



STAGECOACH GROUP
Summary Annual Report 2006

Business highlights

- Strong operational and financial performance across the Group
 - Fourth year of successive earnings growth
 - Dividend increased by 12.1%
- Innovation driving growth at UK Bus
 - 2.1% like for like passenger volume growth excluding London and megabus.com
 - Acquisition of bus operations in Merseyside, Yorkshire, Lincolnshire and Tayside
 - Named UK Bus Operator of the Year
- Excellent performance in UK Rail
 - Revenue up 5.7%
 - South West Trains operational performance among best in London and South East
 - £66.7m of revenue and profit share payable to DfT
 - Shortlisted for South Western rail franchise – innovative and value-for-money bid to build on record of operational and financial achievement
 - Named Rail Passenger Operator of the Year
- Further growth in North America
 - Strong revenue growth – overall US\$ revenue from continuing operations up 11.0%
 - Continued margin growth despite significant cost pressures
 - Launch of budget inter-city coach service in United States
- Improved performance and revenue growth at Virgin Rail Group
 - Good progress on renegotiation of West Coast franchise
- Conditional sale of London bus business agreed for £263.6m
 - Bus division strategy to focus on less regulated bus operations outside London
- Disposal of New Zealand operations resulting in gain of £22.5m
- Appointment of Sir George Mathewson as a non-executive director

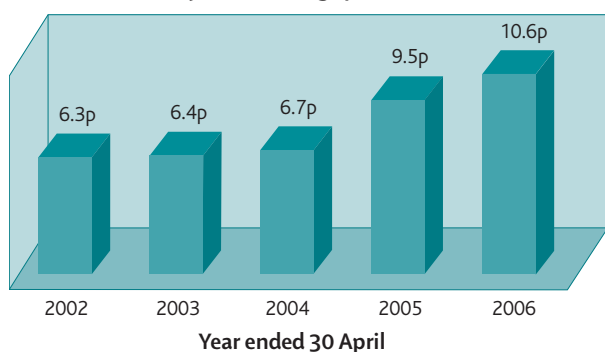
Financial highlights

Results reported under International Financial Reporting Standards (“IFRS”) accounting policies

- 11.6% increase in earnings per share, excluding amortisation of intangible assets and exceptional items
- 42.7% increase in basic earnings per share

	Results excluding intangible asset amortisation and exceptional items		Reported results	
	2006	2005	2006	2005
Revenue from continuing operations, excluding acquisitions (£m)	1,530.0	1,413.4	1,530.0	1,413.4
Total operating profit (£m)	156.6	153.1	136.1	132.9
Profit before taxation (£m)	140.6	131.2	115.0	104.9
Earnings per share (pence)	10.6p	9.5p	10.7p	7.5p
Proposed final dividend (pence)	2.6p	2.3p	2.6p	2.3p
Full year dividend (pence)	3.7p	3.3p	3.7p	3.3p
Free cash flow (£m)	175.5	173.6	175.5	173.6
Net debt (£m)	135.9	214.6	135.9	214.6

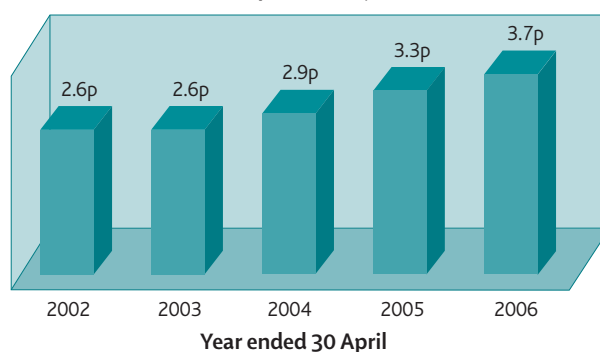
Adjusted earnings per share



Adjusted earnings per share is earnings per share before the amortisation of intangible assets and exceptional items. 2002 to 2004 are UK GAAP figures and 2005 and 2006 are IFRS figures.

The Group has faced a number of challenges following its acquisition of Coach USA in 1999. Management changes were made in 2002, including Brian Souter's return to the role of Chief Executive. Since 2002, the Group's businesses have been stabilised and management has delivered significant growth in earnings per share as illustrated above.

Dividend per ordinary share



The Group seeks to grow the dividend per ordinary share as earnings grow. Since the restructuring of the Group commenced in 2002, the dividend per ordinary share has grown at an average cumulative annual growth rate of 9.2% and in addition, £241.3m was returned to shareholders in September 2004.

Contents

2	Chairman's statement	11	Summary Remuneration Committee report	15	Summary consolidated cash flow statement
3	Chief Executive's review	13	Independent auditors' statement		
4	Summary Operating and Financial Review	13	Registered office and advisers	20	Shareholder information
		14	Summary consolidated income statement		
10	Directors' biographies	15	Summary consolidated balance sheet		

Chairman's statement



Stagecoach has achieved another strong set of results as we continue to deliver shareholder value through our successful organic growth strategy in our bus and rail operations in the UK and North America.

We have produced further revenue growth in our continuing businesses and enhanced our reputation for delivering high quality public transport services through market-leading innovation, effective marketing of our products and planning for the future through targeted investment.

During the year ended 30 April 2006, we acquired additional bus operations in the UK, with the prospect of attracting even more passengers to our services. Our excellent rail performance, both operationally and financially, has also put us in a strong position when competing for new franchises.

During the year, we completed the disposal of our New Zealand operations and on 23 June 2006, we agreed the conditional sale of our London bus business to Macquarie Bank Limited for £263.6m. The London bus business has been a key part of the Group's success since 1994 and the sales price represents an excellent return for our shareholders. The sale is subject to regulatory approval and other closing conditions, and at the present time, we expect the sale to be completed within three months. In UK Bus, we will continue to pursue our successful growth strategy outside London, where we are leading our peer group in attracting new passengers to public transport.

Cost pressures, including fuel and insurance, remain a challenge for the Group, and we are continuing to manage these as part of our overall cost base. We believe that we have achieved the correct balance of retaining and growing our customer base, while maintaining a financially robust business.

The results for the year ended 30 April 2006 are the first full-year results to be reported in accordance with International Financial Reporting Standards ("IFRS") and the comparative amounts for the year ended 30 April 2005 have been restated accordingly. Group revenue for the year ended 30 April 2006 was £1,568.5m (2005: £1,420.5m). Operating profit before amortisation of intangible assets and exceptional items* was £156.6m (2005: £153.1m). Earnings per share before amortisation of intangible assets and exceptional items were up 11.6% at 10.6p (2005: 9.5p), the fourth year of successive earnings growth following the substantial restructuring of the Group in 2002.

Given the Board of Directors' confidence in the future prospects and financial strength of the Group, we are proposing a final dividend of 2.6p per share (2005: 2.3p), giving a total dividend for the year of 3.7p (2005: 3.3p). This is an increase of 12.1% and based on continued strong, stable cash flows and profits within the business, we will look to continue progressive dividend growth. The proposed final dividend is payable to shareholders on the register at 1 September 2006 and will be paid on 4 October 2006.

Stagecoach has made a promising start to the new financial year to 30 April 2007 and the current trading of the Group remains in line with our expectations. We are confident of achieving our objectives for the year.

At the heart of our strong performance this year have been our employees across all our operations. Their personal commitment to first-class customer service is crucial as we pursue our organic growth strategy. I would once again like to thank all our employees for their continued hard work and support.

I would like to welcome to the Group, Sir George Mathewson, who has joined Stagecoach as a Non-Executive Director. He has a formidable business background, including substantial experience with major UK-listed companies.

Graham Eccles retired as an Executive Director of the Group on 30 April 2006. I am very grateful to Graham for his significant contribution to the Group and to the UK rail industry over many years.

Russell Walls retires by rotation at the next Annual General Meeting due to be held in August 2006, and he has indicated that he does not intend to seek re-election. The Group has benefited significantly over the last six years from Russell's skills and experience. Russell is the Senior Independent Non-Executive Director and the Chairman of the Audit Committee. The Board will determine his successor to each of these roles in due course.

Graham and Russell leave the Group with all our best wishes for the future.

Our Group strategy is driven by innovation and investment, and we will continue to look for opportunities to increase shareholder value by growing our bus and rail businesses in the UK and North America.

A handwritten signature in black ink, appearing to read 'Robert Speirs'. The signature is fluid and cursive, written on a white background.

Robert Speirs
Chairman

*Unlike UK GAAP, there is no definition of 'exceptional items' in IFRS. For this purpose, "exceptional items" are items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to present fairly the financial performance of the Group.

Chief Executive's review



This has been another excellent year for the Group and we have again achieved our objective of driving growth in our business, both organically and through targeted acquisitions. Our strong performance and success has resulted in independent recognition with Stagecoach companies named Britain's best bus operator and best rail passenger operator.

Stagecoach has further enhanced its reputation for innovation in both the bus and rail passenger transport markets through the development of new products and new ideas to attract more customers to our services.

The Group has been able to largely offset the significant cost pressures, particularly in relation to fuel, being experienced by all bus operators, through its focus on continued revenue growth and close management of controllable costs. The Group anticipates that these costs pressures will continue into the financial year to 30 April 2007 and it will remain proactive in seeking to offset the impact of these costs.

During the year, we made two key acquisitions in our UK Bus business, which have expanded our reach in new areas of the country and brought new opportunities to grow the market for bus travel. The integration of Glenvale Transport in Merseyside and the Traction Group operations in Yorkshire, Lincolnshire and Tayside is progressing well.

Our continued investment in new, accessible vehicles and industry-leading marketing campaigns has resulted in further organic passenger growth in our UK Bus division. Our telemarketing unit, which has been highly successful in attracting thousands of new bus users in the UK, has been expanded this year and we believe this approach can deliver further impressive results.

Our market-leading budget inter-city travel service, megabus.com, has again grown revenue this year, and we are excited by the prospects for our joint venture with ComfortDelGro to provide inter-city coach services in Scotland.

Stagecoach continues to develop productive partnerships with local authorities and this approach has produced passenger volume growth at our regional UK bus companies. We were the most successful of the major UK bus operators in our bids for Government-funded Kickstart schemes this year.

Since the end of the financial year, we have agreed the sale of our London bus operations. Stagecoach has been able to buck the national trend and achieve organic growth in its bus operations both inside and outside London although we believe there will be more moderate levels of growth in London in the future. Against that background, our UK Bus division will focus on less regulated bus operations outside London where we can drive growth through innovation, investment and strong marketing.

Our UK Rail division continues to perform strongly, combining good profitability with excellent operational performance and improved customer satisfaction.

The current South West Trains and Island Line franchises run until February 2007. Stagecoach is one of four remaining bidders for the new South Western franchise, which will combine the operations of South West Trains and Island Line from February 2007. We have transformed the South West Trains franchise, investing in new trains, driving up punctuality and

improving customer satisfaction. Building on these achievements, we will submit a powerful, value-for money bid that we believe will put us in a strong position to win the new franchise.

The two Virgin Rail Group ("VRG") franchises, West Coast and CrossCountry, have delivered improved punctuality and customer satisfaction over the last year. Virgin CrossCountry is carrying a record 20m passengers a year, following the replacement of the entire train fleet and improved services and connections. On West Coast, passenger volumes have increased by nearly 40% in the last eight years and there are plans to run an unprecedented 20-minute frequency on the key London-Manchester corridor by 2008.

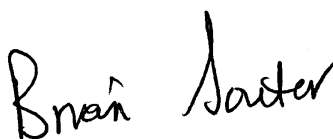
The renegotiation of the West Coast franchise is a central priority for the Group and we have been encouraged by the commitment shown by both VRG's management and the Department for Transport ("DfT") to agreeing revised commercial terms for the period through to 2012. We look forward to these terms being finalised over the next few months, resulting in a sustainable agreement in the long-term interests of passengers, taxpayers and shareholders.

Like the West Coast franchise, Virgin CrossCountry continues to operate on the basis of annual budgets set by the DfT. Stagecoach intends to bid jointly with Virgin for the new CrossCountry franchise when the tender process starts later this year. The new CrossCountry franchise is scheduled to start in November 2007.

Stagecoach is also excited by the opportunities to grow its rail portfolio and we will consider bids for the East Midlands and West Midlands operations when the Government announces its specification for these new franchises.

In North America, we have driven up revenue in our United States and Canada bus operations by concentrating on operational delivery, marketing of our core services, small bolt-on acquisitions and winning and retaining contract business. Despite fuel and insurance cost pressures, we have maintained our market position and we have achieved particularly impressive growth in our sightseeing operations where we have made improved use of online bookings via the Internet.

The tremendous commitment of our employees and managers has been central to the growth of our business over the past year. I believe that, despite significant cost pressures the Group has the potential to achieve even more in the year ahead.



Brian Souter
Chief Executive

Summary Operating and Financial Review

Important note

This Summary Annual Report, including, the summary financial statements, is a summary of the information contained in the 2006 Annual Report and Accounts. It does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or the Group. For further information, the full annual financial statements, the auditors' report on those financial statements and the report of the Directors should be consulted. All shareholders receive either the Summary Annual Report or the full Annual Report. A copy of the full 2006 Annual Report and Accounts may be obtained, free of charge from the Company's registrar at the address and telephone number shown on page 20. If you wish to receive the full Annual Report for all future financial years you should inform Lloyds TSB Registrars in writing, at the same address.

Cautionary statement

The Summary Operating and Financial Review is a summary of the full Operating and Financial Review contained within the 2006 Annual Report and Accounts. The Operating and Financial Review has been prepared for the shareholders of the Company, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. This Operating and Financial Review contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward looking statements in this Operating and Financial Review will be realised. The forward looking statements reflect the knowledge and information available at the date of preparation. A full copy of the 2006 Operating and Financial Review can be found on the Company's website at <http://www.stagecoachgroup.com/scg/ir/finanalysis/reports/>

Group business objectives and long-term strategy

The key elements of Stagecoach Group's business strategy to deliver long-term shareholder value are:

- To deliver organic growth across all of the Group's operations;
- To acquire businesses that are complementary to the Group's existing operations, in areas where the Group's management has proven expertise and which offer prospective returns on capital in excess of the Group's weighted average cost of capital;
- In addition to organic and acquisition growth, to maintain and grow the Group's UK Rail division by bidding for selected rail franchises and to seek to secure new franchises where the risk/return trade-off is acceptable. This part of the strategy includes working with VRG to secure an acceptable renegotiated West Coast Trains franchise.

A fundamental objective underlying this strategy is the continued provision of safe and reliable services to passengers.

Stagecoach Group has demonstrated particular strength in managing bus and coach businesses that operate scheduled services in a relatively deregulated environment. The Group's focus is on operations with critical mass in their own local markets. In rail, Stagecoach's skill centres on organic revenue and passenger volume growth, the management of significant change projects, the delivery of improved operational performance, and driving up customer satisfaction.

UK Bus

Revenue in our UK Bus division, excluding acquisitions during the year, has increased by 7.7% to £775.7m (2005: £720.3m) and operating profit* is up to £88.6m, compared to £87.7m in the previous year. Operating margin was 11.4% compared to 12.2% in 2005. We are particularly pleased to report that excluding acquisitions, we have grown operating profit against a background of significant increases in fuel and other costs. In addition, the acquisitions in the year contributed £38.5m of revenue and a £1.9m operating loss.

Investment, innovation and growth

Stagecoach has an excellent track record of operating high-quality bus and coach services. We have delivered further growth in passenger volumes at our UK Bus division during the year as a result of our emphasis on new product development, investment and tailored marketing initiatives. We are attracting more people out of their cars and on to our public transport services and total passenger volumes on a like for like basis, excluding London and megabus.com, were up 2.1%. More than £50m has been spent in the past 12 months modernising our fleet, delivering more low-floor accessible buses and a more comfortable travelling environment for passengers.

We have expanded the reach of our UK Bus operations with the acquisition of two significant independent bus businesses in the past year, Glenvale Transport Limited ("Glenvale") and Traction Group Limited ("Traction Group"). As we anticipated at the time we acquired it, Glenvale has incurred losses as we restructure the operations. Revenue from the date of acquisition to 30 April 2006 was £17.4m and the operating loss was £2.3m. Traction Group, which has operations in Yorkshire, Lincolnshire and Tayside, contributed £21.1m to revenue and made an operating profit of £0.4m in the period since acquisition to 30 April 2006.

megabus.com, our market-leading inter-city bus service now has a network of services covering more than 40 locations in the UK. More modern double-decker coaches and a comprehensive package of press, billboard, radio and web-based marketing have helped drive further passenger growth. Around two million passengers have travelled with megabus.com during the year and we have improved both the average load factor and the average fare.

Provincial and city networks

We have achieved further organic passenger growth in our UK Bus division. Growth in our provincial and city networks has been driven by our focus on customer profiling research and targeted marketing. Our telemarketing unit at our headquarters in Perth has been expanded to launch new campaigns in the UK to encourage non-users to switch to bus travel. These campaigns, which include the offer of a week's free travel and focus in particular on parents and car users, have resulted in significant numbers of non-users switching to the bus.

Impressive passenger volume growth has been achieved in a number of our provincial networks, including Newcastle, Sheffield, Basingstoke, Devon, Thanet, Banbury, Barrow, and Merthyr. We have also achieved further passenger growth in our flagship operations in Cambridge on the "citi" branded network, supported by the introduction of real time information on some services. In Oxford, we have attracted more passengers on our Oxford Tube high-frequency express coach service to and from London and grown our market share on this competitive corridor. In Scotland, we have achieved passenger volume growth of 1.8% in our Western business, which was named 2005 UK Bus Operator of the Year.

The integration of Traction and Glenvale is progressing well. In Merseyside, we are focusing on developing strong core services as well as operating tendered routes on behalf of Merseytravel. We have completed a major

*References to the operating profit/loss or operating margin of a particular business throughout the Summary Operating and Financial Review mean operating profit/loss (or operating margin) before amortisation of intangible assets, exceptional items and restructuring costs.

vehicle replacement programme, which has resulted in more than half of the Glenvale fleet being upgraded. Following the decision by the Office of Fair Trading not to refer the acquisition of Traction to the Competition Commission, we have made a number of improvements to integrate the business into our UK Bus operations. A new integrated bus and tram network has been launched in Sheffield, delivering cheaper fares and better services to people in the city.

London

In June 2006, the Group agreed the conditional sale of its London bus operations to Macquarie Bank Limited. The business operates bus services in south and south-east London on behalf of Transport for London ("TfL"). The proceeds are expected to be around £264m and the sale will result in a consolidated net gain on disposal of approximately £120.0m.

Partnership

Stagecoach continues to work closely with a range of stakeholders at local and national level to improve the quality of bus provision for our customers. Strong partnerships are the key to improving services and delivering value for money to taxpayers, a view that has been endorsed by the Government. We welcome the DfT's review of competition arrangements to make it easier to achieve sensible co-operation between operators on timetables and fares where this is in customers' interests. In Scotland and Wales, we continue to work with the devolved administrations to successfully deliver the concessionary fares schemes. We welcome the recent commitment by the Government to introduce a national free travel scheme for the elderly in England from 2008. Our bus companies are also looking forward to building relationships with Transport Scotland, the new National Transport Agency for Scotland, and the regional transport partnerships. Stagecoach is working with a number of local authorities on smartcard, multi-operator ticketing schemes and real time information, in places such as Manchester, Cambridge and south-west England, to make travel easier for passengers. Several of our companies also have close links with businesses and educational establishments to encourage travel by public transport.

Park and ride

We believe there is significant potential to develop park and ride around the UK as a solution to the problem of increasing congestion. Stagecoach is a partner with local authorities in a number of major park and ride sites where there has been significant growth. In November 2005, as part of our dynamic bus strategy for Manchester, we unveiled proposals for a series of park and ride sites at key interchanges on the M60 motorway to help cut city centre congestion and promote bus use. Stagecoach is also investigating the potential of "commercial" park and ride operations around the UK, where the operator would also buy and manage the facility, drawing on experience in the United States.

Kick Start

Stagecoach was the most successful large bus operator in the UK in the latest round of funding allocations from the DfT for Kickstart schemes to fund new bus services. More than 40% of the funding available was allocated to Stagecoach partnership schemes, which was a reflection of our success in using this model to generate organic passenger growth. We are also operating a number of Bus Route Development Grant schemes with support from the Scottish Executive and other initiatives backed by the devolved administration in Wales.

North America

North American trading continues to be encouraging, despite ongoing cost pressures in relation to fuel and insurance. Cost pressures have resulted in the closure of a number of smaller competitors and in some areas we have been able to absorb the additional customer base.

In March 2006, we launched our budget coach operation, megabus.com, in the United States. Passengers can travel on daily non-stop express coach services between Chicago and other Midwest cities from as low as US\$1.

Revenue from North America for the year ended 30 April 2006 was US\$439.5m (2005: US\$409.1m). On a like for like basis, revenue was up by 9.7%. Operating profit excluding megabus was US\$31.5m (2005: US\$28.7m), resulting in an operating margin of 7.2%, compared to 7.0% the

previous year. Converted to sterling, revenue for the year was £247.6m (2005: £220.8m). Operating profit excluding megabus for the year was £17.7m (2005: £15.5m), and the operating loss of megabus in North America was £0.8m (2005: £Nil), including marketing and other start-up costs.

We continue to experience strong revenue growth in our highly successful sightseeing businesses. The growth has been helped by the introduction of new double-decker buses and improved tours and marketing.

We have seen further revenue and passenger growth in our express, commuter and scheduled airport services.

We have achieved a 100% contract retention rate in the past year and have been awarded a number of new contracts in our Chicago, Wisconsin and Pittsburgh businesses, while our Chicago tour operations have expanded services.

Student transportation services in Wisconsin have continued to grow and we have expanded in the state through the acquisition of a 30-school bus contract.

Charter revenues are up year on year and forward bookings are ahead of the same period last year, assisted by improved online booking capabilities through our redesigned Coach USA website. We have made a small bolt-on acquisition of a charter business in southern Pennsylvania. During the year, we closed some small under-performing charter locations in western New York State and reduced our casino services.

In Canada, revenue has grown by more than 25% despite a very competitive environment. Significant new contracts have been secured with the Greater Toronto Airports Authority and strong growth has also been achieved in transit contracts.

UK Rail

The Group's rail division has had another excellent year, with continued growth in revenue, including strong season ticket sales.

Revenue from our UK Rail subsidiaries for the year ended 30 April 2006 was up by 5.7% to £506.7m (2005: £479.4m). Operating profit increased to £58.9m (2005: £50.0m), with an operating margin of 11.6% (2005: 10.4%). Revenue was adversely affected by the terrorist attacks in London in July 2005, particularly revenue from off-peak travel. The impact on profit was less significant due to the revenue and profit share arrangements that South West Trains has with the DfT.

The reported operating profit is after deducting £66.7m (2005: £46.0m) of amounts payable to the DfT under the revenue and profit sharing arrangements at South West Trains.

Rail bid costs of £11.7m (2005: £3.0m) were expensed during the year ended 30 April 2006 in arriving at the UK Rail operating profit of £58.9m (2005: £50.0m). These were principally in relation to the ongoing work on the bid for the South Western franchise and the unsuccessful bids on the Greater Western, Great Northern/Thameslink and Integrated Kent franchises.

South West Trains

South West Trains was named Passenger Operator of the Year and Rail Business of the Year within the past 12 months, reflecting our commitment to excellence. Recent operational performance at what is arguably the UK's biggest and most complex franchise is amongst the best achieved by train operating companies in London and the South East with 90% of trains arriving on time (punctuality measured on the basis of the DfT's Passenger Performance Measure).

Providing a clean, safe, punctual and reliable service has resulted in the highest ever overall passenger satisfaction ratings achieved to date at South West Trains, jumping from 78% last spring to 83% in Spring 2006 (measured as the percentage of passengers surveyed who were satisfied with their overall journey experience).

In the last year, together with third parties, we have invested more than £7m in station refurbishments and security enhancements across the South West Trains' network.

Summary Operating and Financial Review

megatrain.com, our budget rail service offering seats on off-peak services from just £1 plus booking fee, has attracted 50,000 passengers since we launched the first two trial routes in November 2005. The service has proved extremely successful in making the most efficient use of the capacity on the rail network. megatrain.com was extended to seven additional locations on the South West Trains network in April 2006, offering 5,000 cheap seats a week, and since June 2006, megatrain.com has started selling tickets on more than a fifth of all Virgin CrossCountry services. We are in discussions with the DfT about making the megatrain.com pilot project permanent.

South West Trains continues to work hard to maximise capacity on the network. We have entered into a lease for a further 17 Desiro class 450 trains, which will provide an extra 4,500 seats during peak times, and all units are expected to be in passenger service by the end of the franchise. Agreement has also been reached to lease nine three-car Class 158 trains to replace existing two-car trains on the West of England line, with the first of these expected to enter service in October 2006.

The £67m refurbishment of the Class 455 fleet operating on suburban routes is progressing well. The partnership project with the DfT, TfL, Porterbrook and Bombardier is expected to be completed by Spring 2008, delivering improved reliability and better passenger circulation due to the revised internal layout of the units.

Island Line

Island line became the first rail operation in the UK to be designated as a Community Rail route by the DfT in March 2006. Designation changes the approach to running the line, with greater emphasis on local management and meeting local needs. Various initiatives have been and are being implemented on this line, including additional car parking and a park and ride scheme. Separately, Island Line is being assisted by South West Trains on a project to modernise its ticketing machines.

Supertram

Passenger volumes at Sheffield Supertram continue to grow and the tram operation is now carrying a record 13 million people a year. A major three-year project has been launched to refresh the livery and interiors of the 25-strong tram fleet and the first of the improved vehicles entered service in January 2006. The programme will improve comfort and accessibility for passengers, as well as help to maintain the fleet's high standard of reliability. Stagecoach launched a new integrated tram and bus network in Sheffield in May 2006, offering joint tram and bus ticketing. Further marketing activity has focused on students and an improved website.

Rail franchising opportunities

Stagecoach is delighted to have been shortlisted for the new South Western franchise, which runs from February 2007 and is made up of the current South West Trains and Island Line networks. We believe our record of achievement at South West Trains will enhance the Group's bid for the new franchise. Passengers are benefiting from record investment in new trains, consistently high operational performance, as well as innovation with new ideas such as our budget train service, megatrain.com. We are delivering for passengers, taxpayers and our shareholders, and we will be submitting innovative and competitive proposals to the Government by 30 June. A final decision is expected from Government in Autumn 2006.

We were disappointed that our bids for the Thameslink/Great Northern and Greater Western franchises and our joint bid with DSB for the Integrated Kent franchise were unsuccessful. However, we will continue to bid for future rail franchises on what we believe to be an acceptable risk profile, offering good value for both the Government and our shareholders. We are excited by the opportunities to grow our rail portfolio, which include the new East Midlands and West Midlands franchises. Stagecoach also plans to bid jointly with Virgin for the new CrossCountry franchise when it is tendered later this year. All three of these new franchises are expected to commence in November 2007.

New Zealand

The results of the discontinued New Zealand division are included within the profit for the year from discontinued operations line on the face of the income statement with the prior year comparative results also reclassified to

this line. The disposed New Zealand operations contributed profit after taxation of £4.3m (2005: £7.3m) to the overall Group profit. The disposal of New Zealand also resulted in a gain of £22.5m in the current year.

Joint Ventures

Virgin Rail Group

Our share of VRG's revenue for the 12-month period amounted to £357.4m (2005: £315.2m) and our share of profit after finance income and taxation was £5.5m (2005: £10.7m). Of this, operating profit was £5.3m (2005: £14.2m), net finance income was £1.7m (2005: £1.7m) and the net tax charge was £1.5m (2005: £5.2m).

Both of VRG's franchises currently operate on the basis of annual budgets set by the DfT whereby the franchises earn a specified profit before tax margin. VRG's negotiations with the Government over new commercial terms for the West Coast franchise that extends through to 2012 are progressing well and we look forward to an agreement being reached later this year. Our objective is to secure an arrangement which is sustainable and in the long-term interests of passengers, taxpayers and shareholders.

In our announcement of our interim results for the six months ended 31 October 2005, we explained that the results included the benefit of additional financial support that VRG expected to receive from the DfT. We are pleased to report that VRG and the DfT have now agreed the total financial support for VRG's financial year to 4 March 2006 and the DfT has now paid this in full to VRG.

Passenger numbers are continuing to grow on West Coast, with annual journeys now approaching 19 million – an increase of 20% on the previous year. Revenue has also increased significantly as the improved performance of the Pendolino trains continue to generate new traffic. VRG has been particularly successful in competing with the airlines on the key London-Manchester route. Over the last two years, rail's share of the combined rail/airline market has increased from one third to around two thirds on that route. Customer service has also improved and, in the latest National Passenger Survey (Spring 2006), 90% of passengers were satisfied with their overall journey experience.

The Virgin CrossCountry franchise has grown passenger journeys by 7% over the past year and now carries in excess of 20 million passengers a year. Customer satisfaction has been further improved and in the latest National Passenger Survey (Spring 2006), 84% of passengers were satisfied with their overall journey experience.

The Government announced in October 2005 that a new CrossCountry franchise would be created by incorporating the current Central Trains inter-regional routes into the existing CrossCountry network. As part of the re-mapping process, the DfT also announced its decision to re-let the CrossCountry franchise and the pre-qualification process is expected to begin in the summer of 2006. Stagecoach and Virgin plan to submit a joint bid for the franchise through VRG. Based on its strong track record of passenger growth and performance improvements, we believe VRG will be well placed to win any tender for the new CrossCountry franchise.

Scottish Citylink Coaches Limited

We are excited by the prospects for our joint venture with ComfortDelGro to operate inter-city coach services in Scotland, which we believe can compete strongly with existing rail services and attract car users to public transport.

Our share of Scottish Citylink Coaches Limited's ("Citylink") revenue from the inception of the joint venture in September 2005 to 30 April 2006 amounted to £3.8m and our share of operating profit was £0.1m. The business is seasonally strongest over the Summer and therefore these results do not reflect the most profitable part of the year.

The Office of Fair Trading decided in March 2006 to refer the Citylink joint venture to the Competition Commission. While we were surprised and disappointed at this decision, we are assisting the Commission with its enquiries and have had positive discussions to date. We are confident that the Commission will realise the main competition to the coach is the car and inter-city rail services and that the joint venture can deliver the biggest improvement to inter-city coach services in Scotland in years.

Current trading and outlook

The current financial year to 30 April 2007 has started well and trading is in line with our expectations. There are a number of exciting opportunities across the Group and we are confident of achieving our objectives for the year.

Corporate social responsibility

Stagecoach Group takes its corporate responsibilities seriously and the responsible way we do business is firmly embedded in our Group's culture. From our approach to safety and the environment, to how we treat our people, our customers, our local communities and other key stakeholders, we have a very clear set of values.

As well as providing a range of economic and environmental benefits, our bus and rail services help promote social inclusion and bring people together. We are committed to encouraging more people to use public transport. This is central to our growth strategy, to the future success of our Group, and also important to the future of the communities in which we operate around the world. We have the same long-term goal of sustainable development as our stakeholders and it is in our collective interest to have an ongoing dialogue on how that can best be achieved.

Our Code of Business Conduct, which can be found on our website at www.stagecoachgroup.com/scg/media/publications/policydocs/codeofconduct.pdf, confirms our core values and policies in a number of areas: how we deal with our employees, suppliers, customers, competitors, and the wider communities in which we work. These values apply to every director, manager and employee in all our companies across our global operations.

It is one thing to have a vision, but how that vision is implemented is equally important. Like any business in any sector, we can get better. We are continually striving to improve our policies, practices and service delivery to make an increasingly positive impact on society and the environment. Building trust with our stakeholders in the wider community is vital and providing clear information on our progress and performance is part of that process.

Stagecoach has put in place a number of performance indicators that reflect our engagement with a range of stakeholders and these are tracked on a regular basis.

Stakeholders

Stagecoach Group works in partnership with a range of bodies in each of the markets where we provide public transport services.

Our People

Stagecoach is a people business and it is the quality of our employees that ensure we can deliver a first-class quality of service day in, day out. They are crucial to our objective of attracting more people to public transport. None of this happens by chance. We invest significant time and resources to ensure we have the right people on board to deliver what our customers need.

We respect and value our staff, and we have a strong commitment to equal opportunities and partnership working with trade unions.

As a major employer, we also recognise the need for ongoing training and development, not just so our people can do their job, but so they can develop individually. In our UK Bus division, we have one of the best vocational training programmes of any UK Bus operator, designed to raise standards among and recognise the key contribution of our drivers. To date, some 60.9% of our UK Bus drivers have either achieved or are working towards the S/NVQ qualification. Our close focus on recruitment and retention has resulted in achieving a full complement of drivers. This has been assisted by improved pay, better training and mentoring schemes.

South West Trains achieved Investors in People status in September 2005 as a result of its huge investment in its employees to ensure they have the right skills, knowledge, experience and behaviour to provide a first-class service to passengers. South West Trains' centralised Recruitment Centre and the state

of the art Operations Training Centre are continuing to deliver benefits to our employees and better service to our customers. South West Trains also has in place vocational training, support for managers, employee recognition programmes and round-the-clock open learning access for its staff.

In North America, we have set up a centralised driver training school, which has improved our recruitment and training processes. Our Canadian business has focused closely on improved screening of job applicants prior to training and this has resulted in improvements in the quality of employees recruited.

We are also looking to develop the managers of the future through our graduate recruitment initiative at Stagecoach UK Bus and South West Trains. Our engineering apprenticeship programme in the UK promotes careers through local schools and career development agencies. We have also worked closely with government-funded enterprise agencies to get the long-term unemployed back into work, because many have vital skills that are being overlooked.

Stagecoach wants to be there to help our people when they need it most. For example, at South West Trains we have a partnership with Care First, which offers an employee assistance programme that includes a 24-hour confidential counselling service and legal helpline.

We are one of a number of employers across the UK involved in a pilot scheme to research and test various ways to improve financial capability in the workplace. The multi-agency project - co-ordinated by the Financial Services Authority ("FSA"), the independent financial watchdog - involves offering our staff one to one surgeries and hard copy material. The workplace is seen as an ideal way to get information and education on finance to adults and active participation by employers is vital. The pilot is part of a national strategy to improve access to information, advice and personal finance education, so that consumers are better equipped to make sound choices when looking after their money and their future financial security.

Accessibility

We recognise that every customer we serve has their own specific individual needs and accessibility is a key factor in providing attractive public transport services. As far as possible within the resources we have available, we are continuing to make it easier for people to use our bus and rail services. This includes tailoring our network and frequency of services to meet demand.

We have made further progress during the year on our long-term programme to ensure all our buses in the UK are fully low-floor. We have announced a further investment in new accessible vehicles in the UK for the year ending 30 April 2007. We are also helping provide demand responsive transport services in the UK, which are meeting the needs of those with mobility problems who require a service from their front door.

Significant investment is also taking place in our North American business, where we continue to lead the industry in terms of accessibility. As well as introducing new coaches that meet the Americans with Disabilities Act legislation, we have an ongoing programme to retro-fit coaches with lifts each year.

On the South West Trains network, we provide station-based ramps to enable wheelchair users to board and alight trains with maximum convenience. To support the access of wheelchair users to our network, we are now committed to providing wheelchair users with accessible taxis to and from stations with step-free access at no extra charge.

Access for all is also about staff training and we continue to maintain links with disability groups to ensure both the needs of our passengers and employees are considered. At Sheffield Supertram, for example, the first of our trams have been refreshed with textured grab rails and improved seating layouts to help passengers with visual impairment. We are also currently undertaking trials of new higher visibility destination blinds and investigating the potential for automated public address announcements.

Many people now access transport information online and our award-winning Stagecoach Group website, www.stagecoachgroup.com, has been developed in line with accessibility guidelines drawn up by the Royal National Institute for the Blind.

Summary Operating and Financial Review

Health and Safety

As a major international public transport operator, a commitment to the highest standards of safety is at the heart of our business. We strictly adhere to legislative regulations in all our areas of operation. Breach of these regulations could result in criminal and/or civil legal proceedings, fines and potential loss of contracts and licences to operate. Stagecoach has an excellent safety record and we have a proactive culture across the Group that ensures the health and safety of our customers and our employees is our top priority. Health and safety is monitored and reported on across Stagecoach Group and immediate action is taken to address issues in our business processes. We have a Health, Safety and Environmental Committee that considers health, safety and environmental issues across the Group and reports to the Board on these matters. The Committee is chaired by a non-executive director. Safety matters are also considered at the Board and management meetings of each of our businesses. Our employees are provided with appropriate health and safety training and encouraged to report any concerns. We expect our suppliers and contractors to have a similar commitment to complying with appropriate regulations in this area.

Safety and security issues around public transport were highlighted by the terrorist attacks in London in July 2005. Stagecoach operated both of the buses that were targeted in the attacks and our employees have been commended for their response to these tragic incidents. We will continue to stress the need for vigilance by our staff and customers, while at the same time ensuring accessibility to our public transport services.

In our UK Bus division, we are working in partnership with government and other agencies to improve bus safety and security. While crime and vandalism rates are relatively low, we are aware they can discourage people from travelling on buses. Stagecoach signed the UK's largest single order for CCTV in buses in the UK in April 2006. The £1.2m deal will ensure all new buses ordered by Stagecoach for delivery during the year ending 30 April 2007 will be fitted with state-of-the-art digital CCTV systems from LOOK CCTV. As well as assisting in our drive to increase on-board security for our passengers and employees, the systems can check the movement of traffic and pedestrians as part of an accident prevention campaign.

Stagecoach has a number of joint programmes in place with schools and the police to deter anti-social behaviour and educate the next generation of public transport users. We are also working with a number of local authorities in areas such as Oxford, Mansfield, Cheltenham and Gloucester to develop late night bus networks to help reduce town centre crime. At an operational level, we have in place a process of route risk assessments to identify potential safety issues. As well as our own investment in ongoing driver training, we are supporting the work of the Road Operators' Safety Council to drive up standards in the industry. Stagecoach has also helped fund safety campaigns focused on other road users, including cyclists and drivers of agricultural vehicles.

South West Trains ("SWT") is involved in the ground-breaking TravelSafe Officer security and anti-crime partnership with British Transport Police. The initiative continues to help reduce crime across the network and SWT has also received 47 Secure Station awards, more than any other train operating company. The successful withdrawal of Mark 1 rolling stock and the full introduction of the Desiro fleet has helped deliver a safer and more secure railway. Passengers are also benefiting from CCTV improvements and better lighting at 53 South West Trains stations within the London area. Work has also been undertaken to further enhance SWT's Safety Management System, supported by training and briefing programmes for employees. Implementation of our Engineering Competency Management System is also continuing. As well as improved contractor management, SWT has developed a new safety training programme for trade union health and safety representatives. This total commitment to safety led to SWT winning the Sir Robert Horton Safety Award at the National Rail Awards in 2005.

In North America, we continue to meet or exceed all Federal and State regulations in the area of safety. Regular safety audits are carried out at our facilities to ensure high standards of health and safety are maintained. We have enhanced our driver recruitment and training policies, as well as reducing the maximum permitted continuous hours of service for drivers, as

part of our commitment to a safe, well-rested team. Management performance incentives include targets related to the reduction of preventable accidents. The management team in the United States has continued to support the work of the Federal Government and other agencies in implementing anti-terrorism measures. We have now installed GPS tracking in more than 1,000 coaches for security and monitoring purposes. In Canada, we have a dedicated Occupational Health and Safety Policy Committee whose members are drawn equally from management and workforce representatives.

Public transport – whether by bus, coach, train or tram – remains the safest way to travel. Stagecoach Group itself has a good safety record, but we are not complacent and we constantly keep our safety arrangements under review.

Environment

The Group is committed to making continuing progress in improving the environmental management of its operations and helping to build a sustainable environment. Across our global operations, we provide support and training for our employees to ensure compliance with legislation, as well as effective waste management, and improved energy consumption and environmental performance. Our Environmental Policy sets out our commitment to good environmental stewardship and we have put in place stretching targets to reduce emissions, cut water and energy consumption, minimise waste and identify opportunities for recycling.

Stagecoach has made further progress this year in improving the environmental management of our operations and helping to build a sustainable environment. We believe public transport can play a significant part in reducing pollution, cutting congestion and contributing to a higher quality of life in our communities. Stagecoach is also taking steps to ensure its operations are carried out in a responsible manner.

We have worked closely with consultants Arthur D Little to measure the environmental impact of our transport operations in the past 12 months. Arthur D Little have also assisted in setting new stretching targets as part of our commitment to good environmental stewardship. These key performance indicators cover reductions in emissions, lower water and energy consumption, minimising waste and identifying opportunities for recycling.

Our internal processes designed to track environmental data have been further strengthened this year and have extended the measurement of our performance to cover our operations in Canada. New Zealand operations, which were divested in December 2005, are not included in the data for the year ended 30 April 2006.

Full details of our performance, compiled in conjunction with Arthur D Little, can be found on the Stagecoach Group website at <http://www.stagecoachgroup.com/scg/csr/environment/performance/>.

We have delivered further improvement in the direct emissions per passenger journey from our bus and train fleets. This has been achieved through our investment in new vehicles and rolling stock, as well as through the use of new fuels and cleaner technologies. Stagecoach has ordered a number of new Euro 4 engined vehicles for our bus operations in the UK, which have the potential to deliver improved fuel consumption and engine reliability. The use of biodiesel has been increased to around 1,800 buses in the UK and we are continuing to use the Envirox fuel additive across our UK Bus fleet. Stagecoach is also involved in a number of projects to fit exhaust gas recirculation systems to some of our vehicles in the UK. More than 1500 of our buses in the UK are now fitted with CRTs, a 24% increase from 30 April 2005. In our North American operations, we are the first company in New York to fit our buses for use with low sulphur fuel, which significantly reduces emissions. The Group has also introduced more accurate calculation methods to assess our performance in the area of direct emissions, particularly in our UK Rail division.

Indirect emissions from our bus operations on a per passenger journey basis have dropped significantly over the past 12 months. As well as being influenced by the growth in passenger volumes, this has been assisted in

particular by ongoing efforts to reduce energy consumption at our UK Bus sites. We are working with Manchester-based Vickers Electronic Limited to introduce a specialist Energy Management System, which is in use at more than 50 sites. As well as cost savings, the system is benefiting the environment. Consumption savings at 29 gas-fired Stagecoach sites are running at more than 11,000,000 kWh per annum, which represents an emissions reduction of more than 4,000 tonnes of carbon dioxide per year. While indirect emissions per passenger journey and in total have increased in our rail operations, this reflects the continued introduction of Desiro trains. As well as offering a greatly improved travelling experience for passengers, these state-of-the-art trains use higher levels of electricity than earlier rolling stock. Since 2003, the Group's indirect emissions from energy consumption at offices and depots have reduced by 14.4%.

Water consumption in our bus operations has reduced per passenger journey by more than 50%, assisted by the introduction of upgraded wash facilities, better wash management and initiatives to identify and repair water system leaks. The water consumption at our rail operations on a per passenger journey basis has remained at similar levels to the previous year.

The Group is continuing to focus on improving the collection of data around the production of vehicle maintenance and other waste in its UK and North American operations. South West Trains, for example, has introduced a complete waste management system called Garbology where pressure crushers are used to compress waste and maximise the space available for waste disposal. We are also reviewing what measures can be taken to increase the proportion of waste recycled from our bus and rail operations. While waste recycled from our rail operations has increased from 6.2% in the 12 months to 30 April 2005 to 40.0% in the 12 months to 30 April 2006, waste recycled from our bus operations has dropped from 31.9% in the 12 months to 30 April 2005 to 29% in the 12 months to 30 April 2006.

Across our operations, we provide support and training for our employees to ensure compliance with legislation, as well as effective waste management, and improved energy consumption and environmental performance. The environmental training programme at our UK Bus division has been fully revised. Around 200 depot managers, safety representatives and supervisors have been trained in the last two years, with all key personnel to be trained every three years on a rolling programme. In Manchester, a campaign is currently underway on all new double deck vehicles to reduce engine idling time to a maximum of 15 minutes, after which the engine will shut down. We have also continued our support for the road safety charity Brake and other organisations to benchmark and share good practice in safe driving and driving methods designed to improve fuel efficiency. At South West Trains, Wimbledon Traincare depot has achieved ISO14001 accreditation and other units are currently being assessed by the British Standards Institute as part of our commitment to continuous improvement in environmental management.

In many areas, Stagecoach is working in partnership with major employers to help develop travel plans that reduce the dependence of employees on the car to get to work.

Stagecoach has made further improvements and investment in the area of environmental sustainability over the past year, however we recognise that we can do more. We want to build on the progress we have made and, as part of our commitment, we have set new stretching environmental targets across our business.

Community investment and charitable activities

For more than 25 years, Stagecoach has been a key part of local communities around the world. As well as providing lifeline transport services and significant job opportunities, the Group is committed to investing in each of the communities we serve. We want local people to share in our success and that is why every year we help fund the vital work of local, national and international charities.

During the year ended 30 April 2006, Stagecoach Group donated £0.6m (2005: £0.3m) to help many worthwhile causes, including many health charities and local community projects in areas where we provide lifeline public transport services.

In July 2005, many people lost their lives as a result of the terrorist attack in London and these shocking events touched our Group directly. The Group donated £100,000 to the London Bombings Relief Fund, which was set up by the Mayor of London in association with the British Red Cross to help provide practical assistance to the victims' families. Stagecoach also matched the fund-raising of its employees around the country who wanted to play their part in responding positively to these tragic events.

Hundreds of our employees devote their own time every day to local projects that make a real difference in their area. Our businesses provide much-needed in-kind support, while our people also give charities the benefit of their expertise during secondments. We also believe in recognising the contribution local people make in their own communities every year, which is why we have co-sponsored Scotland's annual Our Heroes Awards.

Much of the backing we provide is focused on education and young people, assisting organisations such as the National Society for the Prevention of Cruelty to Children, NCH, the children's charity, and PiggybankKids, which supports a wide range of children's projects.

We work closely with schools and police on local crime prevention initiatives and education of youngsters about the dangers and consequences of anti-social behaviour. Stagecoach is backing an innovative education, prevention and intervention programme designed to educate parents, and other carers, about drugs. The initiative, developed by the national charity Care for the Family, gives parents the information and skills they need to help their children understand the harmful use of drugs, alcohol and tobacco. With the support of Stagecoach, more than 1,000 parents in South Manchester will be able to benefit from tailored How to Drug Proof Your Kids courses. Our support also assists many local initiatives that help provide opportunities for young people. Stagecoach recently pioneered the Park & Read concept in Cambridge as part of World Book Day, offering quick read books on all park & ride services. In Scotland, we are involved in innovative street football and twilight league initiatives in conjunction with local clubs and the police.

Stagecoach is also helping promote social inclusion with our communities to help those who are the most vulnerable. A national agreement with Guide Dogs for the Blind, for example, allows the dog trainers free travel on our buses.

We have continued to support the UK educational charity businessdynamics, which provides courses designed to build the skills and confidence of young people as they prepare to enter the worlds of work and further education.

Our South West Trains rail franchise operates services in 13 different English counties, where we are involved in many projects to boost social inclusion across our extensive network. The Lymington Heritage Line was launched last year with the purchase and refurbishment of two trains, now in their original British Rail livery. The initiative, which is helping to make the line more cost effective and safeguard its future, has won a National Community Rail Award. The DfT is now concluding consultation regarding proposed designation of the route as a Community Rail Line.

Overseas, a convoy of coaches from our United States operations helped assist the Hurricane Katrina relief effort in New Orleans. The support team helped evacuate some of the thousands of people made homeless by the disaster. Coach USA employees also donated bottled water, food items and toiletries, which were delivered to the American Red Cross to be distributed to those in need.

These are only a small number of examples of our work in supporting and working with our local communities. This approach has been a cornerstone of our business philosophy for more than a quarter of a century and we will continue to work hard to be a responsible part of these communities in the future.



Robert Speirs



Brian Souter



Martin Griffiths



Graham Eccles



Ann Gloag OBE



Ewan Brown CBE



Iain Duffin



Sir George Mathewson



Dr Janet Morgan



Russell Walls

Directors' biographies

1 Robert Speirs, Non-Executive Chairman

Robert Speirs has been a non-executive director of the Group since March 1995. In July 2002, he was appointed by the Board as Non-Executive Chairman. He is currently a non-executive director of Victoria Mortgage Funding Ltd and Chairman of the Miller Group Ltd. He is a former Group Finance Director of The Royal Bank of Scotland plc. Robert Speirs is Chairman of the Nomination Committee. Aged 69.

2 Brian Souter, Chief Executive

The co-founder of Stagecoach, Brian Souter is the architect of the Group's strategy and philosophy. He has extensive knowledge of the ground transportation industry around the world and is responsible for managing all of the Group's operations. He is also Chairman of ScotAirways Group Ltd. He was named Businessman of the Year at the Insider Elite Awards 2004 and is a Chartered Accountant. Aged 52.

3 Martin Griffiths, Finance Director

Appointed Finance Director in April 2000, Martin Griffiths is responsible for the Group's overall financial policy, taxation and treasury management. He also has responsibility for the overall management of the Group's property portfolio and supports the Chief Executive in all aspects of new business development across the Group. He is a member of the Group's Pension Oversight Committee and was a director of Trainline Holdings Limited up until June 2006. He won the Young Scottish Finance Director of the Year Award in 2004 and is a Chartered Accountant. Aged 40.

4 Graham Eccles, Executive Director Rail (retired 30 April 2006)

Graham Eccles has over 40 years' experience in the rail industry and has held a number of senior management posts. Up until his retirement in April 2006, he was a member of the Board, which he joined in September 2000 and prior to that was Managing Director of South West Trains from 1999. He was responsible for the management of all the Group's rail operations. In addition, he had main board responsibility for Group safety matters and was also a member of the Health, Safety and Environmental Committee until earlier this year. Aged 59.

5 Ewan Brown CBE, Non-Executive Director

Ewan Brown has been a non-executive director of the Group since 1988 and chairs the Group's Pensions Oversight Committee. He is a non-executive director of Noble Grossart Ltd and Lloyds TSB Group plc where he chairs the Audit Committee. He is also Chairman of Lloyds TSB Scotland plc and was a non-executive director of John Wood Group plc until May 2006. Aged 64.

6 Iain Duffin, Non-Executive Director

Iain Duffin became a non-executive director of the Group in September 2001. He was appointed Chairman of the Remuneration Committee on 1 May 2003 and is also a member of the Audit Committee and Health, Safety and Environmental Committee. He is a non-executive Chairman of Origo Services and Beattie Media Group. He has previously held executive positions in the UK and the US with a number of organisations including Macfarlane Group plc, Lucas Varity plc, ITT Corporation and Hughes Aircraft. Aged 59.

7 Ann Gloag OBE, Non-Executive Director

Ann Gloag co-founded Stagecoach in 1980 and served as an executive director until May 2000. She became a member of the Health, Safety and Environmental Committee in June 2005. She is a past winner of the Businesswoman of the Year Award and European Women in Achievement Award. She is an international Board member of Mercy Ships. In June 2004, she was awarded an OBE for services to charity. Aged 63.

8 Sir George Mathewson, Non-Executive Director

Sir George Mathewson joined the Group as a non-executive director on 8 June 2006. He was Chairman of The Royal Bank of Scotland Group plc ("Royal Bank") until his retirement on 28 April 2006. Sir George is currently an advisor to the Royal Bank and is also a director of the Scottish Investment Trust plc. In November 2001, he was appointed to the Board of Directors of the Institute of International Finance and in June 2005, he became president of the International Monetary Conference. Sir George joined the Advisory Committee of Bridgepoint Capital Limited in January 2004 and in November 2004, he was appointed a member of the Financial Reporting Council. Sir George is also chairman of Toscafund Holdings, a hedge fund. Aged 66.

9 Dr Janet Morgan, Non-Executive Director

Dr Janet Morgan, Lady Balfour of Burleigh, became a non-executive director in April 2001. She is Chairman of the Health, Safety & Environmental Committee and is a member of the Audit, Remuneration and Nomination Committees. She is also Chairman of the Nuclear Liabilities Fund and is a non-executive director of Murray International Investment Trust and other companies. She was a non-executive director of BPB plc until December 2005. Dr Morgan is a Fellow of the Royal Society of Edinburgh, a Trustee of the Carnegie Trust for the Universities of Scotland and a Trustee of the National Library of Scotland. She was a member of the Central Policy Review Staff of the Cabinet Office. Aged 60.

10 Russell Walls, Non-Executive Director

Appointed as a non-executive director in June 2000, Russell Walls is the Chairman of the Audit Committee and is a member of the Remuneration Committee and the Nomination Committee. He is the senior independent non-executive director. He is Chairman of Delphic Europe Limited, a non-executive director of Signet Group plc and Aviva plc and is a member of the Conflicts Clearance Committee of the ABN AMRO Infrastructure Capital Equity Fund. He was previously Group Finance Director of BAA plc and Wellcome PLC. For many years he worked abroad with Coats Viyella plc where he was Group Finance Director from January 1990. He is a fellow of the Association of Chartered Certified Accountants. Russell Walls retires by rotation at the 2006 AGM and has indicated that he does not intend to seek re-election. Aged 62.

Summary Remuneration Committee 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 Committee report. The full version of the Remuneration Committee report is contained in the 2006 Annual Report. The full 2006 Annual Report may be obtained from the Company's registrar at the address and telephone number shown on page 20.

Composition of the Remuneration Committee

During the year ended 30 April 2006, Iain Duffin chaired the Remuneration Committee and the other members were Russell Walls and Janet Morgan, all three of whom are independent Non-Executive Directors. The Committee, which was established in December 1992, has delegated responsibility for approving the remuneration and terms of employment for the Executive Directors and the Chairman, including pensions rights and any compensation payments. The Remuneration Committee also monitors and makes appropriate recommendations with respect to the remuneration of other senior management.

The Board of Directors as a whole, having given due regard to the required time commitment and responsibilities, sets the fees and expenses payable to the Non-Executive Directors. Non-Executive Directors do not hold any share options, nor do they participate in any incentive plans or pension schemes with the exception of Ann Gloag who receives a pension accrued when she was an executive director. The members of the Remuneration Committee have no personal interest in the matters to be decided other than as shareholders, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the businesses of the Stagecoach Group.

Both the constitution and operation of the Remuneration Committee comply with the principles incorporated in the Combined Code. In preparing this

Remuneration report, the Remuneration Committee has followed the provisions of the Combined Code.

The terms of reference of the Remuneration Committee are available on the Group's website at <http://www.stagecoachgroup.com/scg/csr/corpgov/committees/remun.pdf>

Performance graph

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 2006 compared with that of the FTSE Transport and Leisure 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 2006.

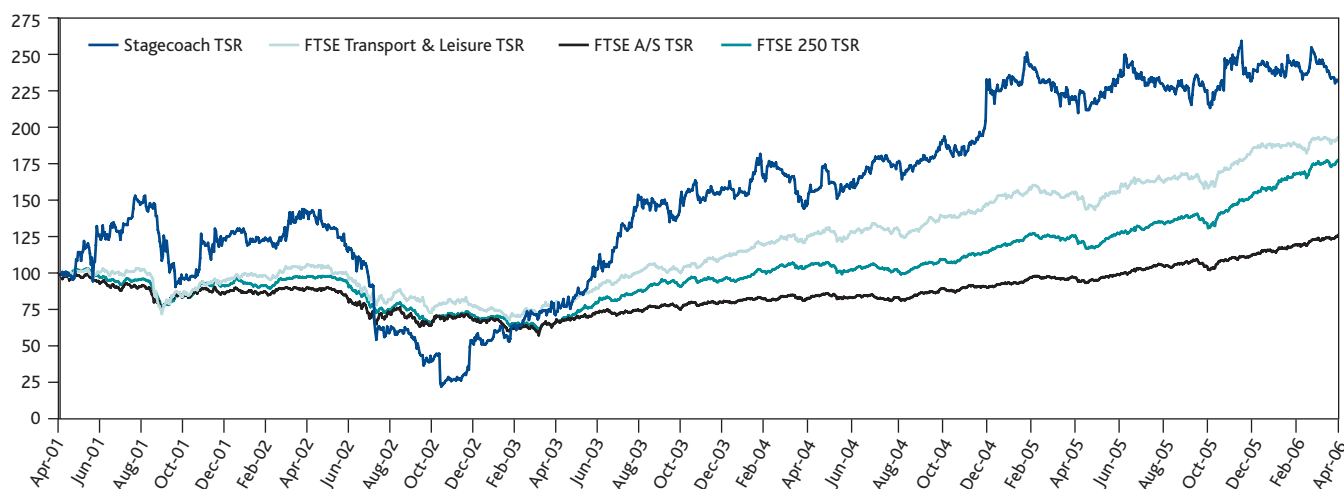
In assessing the performance of the Company's TSR the Board believes the comparator groups it has chosen represent a fair benchmark both in terms of the nature of the business activity and size of company.

Remuneration Policy

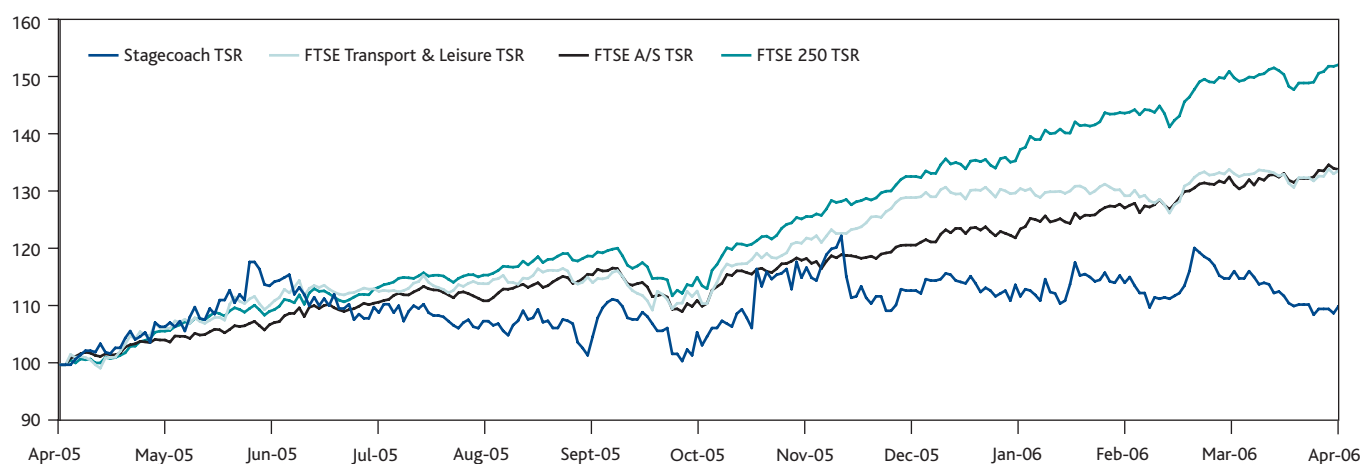
The Remuneration Policy was approved by our shareholders at the 2005 Annual General Meeting. The Remuneration Committee follows the Combined Code in designing performance-related remuneration schemes.

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 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

Stagecoach TSR Comparative Performance since 30 April 2001



Stagecoach 1 Year TSR Comparative Performance to 30 April 2006



Summary Remuneration Committee report

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.

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. New arrangements were approved by shareholders at the 2005 Annual General Meeting and the Committee considers that the arrangements that were approved by shareholders remain appropriate.

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.

Directors' remuneration for the year ended 30 April 2006 is shown in Table 1 and Directors' pension benefits are shown in Table 2.

Two directors exercised Executive share options in the year. Details are shown in Table 3 below.

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 along with the cash equivalent of her benefits in the Stagecoach Group Pension Scheme were transferred into a personal pension arrangement that provides her with an annual pension of £81,000. 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 2 below.

TABLE 1 – DIRECTORS' REMUNERATION (AUDITED) (amounts in £000)	Salary/fees		Performance related bonus (cash)		Performance related bonus (EPP)*		Benefits in kind		Non-pensionable allowances†		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Executive directors												
Brian Souter	499	484	204	339	204	Nil	17	17	n/a	n/a	924	840
Graham Eccles	269	261	161	183	Nil	Nil	25	24	44	46	499	514
Martin Griffiths	242	220	103	154	103	Nil	20	20	36	33	504	427
Non-executive directors												
Ewan Brown	38	32	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	38	32
Ann Gloag	38	32	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	38	32
Robert Speirs	110	90	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	110	90
Russell Walls	38	32	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	38	32
Janet Morgan	38	32	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	38	32
Iain Duffin	38	32	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	38	32
Total	1,310	1,215	468	676	307	Nil	62	61	80	79	2,227	2,031

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

*The Executive Participation Plan (EPP) was approved by shareholders at the 2005 AGM. Under the EPP, 50% of participants' annual bonus is in the form of a notional interest in ordinary shares of the Company (deferred shares).

TABLE 2 – DIRECTORS' PENSION BENEFITS (AUDITED) (amounts in £000)	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	2006	2005	2006	2005	2006	2005	
Executive directors									
Brian Souter	51	70	264	244	489	439	167	146	135
Graham Eccles	11	14	25	21	74	64	35	33	35
Martin Griffiths	12	15	30	26	89	78	13	12	13

TABLE 3 – OPTIONS EXERCISED IN YEAR (amounts in £000)	2006
Graham Eccles	1,005
Martin Griffiths	961
Total gains on share options before transaction costs and taxes	1,966

Independent auditors' statement to the members of Stagecoach Group plc

We have examined the summary financial statements of Stagecoach Group plc.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Summary Annual Report in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Summary Annual Report with the full financial statements, the Directors' report and the Remuneration Committee report, and its compliance with the relevant requirements of Section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Summary Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

This statement, including the opinion, has been prepared for and only for the Company's members in accordance with Section 251 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, "The auditors' statement on the summary financial statement" issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statements are consistent with the full financial statements, the Directors' report and the Remuneration Committee report of Stagecoach Group plc for the year ended 30 April 2006 and comply with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

28 June 2006

Registered office and advisers

Company Secretary

Ross Paterson

Registered Office

10 Dunkeld Road

Perth PH1 5TW

Telephone +44 (0) 1738 442 111

Facsimile +44 (0) 1738 643 648

Email info@stagecoachgroup.com

Company Number

SC 100764

Registrars

Lloyds TSB Registrars Scotland

PO Box 28506

Finance House

Orchard Brae

Edinburgh EH4 1WQ

Telephone +44 (0) 870 601 5366

Merchant Bankers

Noble Grossart Limited

48 Queen Street

Edinburgh EH2 3NH

Independent Auditors

PricewaterhouseCoopers LLP

Kintyre House

209 West George Street

Glasgow G2 2LW

Stockbrokers

Credit Suisse

1 Cabot Square

London E14 4QJ

Principal Bankers

Bank of Scotland

New Uberior House

11 Earl Grey Street

Edinburgh EH3 9BN

Solicitors

Shepherd & Wedderburn

Saltire Court

20 Castle Terrace

Edinburgh EH1 2ET

Herbert Smith

Exchange House

Primrose Street

London EC2A 2HS

Summary consolidated income statement

For the year ended 30 April 2006

	2006			2005		
	Performance pre intangibles and exceptional items £m	Intangibles and exceptional items £m	Results for the year £m	Performance pre intangibles and exceptional items £m	Intangibles and exceptional items £m	Results for the year £m
Revenue	1,568.5	Nil	1,568.5	1,420.5	Nil	1,420.5
Operating costs	(1,627.2)	(7.4)	(1,634.6)	(1,453.8)	(5.5)	(1,459.3)
Other operating income	209.7	Nil	209.7	176.1	Nil	176.1
Operating profit of Group companies	151.0	(7.4)	143.6	142.8	(5.5)	137.3
Share of profit/(loss) of joint ventures – after finance income and taxation	5.6	(13.1)	(7.5)	10.7	(14.7)	(4.0)
Share of profit/(loss) of joint ventures:						
Operating profit/(loss)	5.4	(13.1)	(7.7)	14.2	(14.7)	(0.5)
Finance income (net)	1.7	Nil	1.7	1.7	Nil	1.7
Taxation	(1.5)	Nil	(1.5)	(5.2)	Nil	(5.2)
	5.6	(13.1)	(7.5)	10.7	(14.7)	(4.0)
Share of loss from interest in associate – after finance charges and taxation	Nil	Nil	Nil	(0.4)	Nil	(0.4)
Total operating profit: Group and share of joint ventures and associates	156.6	(20.5)	136.1	153.1	(20.2)	132.9
Gain on sale of properties	Nil	0.8	0.8	Nil	1.3	1.3
Loss on disposed operations and sale of investments	Nil	(5.9)	(5.9)	Nil	(7.4)	(7.4)
Profit before interest and taxation	156.6	(25.6)	131.0	153.1	(26.3)	126.8
Finance costs	(24.6)	Nil	(24.6)	(35.2)	Nil	(35.2)
Finance income	8.6	Nil	8.6	13.3	Nil	13.3
Profit before taxation	140.6	(25.6)	115.0	131.2	(26.3)	104.9
Taxation	(31.4)	5.0	(26.4)	(28.0)	2.7	(25.3)
Profit for the year from continuing operations	109.2	(20.6)	88.6	103.2	(23.6)	79.6
Profit for the year from discontinued operations	4.3	22.5	26.8	7.3	Nil	7.3
Profit for the year	113.5	1.9	115.4	110.5	(23.6)	86.9
Profit attributable to equity shareholders of the parent	113.5	1.9	115.4	110.1	(23.6)	86.5
Earnings per share						
– Adjusted/Basic	10.6p		10.7p	9.5p		7.5p
– Diluted	10.4p		10.6p	9.3p		7.3p
Earnings per share from continuing operations						
– Adjusted/Basic	10.2p		8.2p	8.9p		6.9p
– Diluted	10.0p		8.1p	8.7p		6.7p
Dividends per ordinary share						
– Interim paid				1.1p		1.0p
– Final proposed				2.6p		2.3p

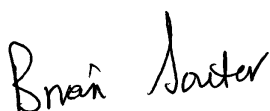
1

Summary consolidated balance sheet

As at 30 April 2006

	2006	2005
	£m	£m
Non-current assets	893.4	866.7
Current assets	395.3	321.7
Total assets	1,288.7	1,188.4
Current liabilities	502.6	573.0
Non-current liabilities	574.5	500.0
Total liabilities	1,077.1	1,073.0
Net assets	211.6	115.4
EQUITY		
Ordinary share capital	6.9	6.8
Redeemable 'B' preference shares	n/a	13.9
Share premium account	174.8	163.4
Retained earnings	(212.1)	(294.4)
Capital redemption reserve	243.0	229.1
Own shares	(6.1)	(6.8)
Translation reserve	4.0	3.4
Available for sale reserve	1.9	Nil
Cash flow hedging reserve	(0.8)	Nil
Total equity	211.6	115.4

These financial statements have been approved for issue by the Board of Directors on 28 June 2006.



Brian Souter
Chief Executive



Martin A Griffiths
Finance Director

Summary consolidated cash flow statement

For the year ended 30 April 2006

	2006	2005
	£m	£m
Net cash from operating activities ("free cash flow")	175.5	173.6
Net cash used in investing activities	(9.9)	(50.8)
Net cash used in financing activities	(106.3)	(458.4)
Net increase/(decrease) in cash and cash equivalents	59.3	(335.6)
Cash and cash equivalents at the beginning of the year	138.5	476.5
Exchange rate effects	0.5	(2.4)
Cash and cash equivalents at the end of year	198.3	138.5

Note 1 Dividends

2006	2005
£m	£m

Amounts recognised as distributions in the year

Dividends on ordinary shares

Final dividend paid of 2.0p per share for the year ended 30 April 2004	–	26.5
Interim dividend paid of 1.0p per share for the year ended 30 April 2005	–	10.7
Final dividend paid of 2.3p per share for the year ended 30 April 2005	24.6	–
Interim dividend paid of 1.1p per share for the year ended 30 April 2006	12.0	–

Amounts recognised as distributions to equity holders in the year

Dividends on redeemable 'B' preference shares

Accrued for the period	n/a	0.4
	36.6	37.2

Dividends proposed but neither paid nor included as liabilities in the financial statements

Dividends on ordinary shares

Final dividend paid of 2.3p per share for the year ended 30 April 2005	–	24.4
Final dividend proposed of 2.6p per share for the year ended 30 April 2006	28.4	–
	28.4	24.4

The proposed final dividend in respect of the year ended 30 April 2006 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the final dividend will be payable on 4 October 2006 to shareholders on the register at close of business on 1 September 2006.

The dividends proposed and the actual dividends recognised as distributions differ slightly due to the number of shares at the balance sheet date being different to that at the record date.

The redeemable 'B' preference shares attracted a non-cumulative preferential dividend set at 70% of 6 months' LIBOR. The dividend was payable on the nominal amount of 18 pence per 'B' share and was paid twice yearly in arrears on 31 March and 30 September. On adoption of IAS 32 and IAS 39 on 1 May 2005, the preference shares are reclassified as debt rather than equity and subsequently any dividends accrued since that date are classified as finance costs.

Note 2 Reconciliation of net assets and profit under UK GAAP to IFRS

Stagecoach Group plc ("the Group") previously prepared its consolidated financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") for periods up to and including 30 April 2005. From 1 May 2005 onwards, the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee interpretations as endorsed by the European Union ("EU"). The results for the year ended 30 April 2006 represent the Group's first financial statements prepared in accordance with accounting policies based on IFRS and accordingly the comparative figures for the year ended 30 April 2005 have been restated in accordance with IFRS. Detailed transitional UK GAAP to IFRS reconciliations for the comparatives were issued on 29 September 2005 and can be found on the Group's website at: <http://www.stagecoachgroup.com/scg/ir/finanalysis/reports>.

In the announcement of 29 September 2005, we noted that the financial information presented may subsequently be impacted by changes in the business or to IFRS or the interpretation thereof. The comparative information reported in these results differs from that previously reported as a result of such changes.

The following changes have been made to the comparatives since the reconciliations published on 29 September 2005:

	Year ended 30 April 2005
	£m

Income statement

Increase in Group operating costs	(3.0)
Increase in Group other operating income	3.0
Increase in operating profit from joint ventures	1.0
	1.0

	As at 30 April 2005
	£m

Balance sheet

Increase in provisions within current liabilities	(55.6)
Decrease in provisions within non-current liabilities	55.6
Decrease in interests in joint ventures	(6.0)
Decrease in net assets and equity	(6.0)

A loss on sale of plant and equipment of £3.0m has been reclassified from Group other operating income to Group operating costs.

Provisions totalling £55.6m previously classified as non-current liabilities have been reclassified to current liabilities.

An intangible asset had been previously recognised in relation to VRG in our prior IFRS restatement which represented the right to operate both the West Coast and CrossCountry franchises. This has been removed which results in an increase in profit for the year ended 30 April 2005 of £1.0m and a decrease in net assets of £6.0m at that date. This change results from further analysis undertaken by VRG and its auditors with respect to the application of IFRS to the contractual arrangements in respect of VRG's franchises.

The transitional balance sheet shown at 1 May 2005 to comply with IAS 32 and IAS 39 in the restatement has changed with net assets at 1 May 2005 decreasing by a further £0.5m. This reflects the discounting of our North American receivables in respect of disposals in prior years.

The year ended 30 April 2005 comparatives have also been updated to reflect the disposal of our New Zealand operations, with all income and expenses relating to the New Zealand division being reclassified to profit for the year from discontinued operations.

Reconciliation of Profit

For the year ended
30 April 2005

	Previously reported under UK GAAP	Employee Benefits	Goodwill and intangibles	Share Based Payments	Joint ventures & associates net liabilities	Assets held for sale	First time adoption	Joint ventures	Other	Total effect of transition to IFRS	Restated under IFRS	Impact of discontinued operations	As reported under IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	1,479.5	–	–	–	–	–	–	–	–	–	1,479.5	(59.0)	1,420.5
Operating costs	(1,517.1)	2.8	6.8	(1.4)	–	0.1	0.3	–	(3.0)	5.6	(1,511.5)	52.2	(1,459.3)
Other operating income (net)	173.3	1.7	–	–	–	–	–	–	3.0	4.7	178.0	(1.9)	176.1
Operating profit of Group companies	135.7	4.5	6.8	(1.4)	–	0.1	0.3	–	–	10.3	146.0	(8.7)	137.3
Share of operating loss of joint ventures (IFRS – after finance income and taxation)	(2.2)	1.6	0.1	–	–	–	–	(3.5)	–	(1.8)	(4.0)	–	(4.0)
Share of operating loss from interest in associates (IFRS – after finance charges and taxation)	(0.7)	–	0.3	–	–	–	–	–	–	0.3	(0.4)	–	(0.4)
Total operating profit: Group and share of joint ventures and associates	132.8	6.1	7.2	(1.4)	–	0.1	0.3	(3.5)	–	8.8	141.6	(8.7)	132.9
Gain on sale of properties	1.3	–	–	–	–	–	–	–	–	–	1.3	–	1.3
Loss on disposed operations	(5.9)	–	(0.4)	–	(1.0)	(0.1)	–	–	–	(1.5)	(7.4)	–	(7.4)
Profit before interest and taxation	128.2	6.1	6.8	(1.4)	(1.0)	–	0.3	(3.5)	–	7.3	135.5	(8.7)	126.8
Finance costs (net)	(19.9)	–	–	–	–	–	–	(1.7)	–	(1.7)	(21.6)	(0.3)	(21.9)
Profit before taxation	108.3	6.1	6.8	(1.4)	(1.0)	–	0.3	(5.2)	–	5.6	113.9	(9.0)	104.9
Taxation	(29.5)	(1.8)	(0.9)	–	–	–	–	5.2	–	2.5	(27.0)	1.7	(25.3)
Profit for the year from continuing operations	78.8	4.3	5.9	(1.4)	(1.0)	–	0.3	–	–	8.1	86.9	(7.3)	79.6
Profit for the year from discontinued operations	–	–	–	–	–	–	–	–	–	–	–	7.3	7.3
Profit for the year	78.8	4.3	5.9	(1.4)	(1.0)	–	0.3	–	–	8.1	86.9	–	86.9
Profit attributable to equity shareholders of the parent	78.8	4.3	5.9	(1.4)	(1.0)	–	0.3	–	–	8.1	86.9	–	86.9
Earnings per share													
– Basic	6.8p	0.4p	0.5p	(0.1)p	(0.1)p	–	–	–	–	0.7p	7.5p	–	7.5p
– Adjusted	9.0p	0.6p	–	(0.1)p	–	–	–	–	–	0.5p	9.5p	–	9.5p

Reconciliation of Equity

As at 30 April 2005

	Previously reported under UK GAAP	Opening balance sheet adjustment*	Employee Benefits	Goodwill and intangibles	Proposed dividends	joint ventures and associates net liabilities	Assets held for sale	First time adoption	Other	Total effect of transition to IFRS	Restated under IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
ASSETS											
Non-current assets											
Goodwill	89.5	(4.1)	–	4.6	–	–	3.6	–	–	4.1	93.6
Other intangible assets	–	10.1	(2.9)	2.0	–	–	–	–	–	9.2	9.2
Property, plant and equipment	640.2	53.1	–	(0.2)	–	–	0.8	0.3	–	54.0	694.2
Interests in joint ventures	–	(9.9)	(5.1)	(0.1)	–	–	–	–	–	(15.1)	56.1
Interests in associates	0.7	–	–	0.3	–	–	–	–	–	0.3	1.0
Financial assets: Available for sale and other investments	1.7	–	–	0.1	–	–	–	–	–	0.1	1.8
Deferred tax asset	4.1	–	–	–	–	–	–	–	–	–	4.1
Other receivables	44.6	(40.8)	2.9	–	–	–	–	–	–	(37.9)	6.7
	852.0	8.4	(5.1)	6.7	–	–	4.4	0.3	–	14.7	866.7
Current assets											
Inventories	12.5	(1.6)	–	–	–	–	1.6	–	–	–	12.5
Trade and other receivables	174.1	11.2	(0.6)	0.1	–	–	2.1	–	(17.7)	(4.9)	169.2
Cash and cash equivalents	140.0	–	–	–	–	–	–	–	–	–	140.0
	326.6	9.6	(0.6)	0.1	–	–	3.7	–	(17.7)	(4.9)	321.7
Assets held for sale	–	8.1	–	–	–	–	(8.1)	–	–	–	–
Total assets	1,178.6	26.1	(5.7)	6.8	–	–	–	0.3	(17.7)	9.8	1,188.4
LIABILITIES											
Current liabilities											
Trade and other payables	357.6	(0.7)	–	–	–	–	0.7	–	–	–	357.6
Current tax liabilities	33.3	–	–	–	–	–	–	–	–	–	33.3
Financial liabilities: Borrowings	126.5	17.7	–	–	–	–	–	–	(17.7)	–	126.5
Dividends payable	24.4	(26.5)	–	–	2.1	–	–	–	–	(24.4)	–
Provisions	–	69.9	–	–	–	–	–	–	(14.3)	55.6	55.6
	541.8	60.4	–	–	2.1	–	0.7	–	(32.0)	31.2	573.0
Non-current liabilities											
Other payables	8.1	–	–	–	–	–	–	–	–	–	8.1
Financial liabilities: Borrowings	228.1	–	–	–	–	–	–	–	–	–	228.1
Deferred tax liabilities	78.7	(60.3)	(14.0)	1.1	–	–	–	–	–	(73.2)	5.5
Provisions	–	(1.0)	–	–	–	1.0	–	–	–	–	–
– joint ventures	–	(80.0)	0.1	–	–	–	0.1	–	14.3	(65.5)	37.4
– others	102.9	175.0	45.9	–	–	–	–	–	–	220.9	220.9
Retirement benefit obligations (IAS 19 deficit)	–	–	–	–	–	–	–	–	–	–	–
	417.8	33.7	32.0	1.1	–	1.0	0.1	–	14.3	82.2	500.0
Liabilities associated with assets held for sale	–	0.8	–	–	–	–	(0.8)	–	–	–	–
Total liabilities	959.6	94.9	32.0	1.1	2.1	1.0	–	–	(17.7)	113.4	1,073.0
Net assets	219.0	(68.8)	(37.7)	5.7	(2.1)	(1.0)	–	0.3	–	(103.6)	115.4
EQUITY											
Ordinary share capital	6.8	–	–	–	–	–	–	–	–	–	6.8
Redeemable 'B' preference shares	13.9	–	–	–	–	–	–	–	–	–	13.9
Share premium account	163.4	–	–	–	–	–	–	–	–	–	163.4
Retained earnings	(187.4)	(68.8)	(37.7)	5.7	(2.1)	(1.0)	–	0.3	(3.4)	(107.0)	(294.4)
Capital redemption reserve	229.1	–	–	–	–	–	–	–	–	–	229.1
Own shares	–	–	–	–	–	–	–	–	–	–	(6.8)
Translation reserve	(6.8)	–	–	–	–	–	–	–	3.4	3.4	–
	219.0	(68.8)	(37.7)	5.7	(2.1)	(1.0)	–	0.3	–	(103.6)	115.4

* See reconciliation of equity as at 1 May 2004 on page 19.

Reconciliation of Equity

As at 1 May 2004

	Previously reported under UK GAAP	Employee Benefits	Goodwill and intangibles	Proposed dividends	Joint ventures and associates net liabilities	Assets held for sale	First time adoption	Other	Total effect of transition to IFRS	Restated under IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
ASSETS										
Non-current assets										
Goodwill	103.5	-	(0.5)	-	-	(3.6)	-	-	(4.1)	99.4
Other intangible assets	-	8.1	2.0	-	-	(0.8)	-	-	10.1	10.1
Property, plant and equipment	618.0	-	-	-	-	-	53.9	-	53.1	671.1
Interest in joint ventures	106.5	-	1.0	-	-	-	-	-	(9.9)	96.6
Interest in associates	1.4	-	-	-	-	-	-	-	-	1.4
Financial assets: Available for sale and other investments	2.3	-	-	-	-	-	-	-	2.3	2.3
Other receivables	58.0	(41.6)	0.8	-	-	-	-	-	(40.8)	17.2
	889.7	(44.4)	3.3	-	-	(4.4)	53.9	-	8.4	898.1
Current assets										
Inventories	13.4	-	-	-	-	(1.6)	-	-	(1.6)	11.8
Trade and other receivables	169.2	(1.9)	(2.5)	-	-	(2.1)	-	-	17.7	180.4
Cash and cash equivalents	476.5	-	-	-	-	-	-	-	-	476.5
	659.1	(1.9)	(2.5)	-	-	(3.7)	-	17.7	9.6	668.7
Assets held for sale	-	-	-	-	-	8.1	-	-	8.1	8.1
Total assets	1,548.8	(46.3)	0.8	-	-	-	53.9	17.7	26.1	1,574.9
LIABILITIES										
Current liabilities										
Trade and other payables	356.2	-	-	-	-	(0.7)	-	-	(0.7)	355.5
Current tax liabilities	34.0	-	-	-	-	-	-	-	-	34.0
Financial liabilities: Borrowings	257.9	-	-	(26.5)	-	-	-	17.7	17.7	275.6
Dividends payable	26.5	-	-	-	-	-	-	69.9	(69.9)	-
Provisions	-	-	-	-	-	-	-	-	69.9	69.9
	674.6	-	-	(26.5)	-	(0.7)	-	87.6	60.4	735.0
Non-current liabilities										
Other payables	6.0	-	-	-	-	-	-	-	-	6.0
Financial liabilities: Borrowings	286.2	-	-	-	-	-	-	-	-	286.2
Deferred tax liabilities	76.2	(60.3)	-	-	-	-	-	-	(60.3)	15.9
Provisions	1.0	-	-	-	(1.0)	-	-	-	(1.0)	-
- joint ventures	114.8	(10.0)	-	-	-	(0.1)	-	(69.9)	(80.0)	34.8
- others	-	175.0	-	-	-	-	-	-	175.0	175.0
Retirement benefit obligations	-	-	-	-	(1.0)	(0.1)	-	(69.9)	33.7	51.79
	484.2	104.7	-	-	(1.0)	(0.1)	-	(69.9)	33.7	517.9
Liabilities associated with assets held for sale										
	-	-	-	-	-	0.8	-	-	0.8	0.8
Total liabilities	1,158.8	104.7	-	(26.5)	(1.0)	-	-	17.7	94.9	1,253.7
Net assets	390.0	(151.0)	0.8	26.5	1.0	-	53.9	-	(68.8)	321.2
EQUITY										
Ordinary share capital	6.7	-	-	-	-	-	-	-	-	6.7
Share premium account	392.4	-	-	-	-	-	-	-	-	392.4
Retained earnings	(6.9)	(151.0)	0.8	26.5	1.0	-	53.9	-	(68.8)	(75.7)
Capital redemption reserve	1.7	-	-	-	-	-	-	-	-	1.7
Own shares	(3.9)	-	-	-	-	-	-	-	-	(3.9)
Total equity	390.0	(151.0)	0.8	26.5	1.0	-	53.9	-	(68.8)	321.2

Shareholder information

Analysis of shareholders as at 30 April 2006

Range of holdings	Number of holders	%	Ordinary shares held	%
1 – 25,000	48,958	98.33	73,542,011	6.72
25,001 – 250,000	555	1.11	41,849,418	3.83
250,001 – 500,000	78	0.16	28,740,268	2.63
500,001 – 3,750,000	145	0.29	202,597,122	18.53
Over 3,750,000	54	0.11	746,871,494	68.29
	49,790	100.00	1,093,600,313	100.00

Classification of shareholders	Number of holders	%	Ordinary shares held	%
Individuals	47,979	96.36	312,185,842	28.55
Other corporate bodies	52	0.11	10,234,740	0.94
Banks and Nominees	1,604	3.22	715,840,728	65.45
Limited companies	149	0.30	55,297,868	5.06
Pension funds	6	0.01	41,135	0.00
	49,790	100.00	1,093,600,313	100.00

Registrar

All administrative enquiries relating to shareholdings should, in the first instance, be directed to the Company's registrar and clearly state the shareholder's name and address. Please write to: Lloyds TSB Registrars Scotland, PO Box 28506, Finance House, Orchard Brae, Edinburgh EH4 1WQ. Telephone 0870 601 5366. Registrar forms can be obtained on-line at <http://www.stagecoachgroup.com/scg/ir/shareholder/registrar/>

Stagecoach individual savings accounts

The Company has appointed Halifax Share Dealing Limited as an ISA provider and shareholders who would like further information should contact their help desk on 08457 22 55 25.

The Company has also made arrangements with Stocktrade for Maxi and Mini ISAs. Full details and an application form are available from Stocktrade (a division of Brewin Dolphin), 81 George Street, Edinburgh EH2 3ES. Telephone 0131 240 0448.

Low cost share dealing facility

The Company has set up a low cost execution only share dealing facility with a division of Brewin Dolphin, Stocktrade, exclusive to Stagecoach shareholders. The commission is 0.5% up to £10,000 with 0.2% being charged on the excess thereafter, subject to a £15 minimum.

Shareholders who would like further information should write to Stocktrade, 81 George Street, Edinburgh EH2 3ES. Telephone 0845 601 0995, quoting dealing reference Low Co020. Postal dealing packs are available on request.

Payment of dividends by BACS

Many shareholders have already arranged for dividends to be paid by mandate directly to their bank or building society account. The mandates enable the Company to pay dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to shareholders of the BACS system is that the registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the shareholder bank or building society account. Shareholders who wish to benefit from this service should request the Company's registrar (address above) to send them a dividend/interest mandate form or alternatively complete the mandate form attached to the next dividend tax voucher they receive.

Dividend Re-Investment Plan

The Company operates a Dividend Re-Investment Plan which allows a shareholder's cash dividend to be used to buy Stagecoach shares at favourable commission rates. Shareholders who would like further information should telephone Lloyds TSB Registrars Scotland on 0870 241 3018.

Financial Calendar

Annual General Meeting 25 August 2006	Interim Report December 2006
Payment Date – Ordinary shares Final Dividend 4 October 2006	Interim Dividend March 2007

STAGECOACH *GROUP*

Group Headquarters 10 Dunkeld Road Perth PH1 5TW Scotland
T +44 (0) 1738 442 111 F +44 (0) 1738 643 648 www.stagecoachgroup.com