5

SCOTO Limited

Financial statements for the year ended 30 April 2007

Registered office

Daw Bank
Stockport
Cheshire
SK3 0DU

Registered number

3795345

Directors' report
For the year ended 30 April 2007

The dırectors are pleased to present theır annual report on the affaırs of the Company, together wıth the financıal statements and audıtors' report for the year ended 30 Aprıl 2007

Princıpal activity and business review

The prıncıpal actıvıty of the Company ıs ın holdıng ınvestments and loans to group subsıdıary companıes

The Company also holds a number of propertıes on finance lease whıch ıt sub-leases to varıous group undertakıngs ın return for rental ıncome

In the year the Company provıded a new loan to fellow group undertakıng At the year end the Company dıd not have any derıvatıves ın place

Results and dividends

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

The dırectors declared and paıd an ınterım ordınary dıvıdend of £207,700,000 (2006 £Nıl) The dırectors do not propose a final ordınary dıvıdend (2006 £Nıl)

Financial risk management

The Company's actıvıtıes expose ıt to a varıety of financıal rısks ıncludıng the effects of changes ın ınterest rates and foreıgn exchange rates The dırectors of Stagecoach Group plc, the Company's ultımate parent, consıder these financıal rısks ın the context of the group as a whole For thıs reason, the Company's dırectors belıeve that a dıscussıon of the Group's financıal rısks would not be approprıate for an understandıng of the performance or posıtıon of the Company's busıness The prıncıpal rısks and uncertaıntıes of Stagecoach Group plc, whıch ınclude the ımpact of those of the Company, are dıscussed ın the Group's annual report, whıch does not form part of thıs report

Directors

The dırectors of the Company are lısted below

Martın Grıffiths	
Nıcholas Guest	
John Hamılton	
Nıcola Salmond	
Ross Paterson	- appoınted 19 June 2006
Colın Brown	- appoınted 11 August 2006
Katrına Leese	- appoınted 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
		535,059	608,017
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
		508,440	545,749
Creditors: amounts falling due within one year	10	(381,276)	(14,101)
Net current assets		127,164	531,648
Total assets less current liabilities		662,223	1,139,665
Creditors: amounts falling due after more than one year	11	Nil	(423,069)
Provisions for liabilities and charges	12	(39)	(34)
Net assets		662,184	716,562
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	662,184	716,562

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 pnncipal accountmg policies is set out below All pnncipal 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

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

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)

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

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 £000	2006 £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
	28,947	42,877

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

5. Taxation

(a) Analysis of charge for the year

	2007 £000	2006 £000
Current tax		
Overseas tax paid (withholding tax)	Nil	Nil
Adjustment in respect of prior years for group relief	Nil	614
Total current tax	Nil	614
Deferred tax		
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 £000	2006 £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
Effect of		
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 £000	2006 £000
Dividends payable on equity shares		
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 durng the year was as follows

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

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	451,585

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

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
	381,276	14,101

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	39

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 £
Authorised		
55,000 ordinary shares of £1 each (2006 55,000)	55,000	55,000
Allotted, called-up and paid		
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