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, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business

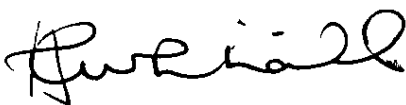
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding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

Auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting of the Company.

By order of the Board



Alan Whitnall
Company Secretary
24th August 2007

Auditors' report

For the year ended 30 April 2007

Independent auditors' report to the members of SCOTO Limited

We have audited the financial statements of SCOTO Limited for the year ended 30 April 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

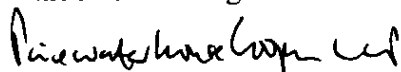
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 company's affairs as at 30 April 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

24th August 2007

Profit and loss account

Year ended 30 April 2007

	Notes	2007 £000	2006 £000
Investment income		107,976	3,727
Net investment rental income	2	5,945	7,225
Foreign exchange (loss)/gain		(8)	49
Profit on ordinary activities before Exceptional items, interest and taxation		113,913	11,001
Profit on sale of properties		10,467	1,168
Profit on ordinary activities before interest and taxation	3	124,380	12,169
Finance income (net)	4	28,947	42,877
Profit on ordinary activities before taxation		153,327	55,046
Taxation	5	(5)	(781)
Retained profit		153,322	54,265

The accompanying notes are an integral part of this profit and loss account

The results for each year reported above are derived wholly from continuing operations

Statement of total recognised gains and losses

Year ended 30 April 2007

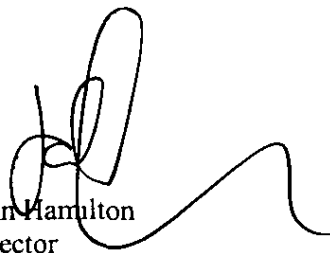
	2007 £000	2006 £000
Profit for the financial year	153,322	54,265
Translation (loss)/gain on foreign currency net investment	(37,984)	20,138
Translation gain/(loss) on foreign currency borrowings used to hedge net investment	37,984	(20,138)
Total recognised gains and losses for the year	153,322	54,265

Balance Sheet
As at 30 April 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible fixed assets	7	83,474	118,448
Investments	8	451,585	489,569
		<u>535,059</u>	<u>608,017</u>
Current assets			
Debtors			
Falling due within one year	9	413,949	12,069
Falling due after more than one year	9	Nil	419,702
Cash and cash equivalents		94,491	113,978
		<u>508,440</u>	<u>545,749</u>
Creditors: amounts falling due within one year	10	(381,276)	(14,101)
Net current assets		<u>127,164</u>	<u>531,648</u>
Total assets less current liabilities		<u>662,223</u>	<u>1,139,665</u>
Creditors: amounts falling due after more than one year	11	Nil	(423,069)
Provisions for liabilities and charges	12	(39)	(34)
Net assets		<u>662,184</u>	<u>716,562</u>
Capital and reserves			
Equity share capital	13	51	51
Share premium account	14	585,635	585,635
Profit and loss account	14	13,323	67,701
Capital contribution reserve	14	63,175	63,175
Equity shareholder's funds	14	<u>662,184</u>	<u>716,562</u>

The accompanying notes are an integral part of this balance sheet

Signed on behalf of the Board on 24th August 2007


John Hamilton
Director

Notes to the financial statements

For the year ended 30 April 2007

1. Accounting policies

A summary of the principal accounting policies is set out below. All principal accounting policies have been applied consistently throughout the year and the preceding year.

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, and except for the accounting policy for 'financial instruments', comply with the requirements of the Companies Act 1985. Further details explaining this departure are contained in note (i) of these accounting policies.

(b) Basis of consolidation

The Company is a wholly owned subsidiary of another UK company, Stagecoach Group plc, which prepares consolidated financial statements including the Company. As permitted by the Companies Act 1985, the Company has not prepared consolidated financial statements.

(c) Cash flow statement

As permitted by FRS 1 (Revised), the Company has not prepared a cash flow statement as it is a wholly owned subsidiary of another UK company, Stagecoach Group plc, which prepares consolidated financial statements, which include a consolidated cash flow statement.

(d) Investments

Equity investments outwith the scope of FRS 26 "Financial instruments: Measurement" are shown at cost less provision for impairment.

(e) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities (including amounts due from or to other group companies) denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any exchange differences arising from the movement in rate of exchange are included in the profit and loss account.

Exchange differences arising on the translation of foreign currency equity investments and on foreign currency borrowings and derivatives (including loans from other group companies), to the extent the borrowings/derivatives hedge the equity investments, are dealt with through reserves. All other exchange differences are dealt with in the profit and loss account.

(f) Taxation

In accordance with FRS 16, Corporation tax is provided on taxable profits at the current rate. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or the statement of total recognised gains and losses) as the pre-tax item.

In accordance with FRS 19, full provision is made for deferred tax on a non-discounted basis.

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

For the year ended 30 April 2007

1. Accounting policies (continued)

(g) Tangible fixed assets

Fixed assets are shown at historical cost or fair value on acquisition less accumulated depreciation and any provision for impairment

Depreciation is provided at rates calculated to write off the cost less estimated residual value of assets on a straight line basis over their estimated useful lives, as follows

Buildings	Shorter of 50 years or period of lease
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Land is not depreciated

(h) Lease obligations

Assets acquired under finance lease are recorded in the balance sheet as assets at the equivalent of the purchase price and as obligations to pay future lease rentals. Obligations arising from finance leases represent the total of the capital payments outstanding at the date of the balance sheet. Future finance charges are not included. Future finance charges are calculated in relation to the reducing balance of capital outstanding throughout the contract and charged to the profit and loss account on the same basis.

Assets capitalised under lease finance are depreciated over the shorter of the lease terms and their useful economic lives.

(i) Related party transactions

The Company has taken advantage of the FRS 8 exemption from having to provide details of transactions with fellow group undertakings.

(j) Financial instruments

The Company has the following non-derivative financial instruments: trade and other receivables, cash and cash equivalents and trade and other payables. The measurement for each of these is as follows:

Other receivables

Other receivables are carried at original invoice amount less provision made for impairment of these receivables. Where the time value of money is material, receivables are carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments.

Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value.

Notes to the financial statements (continued)
For the year ended 30 April 2007

1. Accounting policies (continued)

(i) Financial instruments(continued)

Derivative financial instruments

The Company also uses derivative financial instruments such as foreign exchange contracts and fuel swaps to manage risks associated with foreign currency and commodity prices. Such derivative financial instruments are initially recognised at fair value and subsequently re-measured to fair value for the reported balance sheet date. The fair value of these derivative instruments is calculated by reference to market exchange rates at the period end.

SCOTO has taken the decision not to apply hedge accounting and therefore has designated the derivatives in operation during the year as at fair value through profit or loss.

2. Net investment rental income

	2007	2006
	£000	£000
Depreciation charged – leased assets	(785)	(756)
Rental income	6,514	7,896
Royalty income	216	85
	<u>5,945</u>	<u>7,225</u>

3. Profit on ordinary activities before interest and taxation

The remuneration of the auditors and the directors is borne by the ultimate holding company, Stagecoach Group plc and/or other group companies. No significant part of the directors' remuneration is directly attributable to the Company (2006 £Nil).

The Company has no employees (2006 Nil). All of the directors are employed by the ultimate holding company.

4. Finance income (net)

	2007	2006
	£000	£000
Gains on derivative financial instruments	Nil	15,121
Interest receivable on loans from other group companies	22,593	21,682
Bank interest received	6,354	6,074
	<u>28,947</u>	<u>42,877</u>

Notes to the financial statements (continued)
For the year ended 30 April 2007

5. Taxation

(a) Analysis of charge for the year

	2007	2006
	£000	£000
<i>Current tax</i>		
Overseas tax paid (withholding tax)	Nil	Nil
Adjustment in respect of prior years for group relief	Nil	614
Total current tax	Nil	614
<i>Deferred tax</i>		
Origination and reversal of timing differences	26	27
Adjustments in respect of prior years	(21)	140
Total deferred tax	5	167
Tax on profit on ordinary activities	5	781

(b) Factors affecting the tax charge for the year

	2007	2006
	£000	£000
Profit on ordinary activities before tax	153,327	55,046
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	45,998	16,514
<i>Effect of</i>		
Non taxable income and expenditure	236	227
Treatment of intercompany transactions	(51)	(78)
Gain on sale of properties	(3,140)	Nil
Utilisation of losses not previously recognised	(10,623)	(15,518)
UK dividends	(32,393)	(1,118)
Depreciation less than capital allowances	(27)	(27)
Adjustment in respect of prior years	Nil	614
Current tax charge for the year	Nil	614

6. Dividends

Dividends payable were as follows

	2007	2006
	£000	£000
<i>Dividends payable on equity shares</i>		
Interim dividend paid of £4,094 per ordinary share (2006 £Nil) in the year	207,700	Nil

Notes to the financial statements (continued)

For the year ended 30 April 2007

7. Tangible fixed assets

The movement on tangible fixed assets during the year was as follows

	Land & buildings
	£000
Cost or valuation	
At beginning of year	119,643
Disposals	(34,626)
At end of year	<u>85,017</u>
Depreciation	
At beginning of year	(1,195)
Charge for year	(785)
Disposals	437
At end of year	<u>(1,543)</u>
Net book value	
At beginning of year	<u>118,448</u>
At end of year	<u>83,474</u>

Depreciation of £785k (2006 £756k) has been charged in the year in respect of assets held under finance lease agreements

Land amounting to £28,257k (2006 £39,787k) has not been depreciated

8. Investments

	2007 £000
Cost and net book value	
At beginning of year	489,569
Translation adjustment	(37,984)
At end of year	<u>451,585</u>

£378,726k of the above investments figure represents a 100% holding in SCUSI US Subsidiary Limited LLC and SCOTO US Subsidiary Limited LLC, both registered in the United States. Both companies are non-trading.

£34,425k of the above investments figure represents irredeemable preference shares that the Company holds in Stagecoach Bus Holdings Limited and £12,008k represents irredeemable preference shares that the Company holds in Stagecoach Rail Holdings Limited. Both of these are fellow group undertakings.

The remaining £26,426k represents the Company's investment in Stagecoach Bus Holdings Ltd.

Notes to the financial statements (continued)

For the year ended 30 April 2007

9. Debtors

	2007 £000	2006 £000
<i>Falling due within one year</i>		
Prepayments and accrued income	69	8
Loans to fellow group undertakings	406,683	Nil
Amounts due from fellow group undertakings	7,197	12,061
	<u>413,949</u>	<u>12,069</u>
<i>Falling due after more than one year</i>		
Loan to fellow group undertaking	Nil	419,587
Amounts due from fellow group undertakings	Nil	115
	<u>Nil</u>	<u>419,702</u>

Of the amount falling due within one year £7,197,000 (2006 £12,061,000) relates to amounts due from fellow group undertakings, which accrue no interest and are repayable on demand

10. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Accruals and deferred income	975	1,323
Amounts due to fellow group undertakings	378,726	11,186
Corporation tax	1,575	1,592
	<u>381,276</u>	<u>14,101</u>

Amounts due to fellow group undertakings bear no interest and are repayable on demand

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

	2007 £000	2006 £000
Amounts owed to fellow group undertakings	Nil	423,069

12. Provisions for liabilities and charges

The deferred taxation provision is provided as follows

	2007 £000
At beginning of year	34
Charge for year	5
At end of year	<u>39</u>

Notes to the financial statements (continued)
For the year ended 30 April 2007

12. Provisions for liabilities and charges (continued)

Deferred tax is calculated as follows

	2007 £000	2006 £000
Fixed asset timing differences	39	34

13. Equity share capital

	2007 £	2006 £
<i>Authorised</i>		
55,000 ordinary shares of £1 each (2006 55,000)	55,000	55,000
<i>Allotted, called-up and paid</i>		
50,738 ordinary shares of £1 each (2006 50,738)	50,738	50,738

14. Reconciliation of movements in equity shareholder's funds

	Equity share capital £000	Share premium account £000	Profit and loss account £000	Capital contribution reserve £000	Total £000
At beginning of the year	51	585,635	67,701	63,175	716,562
Profit for the year	-	-	153,322	-	153,322
Dividends paid in the year	-	-	(207,700)	-	(207,700)
At end of year	51	585,635	13,323	63,175	662,184

The profit and loss reserve is distributable (2006 £Nil)

15. Ultimate holding company

The Company's immediate holding company is Stagecoach Aviation Europe Ltd, (registered number SC176704) and its ultimate holding company is Stagecoach Group plc, (registered number SC100764), both registered in Scotland. Stagecoach Group plc heads the only group in which the results of the Company are consolidated. The financial statements of Stagecoach Group plc are available from 10 Dunkeld Road, Perth, PH1 5TW.