

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 2004 Annual Report and Accounts. As stated on page 11, the full 2004 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 past 5 years 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 2004.

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.

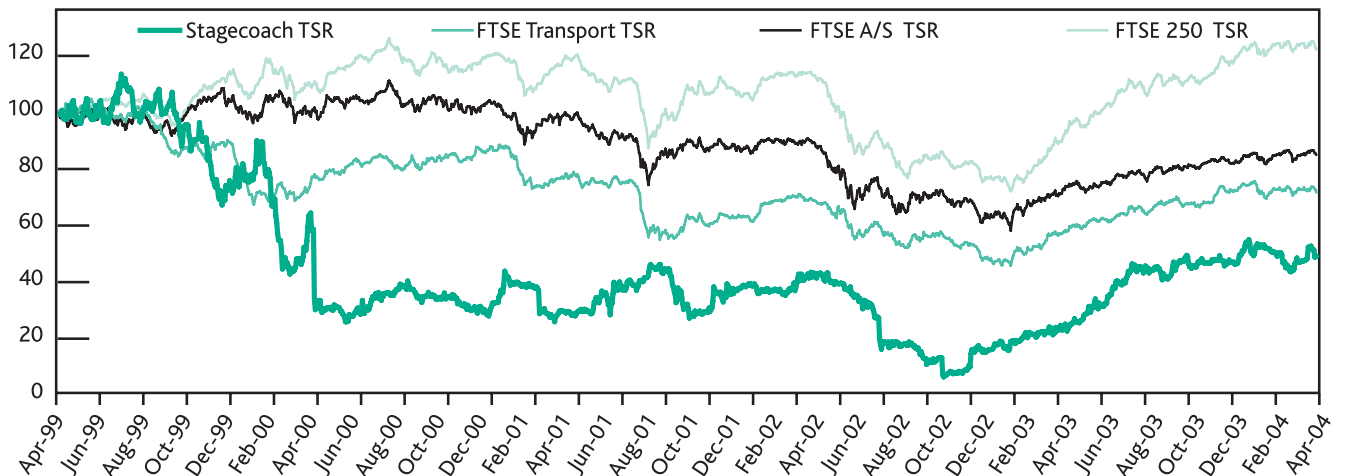
Remuneration policy

Our remuneration policy is consistent with our prior year policy, which was approved by the shareholders at the 2003 AGM.

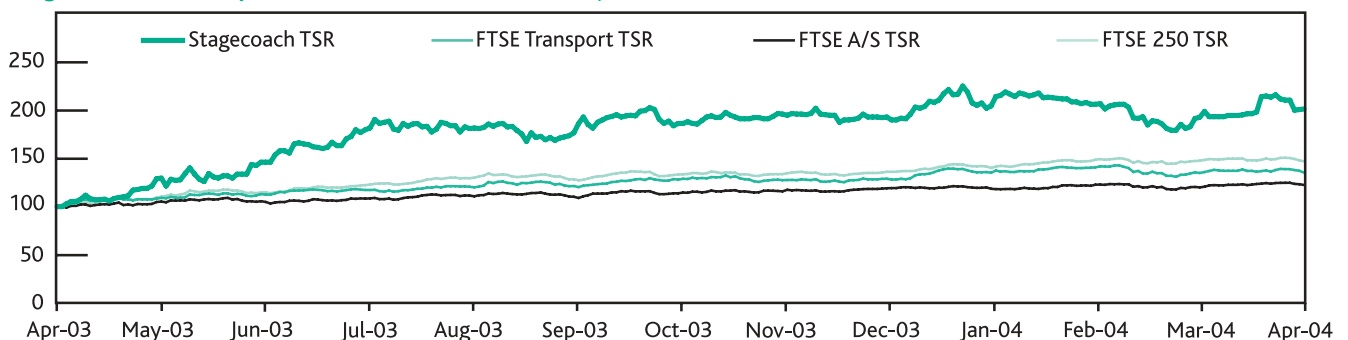
In determining appropriate levels of remuneration for the executive directors, the Remuneration Committee aims to provide overall packages of terms and conditions that are competitive in the UK and will attract, retain and motivate high quality executives capable of achieving the Stagecoach Group's objectives 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. 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 not only traditional financial indicators but also 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 Group 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 growth prospects for the Stagecoach 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.

Stagecoach TSR Comparative Performance since 1 May 1999



Stagecoach TSR Comparative Performance since 1 May 2003



The Committee has also appointed and taken advice during the year from a firm of independent executive remuneration consultants, Inbucon Consulting, which was instructed to review the existing remuneration of all executive directors and the chairman. Inbucon Consulting also provided training to the Committee in the year.

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 greatest responsibility for delivering corporate strategy which 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 schemes.

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

TABLE 1	Salary/fees		Performance related bonus		Benefits in kind		Compensation for loss of office		Non-pensionable allowances†		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Executive directors												
Brian Souter	470	460	329	322	18‡	18	Nil	Nil	n/a	n/a	817	800
Keith Cochrane*	Nil	81	Nil	Nil	Nil	8	Nil	543	Nil	108	Nil	740
Brian Cox*	Nil	37	Nil	Nil	Nil	4	Nil	Nil	n/a	n/a	Nil	41
Graham Eccles	250	190	175	114	21	13	Nil	Nil	44	26	490	343
Martin Griffiths	205	180	143	108	20‡	20	Nil	Nil	29	23	397	331
Non-executive directors												
Ewan Brown	30	27	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	30	27
Ann Gloag	30	27	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	30	27
Robert Speirs	90	72	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	90	72
Russell Walls	30	27	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	30	27
Janet Morgan	30	27	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	30	27
Iain Duffin	30	27	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	30	27
Total	1,165	1,155	647	544	59	63	Nil	543	73	157	1,944	2,462

*Resigned or retired prior to 30 April 2003.

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

‡Includes cash payments in lieu of provision of company car.

Graham Eccles and Martin Griffiths participate in the Stagecoach Executive Directors' Long Term Bonus Scheme. Under this scheme, Graham Eccles may be awarded an additional annual bonus of £100,000 per financial year for each of the three years commencing 1 May 2003 and Martin Griffiths may be awarded an additional annual bonus of £50,000 for each of the five years commencing 1 May 2003. The performance condition of

the Scheme is such that the bonuses are payable if the growth in earnings per share each financial year outperforms inflation by at least 5%. The performance condition in respect of the year ended 30 April 2004 was satisfied and therefore subject to the relevant individual remaining a full-time employee of the Group, the bonus in respect of that year will be paid at the end of the three or five year period.

Directors' pension benefits (audited) were as follows in Table 2 (amounts in £000)

TABLE 2	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	2004	2003	2004	2003	2004	2003	
Executive directors									
Brian Souter	44	60	226	209	391	348	127	138	99
Graham Eccles	11	12	18	15	53	44	29	26	29
Martin Griffiths	11	14	23	19	68	58	10	9	10