We are pleased to provide our comments on the Exposure Draft of proposed Amendments to IAS 33, Simplifying Earnings per Share.

Background to Stagecoach

Stagecoach Group plc ("**Stagecoach**") is a leading international public transport group with operations in the UK, United States and Canada. Stagecoach's ordinary shares are quoted on the London Stock Exchange. Our comments on the ED are therefore largely from the perspective of Stagecoach's role as a preparer of company reports.

Overall view on the proposals

We are generally supportive of the proposals to achieve convergence of the denominator of the earnings per share ("EPS") calculation and where appropriate, to simplify the calculation of EPS.

Specific comments

We have responded later in this letter to the specific questions raised by the International Accounting Standards Board ("IASB") in respect of the Exposure Draft. In addition, we have a number of other specific comments that we have set out below.

We are disappointed by the change proposed to paragraph 67 (previously paragraph 73) that in effect prohibits the presentation of adjusted EPS measures on the face of the statement of comprehensive income or as the case may be, the income statement. It is disappointing that this change is not explicitly referred to or the rationale for it explained in either the introduction to the Exposure Draft or in the Invitation to comment section. The single measure that is most frequently referred to and sought by the investors and analysts that follow our Group is an adjusted EPS measure. The IASB and the major accounting firms seem to regard adjusted EPS measures as an attempt by reporting entities to distort or present a misleading view of the financial performance of an entity. This appears to ignore the fact that in most cases adjusted EPS measures are intended to provide relevant and useful information to the users of financial statements on the underlying financial performance of an entity. Indeed, investors and analysts regularly ask us for adjusted measures because they do not believe that the mandated IFRS measures and disclosures provide them with all of the information they require to evaluate the entity's underlying performance. We do not believe it is for the IASB to stipulate what should appear on certain pages of an entity's financial statements. The objective should be to present the information (albeit in a manner that is clearly labelled and not misleading) in a way that is useful to the users of the financial statements. These adjusted measures will vary by industry sector and should be driven by the requirements of users of the financial statements.

The proposed revision to paragraph 49 (previously paragraph 47A) is not clear in our view. In particular, it is unclear in the sub-point (a) what the intention is of inserting the words "at the grant date" but removing the words "in the future". We are interpreting this as saying that in respect of equity-based share based payments, as defined in IFRS 2, the fair value of each potentially dilutive share at the grant date should always be included in the proceeds for the purposes of proposed paragraph 47 of IAS 33 irrespective of what proportion of the vesting period has expired by the balance sheet date. Furthermore, we interpret this as saying that no adjustment should be made for non market based performance conditions and therefore the amount to be included in the proceeds may exceed the amount expected to be expensed to profit or loss in accordance with IFRS 2 because the latter would reflect an estimate of the proportion of units that would not vest as a result of not meeting non market based performance conditions. We believe the requirements of the existing paragraph 47A of IAS 33 currently cause confusion in practice and we would welcome clarification in the revised IAS 33 to ensure the IASB's intentions are consistently and properly applied.

We believe there is a typographical error in the proposed paragraph 54, line 3, where the word "of" should be deleted so as to read "includes them when calculating ~~of~~ diluted earnings".

Responses to questions

Our responses to the specific questions raised by the IASB are as follows:

Question 1

We agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period. We believe this should be relatively straightforward to apply consistently in practice.

We also agree that this principle is correctly applied by the Exposure Draft to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration.

Question 2

We have no particular view on the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares. We have no objections to the proposals.

Question 3

We agree with the proposed treatment of instruments that are measured at fair value through profit or loss. Furthermore, we welcome the new proposed paragraph 28 which requires that share-based payments that are recognised (or will be recognised) as a liability shall be treated in the same way as instruments that are not within the scope of IFRS 2 and are measured at fair value through profit or loss. We believe this provides greater clarity on the treatment of such share-based payments in the calculation of diluted EPS.

Question 4

We agree that in order to calculate diluted EPS an entity should assume the settlement of forward sale contracts on its own shares in the same way as options, warrants and their equivalents.

We also agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price. We welcome this proposed changed because it simplifies the calculation of diluted EPS whilst in our view, it does not materially affect the usefulness and reliability of the resulting diluted EPS measure.

Question 5

We have no particular view on the proposed amendments to the application guidance for participating instruments and two-class ordinary shares. We have no objections to the proposals.

Question 6

We agree that no additional disclosures are required. We are generally sceptical of the continual drive for greater and greater disclosure in financial statements as we remain unconvinced that ever lengthier financial statements serve to improve the communication of information to users of financial statements.

Yours faithfully,

Ross Paterson
Director of Finance & Company Secretary