

# Summary remuneration report

The Board supports the principles of good corporate governance relating to Directors' remuneration and has applied them as described below.

In accordance with Schedule 7A "Directors' Remuneration Report" of the Companies Act 1985, those paragraphs that have been audited have been highlighted as such.

This is the Summary remuneration report. The full version of the remuneration report is contained in the 2005 Annual Report and Accounts. As stated on page 11, the full 2005 Annual Report and Accounts may be obtained from the Company's registrar at the address and telephone number shown on page 14.

The graph below charts the performance of the Stagecoach Group Total Shareholder Return ("TSR") (share value movement plus reinvested dividends) over the 5 years to 30 April 2005 compared with that of the FTSE Transport All-Share Index, the FTSE Mid 250 Index and the FTSE All-Share Index. We have included a further graph to highlight the Company's more recent performance, charting TSR for the 12 months up to 30 April 2005.

In assessing the performance of the Company's TSR the Board believes the comparator groups it has chosen represent a fair benchmark both in terms of the nature of the business activity and size of company.

## Remuneration policy

The Remuneration Policy is consistent with our prior year policy, which was approved by the shareholders at the 2004 Annual General Meeting. However, the Committee has, with the assistance of the Group's advisers, KPMG LLP (UK), been reviewing the structure of remuneration for Executive Directors and senior management. Proposals will be submitted to shareholders at the 2005 Annual General Meeting to make changes to the various elements of remuneration in the context of the overall objectives of the Remuneration Policy. The Remuneration Committee follows Schedule A of the Combined Code in designing performance-related remuneration schemes.

In determining appropriate levels of remuneration for the Executive Directors, the Remuneration Committee aims to provide overall packages

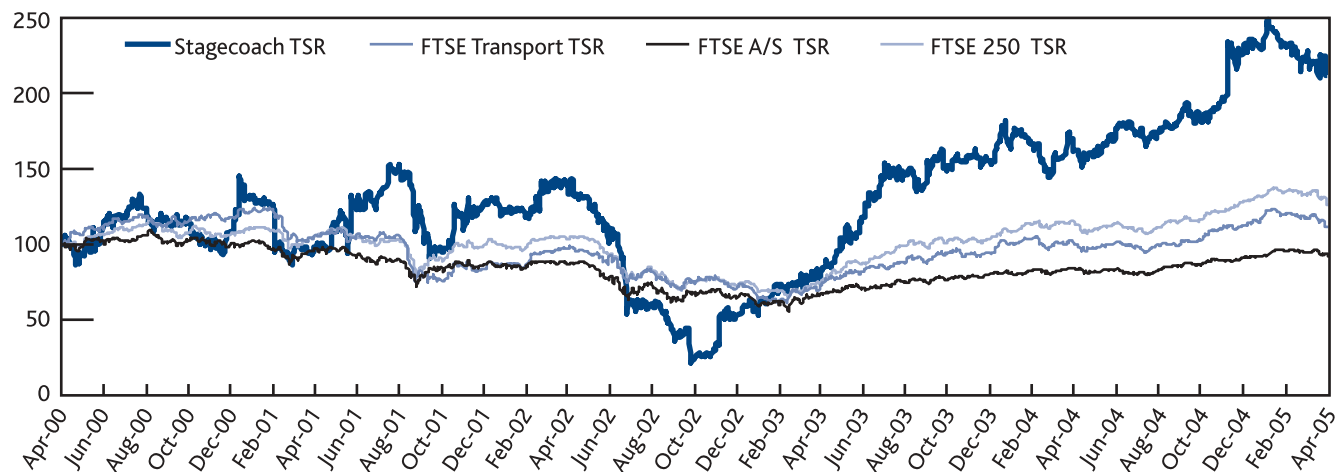
of terms and conditions that are competitive in the UK and will attract, retain and motivate high quality executives capable of achieving the Stagecoach Group's objectives and to ensure that they are fairly rewarded for their individual responsibilities and contributions to the Group's overall performance. The Remuneration Committee believes that such packages should contain significant performance-related elements and that these performance-related elements should be designed to align the interests of the Executive Directors and other senior managers with the interests of shareholders. Performance targets are established to achieve consistency with the interests of shareholders, with an appropriate balance between short- and long-term targets. Performance targets include traditional financial indicators and personal targets, successful investment, innovation, staff development, customer satisfaction and achievement of regulatory requirements, including health and safety and environmental targets.

To this end, the Remuneration Committee reviews the existing remuneration of the Executive Directors, in consultation with the Chief Executive, making comparisons with peer companies of similar size and complexity and with other companies in the public transport industry in the UK and overseas. Proposals for the forthcoming year are then discussed in the light of the prospects for the Group. The Remuneration Committee is also kept informed of the salary levels of other senior executives employed by the Stagecoach Group and of average earnings for all employees. With regard to pensions, the Remuneration Committee has access to reports from the trustees and scheme actuaries regarding the cost of pension obligations.

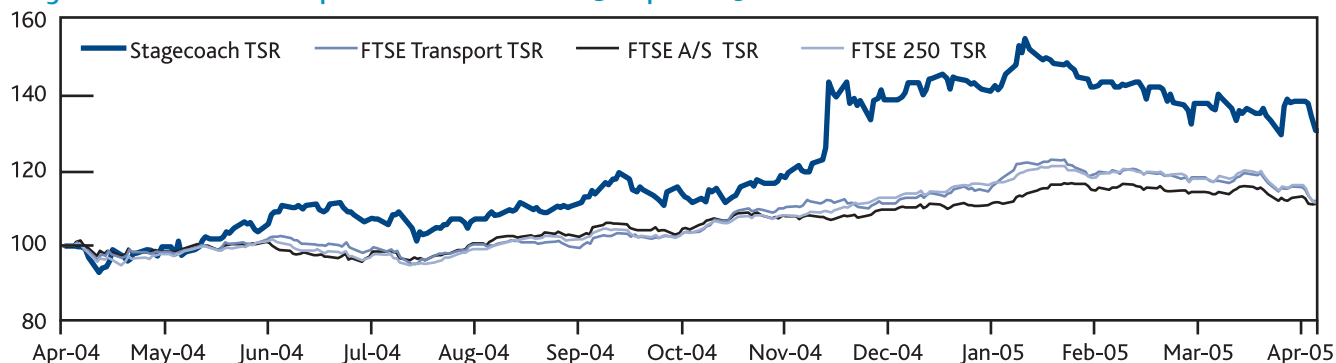
The Committee has taken advice during the financial year from a firm of independent executive remuneration consultants, Inbucon Consulting. Also, KPMG LLP (UK) provided guidance on the implementation of the proposed changes to the remuneration arrangements. Inbucon has no other relationship with the Group. KPMG LLP (UK) has from time to time provided other consultancy services to the Group and is the auditor of the Stagecoach Group Pension Scheme ("SGPS").

Shareholders are invited to specifically approve all new long-term remuneration plans (whether share-settled or cash-settled plans) and any significant changes to existing plans, except where otherwise permitted by the Listing Rules.

## Stagecoach TSR Comparative Performance since 30 April 2000



## Stagecoach 1 Year TSR Comparative Performance to 30 April 2005



# Summary remuneration report

## Directors' remuneration (audited) was as follows in Table 1 (amounts in £000)

TABLE 1	Salary/fees		Performance related bonus		Benefits in kind		Non-pensionable allowances*		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
<b>Executive Directors</b>										
Brian Souter	<b>484</b>	470	<b>339</b>	329	<b>17</b>	18	<b>n/a</b>	n/a	<b>840</b>	817
Graham Eccles	<b>261</b>	250	<b>183</b>	175	<b>24</b>	21	<b>46</b>	44	<b>514</b>	490
Martin Griffiths	<b>220</b>	205	<b>154</b>	143	<b>20</b>	20	<b>33</b>	29	<b>427</b>	397
<b>Non-Executive Directors</b>										
Ewan Brown	<b>32</b>	30	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>n/a</b>	n/a	<b>32</b>	30
Ann Gloag	<b>32</b>	30	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>n/a</b>	n/a	<b>32</b>	30
Robert Speirs	<b>90</b>	90	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>n/a</b>	n/a	<b>90</b>	90
Russell Walls	<b>32</b>	30	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>n/a</b>	n/a	<b>32</b>	30
Janet Morgan	<b>32</b>	30	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>n/a</b>	n/a	<b>32</b>	30
Iain Duffin	<b>32</b>	30	<b>Nil</b>	Nil	<b>Nil</b>	Nil	<b>n/a</b>	n/a	<b>32</b>	30
Total	<b>1,215</b>	1,165	<b>676</b>	647	<b>61</b>	59	<b>79</b>	73	<b>2,031</b>	1,944

\*Non-pensionable allowances represent additional taxable remuneration paid to provide pension benefits.

## Gains made by directors on share options were as follows in Table 2 (amounts in £000)

TABLE 2	2005	2004
Graham Eccles	<b>245</b>	Nil
Martin Griffiths	<b>315</b>	Nil
Total gains on share options before transaction costs and taxes	<b>560</b>	Nil

## Directors' pension benefits (audited) were as follows in Table 3 (amounts in £000)

TABLE 3	Additional accrued benefits in the year		Accrued pension		Accrued lump sum		Transfer value of increase (excluding inflation)		Increase in transfer value less Directors' contributions
	Excluding inflation	Including inflation	2005	2004	2005	2004	2005	2004	
<b>Executive Directors</b>									
Brian Souter	<b>47</b>	<b>66</b>	<b>244</b>	226	<b>439</b>	391	<b>146</b>	127	<b>116</b>
Graham Eccles	<b>10</b>	<b>14</b>	<b>21</b>	18	<b>64</b>	53	<b>33</b>	29	<b>33</b>
Martin Griffiths	<b>11</b>	<b>13</b>	<b>26</b>	23	<b>78</b>	68	<b>12</b>	10	<b>12</b>

The Remuneration Committee believes that remuneration packages should reward the efforts of all staff since a motivated workforce is a key element of Group performance. The Committee recognises that Executive Directors bear the greatest responsibility for delivering corporate strategy that underpins long-term sustainable performance. While the Remuneration Committee's report focuses on incentive schemes for senior executives, there are also a number of performance-related bonus schemes within group companies, in addition to the UK-only SAYE scheme.

Table 2 shows gains made by individual Directors from the exercise of share options during the year. The gains are calculated as at exercise date, although the shares may have been retained.

Graham Eccles and Martin Griffiths were not members of the Group pension schemes before the introduction of the pensionable salary cap in June 1989. They are each paid a non-pensionable allowance, which is equivalent to the cost of a money purchase contribution of 20% of their salary in excess of the pensionable salary cap.

During the year ended 30 April 2002, the remaining proceeds of a small self-administered money purchase scheme ("SSAS") established for Brian Souter and Ann Gloag in 1992 were transferred into the Stagecoach Group Pension Scheme to secure additional final salary type benefits equivalent in actuarial value to the proceeds transferred. The additional benefits are reflected in the disclosure of Brian Souter's accrued benefits above. In Ann Gloag's case, her share of the SSAS assets was used to secure additional money purchase benefits equivalent in actuarial value to the proceeds transferred. This provided her with an initial annual pension of £90,000, reduced to £81,000 from 1 March 2004. Employer contributions to the SSAS ceased in 2000 for Ann Gloag and in 2001 for Brian Souter.

Directors who are members of the Stagecoach Group Pension Scheme have the option to pay additional voluntary contributions ("AVCs"). Neither the contributions nor the resulting benefits of any AVCs are included in Table 3 above.