

SCOTO Limited

Financial statements for the year ended 30 April 2010

Registered office

Daw Bank
Stockport
Cheshire
SK3 0DU

Registered number

3795345

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COMPANIES HOUSE

Directors' report
For the year ended 30 April 2010

Registered number 3795345

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 2010

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

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Future developments

The Company continues to look for investment and rental opportunities in the coming year

Results and dividends

The Company reported a profit before taxation of £322.2m (2009 £88.3m)

The directors declared and paid interim ordinary dividends of £188.3m (2009 £99.3m). The directors do not propose a final ordinary dividend (2009 £Nil)

During the year a distribution of £128.9m was paid in respect of the "A" shares

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 who served during the year and up to the date of approval of the accounts are listed below

John Hamilton
Nicola Salmond (resigned on 12 February 2010)
Colin Brown

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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

Directors' report (continued)

Registered number 3795345

For the year ended 30 April 2010

Statement of directors' responsibilities (continued)

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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

Share issue

On 30 November 2009, 730,180 irredeemable "A" shares with an aggregate nominal value of £730,180 were issued for no consideration to the Company's parent undertaking, Stagecoach Aviation Europe Limited

Indemnification of directors and officers

The Company's ultimate parent maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against the directors of the Company The ultimate parent has indemnified each of the Company's directors and other officers of the Company against certain liabilities that may be incurred as a result of their offices

Land and buildings

In the opinion of the Directors, there is no material difference between the open market value of the Company's interest in land and buildings and its net book value

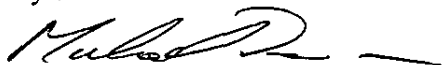
Independent auditors and statement of disclosure of information to auditors

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 are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- Each of the directors has taken steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) 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 the directors have resolved that they be appointed as auditors for next year

By order of the Board



Michael Vaux
Company Secretary
8 October 2010

Auditors' report

For the year ended 30 April 2010

Independent auditors' report to the members of SCOTO Limited

We have audited the financial statements of SCOTO Limited for the year ended 30 April 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2, 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 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2010 and of its 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.

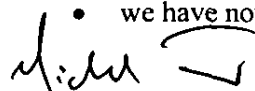
Opinion on other matters prescribed by the Companies Act 2006

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.



Michael Timar (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
8 October 2010

Profit and loss account

Year ended 30 April 2010

	Notes	2010 £000	2009 £000
Investment income		305,708	49,373
Net investment property rental income	2	8,461	8,304
Royalty income		242	216
Gain on sale of investment		Nil	33
Total turnover		314,411	57,926
Foreign exchange gain		392	Nil
Profit on ordinary activities before exceptional items, interest and taxation		314,803	57,926
Gain/(loss) on disposal of properties		4,218	(2,393)
Profit on ordinary activities before interest and taxation	3	319,021	55,533
Finance income	4	3,217	32,736
Profit on ordinary activities before taxation		322,238	88,269
Taxation	5	Nil	(13)
Profit for the financial year		322,238	88,256

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year, above, and their historical cost equivalents

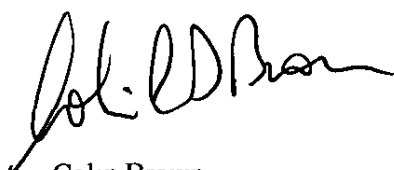
There are no recognised gains or losses in either year other than the results reported above and therefore no separate statement of total recognised gains and losses is presented

Balance sheet
As at 30 April 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible fixed assets	7	125,390	126,731
Investments	8	1,335,720	1,352,049
		<u>1,461,110</u>	<u>1,478,780</u>
Current assets			
Debtors amounts falling due within one year	9	389	740
Debtors amounts falling due after one year	9	62	62
Cash and cash equivalents		124,758	120,283
		<u>125,209</u>	<u>121,085</u>
Creditors: amounts falling due within one year	10	(499,939)	(518,585)
Net current liabilities		<u>(374,730)</u>	<u>(397,500)</u>
Total assets less current liabilities		<u>1,086,380</u>	<u>1,081,280</u>
Net assets		<u>1,086,380</u>	<u>1,081,280</u>
Capital and reserves			
Called up share capital	12	803	73
Share premium account	13	948,517	948,517
Profit and loss account	13	73,885	69,515
Capital contribution reserve	13	63,175	63,175
Total shareholder's funds	13	<u>1,086,380</u>	<u>1,081,280</u>

The accompanying notes are an integral part of this balance sheet

Signed on behalf of the Board on 8 October 2010



Colin Brown
Director

Notes to the financial statements

For the year ended 30 April 2010

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, as modified with the fair value accounting of financial instruments under FRS 26 "Financial instruments: Recognition and measurement" and in accordance with applicable accounting standards in the UK and comply with the requirements of the Companies Act 2006.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1. The financial position of the Company is presented in the financial statements and supporting notes.

Although the Company has net current liabilities as at 30 April 2010, the Company's ultimate parent company, Stagecoach Group plc, has indicated that it currently intends to provide continuing financial support to the Company. Hence these accounts have been prepared on a going concern basis.

(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 Section 400 of the Companies Act 2006, the Company has not prepared consolidated financial statements.

(c) Cash flow statement

As permitted by FRS 1 (Revised 1996), 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: Recognition and measurement" are shown at cost less provision for impairment. An impairment loss is recognised for the amount by which the carrying amount of the net investment exceeds its recoverable amount, being the higher of net realisable value and value in use. The value in use is determined using a pre-tax discount rate which reflects our current market assessments of the risks specific to the investment.

(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.

Where the Company has designated foreign currency borrowings as a fair value hedge against its foreign equity investments, the part of that investment which has been hedged is treated as a monetary asset and retranslated at the spot rate at the balance sheet date.

Notes to the financial statements (continued)

For the year ended 30 April 2010

1. Accounting policies (continued)

(e) Foreign currency (continued)

Exchange differences arising on the translation of foreign currency equity investments and on foreign currency borrowings (including loans from other group companies), to the extent the borrowings hedge the equity investments, are dealt with within finance income 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(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
Fixtures & Fittings	3-5 years straight line

Land is not depreciated.

(h) Related party transactions

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

Notes to the financial statements (continued)

For the year ended 30 April 2010

1. Accounting policies (continued)

(i) 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.

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 and prices at the period end.

2. Net investment property rental income

	2010 £000	2009 £000
Depreciation – owned assets	(127)	(96)
Depreciation – leased assets	(929)	(929)
Professional fees	(16)	(77)
Rental income	9,533	9,407
Loss on sale of property	Nil	(1)
	<u>8,461</u>	<u>8,304</u>

3. Profit on ordinary activities before interest and taxation

The remuneration of the auditors is not settled directly by the Company. Audit fees of £6,543 (2009 £6,761) were paid by the ultimate holding company, Stagecoach Group plc, on behalf of the Company in respect of audit work performed in the UK.

The remuneration of 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 (2009: £Nil).

The Company has no employees (2009: Nil). All of the directors are employed by the ultimate holding company or other group companies.

Notes to the financial statements (continued)
For the year ended 30 April 2010

4. Finance income

	2010	2009
	£000	£000
Interest receivable on loans from other group companies	Nil	26,995
Bank interest received	3,217	5,741
Translation (loss)/gain on foreign currency net investment	(16,329)	128,728
Translation gain/(loss) on foreign currency borrowings used to hedge net investment	16,329	(128,728)
	<u>3,217</u>	<u>32,736</u>

5. Taxation

(a) Analysis of charge for the year

	2010	2009
	£000	£000
<i>Current tax</i>		
Amount payable to a fellow subsidiary in respect of group relief	Nil	Nil
Adjustment in respect of prior years	Nil	Nil
Total current tax	<u>Nil</u>	<u>Nil</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	13	13
Adjustments in respect of prior years	(13)	Nil
Total deferred tax	<u>Nil</u>	<u>13</u>
Tax on profit on ordinary activities	<u>Nil</u>	<u>13</u>

(b) Factors affecting the tax charge for the year

	2010	2009
	£000	£000
Profit on ordinary activities before tax	<u>322,238</u>	<u>88,269</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	90,227	24,715
<i>Effect of</i>		
Non taxable income and expenditure	285	814
Non taxable gain on sale of land and buildings	(1,181)	Nil
Treatment of intercompany transactions	(28)	24
Utilisation of losses not previously recognised	(3,692)	(11,716)
UK dividends	(85,598)	(13,824)
Depreciation less than capital allowances	(13)	(13)
Adjustment in respect of prior years	Nil	Nil
Current tax charge for the year	<u>Nil</u>	<u>Nil</u>

(c) Factors that may affect future tax charges

In the 2010 budget on 22 June 2010, the UK Government announced its intention to reduce the UK Corporate Income Tax rate from 28% to 24% by 1% per annum over a four-year period. At 30 April 2010 no change in the rate of tax was substantively in law, but a 1% decrease in the rate to 27% is expected to be enacted in the year ending 30 April 2011. Had this change of rate to 27% been substantively enacted as of the balance sheet date, the estimated impact on the balance sheet would be a reduction in the deferred tax asset of £2,199, from £61,582 to £59,383.

Notes to the financial statements (continued)

For the year ended 30 April 2010

6. Dividends

Dividends payable were as follows

	2010 £000	2009 £000
<i>Dividends payable on equity shares</i>		
Interim dividend paid of £2,578 per ordinary share (2009 £1,360) in the year	188,264	99,294
	2010 £000	2009 £000
<i>Dividends payable on "A" shares</i>		
Dividend paid of £176 50 per "A" share	128,874	Nil

On 30 November 2009, the Company issued, by way of a bonus issue, 730,180 new "A" shares to its parent undertaking for nil consideration. The "A" shares carry the right to receive dividends, equal in amount to the amount of any repayment of cash deposits held by the Company with external parties. As a result, £128 874m of such cash deposits were derecognised from the balance sheet and recorded as a debit to shareholders' funds.

Subsequently, on 7 December 2009, a dividend of £128 874m was paid in respect of the "A" shares.

7. Tangible fixed assets

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

	Land & buildings £000	Fixtures & Fittings £000	Assets held for resale £000	Total £000
Cost or valuation				
At beginning of year	127,520	92	4,829	132,441
Additions	2,527	Nil	Nil	2,527
Disposals	(2,917)	Nil	Nil	(2,917)
Reclassifications	4,829	Nil	(4,829)	Nil
At end of year	131,959	92	Nil	132,051
Depreciation				
At beginning of year	(3,248)	(33)	(2,429)	(5,710)
Charge for year	(998)	(25)	Nil	(1,023)
Disposals	106	Nil	Nil	106
Impairment charge in the year	(34)	Nil	Nil	(34)
Reclassifications	(2,429)	Nil	2,429	Nil
At end of year	(6,603)	(58)	Nil	(6,661)
Net book value				
At beginning of year	124,272	59	2,400	126,731
At end of year	125,356	34	Nil	125,390

Included in land and buildings above are assets held on long-term leases with a net book value of £113,580,035 (2009 £117,320,000). Depreciation of £929,305 (2009 £929,000) has been charged in the year in respect of these assets.

Notes to the financial statements (continued)

For the year ended 30 April 2010

7. Tangible fixed assets (continued)

Land amounting to £27,426,000 (2009 £27,362,000) has not been depreciated

Land classified as held for resale as at 30 April 2009 was withdrawn from sale by the Company during the year ended 30 April 2010 and the fair value less costs to sell of the land has been reclassified to land and buildings

8. Investments

	2010 £000
Cost and net book value	
At beginning of year	1,352,049
Additions	Nil
Disposals	Nil
Fair value hedge - translation adjustment	(16,329)
At end of year	<u>1,335,720</u>

£494,815,000 (2009 £511,144,000) 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

The remaining £840,905,000 represents the Company's 100% holding in SCUSI Limited ('SCUSI'), an investment company registered in England

During the year the Company received 1,217,300 irredeemable "A" shares and 1,217,300 irredeemable "B" shares from SCUSI for no consideration Both "A" and "B" shares carry full voting rights, although various restrictions exist on their right to dividend payments and capital distributions as detailed in the Articles of Association of SCUSI

9. Debtors

	2010 £000	2009 £000
<i>Falling due within one year</i>		
Amounts due from fellow group undertakings	389	740
	<u>389</u>	<u>740</u>
<i>Falling due after one year</i>		
Deferred tax asset (note 11)	62	62
	<u>62</u>	<u>62</u>

The amounts due from fellow group undertakings accrue no interest and are repayable on demand

10. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Accruals and deferred income	1,508	6,615
Amounts due to fellow group undertakings	498,431	511,970
	<u>499,939</u>	<u>518,585</u>

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

Notes to the financial statements (continued)

For the year ended 30 April 2010

11. Deferred tax asset

The deferred taxation asset is recognised as follows

	2010 £000
At beginning of year	62
Charge for year (note 5)	Nil
At end of year	<u>62</u>

Deferred tax is calculated as follows

	2010 £000	2009 £000
Fixed asset timing differences	<u>62</u>	<u>62</u>

Deferred tax of £6,500,000 (2009 £7,350,000) on tax losses has not been recognised in the year. The asset will be recoverable in the event that there is non-trading income in future years.

12. Called up share capital

	2009 £	2008 £
<i>Allotted, called-up and fully paid</i>		
73,018 (2009 73,018) ordinary shares of £1 each	73,018	73,018
730,180 (2009 Nil) "A" shares of £1 each	<u>730,180</u>	<u>-</u>
	<u>803,198</u>	<u>73,018</u>

On 30 November 2009, 730,180 irredeemable "A" shares with an aggregate nominal value of £730,180 were issued for no consideration to the Company's parent undertaking, Stagecoach Aviation Europe Limited.

The "A" shares carry full voting rights, although various restrictions exist on their right to dividend payments and capital distributions as detailed in the Company's Articles of Association.

Notes to the financial statements (continued)

For the year ended 30 April 2010

13. Reconciliation of movements in total shareholder's funds

	Called up share capital £000	Share premium account £000	Profit and loss reserve £000	Capital contribution reserve £000	Total £000
At beginning of the year	73	948,517	69,515	63,175	1,081,280
Profit for the year	Nil	Nil	322,238	Nil	322,238
Derecognition of financial asset	Nil	Nil	(128,874)	Nil	(128,874)
Dividends on ordinary shares paid in the year	Nil	Nil	(188,264)	Nil	(188,264)
Share issue	730	Nil	(730)	Nil	Nil
At end of year	803	948,517	73,885	63,175	1,086,380

The profit and loss reserve is distributable

On 30 November 2009, the Company issued, by way of a bonus issue, 730,180 new "A" shares to its parent undertaking for nil consideration. The A shares carry the right to receive dividends, equal in amount to the amount of any repayment of cash deposits held by the Company with external parties. As a result, £128,874,000 of such cash deposits were derecognised from the balance sheet and recorded as a debit to shareholders' funds.

14. Ultimate holding company

The Company's immediate holding company is Stagecoach Aviation Europe Ltd (registered number SC176704), and its ultimate holding company and controlling party 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.