

Return of Value 2007

UK Taxation of Chargeable Gains - further general guidance regarding the allocation of base cost of Stagecoach Shares

Apportionment of historic base cost of Existing Ordinary Shares of 12/19 pence. Proportion of base cost allocated to –

	<u>Market Value</u>	<u>Proportion Of Base Cost</u>
• The B Shares or the C Shares is based on <i>market values</i> of approximately:	63.00 pence	34.25%
• Apportionment factor for the New Ordinary Shares of 56/57 pence is:	188.125 pence	65.75%

The following note is intended as a general guide only and does not constitute tax advice to any shareholders. This note deals only with non-corporate shareholders who are resident or ordinarily resident in the UK and are beneficial owners of their Stagecoach Shares. All Shareholders are strongly recommended to consult their independent advisers if they are in any doubt as to their tax position. This note must be read in conjunction with the circular to Shareholders dated 23 March 2007.

In this note “New Shares” means the New Ordinary Shares along with either of the B shares or the C shares received in exchange for Existing Ordinary Shares under the terms of the 2007 Return of Value.

Some shareholders have asked for more guidance on the tax implications of the Return of Value and in particular on the allocation of their historic base cost between their New Ordinary Shares and their B or C Shares. This note discusses the treatment of shares acquired in the Company by individuals at any time after its flotation in April 1993. For shareholders who acquired their shares before 10 September 2004 this note should be read in conjunction with the similar guidance note provided in respect of the 2004 Return of Capital (<http://www.stagecoachgroup.com/scg/ir/shareholder/generalinfo/return04.pdf>). That note may assist such shareholders in determining the allocation of original base cost into their Existing Ordinary Shares resulting from the previous 2004 Return of Capital.

At 8.00am on 14 May 2007, the B and C Shares were issued and the consolidation of the Existing Ordinary Shares took place and the New Ordinary Shares were admitted to trading on the London Stock Exchange.

The new combined holding of New Shares will have the same base cost (allowable expenditure) as the shareholder's holding of Existing Ordinary Shares immediately before the B and C shares were issued. The combined holding of New Shares will be treated as the same asset, acquired at the same time and for the same consideration as the Existing Ordinary Shares. On a disposal of the whole or any part of the New Shares (i.e., being a disposal of a New Ordinary Share or a B Share or a C Share) a shareholder's base cost for the disposed shares should be apportioned between the New Shares in proportion to their respective market values on the first day of dealings in the New Ordinary Shares. The first day was 14 May 2007. The *market value* of the New Ordinary Shares (to be calculated in accordance with Section 272 of the Taxation of Chargeable Gains Act 1992) was **188.125 pence** per share. For the purpose of this note we would estimate the market value of the B and C shares at approximately 63 pence per share. With adjustment required for the 14:9 consolidation ratio, the apportionment of base cost is therefore at the ratio of (9/14 x 188.125):63, or in other words approximately 34.25% to the B or the C shares, and 65.75% to the New Ordinary Shares. The calculations are noted below for reference.

Estimated calculation of market value in accordance with s.272 TCGA 1992										
Market Value is lower of:-						pence				
a)	Lower of the 2 prices shown in the quotations in The Stock Exchange Daily Official List on the relevant date. Plus 1/4er of the difference between the two. (Known as the quarter-up value)				High	188.50	a			
					Low	188.00	b			
b)	Half way between the highest and lowest prices at which bargains were recorded for the relevant date.				High	193.00	c			
					Low	185.50	d			
						pence				
Therefore :-							pence	No of shares	Product	%age allocation
Mkt value a)	b+1/4(a-b)	=	188.125	Estimated market value of B or C shares		63.000	1	63.000	34.25%	
Mkt value b)	(c+d)/2	=	189.250							
Market Value under s.272 TCGA 1992 therefore,			188.125	Market Value of New Ordinary Shares		188.125	9/14	120.938	65.75%	