Annual Report

For year ended 30 November 2011

connecting people to places

ROTALA

Rotala Plc
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This document was designed by Alison Webber, Graphic Designer for the Rotala Group.

Contents

Rotala at a Glance

Directors, Secretary & Advisers	02
Financial Highlights	03
Strategy & Organisation	04

Review of Operations & Statutory Reports

Chairman's Statement & Review of Operations	10
Directors' Report	18
Auditor's Report	26

Financial Statements

Consolidated Income Statement	30
Consolidated Statement of Comprehensive Income	31
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Financial Position	34
Consolidated Statement of Cash Flows	36
Notes to the Consolidated Financial Statements	38
Company Balance Sheet	74
Notes to the Company Financial Statements	75

Shareholder Information

Notice of the Annual General Meeting	86
Notes to Members	88
Explanatory Notes to Notice of Annual General Meeting	90

Rotala at a Glance

Directors, Secretary & Advisers // 02

Financial Highlights // 03

Strategy and Organisation // 04

Directors, Secretary & Advisers

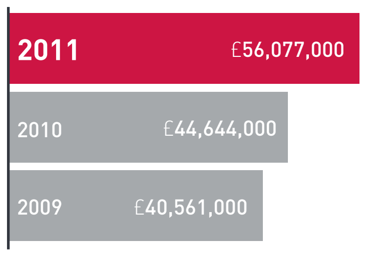
Country of incorporation of parent company	England and Wales
Company registration number	5338907
Legal Form	Public Limited Company
Directors	John Gunn (Non-Executive Chairman) Simon Dunn (Chief Executive) Robert Dunn (Executive Director) Geoffrey Flight (Non-Executive Director) Kim Taylor (Group Finance Director)
Registered Office	Beacon House Long Acre Birmingham B7 5JJ Telephone: 0121 322 2222 Fax: 0121 322 2718
Company Secretary	Kim Taylor
Nominated Adviser and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Auditor	Grant Thornton U.K. LLP Chartered Accountants Registered Auditor Enterprise House 115 Edmund Street Birmingham B3 2HJ
Solicitors	Pinsent Masons 3 Colmore Circus Birmingham B4 6BH
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham BR3 4TU
Bankers	RBS / NatWest 1 St. Philips Place Birmingham B3 2PP

Financial Highlights

A glance at the highlights of the financial year ended 30 November 2011.

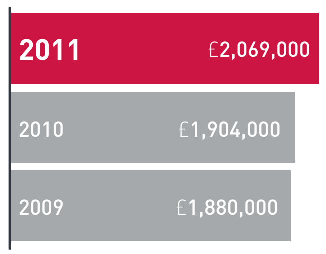
Revenue (£)

£56,077,000 ▲ 25.8%



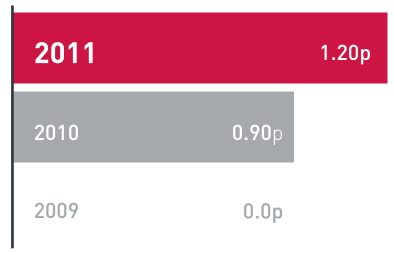
Normalised Profit before Taxation (£)

£2,069,000 ▲ 8.6%



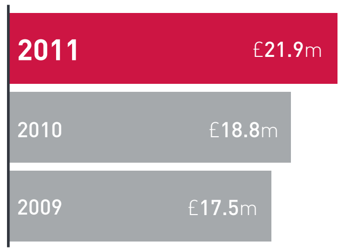
Dividend (pence per share)

1.20p ▲ 33.3%



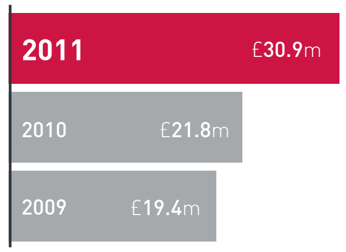
Contracted Revenue (£)

£21.9m ▲ 16.5%



Commercial Revenue (£)

£30.9m ▲ 41.7%



Charter Revenue(£)

£3.3m ▼ 9.8%

Strategy and Organisation

Rotala Plc is an AIM listed company operating commercial and subsidised bus routes for businesses, local authorities, the public and private individuals:

Rotala was formed in 2005 and has grown through the acquisition and amalgamation of local coach and bus operations and is now one of the largest operators in its chosen geographical locations. Rotala aims to develop sustainable revenue streams through the expansion of its commercial bus and contracted activities and by being an active participant in transport business trends in the UK. Our transport management expertise has taken us throughout the country, organising and delivering turn-key solutions to events and areas requiring many different types and capacities of transport.

OUR GOALS

Our Goals

Rotala Plc pursues three key strategic goals:

- Deliver sustainable shareholder growth
- Continually improve the operational capability of the company
- Deliver a consistent quality of service

OUR VALUES

Our Core Values

Our commitment is to conduct business in an ethical manner; our Core Values portray our organisational beliefs:

- **Professional** - approach to business; expert presence
- **Innovative** - creating new solutions
- **Agile** - quick to respond and make decisions
- **Collaborative** - working together with all stakeholders
- **Commercially orientated** - delivering what clients require
- **Results focused** - focus on the delivery of value and the job in hand
- **Risk aware** - assessing options for alternative strategies

Our brands signify consistency, reliability and employee commitment.

OUR MISSION

Our Mission

The commitment is to the delivery of a consistent quality of service in accordance with the service level requirements of all stakeholders. Continuous improvement is sought; close monitoring of service levels identifies areas for improvement. Well-planned, clearly focused training supports an improved quality of service.

Rotala aims to become the first choice supplier for bus operations in its target regions:

Having grown through acquisition in key areas, Rotala has put itself into a position from which it can take advantage of future developments in the transport industry. The possession of substantial operations in the North West, the West Midlands, the South West and Heathrow areas ensures that the company is well positioned for future contract wins and organic commercial growth.

Strategy and Organisation

Rotala is committed to providing service excellence to stakeholders, by offering value for money and continuous improvement without compromising on the quality of service:

Rotala prides itself on offering value for money on its services in each of its areas. By working closely with other businesses, councils and educational institutions, we ensure that flexibility and proactive management are key strengths in which Rotala invests. Our commitment to all stakeholders makes it possible to offer value to all sizes of organisation from the largest corporate to the smallest individual daily user.

The focus of the business has been to build profitable, sustainable revenue streams; historically the first businesses acquired by Rotala were businesses which had very little predictable revenue, and which relied heavily on the day to day selling of either coach or car provision and related services. Today the underlying business has a high level of either contracted or predictable revenue which equates to over 90% of current revenue levels.

To deliver this level of predictability the business has needed to focus on the development of its three principal revenue streams: contract, commercial and charter.

CONTRACT

Contract

The key aspect of Contracted Operations is that the service is delivered under contract, to specified standards, with the price for the service determined by the contract alone. Contracted operations service two types of customer:

Individual organisations: these can have specific transport needs. Private bus networks are designed on a bespoke basis around these needs. We have contracts of this type with British Airways, Sky TV and National Grid. One of the key factors which drives this customer need comes from the increasing prevalence of planning restrictions on new developments. These restrict car usage and available car parking facilities. There has been much growth in this area of business in recent years and government policy continues to drive change.

Local authorities: since bus denationalisation in 1986 the bus market has evolved and the dominant operators are now more focused on creating profitable route networks, in contrast to the pre-1986 approach when size and breadth of service were the sole concerns. Thus commercial bus groups have, over time, either curtailed or withdrawn services and Local Authorities have made decisions that there is a social need to subsidise the on-going provision of bus services to locations which would not support a commercial bus route. Contracts for these subsidised services operate on a variety of different bases but the contracted element of the revenue is included under this heading. Major examples of these types of services during this accounting year were operated under contract to Centro, Bristol City Council, Worcestershire County Council, South Gloucestershire County Council, and Bath and North East Somerset Council together with many smaller entities.

COMMERCIAL

Commercial

Following the acquisition of The Diamond Bus Company Limited in 2008, the company inherited a portfolio of unsubsidised bus services operated on a purely commercial basis, where the company takes all the risk of operation. Where a contracted service obliges the operator to take an element of revenue risk (the proportion of which can vary considerably), the variable element of the revenue is also included under this heading. Since 2008 Rotala has considerably expanded the number of commercial services it operates in the West Midlands and South West. Furthermore early in 2011 the group acquired Preston Bus Limited, setting up a new hub of commercial bus operations in the North West.

CHARTER

Charter

Besides the main business streams above, Rotala also provides a transport management service to a variety of customers. Typically this covers business or service disruption and bespoke large event management.

Review of Operations & Statutory Reports

Chairman's Statement & Review of Operations // 10

Directors' Report // 18

Auditor's Report // 26

Chairman's Statement and Review of Operations

I am pleased to be able to make this report to the shareholders of Rotala Plc for the year ended 30 November 2011.

Review of Trading

The group made very good progress in 2011. Revenues rose by 26%, when compared to those of 2010, to a total of £56.1 million. This rise in revenue was naturally mainly driven by the acquisition of Preston Bus Limited ("PBL") in January 2011. I shall have more to say about PBL later in this statement, but, setting aside the contribution of PBL in its first year under our ownership, underlying turnover growth in the existing business was overall a healthy 4% per annum. Excluding the variation in Charter Service revenue, by its very nature sensitive to one off occurrences, this underlying increase in revenues was 6%.

Besides having acquired through PBL an excellent market position in Preston, Rotala continues to be the number two bus operator by market share in both the West Midlands, (the second largest bus market in the country after London), and Bristol. We are moreover one of the leading providers of private bus networks in the country, especially to the aviation industry in the South East.

Contracted Services

Revenues in Contracted Services rose by 16% to a total of £21.9 million (2010: £18.8 million). The acquisition of PBL, with its contracts for local authorities, made some contribution under this heading. However, excluding this revenue, there was an underlying increase in turnover of 9% when compared to the previous year. The largest contribution to this increase in revenue came from the two new route diagrams for National Express coach services that were announced at the interim stage. These are seven year contracts which will bring in new revenues of about £3.2 million per annum in a full year. But in addition there were substantial increases in revenues from local bus contracts in the Bath and Bristol areas. These new revenues more than compensated for the loss of turnover which resulted from the cutbacks in Worcestershire, as the transport budget of that county was savagely reduced in the new economic environment.

Commercial Services

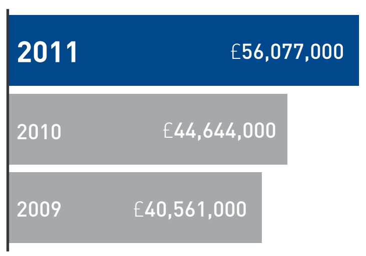
Revenues in Commercial Services rose by 41% to £30.9 million (2010: £21.8 million). Much of this increase resulted from the commercial bus activities of the newly-acquired PBL. But again, excluding this factor, there was an underlying increase in turnover, this time of 4% in this business stream. Commercial Bus revenues grew strongly both in the South West and in the West Midlands. Network card products (including those administered by Centro – the West Midlands Passenger Transport Executive) benefited from particularly notable rates of growth. This trend bodes well for the future and I shall return to this theme later in my statement. The underlying growth rate of 4% was furthermore struck after the considerable negative impact on concessionary fares income which resulted from the cutbacks in Worcestershire mentioned above. Thus there was much encouraging development in this stream of group revenue in the year.

Charter Services

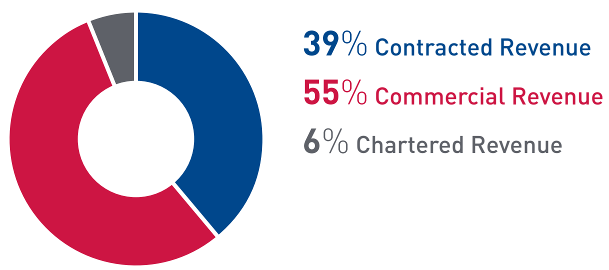
By contrast revenues in Charter Services fell by 17% to £3.3 million (2010: £4.0 million). Revenues in this business stream tend to be more one-off and erratic in nature, as we are using our contacts and expertise in this area to provide a bespoke service. Disruption work resulting from poor weather conditions made less of a contribution to turnover this year. At the same time we took a deliberate policy decision several years ago to reduce gradually the number of coaches we operate for speculative private hire work, as we felt that this line of business was exposed to higher levels of risk in current economic conditions. Thus, within Charter Services, income from private hire fell markedly compared to the previous year. In contrast, demand for chauffeur car services in the aviation sector (which we currently sub-contract in their entirety) rose considerably, but this did not compensate for the reductions in private hire income outlined above. Given the nature of Charter Service work, and the conscious reduction in group resource and investment devoted to this business stream, the reduced revenues were to be expected and did in fact exceed those anticipated when the budget for the year was set.

Revenue (£)

£56,077,000 ▲ 25.8%



Revenue by Stream (%)



Contracted Revenue (£)

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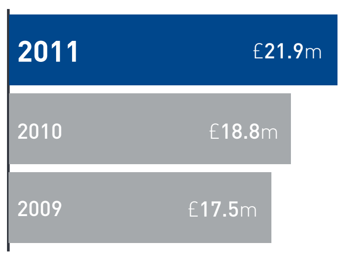

Commercial Revenue (£)

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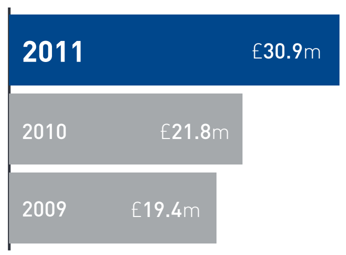
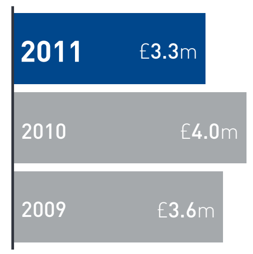


Charter Revenue(£)

£3.3m ▼ 9.8%



Chairman's Statement and Review of Operations

(Continued)

Review of Trading (continued)

Fleet Improvement

The board has continued to monitor closely the average age of the bus fleet and has set itself the objective to maintain an average fleet age of about 7.5 years. This is low in industry terms. We believe that having a modern and efficient bus fleet is a key aspect of customer service and that running one of the youngest fleets compared to its peers gives the group an important competitive advantage. Older vehicles also emit a greater level of emissions and we are keen to minimise this aspect of bus operation. The board monitors each vehicle in the fleet for relative fuel consumption, reliability and maintenance cost. Those vehicles that fall outside of acceptable parameters are designated for disposal. As a result of this policy about 15% of the vehicle fleet was replaced in the year. This is not by any means always done with new vehicles, since many attractively priced replacements are available second hand. But the desired outcome, to keep the fleet age at the level set, was successfully achieved. As I described in detail in the 2010 annual report this policy also means that the board does not anticipate any problems in complying with the vehicle standards embodied in the Disability Discrimination Act: 98% of the fleet already meets the required standards.

Towards the end of the year our first diesel-electric hybrid power buses from the Optare Group began to be delivered. The initial batch, out of the total order for 15 vehicles, was put into service in Preston to much local acclaim. These vehicles are highly-specified to enhance the customer experience and to encourage repeat usage. More recently we have introduced another batch into service in the Black Country within our Diamond operation. The operational experience with these vehicles so far has been good. Fuel consumption shows a marked improvement over a comparable diesel bus, which is a most encouraging development.

Diamond diesel electric hybrid power bus with a 'hybrid themed' livery.

We have also been awarded a grant in the third round of Green Bus funding, the results of which have just been announced by the Government. In this round we are taking up an allocation of £683,000 for the deployment of 8 double-deck buses, split between batches for Preston and Bristol. When these vehicles, which have already been ordered, are all put into service, we will be operating a total of 23 hybrid buses. For British Airways at Heathrow Terminal 5, we have deployed an all-electric bus, again from the Optare Group. This bus has acquitted itself well in operational use and provides another pointer to the future.

Fuel Prices

The price of diesel fuel continues to be a significant cause of concern to the board. In 2011, after a sharp rise in price at the end of the first quarter, the cost of a litre of diesel was reasonably stable. At the start of 2012 however we appear to have entered a period of further instability. Historically the group has remained unhedged since, as a relatively small user, it has been very difficult to obtain a hedge at economic prices. However the steadily rising price of fuel is a fact of life faced by the whole bus industry. Such large increases as we have seen recently cannot be absorbed within the business and must inevitably be passed on to the customer through increased fares. Nevertheless the board has been conscious of the need to achieve economy of fuel usage in other ways. I mentioned above that each vehicle is monitored for unacceptable fuel consumption and weeded out if this proves intractable. Use of new technologies is clearly also of paramount importance in this area. I have described our orders for fuel efficient hybrid buses. There is no doubt that the rate of introduction of such vehicles will gather pace. Furthermore we have begun rolling out, within the whole bus fleet, electronic driver aids which tell the driver whether he or she is driving economically and efficiently. All new vehicles brought into the fleet in 2011 have been specified with this system and the initial results show a distinct reduction in fuel usage which vastly outweighs the cost of the technology. The whole fleet will be re-equipped by the end of 2012. We anticipate achieving significant savings in fuel usage by these means.

Strategy and acquisitions

The strategy of the group remains focused on the areas in which we have invested so far. We are the number two operator in both the West Midlands and the South West and one of the leading operators in the Heathrow area. Early in the year we established a new hub for the business in the North West by acquiring Preston Bus Limited ("PBL") from Stagecoach Group plc. PBL's services are operated largely on a commercial basis in a deregulated market, with some contracted services in addition carried out for local authorities and other public bodies.

The acquisition of PBL provides Rotala with a significant expansion of its activities into a new geographical area. This area is approximately the same distance from Birmingham as the existing activities of the group to the south west of Bristol. PBL operates like any current depot in the group network, with all central administrative and support services provided by the Birmingham headquarters of the group. PBL has made an encouraging start under Rotala ownership: we have already both extended and improved the service offered to Preston customers. Furthermore Preston sits in a region which has a historically high level of bus usage. The Board of Rotala therefore regards the future development of the Preston hub with optimism.

Chairman's Statement and Review of Operations

(Continued)

Competition Commission

Just after the end of our financial year, the Competition Commission produced their final report following an extensive investigation into local bus services. We are pleased to note that the Commission accepted most of our suggestions. These included a limit on the frequency with which timetables can be changed and the closing of a loophole which allowed certain types of bus routes to be flooded with buses without notice. Both these measures will prevent unfair competition. Furthermore we requested that access to bus stations should be on a mandatory fair, reasonable and non-discriminatory basis and again the Commission has agreed with our point of view. These measures are technical changes, important though they may be, which will rarely come to the notice of the bus user.

However the change which will most benefit the customer is in the area of multi-operator ticketing. With these schemes bus users can buy tickets which do not tie them to a particular operator but which are valid on the services of all operators within that multi-operator ticket area. In this way the customers are not constrained by the structure of any particular operator's network, but can use the network of bus services in any area to suit themselves with total flexibility. This can only serve to promote bus usage and improve passenger volumes.

The existence of multi-operator ticketing schemes varies around the country. In the South West negotiations between operators about a scheme have only just commenced. But in the West Midlands there has been such a scheme for many years running under the name of "nBus". However the pricing and coverage of the scheme is such that historically it has provided only weak and patchy competition to the network card schemes offered by the dominant operator, National Express West Midlands ("NXWM"). NXWM has been able to retain an iron grip on its market share, which, according to Centro's 2011 statistical publication, stood at 76% of bus service kilometres operated in the region. For comparison, Rotala's share by the same measure was 11%. (By the way it was zero in 2005, so you can see how far we have come).

The Competition Commission was, in our view rightly, severely critical of the governance, pricing and market penetration of the nBus scheme in their report. In our opinion the changes which the Commission has demanded will make the nBus scheme tickets much more attractive to the travelling public and ensure that the recent successes achieved by the scheme in increasing the volume of its tickets sold are greatly extended. In this way much more of the West Midlands bus market will be opened up to Rotala's bus services. We are confident that we will continue to attract market share away from NXWM.

Financial review

In the Consolidated Income Statement on page 30 the impact on the group's results of credit and expense in relation to intangibles, share based payments, acquisition expenses and debt finance costs has been shown separately, as these are not normal trading items. These items are analysed in detail in note 9. Considering therefore the group's performance before these latter items, I have already highlighted the 26% increase in revenues year on year. Cost of Sales was up 30%, the bulk of this increase deriving from the acquisition of PBL. Gross Profits rose by 7% compared to the previous year, though the overall gross profit margin declined slightly from 18% to 16% because of the year on year impact of increased fuel prices. Administrative Expenses were 12% higher than those of the previous year. The principal reason for this increase lay in the inclusion of the overhead costs brought in with the Preston acquisition, though some benefit was derived from the closure of the Droitwich depot half way through the year. The Profit from Operations at £3.6million was much the same as that recorded in 2010. Finance expense was down overall by about 10% even though the PBL acquisition created £2.4 million of new hire purchase debt for the group. Profit before taxation, credit and expense in relation to intangibles, share based payments, acquisition expenses and debt finance costs, therefore rose by 9% when compared to the previous year to £2.1 million (2010: £1.9 million). Basic earnings per share (benefiting from a one-off tax credit for the year) increased by 24% to 6.22p per share (2010: 5.00p).

The gross assets of the group stood at £48.4 million at 30 November 2011 (2010: £44.3 million), reflecting the addition of the assets of PBL. The vehicle fleet, which stood at 480 at the end of 2010, with the addition of PBL reached 560 by 30 November 2011. The book value of property, vehicles, debtors and stocks all increased compared to the previous year. The loans and borrowings of the group fell by about £800,000 in the year, very largely because of the loan stock repayments made in the accounting period. Obligations under hire purchase contracts, which totalled £14.1 million at the end of 2010, fell by 7% to £13.2 million by 30 November 2011, even though, as I have already mentioned, the acquisition of PBL created a further £2.4 million of hire purchase obligations new to the group. An analysis of the maturity profile of the hire purchase debt is included in note 20. Net assets reached £21.1 million at the year end (2010: £19.1 million).

The group showed a further increase in its cash flows from operating activities before changes in working capital. These rose by 14% to £6.7 million. In 2010 the cash inflow from working capital of £801,000 was abnormal and reflected the unwinding of a matching absorption of cash by working capital in 2009. In 2009 and 2010 the average figure for cash generated from operations was about £5.4 million, and so the £6.5 million recorded for 2011 actually represented a considerable underlying improvement. Investment in property, plant and equipment fell this year to £0.6 million (2010: £1.2 million). However the principal investment of the year was the acquisition of PBL for a figure, net of cash acquired with the company, of £2.6 million. This was facilitated by a £2.4 million refinancing of the Preston Bus vehicle fleet and a share issue of £0.6 million. Sale of vehicles, after taking account of the related hire purchase settlements, produced £0.7 million for the group (2010: £0.3 million). During the year a total of £775,000 of the convertible unsecured loan stock was repaid; in addition the capital element of payments on hire purchase agreements reached £4.5 million (2010: £3.8 million), the increase partly being caused by the method of financing the PBL acquisition. After taking account of rising dividend but falling interest payments, the closing figure for cash and cash equivalents, at £869,000 was only £259,000 lower than that of the previous year.

Chairman's Statement and Review of Operations

(Continued)

Banking facilities and finance

Following the acquisition of PBL we managed to obtain increased overdraft facilities of £3.0 million from the group's principal bankers, the Royal Bank of Scotland. The increased size of the group has also enabled us to attract more providers of vehicle finance facilities. At the end of the year unused facilities, which are so vital in underpinning the further expansion of the group, stood at more than £4 million.

On 31 December 2011 the convertible unsecured loan stock issued in 2008 was due for repayment or conversion. Well before the year end the company contacted all loan stock holders to ascertain their intentions. In the event 60% of the loan stock holders, equating to holdings of £2,315,850, elected to extend the life of the loan stock for a further three years to 31 December 2014. For these holders the loan stock coupon remains at 8% per annum and the conversion price into ordinary shares (based on the price of an ordinary share on 27 April 2011) has been reset to 45p. The remaining £1,571,650 of loan stock fell due for repayment on 31 December 2011 and was duly dealt with in accordance with the original loan stock terms. For this reason this sum has been included within current liabilities at the balance sheet date, with the remaining balance shown within non-current loans and borrowings.

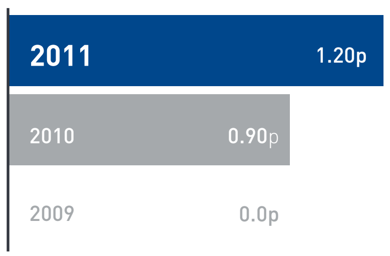
The acquisition of PBL also brought with it a defined benefit pension scheme. This scheme has been closed for some years and is not accruing any current service cost. In the pertaining interest rate and investment environment the balance sheet liability accorded to this fund can be expected to fluctuate considerably. However this has no bearing on the group's contribution to the fund. This is fixed for the next three years at £400,000 per annum. The actuarial advice we took before making the PBL acquisition provided considerable assurance that this is a well funded scheme which over the longer term will show improvement in its financial condition. The next actuarial valuation will be received in 2015 and the group's contribution to the fund will be reset at that time for a further three year period.

Dividend

The Company paid an interim dividend of 0.40 pence per share in December 2011. At the forthcoming Annual General Meeting the Board will recommend a final dividend in respect of 2011 of 0.80p per share, making 1.20p for the year as a whole. As the company matures I expect the dividend to be progressive. The Board is conscious of the importance of dividend flows to shareholders and intends that dividends should grow in line with the growth in underlying earnings and free cash flows.

Dividend (pence per share)

1.20p ▲ **33.3**%



"I hope to be able to report favourably to you throughout the current year on further positive developments." John Gunn

Outlook

Following the acquisition of Preston Bus, more than 50% of the group's revenues derive from commercial bus services. We intend to continue the expansion of our revenues from this business stream. I have already highlighted how this is happening in the West Midlands. The introduction of smart card ticketing operation in the West Midlands later in the year should make bus usage easier, cheaper and more attractive for the user. Once again the aim is by this means to increase bus patronage. We are also confident that we can further expand our commercial services throughout the business. Thus overall we expect the percentage of the group's revenues from commercial bus services to increase further in the current year.

Given the downward pressure on local authority transport budgets it is unlikely that contracted revenues from this source will increase in 2012. But there is still encouraging activity in private bus network tenders. The focus of government on the reduction of pollution and congestion will help to provide further opportunities for growth. In addition many private bus tenders derive from the drive by the private sector to outsource those activities (like transport) which lie outside their core areas of expertise. We are confident that we will secure further wins in this area of business, which is one of our specialisms.

The bus industry continues to be in a period of considerable change. This is a challenging environment within which to operate. In April this year the Bus Services Operators' Grant, which shields bus operators from fuel duty, will be reduced by 20%. We have already increased some fares in anticipation and further fare increases will be implemented, where necessary, to pass on the increased operating costs. I should point out at this juncture that about a fifth of the group's operations do not qualify for the fuel duty relief anyway and so are unaffected by this change. This volatile atmosphere produces uncertainty but also opportunity. Some of these opportunities will result from the Competition Commission report, but some will continue to come from the financial pressures generated by the current economic conditions. Most of our larger competitors are trimming and optimising their own operations for yield and efficiency. Rotala is well positioned to take advantage of any opportunities to expand our market share. In the current economic environment investors are concerned about leverage in all businesses. As a consequence the board is particularly conscious of the need to maintain downward pressure on the key ratio of total debt to earnings before interest, depreciation and amortisation ("EBITDA"). The EBITDA ratio stood at 3.3 times in 2009, 3.1 times in 2010 and came down to 2.4 times in 2011. As the overall level of debt continues to fall, the ratio will further improve.

The group is founded on a solid base with sound finances and a strong balance sheet well backed by tangible assets. Rotala has a good reputation and a high profile in the bus industry; it is well placed to capitalise in an industry subject to continuing change. Trading for the current year has also started well and is broadly in line with budget. Therefore the Board feels confident about the Company's prospects. I hope to be able to report favourably to you throughout the current year on further positive developments.

John Gunn
Non-executive Chairman

11 April 2012

Directors' Report

The Directors present their report together with the audited financial statements of the group for the year ended 30 November 2011.

Principal activities

The principal activities of the group are the provision of bus services to public and private bodies and tailored transport solutions to a wide range of private customers.

Review of the business and future prospects

The results of the year and the financial position as at 30 November 2011 are considered by the Directors to be satisfactory. A review of the group's activities, using its key performance indicators, and a review of its future prospects are contained in the Chairman's Statement and Review of Operations. These key performance indicators are considered to be:

	2011	2010
Gross profit margin	15.6%	18.4%
Normalised profit from operations	£3,574,000	£3,577,000
Normalised profit before taxation	£2,069,000	£1,904,000

Normalised profit is the profit before credit and expense in relation to intangibles, share based payments, acquisition expenses and debt finance costs.

These key performance indicators are used as follows:

1. Gross profit margin: it is fundamental to the longer term sustainability of the group that it attains a suitable level of gross profit in all of its activities. In any contracted business the gross profit margin is computed as part of the pricing process. Actual margin is then monitored in relation to the contract and service delivery targets. Gross profit margin will vary depending on the type, location and duration of the contract. Where the revenue is variable and derived from passengers, routes are constantly monitored for gross profit margin. Passenger loadings are also analysed and, in concert with margin analysis, frequencies and routes adjusted to maximise revenue yields. In these instances margins will vary in acceptability depending upon the length, locality and maturity of the route and the extent of competition;

2. Profit from operations: profit from operations is a very important determinant of the long term success of the whole business. The Board has set a target of achieving a 10% margin in this key performance indicator. Because this indicator is calculated before interest it represents the theoretical debt-free performance of the group and is thus a key measure of value. It is also a measure of how effectively and efficiently the group is using its operating assets, particularly in relation to its peers. Therefore this metric is monitored monthly and progress towards target is frequently reviewed;

3. Profit before taxation: this indicator is a key determinant of return to shareholders. Therefore it is monitored through the prism of the monthly management accounts and reviewed by the board at its monthly meetings. The Board places particular emphasis upon the target that this indicator should grow constantly because in this manner it can be confident that it is serving the interests of shareholders and providing the company thereby with the means to sustain its ambitions to increase its overall levels of business.

The directors consider the performance of the group in relation to these KPIs to be satisfactory.

Principal risks and uncertainties

The Directors consider that the following factors may be considered to be material risks and uncertainties facing the group:

Risk	Potential impact	Management or mitigation
Variations in the price of fuel	Fuel is a significant cost to the business. If fuel increases in price in circumstances where sales prices cannot be increased, then profitability will be affected.	Management monitors fuel prices closely, negotiates fuel escalator clauses where possible and increases fares if input costs rise in a sustained pattern. Management also monitor fleet fuel efficiency and use technological aids to optimise fuel usage as described in the Chairman's Statement.
The availability of sufficient capital and leasing facilities to finance the growth in the group's businesses	The group may miss growth opportunities.	Management maintains close contact with actual and potential shareholders and vehicle financiers to keep them fully briefed about the progress of the group.
Repayment of the group's convertible debt	The group may not be able to meet it debt repayment obligations.	The debt is due for conversion or repayment on 31 December 2014. Management forecasts encompass the need to repay this debt, if not converted into ordinary shares by that date.
New government legislation or industry regulation	Significant unplanned or unforeseen costs may be imposed on the business.	Management continually monitors regulatory and legal developments and participates keenly in industry forums. Management also ensures that it responds to requests for information and insight from such bodies as the Competition Commission.
Availability of management resources of the appropriate quality	Lack of appropriate management skills damages the business and its prospects.	The board continually assesses skill requirements, management and structures as the business grows. Appropriate recruits are brought to the business and any necessary management development courses are instituted.
Level of vehicle insurance rates – particularly in the event of a major accident involving passenger fatality.	The group may not be able to obtain adequate levels of insurance cover.	Driver training emphasises a risk - averse culture. Accident rates are monitored centrally. Claims are managed by a claims handler who works closely with the group's insurance adviser and insurers.

Directors' Report

(Continued)

Results and dividends

The group's results for the year are set out on page 30.

The Directors will propose to the Annual General Meeting a distribution, by way of a final dividend, of 0.8p per share for the year ended 30 November 2011 (2010: 0.6p per share). An interim dividend of 0.4p per share (2010: 0.3p) was paid on 5 December 2011

Directors

The following Directors have held office during the year:

J H Gunn
R A Dunn
S L Dunn
F G Flight
K M Taylor

Directors' interests

The beneficial interests of the Directors and their families in the company's shares were as follows:

		2011		2010	
		Ordinary shares of 25p each	Options over ordinary shares of 25p each	Ordinary shares of 25p each	Options over ordinary shares of 25p each
J H Gunn	Beneficial	**5,614,116**	400,000	5,318,024	400,000
R A Dunn	Beneficial	**909,454**	400,000	820,168	400,000
S L Dunn	Beneficial	**673,544**	445,000	316,402	445,000
F G Flight	Beneficial	**1,325,055**	220,000	1,325,055	220,000
K M Taylor	Beneficial	**357,500**	565,000	357,500	565,000

J H Gunn is also a director of and shareholder in The 181 Fund Limited: see note 27 – Related Parties and Transactions.

		2011		2010	
		Convertible Unsecured Loan Stock	Warrants over ordinary shares of 25p each	Convertible Unsecured Loan Stock	Warrants over ordinary shares of 25p each
J H Gunn	Beneficial	**-**	-	£130,000	232,094
R A Dunn	Beneficial	**-**	-	-	210,084
S L Dunn	Beneficial	**£260,000**	-	£260,000	73,120
F G Flight	Beneficial	**£50,000**	-	£50,000	80,345
K M Taylor	Beneficial	**£25,000**	-	£25,000	31,172

The terms of the Convertible Unsecured Loan Stock are described in note 19. All of the warrants in the above table expired unexercised on 31 December 2010 as described in note 24.

Directors' interests (Continued)

Options over 25p ordinary shares

	At 1 December 2010	GRANTED	PRICE	At 30 November 2011	DATE	DATE OF EXPIRY
J H GUNN	80,000	-	125p	80,000	29/03/2008	28/03/2015
	120,000	-	37.5p	120,000	30/03/2009	29/03/2016
	200,000	-	62.5p	200,000	06/09/2010	05/09/2017
	400,000	**-**		**400,000**		
R A DUNN	**400,000**	**-**	**50.0p**	**400,000**	**05/09/2011**	**04/09/2018**
S L DUNN	80,000	-	162.5p	80,000	30/08/2008	29/08/2015
	80,000	-	37.5p	80,000	30/03/2009	29/03/2016
	200,000	-	62.5p	200,000	06/09/2010	05/09/2017
	85,000	-	50.0p	85,000	05/09/2011	04/09/2018
	445,000	**-**		**445,000**		
F G FLIGHT	80,000	-	37.5p	80,000	30/03/2009	29/03/2016
	140,000	-	62.5p	140,000	06/09/2010	05/09/2017
	220,000	**-**		**220,000**		
K M TAYLOR	80,000	-	125p	80,000	29/03/2008	28/03/2015
	160,000	-	37.5p	160,000	30/03/2009	29/03/2016
	240,000	-	62.5p	240,000	06/09/2010	05/09/2017
	85,000	-	50.0p	85,000	05/09/2011	04/09/2018
	565,000	**-**		**565,000**		

The remuneration of the Directors is set out in note 6. Contracts existing during, or at the end of the year, in which a Director was or is materially interested, other than employment contracts, are disclosed in note 27 – Related Parties and Transactions.

The company's share price at 30 November 2011 was 41p. The high and low prices in the year were 41p and 25.5p respectively.

Directors' Report

(Continued)

Substantial shareholdings

As at 11 April 2012 the company had been notified that the following were interested in 3% or more of the ordinary share capital of the company:

Name	Number of Ordinary Shares	%
Mr. J. H. Gunn	5,614,116	15.91
Mr. Nigel Wray	3,682,400	10.44
The 181 Fund Limited	1,730,221	4.91
Mr. F. G. Flight	1,325,055	3.76
Link Traders (Aust) Pty Limited	1,200,000	3.40
Mr. Graham Peacock	1,075,000	3.05
Mrs. Susan Tobbell	1,075,000	3.05

Changes in share capital

Details of movements in share capital during the year are set out in note 23 to the financial statements

Financial instruments

Details of financial instruments, including information about exposure to financial risks and the financial risk management objectives and policies, are given in note 26.

Employment policies

It is the policy of the group to consider the health and welfare of employees by maintaining safe places and systems of work. The group's employment policies are regularly reviewed to ensure they remain effective. These policies promote a working environment which underpins the recruitment and retention of professional and conscientious employees, and which improves productivity in an atmosphere free of discrimination. The group is committed to giving full and fair consideration to all applicants for employment who are disabled and for continuing the employment of those who become disabled while employed. Training is also a priority task, especially in this industry, and is a focus of considerable effort. Employees are consulted and involved in the development of the group in a number of ways which include regular briefings, team updates and announcements.

Creditor payment policy and practice

The group agrees terms of contracts when orders are placed and goods and services received. It is the group's policy that payments to suppliers are made in accordance with the agreed terms and conditions, provided all trading terms and conditions have been complied with. The group and company had respectively 57 and 77 days' purchases outstanding at 30 November 2011 (2010: 55 days and 64 days' respectively), based on the average daily amount invoiced by suppliers for the year then ended.

Political and charitable contributions

There were no political contributions made by the group during the year ended 30 November 2011 (2010 - £Nil). Charitable contributions amounted to £510 (2010: £4,971).

Corporate governance

The directors support the recommendations of the Combined Code on Corporate Governance. The Board is responsible for the management and successful development of the group by:

- setting the strategic direction
- monitoring and guiding operational performance
- establishing polices and internal controls to safeguard the group's assets

The composition of the Board provides a blend of skills and experience that ensures it operates as a balanced team.

The Board meets regularly to review trading performance, to ensure adequate funding is available, to set and monitor strategy, and when appropriate, to report to shareholders. To enable the Board to discharge its duties, all directors receive appropriate and timely information.

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investments and the group's assets. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are responsible for the group's system of financial control and for reviewing its effectiveness. As the group continues to grow, the Directors will review their compliance with the Code from time to time and will adopt such of the provisions as they consider to be appropriate.

Relationships with shareholders

The company values the views of its shareholders and recognises their interest in the company's strategy and performance. The Annual General Meeting is used to communicate with shareholders and they are encouraged to participate. The Directors will be available to answer questions at the Annual General Meeting.

Going concern

The board has examined its strategy and its profit and loss and cash flow projections over the two years to 30 November 2013. It has also examined the loan and overdraft facilities of the group, and took into consideration the partial repayment of the convertible debt, £1,571,650 of which was due for repayment on 31 December 2011. Therefore, after due enquiry, the Board has judged the cash flow forecasts and banking resources of the group to be adequate to support its continued operations for the foreseeable future and has adopted the going concern basis in preparing the financial statements for the year.

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to prepare the parent

Directors' Report

(Continued)

Directors' responsibilities statement (continued)

company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP were re-appointed as auditors at the last Annual General Meeting and have expressed their willingness to continue in office as auditor. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Kim Taylor
Secretary

Date: 11 April 2012
Company registration number: 5338907

Independent Auditor's Report

To the shareholders of Rotala Plc

We have audited the financial statements of Rotala plc for the year ended 30 November 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Separate opinion in relation to IFRSs

As explained in Note 2 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David P White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Birmingham
Date: 11 April 2012

Financial Statements

Consolidated Income Statement // 30

Consolidated Statement of Comprehensive Income // 31

Consolidated Statement of Changes in Equity // 32

Consolidated Statement of Financial Position // 34

Consolidated Statement of Cash Flow // 36

Notes to the Consolidated Financial Statements // 38

Company Balance Sheet // 74

Notes to the Company Financial Statements // 75

Consolidated Income Statement

FOR THE YEAR ENDED 30 NOVEMBER 2011

		2011 (£'000)			2010 (£'000)		
	Note	Results before intangible asset expenses, share based payments and debt finance costs	Intangible asset expenses, share based payments and debt finance costs (note 9)	Results for the year	Results before intangible asset expenses, share based payments and debt finance costs	Intangible asset expenses, share based payments and debt finance costs (note 9)	Results for the year
Revenue	4	**56,077**	**-**	**56,077**	**44,644**	**-**	**44,644**
Cost of sales		(47,316)	-	(47,316)	(36,430)	-	(36,430)
Gross profit		**8,761**	**-**	**8,761**	**8,214**	**-**	**8,214**
Administrative expenses		(5,187)	(60)	(5,247)	(4,637)	(128)	(4,765)
Profit from operations	7	**3,574**	**(60)**	**3,514**	**3,577**	**(128)**	**3,449**
Finance expense	8	(1,505)	(131)	(1,636)	(1,673)	(126)	(1,799)
Profit before taxation	9	**2,069**	**(191)**	**1,878**	**1,904**	**(254)**	**1,650**
Tax credit	10	279	-	279	-	-	-
Profit for the year attributable to the equity holders of the parent		**2,348**	**(191)**	**2,157**	**1,904**	**(254)**	**1,650**
Earnings per share for profit attributable to the equity holders of the parent during the year:							
Basic (pence)	11			6.22			5.00
Diluted (pence)	11			5.99			4.98

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 NOVEMBER 2011

	Note	2011 £'000	2010 £'000
Profit for the year		**2,157**	**1,650**
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	22	(648)	-
Deferred tax on actuarial loss on defined benefit pension scheme	22	162	-
Other comprehensive income for the year (net of tax)		**1,671**	**-**
Total comprehensive income for the year attributable to the equity holders of the parent		**1,671**	**1,650**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 NOVEMBER 2011

	Called up share capital £'000	Share premium reserve £'000	Merger reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total £'000
At 1 December 2009	**8,238**	**7,751**	**2,567**	**370**	**(1,326)**	**17,600**
Total comprehensive income	-	-	-	-	1,650	1,650
Transactions with owners:						
Issue of share capital	27	11	-	-	-	38
Dividends paid or declared	-	-	-	-	(248)	(248)
Share based payment	-	-	-	-	64	64
Transactions with owners	**27**	**11**	**-**	**-**	**(184)**	**(146)**
At 30 November 2010	**8,265**	**7,762**	**2,567**	**370**	**140**	**19,104**
Profit for the year	-	-	-	-	2,157	2,157
Other Comprehensive income					(486)	(486)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**1,671**	**1,671**
Transactions with owners:						
Issue of share capital	553	66	-	-	-	619
Dividends paid or declared	-	-	-	-	(352)	(352)
Share based payment	-	-	-	-	16	16
Release of warrant reserve to retained earnings	-	-	-	(125)	125	-
Transactions with owners	**553**	**66**	**-**	**(125)**	**(211)**	**283**
At 30 November 2011	**8,818**	**7,828**	**2,567**	**245**	**1,600**	**21,058**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 NOVEMBER 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	29,690	28,256
Goodwill and other intangible assets	13	9,482	9,597
Deferred taxation	21	489	68
Total non-current assets		**39,661**	**37,921**
Current assets			
Inventories	15	1,272	779
Trade and other receivables	16	6,551	4,491
Cash and cash equivalents	17	869	1,128
Total current assets		**8,692**	**6,398**
Total assets		**48,353**	**44,319**
Liabilities			
Current liabilities			
Trade and other payables	18	7,671	4,716
Loans and borrowings	19	1,699	127
Obligations under hire purchase contracts	20	4,253	4,004
Total current liabilities		**13,623**	**8,847**
Non-current liabilities			
Loans and borrowings	19	3,889	6,254
Obligations under hire purchase contracts	20	8,929	10,114
Defined benefit pension obligation	22	854	-
Total non-current liabilities		**13,672**	**16,368**
Total liabilities		**27,295**	**25,215**
TOTAL NET ASSETS		**21,058**	**19,104**

The accompanying notes form an integral part of these financial statements.

	Note	2011 £'000	2010 £'000
Shareholders' funds			
Share capital	23	8,818	8,265
Share premium reserve		7,828	7,762
Merger reserve		2,567	2,567
Warrant reserve		245	370
Retained earnings		1,600	140
TOTAL NET ASSETS		**21,058**	**19,104**

The financial statements were approved by the Board of Directors and authorised for issue on 11 April 2012.

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 NOVEMBER 2011

	2011 £'000	2010 £'000
Cash flows from operating activities		
Profit before taxation	1,878	1,650
Adjustments for:		
Depreciation	3,680	2,721
Amortisation	115	64
Negative goodwill	(192)	-
Finance expense	1,636	1,799
Gain on sale of property, plant and equipment	(160)	(455)
Contribution to defined benefit pension scheme	(312)	-
Equity settled share-based payment expense	16	64
Cash flows from operating activities before changes in working capital and provisions	**6,661**	**5,843**
(Increase)/decrease in trade and other receivables	(1,657)	1,111
Increase in inventories	(392)	(176)
Increase/(decrease) in trade and other payables	1,838	(134)
	(211)	801
Cash generated from operations	**6,450**	**6,644**
Interest paid on hire purchase agreements	(1,085)	(1,136)
Net cash flows from operating activities carried forward	**5,365**	**5,508**

The accompanying notes form an integral part of these financial statements.

	Note	2011 £'000	2010 £'000
Cash flows from operating activities brought forward		**5,365**	**5,508**
Investing activities			
Purchases of property, plant and equipment		(583)	(1,201)
Acquisition of subsidiary, net of cash acquired		(2,562)	-
Sale of public service vehicles		1,754	2,391
Net cash (used in)/from investing activities		**(1,391)**	**1,190**
Financing activities			
Issue of ordinary shares		619	38
Dividends paid		(310)	(149)
Proceeds of hire purchase refinancing agreement		2,415	933
Proceeds of mortgage and other loans		618	1,900
Loan stock repaid		(775)	-
Repayment of other loan		-	(1,000)
Repayment of bank and other borrowings		(745)	(2,064)
Loan stock and bank loan interest paid		(470)	(538)
Capital settlement payments on vehicles sold		(1,038)	(2,073)
Capital element of lease payments		(4,547)	(3,765)
Net cash used in financing activities		**(4,233)**	**(6,718)**
Net decrease in cash and cash equivalents		**(259)**	**(20)**
Cash and cash equivalents at beginning of year	**17**	**1,128**	**1,148**
Cash and cash equivalents at end of year	**17**	**869**	**1,128**

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. General information

Rotala plc is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 30 November 2011 (including the comparatives for the year ended 30 November 2010) were approved by the Board of Directors on 11 April 2012. Amendments to the financial statements are not permitted after they have been approved.

2. Accounting policies

Basis of preparation

The group's financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRS as issued by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis as described on page 23.

Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Critical accounting estimates and judgements

Certain estimates and judgements need to be made by the directors of the group which affect the results and position of the group as reported in the financial statements. Estimates and judgements are required if, for example, as at the reporting date not all liabilities have been settled and certain assets and liabilities are recorded at fair value which require a number of estimates and assumptions to be made.

Estimates

The major areas of estimation within the financial statements are as follows:

(a) Impairment of goodwill

The group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information about carrying values is included in note 14.

(b) Share based payment

The group has an equity-settled share-based remuneration scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions include, among others, the dividend growth rate, expected volatility, and the expected life of the options. Management then apply the fair value to the number of options expected to vest.

2. Accounting policies (continued)

(c) Deferred tax assets

In determining the deferred tax asset to be recognised, management carefully review the recoverability of these assets on a prudent basis and reach a judgement based on the best available information.

(d) Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 22 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

(e) Self insurance

The estimation of insurance costs, under the group's self insurance scheme, is based on premiums paid and cash paid into the scheme's bank account. The actual outcome of claims made is determined over the five years following each period end; no rebate of premium is accounted for until each insurance period is closed. The directors regularly review claims made and, should insurance premiums paid to date be considered inadequate in the light of claims, appropriate provision would be made.

Judgements

The major areas of judgement within the financial statements are as follows:

(a) Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period within which the assets will generate revenue and which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated Statement of Comprehensive Income in specific periods. More details about carrying values are included in notes 12 and 13.

(b) Gain on acquisition

The fair value of the assets and liabilities acquired in a business combination are based on management's estimates or third party valuations. Changes to assumptions used can result in significant variation to the carrying value of goodwill at the level of gain on acquisition.

2. Accounting policies (continued)

Judgements (continued)

(c) Extinguishment accounting

Where there is an exchange of debt instruments, the future discounted cash flows are compared to those of the original liability in order to determine if extinguishment accounting is applicable, or, alternatively, whether the amendment is treated as a modification to the existing instrument. This involves a comparison, under IAS 39.AG62, between the net present value of the cash flows under the revised terms with the original terms, and a determination whether the difference exceeds 10%. During the period, the convertible notes were amended by both the extension of the repayment date and the reduction in the exercise price of the holder conversion option. The conclusion reached was that the amendment should be accounted for as a modification of the existing instrument. This involved two judgements. The first judgement was whether or not qualitative aspects should be considered in addition to the 10% quantitative test. The judgement applied in this case was that qualitative aspects were not to be considered, and accordingly whether or not extinguishment accounting applied was dependent solely on the 10% quantitative test. The second judgement was how to incorporate the change in conversion option value in the 10% quantitative test, as IAS 39.AG62 is not specific on this matter. The judgement applied was to include the incremental fair value changes of the option arising from the change in option terms within the 10% test.

Basis of consolidation

The group financial statements consolidate the results of the company and all its subsidiary undertakings at 30 November 2011. The results of subsidiary undertakings acquired are included from the date on which control passed to the group. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

Where the acquisition method is used, the results of the subsidiary are included from the date of acquisition. The purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Goodwill

Goodwill represents any excess of the cost of the business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is tested annually for any impairment and carried at cost less accumulated impairment losses. Any impairment charge would be included within administrative expenses in the Consolidated Income Statement. Goodwill impairment charges cannot be reversed. As the group has taken advantage of the exemption from restating all pre-transition period acquisitions under IFRS 3 'Business Combinations', goodwill includes intangibles arising on those acquisitions that are not separately identifiable prior to the date of the change of policy.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full in profit or loss on the acquisition date.

Other intangible assets - brands

Purchased brands, which are controlled through custody or legal rights and which could be sold separately from the rest of the business, are capitalised, where fair value can be reliably measured. Where intangible assets are regarded as having a limited useful economic life, the cost is amortised on a straight-line basis over that life in administrative expenses in the Consolidated Income Statement.

Other intangible assets - contracts

Where an acquisition is made which contains within it rights to contracted revenue, the present value of the profits inherent in those contracts is capitalised as an intangible asset. This asset is then amortised over the remaining life of those contracts in administrative expenses in the Consolidated Income Statement.

2. Accounting policies (continued)

Impairment

The group's goodwill and intangible assets are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management controls the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost, which includes both the purchase price and any directly attributable costs. Following initial recognition property, plant and equipment is carried at depreciated cost.

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold land	- Not depreciated
Freehold buildings	- Fifty years straight line
Short leasehold property	- Over the period of the lease
Plant and machinery	- Four years straight line
Public Service Vehicles ("PSVs")	- Between 10% and 25% per annum on a reducing balance basis
Fixtures and fittings	- Three years straight line

The useful lives and residual values of property, plant and equipment are reviewed at least annually and adjusted, where applicable. When disposed of, property plant and equipment is derecognised. Where an asset continues to be used by the group but is expected to provide no future economic benefits, it is considered to be impaired. Profits and losses on disposal are calculated by comparing the disposal proceeds with the carrying value of the asset, and the resultant gains or losses are included in profit or loss. A gain or loss incurred at the point of derecognition is also included in profit or loss at that point.

Repairs and maintenance are charged to profit or loss in the financial period in which they are incurred. Where probable future economic benefits, in excess of the current standard of performance of the existing asset, are considered to be derived from its major renovation, the cost of that major renovation is added to the carrying value of that asset. Major renovations are then depreciated over the remaining useful life of the asset.

2. Accounting policies (continued)

Grants

Grants relating to property, plant and equipment are netted off the assets to which they relate and the net investment in the asset is depreciated as set out above. Other grants are credited to the income statement as the related expenditure is expensed.

Revenue

Revenue represents sales to external customers excluding value added tax. Passenger revenue is recognised when payment is received in cash. Subsidy revenue from local authorities is recognised on an accruals basis, based on actual passenger numbers. Revenues delivered under contract are recognised as services are delivered based on agreed contract rates.

Inventories

Inventories are initially recognised at cost on a first in first out basis, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Taxation

The charge for current taxation is provided at rates of corporation tax that have been enacted or substantively enacted by the balance sheet date. Current tax is based on taxable profits for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the balance sheet method, on all temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The exceptions, where deferred tax assets are not recognised nor deferred tax liabilities provided, are:

- On initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Taxable temporary differences associated with investments in subsidiary undertakings where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

2. Accounting policies (continued)

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit to be recovered from it, a provision is made for the onerous obligations under that lease.

Convertible debt

The proceeds (which equate to fair value) received on issue of the group's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Where there is an exchange of debt instruments with different terms, the group considers whether the discounted cash flows differ from those of the original liability by more than 10%. Where the difference is more than 10%, then the modification of the terms is accounted for as an extinguishment. Where the difference is less than 10%, then it is not accounted for as an extinguishment.

Self insurance

The group's policy is to self insure high frequency claims such as those for traffic accidents. Under this scheme, premiums are paid to QBE Insurance Limited ("QBE") in respect of each accounting period. Premiums paid are held in a fund by QBE in a trust separate from the assets of the company in order to meet claims as and when they are settled. The company has no control over the assets of this trust. Claims can be made for a period of up to 5 years after the accounting period to which they relate. Should a year of insurance be in surplus, no rebate is recognised until the claim period has expired. Should a year of insurance be calculated at any time to be in deficit, an appropriate provision is made immediately. Any provision made is discounted to take account of the expected timing of future payments.

Pension costs

Defined contribution schemes

Contributions to the group's defined contribution pension scheme are charged in profit or loss in the year in which they become payable.

Defined benefit pension schemes

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for unrecognised actuarial gains or losses and past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income. The net surplus or deficit is presented in non current assets or liabilities on the consolidated balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the group.

2. Accounting policies (continued)

Defined benefit pension schemes (continued)

Past service cost and costs from settlements and curtailments are charged to operating expenses. Interest on the scheme liabilities and the expected return on scheme assets are included in finance costs or income in the consolidated income statement. Post-employment benefits other than pensions are accounted for in the same way.

Other employee benefits

Short-term employee benefits, including holiday entitlement, are included in current pension and other employee obligations at the undiscounted amount that the group expects to pay as a result of the unused entitlement.

Financial assets

The group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The group has not classified any of its financial assets as held to maturity, available for sale, or at fair value through profit or loss.

Loans and receivables: these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or when the financial asset and all substantial risks and rewards are transferred.

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

2. Accounting policies (continued)

Financial liabilities

The group classifies its financial liabilities in a manner which depends on the purpose for which the liability was acquired:

- Bank borrowings and amounts due under invoice discounting arrangements are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;

- Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

  A financial liability is de-recognised when it is extinguished, cancelled or it expires. The group has not classified any of its financial liabilities at fair value through profit or loss.

Equity

Share capital is determined using the nominal value of shares that have been issued. Premiums received on the initial issuing of share capital are credited to the share premium reserve. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Retained earnings include all current and prior period results as disclosed in the Statement of Comprehensive Income.

The merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of a subsidiary undertaking.

The warrant reserve represents the fair value of the equity component of convertible loan stock.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged in profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged in profit or loss over the remaining vesting period. A decrease in fair value is not recognised.

Where equity instruments are granted to persons other than employees, profit or loss is charged with the fair value of goods and services received.

Segmental reporting

IFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker ("CODM"). The CODM has been determined to be the executive directors.

The group has three main revenue streams: contracted, commercial and charter. All operate within a single operating segment, that is the provision of bus services. The activities of each revenue stream are as described in the Chairman's Statement.

3. Standards and interpretations not yet applied by Rotala Plc

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued, the impact of which has yet to be established by the directors, but it is expected that the revision to IAS 19 will have a material impact on the Group's financial statements.

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

Based on the group's current business model and accounting policies, management does not otherwise expect a material impact on the group financial statements when these standards and interpretations become effective.

4. Segmental analysis and revenue

All of the activities of the group are conducted in the United Kingdom within the operating segment of provision of bus services. Management monitors revenue across the following streams: contracted, commercial and charter.

	Contracted		Commercial		Charter		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Revenue	21,878	18,834	30,884	21,832	3,315	3,978	56,077	44,644

The group consists of a number of operational depots arranged around and reliant on a central core, in concept a hub and spoke arrangement. All the services that the group performs are similar and every depot in the group delivers services in each of the three sub-headings set out above. Furthermore, as a matter of management practice, the business of the group is managed by contract (for Contracted Revenue) or by route (for Commercial Revenue) or in certain circumstances by both contract and route, depending on the type of business. Charter business is typically delivered by short term contracts.

Contracted and Charter Services are usually delivered against an agreed service level agreement. Detailed costs for that individual contract are monitored against those modelled in the original bid calculation. Management then takes appropriate action to correct variances as necessary whilst maintaining the agreed level of service.

In Commercial Business, where the revenue is variable and derived from passengers, individual routes are constantly monitored for loadings and revenues and trends in passenger revenues and loadings. Passenger loadings are analysed, often by fare stage, to establish usage and appropriate routes. In concert with margin analysis, individual frequencies and routes are adjusted to maximise revenue yields.

In certain parts of the business revenues can be derived from a complex combination of a variable passenger revenue underpinned by a fixed revenue base delivered by contract. These types of service are managed by individual contract and route and so require a combination of management techniques and analyses to ensure that loadings and revenues are maximised whilst delivery to the service agreement is maintained.

In these circumstances it is impractical to allocate local and central overhead to individual routes and contracts. Costs and Operating Profits by revenue stream are therefore not calculated. By the very nature of the business the operating assets are also interchangeable and the vehicles used in particular localities or on specific routes are frequently changed. Thus it is also not practicable to calculate figures for revenue stream assets. Other information such as capital expenditure, depreciation and impairment is also not analysed separately for this reason.

In 2011 no customer constituted more than 10% of Revenues (2010: one customer provided 10.8% of Revenues).

5. Staff costs

	2011 £'000	2010 £'000
Staff Costs (including Directors) comprise:		
Wages and salaries	25,240	20,668
Employer's national insurance contributions	2,145	1,877
Defined contribution pension costs	159	63
	27,544	**22,608**
Share based payment expense	16	64
	27,560	**22,672**

The average number of employees, including Directors, during the year was as follows:

	2011 Number	2010 Number
Management and administrative	86	56
Direct	1,114	868
	1,200	**924**

6. Directors' and key management personnel remuneration

	2011 Number	2010 Number
Salaries and other short term employee benefits	467	478
Social security costs	39	37
Contribution to defined contribution pension scheme	6	6
Share based payment expense	13	46
	525	**567**

1 director (2010 - 1) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £149,259 (2010: £149,195). Pension contributions of £5,600 (2010: £5,600) were made on his behalf.

6. Directors' and key management personnel remuneration (continued)

The Directors' remuneration was as follows:

	2011 £'000			2010 £'000		
	Remuneration	Share based payment expense	Total	Remuneration	Share based payment expense	Total
Executive						
S L Dunn	149	2	151	149	10	159
R A Dunn	122	9	131	94	12	106
K M Taylor	96	2	98	116	12	128
Non- Executive						
J H Gunn	75	-	75	75	7	82
F G Flight	25	-	25	29	5	34
M Samuel*	-	-	-	15	-	15
	467	**13**	**480**	**478**	**46**	**524**

*until date of resignation

The services of John Gunn, Geoffrey Flight and Robert Dunn are provided respectively by Wengen Limited, Central Coachways Limited and motorBus Limited under contracts with those companies.

The board consider the directors of the Company to be the key management personnel of the group.

7. Profit from operations

This is arrived at after charging/(crediting):

	2011 £'000	2010 £'000
Depreciation of property , plant and equipment	3,680	2,721
Amortisation of intangible assets	115	64
Operating lease expense		
- property	320	283
- plant and machinery	823	321
Profit on disposal of property, plant and equipment	(160)	(455)
Auditors' fees		
- parent company	8	4
- subsidiaries	53	45

8. Finance expense

	2011 £'000	2010 £'000
Bank borrowing, overdraft and invoice discounting interest	91	131
Interest payable on loan notes	434	499
Hire purchase contracts	1,085	1,101
Debt arrangement costs	23	-
Other interest	3	68
	1,636	**1,799**

9. Profit before taxation

Profit before taxation includes the following:

	2011 £'000 Intangible asset expenses, share based payments and debt finance costs	2010 £'000 Intangible asset expenses, share based payments and debt finance costs
Amortisation of intangible assets	(115)	(64)
Acquisition costs	(121)	-
Gain arising on acquisition	192	-
Share based payment expense	(16)	(64)
Loss within profit from operations	(60)	(128)
Finance expense - amortisation of debt component of convertible debt	(108)	(126)
Debt arrangement costs	(23)	-
Loss within profit before taxation	**(191)**	**(254)**

10. Tax expense

(Credit) for the year.

	2011 £'000	2010 £'000
Current tax		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	78	-
Adjustments in respect of prior periods	(357)	-
Total deferred tax (note 21)	(279)	-
Income tax credit	(279)	-

The tax assessed for the year is different to the standard rate of corporation tax in the U.K. for the following reasons:

	2011 £'000	2010 £'000
Profit before taxation	**1,878**	**1,650**
Profit at the standard rate of corporation tax in the UK of 25% (2010 - 28%)	(469)	(462)
Expenses not taxable/(allowable)	97	(8)
Capital allowances higher/(lower) than depreciation	300	(269)
Utilisation of previously unrecognised tax losses	72	739
Adjustments in respect of prior periods	357	-
Total tax credit	**357**	**-**

11. Earnings per share

	2011 £'000	2010 £'000
Basic		
Profit attributable to ordinary shareholders	2,157	1,650
Weighted average number of ordinary shares in issue	34,651,991	33,019,625
Basic earnings per share	6.22p	5.00p

The calculation of the basic and diluted earnings per share is based on the earnings attributable to the ordinary shareholders divided by the weighted average number of shares in issue during the year.

	2011 £'000 Diluted	2010 £'000 Diluted
Profit attributable to ordinary share holders	2,157	1,650
Interest expense of convertible loan notes	434	-
Profit for the purposes of diluted earnings per share	2,591	1,650
Weighted average number of shares in issue	34,651,991	33,019,625
Adjustments for:		
- assumed conversion of convertible loan notes	8,638,889	-
- exercise of warrants	-	29,882
- exercise of options	-	96,206
Weighted average number of ordinary shares for the purposes of diluted earnings per share	43,290,880	33,145,713
Basic diluted earnings per share	5.99p	4.98p

11. Earnings per share (continued)

In order to arrive at the diluted earnings per share, the weighted average number of ordinary shares has been adjusted on the assumption of conversion of all dilutive potential ordinary shares. The company has in issue two sources of potential ordinary shares: convertible loan notes and share options. The convertible loan notes are assumed to have been converted into ordinary shares (where dilutive), but the associated interest expense has been added back to the profit attributable to shareholders. In respect of the options a calculation has been carried out to determine the number of shares, at the average annual market price of the company's shares, which could have been acquired, based on the monetary value of the rights attached to those shares. This number has then been subtracted from the number of shares that could be issued on the assumption of full exercise of the outstanding options and warrants, in order to compute the necessary adjustments in the above table.

12. Property, plant and equipment

	Freehold land and buildings £'000	Short lease hold property £'000	Plant and machinery £'000	Public service vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 December 2009	3,884	1,046	1,107	27,429	605	34,071
Additions	128	11	115	6,186	91	6,531
Disposals	-	-	(53)	(3,079)	-	(3,132)
At 30 November 2010	**4,012**	**1,057**	**1,169**	**30,536**	**696**	**37,470**
Additions	84	31	304	2,293	104	2,816
Acquisition	950	-	267	6,390	-	7,607
Disposals	-	(1)	(13)	(2,502)	(16)	(2,532)
At 30 November 2011	**5,046**	**1,087**	**1,727**	**36,717**	**784**	**45,361**
Depreciation						
At 1 December 2009	109	64	523	6,682	312	7,690
Charge for the year	57	43	206	2,303	112	2,721
Disposals	-	-	(42)	(1,155)	-	(1,197)
At 30 November 2010	**166**	**107**	**687**	**7,830**	**424**	**9,214**
Charge for the year	79	40	256	3,184	121	3,680
Acquisition	-	-	264	3,452	-	3,716
Disposals	-	-	(11)	(922)	(6)	(939)
At 30 November 2011	**245**	**147**	**1,196**	**13,544**	**539**	**15,671**
Net book value						
At 30 November 2011	**4,801**	**940**	**531**	**23,173**	**245**	**29.690**
At 30 November 2010	**3,846**	**950**	**482**	**22,706**	**272**	**28,256**

The net book value of public service vehicles at 30 November 2011 held under hire purchase agreements was £21,326,000 (2010: £19,713,000). Depreciation of £2,554,000 (2010: £1,765,000) was charged against assets falling into this category in the year.

13. Goodwill and other intangible assets

	Purchased brands £'000	Contracts £'000	Goodwill £'000	Total £'000
Cost				
At 1 December 2009 and 2010 and at 30 November 2010 and 2011	250	312	9,482	10,044
Amortisation				
At 1 December 2009	250	133	-	383
Charge for the year	-	64	-	64
At 30 November 2010	**250**	**197**	**-**	**447**
Charge for the year	-	115	-	115
At 30 November 2011	**250**	**312**	**-**	**562**
Net book value				
At 30 November 2011	**-**	**-**	**9,482**	**9,482**
At 30 November 2010	**-**	**115**	**9,482**	**9,597**

14. Goodwill and impairment

The group consists of a number of operational depots arranged around and reliant on a central core, in concept a hub and spoke arrangement. The complex matrix of management of the group's business is set out in detail in note 4 to these financial statements. In summary, the group's businesses are managed at their lowest levels by contract and by bus route, or sometimes by both methods. They are not managed by revenue stream. Moreover the manner in which the group has expanded, with the addition, integration and transformation of a number of businesses and entities, has obscured the formal breakdown of the total amount of goodwill. The directors consider that, in the light of these factors, the group's business represents a single cash generating unit for the purposes of evaluating the carrying value of goodwill. Accordingly, the evaluation calculations have been carried out on this basis.

The recoverable amount of the goodwill of the business has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a two year period to 30 November 2013. Other major assumptions are as follows:

	CGU **2011** %	CGU **2010** %
Discount rate	15	15
Operating margin	8	9
Growth rate	6	4
Inflation	3	4

14. Goodwill and impairment (continued)

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the percentage which the group normally uses to evaluate its projects. Growth rates beyond the first two years are based on management estimates and are based on the historic achievements of the group, which has successfully attained much higher growth rates than those suggested by economic factors alone. Inflation has been based on management's expectation given historic trends. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that there would be such change in a key assumption that it would reduce recoverable amount to below book value.

15. Inventories

	2011 %	2010 %
Fuel and spares	1,272	779

There is no material difference between the replacement cost of stocks and the amounts stated above.

The amount of inventories recognised as an expense during the year was £17,487,000 (2010: £12,275,000).

16. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	2,929	2,678
Other receivables	466	510
Prepayments	1,713	1,303
Vehicle order deposit placed (see note 18)	1,443	-
	6,551	**4,491**

The carrying values are considered to be a reasonable approximation of fair value. The effect of discounting trade and other receivables has been assessed and is deemed to be immaterial to the results.

All trade and other receivables have been reviewed for indicators of impairment. During the year certain trade receivables were found to be impaired and a provision of £18,000 was created and utilised (2010: provision of £11,000 was released).

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The ages of trade receivables past due but not impaired are as follows:

16. Trade and other receivables (continued)

	2011 £'000	2010 £'000
Not more than 3 months overdue	107	181
More than 3 months but not more than 1 year	118	42
More than 1 year overdue	-	-
	225	223

Movements in the group trade receivables provision in the year are as follows:

	2011 £'000	2010 £'000
Balance brought forward at 1 December 2010	-	11
Provided in the year	18	-
Acquired	33	-
Utilised in the year	(18)	(11)
Balance carried forward at 30 November 2011	**33**	**-**

17. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank	869	1,128

18. Trade and other payables - current

	2011 £'000	2010 £'000
Trade payables	3,760	2,610
Taxation and social security	839	1,101
Other creditors	177	493
Accruals and deferred income	1,311	413
Grant payable (see also note 16)	1,443	-
Dividend payable	141	99
	7,671	**4,716**

The directors consider that the carrying amount of trade and other payables approximates to their fair value. The effect of discounting trade and other payables has been assessed and is deemed to be immaterial to the group's results.

During the year the group placed an order with the Optare Group plc for 15 hybrid diesel electric buses. The group received from the Government's Green Bus Fund a related grant for the acquisition of these vehicles. As a condition of its receipt, the grant had to be passed immediately to the manufacturer. As at 30 November 2011 only two of these vehicles had been delivered. The remainder of the grant has therefore been treated as a payable in these accounts, with the related deposit placed with the manufacturer treated as a receivable. As the vehicles are delivered the receivable and corresponding payable are released. All the vehicles had been delivered by the date of signature of these accounts. The grant gives rise to a contingent liability (see note 30).

19. Loans and borrowings

	2011 £'000	2010 £'000
Current		
Convertible loan stock	1,572	-
Bank loans	127	127
	1,699	127
Non-current		
Convertible loan stock	2,306	4,544
Bank loans	1,583	1,710
	3,889	**6,254**

19. Loans and borrowings (continued)

Analysis of maturity

	2011 £'000 Convertible debt	2011 £'000 Bank loan	2011 £'000 Total
In one year or less or on demand	1,776	212	1,988
In more than one year but no more than two years	184	1,623	1,807
In more than two years but not more than five years	2,506	-	2,506
	4,466	**1,835**	**6,301**

	2010 £'000 Convertible debt	2010 £'000 Bank loan	2010 £'000 Total
In one year or less or on demand	373	212	585
In more than one year but no more than two years	4.694	212	4,906
In more than two years but not more than five years	-	1,620	1,620
	5,067	**2,044**	**7,111**

Convertible debt

A convertible unsecured loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock was originally redeemable at par on 31 December 2011 or convertible into 25p ordinary shares of the company at a price of 67.5p per share. However, with effect from 31 August 2011, holders of £2,315,850 of the stock agreed to defer the redemption date to 31 December 2014. For these holders conversion may take place on 31 December 2014 at a price of 45p per share. For the holders of the remaining £1,571,650 of the stock the redemption date remained 31 December 2011, but the conversion price was also 45p per share. None of this stock was converted on that date and was therefore duly dealt with in accordance with the original loan stock terms. The loan stock continues to bear a coupon of 8%.

Bank borrowings

The group entered into a cross-guarantee and floating charge agreement on 27 May 2010 covering its overdraft facilities.

The bank loan is secured on the group's freehold property. The mortgage facility, for an amount of £1.9m, is for an initial term of three years to 31 May 2013, renewable at that date, but the annual mortgage repayments are calculated such that the facility amortises in a straight line over a term of 15 years.

20. Obligations under hire purchase contracts

Future lease payments are due as follows:

	2011 £'000 Minimum lease payments	2011 £'000 Interest	2011 £'000 Present value
Not later than one year	5,038	785	4,253
More than one but less than two years	4,162	477	3,685
More than two but less than five years	5,567	329	5,238
Later than 5 years	6	-	6
	14,773	**1,591**	**13,182**

	2010 £'000 Minimum lease payments	2010 £'000 Interest	2010 £'000 Present value
Not later than one year	4,866	862	4,004
More than one but less than two years	4,147	548	3,599
More than two but less than five years	6,915	498	6,417
Later than 5 years	100	2	98
	16,028	**1,910**	**14,118**

The present values of future lease payments are analysed as:

	2011 £'000	2010 £'000
Current liabilities	4,253	4,004
Non-current liabilities	8,929	10,114
	13,182	**14,118**

Obligations under hire purchase contracts are secured on the assets to which they relate.

21. Deferred taxation

The deferred tax asset included in the Statement of Financial Position is analysed as follows:

	2011 £'000	2010 £'000
Accelerated capital allowances	(248)	-
Arising on fair value adjustments on acquisitions	(308)	(196)
Arising on defined benefit pension scheme	214	-
Losses	831	264
Asset	**489**	**68**

The movements in the deferred tax asset in the year are as follows:

	2011 £'000	2010 £'000
Balance brought forward at 1 December 2010	68	68
Recognised in business combination	(20)	-
Recognised in profit and loss	279	-
Recognised in other comprehensive income	162	-
Balance carried forward at 30 November 2011	**489**	**68**

In 2010 the deferred tax asset was not recognised in accordance with the group's accounting policies. The potential deferred taxation assets not provided were:

	2010 £'000
Accelerated capital allowances	167
Losses	362
	529

In 2010 the group tax losses for which no deferred tax asset was recognised totalled approximately £2,076,000 and no deferred tax income or expense was recognised in profit or loss.

22. Pensions

Group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge amounted to £159,000 (2010 - £63,000). Contributions amounting to £Nil (2010: £Nil) were payable to the funds at the balance sheet dates.

Another group company operates a defined benefit pension scheme within the West Midlands Integrated Transport Authority Pension Fund ("WMITAPF"), governed by the Local Government Superannuation Regulations 1986. The group accounts for pensions in accordance with IAS 19 "Employee Benefits". Contributions amounting to £49,435 were payable to the fund at the balance sheet date.

WMITAPF defined benefit pension scheme

The calculations of the IAS 19 disclosures for the WMITAPF have been based on the most recent actuarial valuations, which have been updated to 30 November 2011 by an independent professionally qualified actuary to take account of the requirements of IAS 19.

The date of 25 January 2011 represents the date on which the pension scheme entered the group.

The principal actuarial assumptions used were as follows:

	30 November 2011 %	25 January 2011 %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.1	2.5
Discount rate	4.9	5.6
Inflation	2.1	2.5
Expected long-term rate of return		
-Equities	7.0	7.5
- Government bonds	3.0	4.4
- Other bonds	4.2	5.1
- Cash	0.5	0.5
- Property	n/a	n/a

The expected return on plan assets is based on expectations at the beginning of the period for returns over the entire life of the benefit obligation. The expected returns are set in conjunction with external auditors and take account of market factors, fund managers views and targets for future returns and where appropriate historical returns.

The life expectancy assumptions used for the scheme are periodically reviewed and as at 30 November 2011 were:

	30 November 2011 Years	25 January 2011 Years
Current pensioner aged 65 - male	20.8	20.8
Current pensioner aged 65 - female	23.6	23.6
Future pensioners at age 65 (aged 45 now) - male	22.2	22.2
Future pensioners at age 65 (aged 45 now) - female	25.2	25.2

22. Pensions (continued)

Since the scheme has been closed for a number of years, there is no current service cost to be charged to operating profits.

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.1%	Increase /decrease of 1.26%
Salary inflation	Increase/decrease by 0.1%	None
Expected return on equities	Increase/decrease by 0.1%	None
Life expectancy	Increase by 1 year	Increase of 2.8%

The amounts recognised in the balance sheet were determined as follows:

	30 November 2011 £'000	25 January 2011 £'000
Equities	6,434	6,556
Bonds	8,079	7,554
Cash	44	143
Total market value of assets	14,557	14,253
Present value of scheme liabilities	(15,411)	(14,771)
Pension liability before tax	(854)	(518)
Related deferred tax asset	214	130
Net pension liability	(640)	(388)

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price.

The total charge to profit and loss for pensions is as follows:

	Year ended 30 November 2011 £'000	Year ended 30 November 2010 £'000
Finance cost		
- expected return on assets	676	-
- interest cost	(676)	-
Net cost	-	-
Total defined benefit cost	-	-
Defined contribution costs	(159)	(63)
Total profit and loss charge	(159)	(63)

22. Pensions (continued)

Analysis of amount included within the company's statement of total comprehensive income:

	30 November 2011 £'000	30 November 2010 £'000
Actual return less expected return on pensions scheme assets	(107)	-
Changes in assumptions underlying the present value of the scheme liabilities	(541)	-
Actuarial loss	(648)	-

Actuarial (losses)/gains as a percentage of scheme assets and liabilities at 30 November 2011 were as follows:

	30 November 2011 £'000
Actual return less expected return on pensions scheme assets as a percentage of scheme assets	(0.7)
Total actuarial gain/(loss) recognised in statement of total comprehensive income as a percentage of the present value of scheme liabilities	(3.6)

The cumulative amount of actuarial gains and losses on defined benefit schemes recognised in the statement of recognised gains and losses since 25 January 2011 is a loss of £648,000.

The amount of contribution to be paid by the group to the scheme during the next financial year is £400,000.

22. Pensions (continued)

The movement in deficit during the year under IAS 19 was:

	30 November 2011 £'000
Deficit in scheme at 25 January 2011	(518)
Movements in the period	
- Contributions	312
- Actuarial loss	(648)
Deficit in scheme at the end of the period	(854)

The movement in assets during the period under IAS 19 is as follows:

	30 November 2011 £'000
At 25 January 2011	14,253
Expected return on plan assets	676
Actuarial losses	(107)
Employer contributions	312
Benefits paid	(577)
At end of period	14,557

The movement in liabilities during the period under IAS 19 is as follows:

	30 November 2011 £'000
At 25 January 2011	(14,771)
Interest cost	(676)
Actuarial loss - changes in assumptions	(541)
Benefits paid	577
At end of period	(15,411)

23. Share capital

	Authorised	
	2011 Number	2010 Number
Ordinary shares of 25p each	60,000,000	60,000,000

	Authorised and called up and fully paid			
	2011 Number	2011 £'000	2010 Number	2010 £'000
Ordinary shares of 25p each	35,270,888	8,818	33,060,368	8,265

Issued share capital

	Number	Nominal Value £'000
As at 30 November 2009	32,951,479	8,238
8 March 2010	8,889	2
19 April 2010	100,000	25
As at 30 November 2010	33,060,368	8,265
16 February 2011	1,648,020	412
26 May 2011	562,500	141
As at 30 November 2011	**35,270,888**	**8,818**

The shares issued during the year were used to finance the acquisition of Preston Bus Limited. Ordinary shares participate fully in the rights to vote, receive dividends and take part in any distribution of capital. There are no restrictions on ordinary shares nor are there any redeemable shares of any kind.

24. Share options and warrants

As at 30 November 2011 the following share options had been issued and were outstanding under the company's employee share option scheme:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
29 March 2005	240,000	29 March 2008	28 March 2015	125.0p
30 August 2005	93,333	30 August 2008	29 August 2015	162.5p
30 March 2006	520,000	30 March 2009	29 March 2016	37.5p
24 July 2007	240,000	24 July 2010	23 July 2017	62.5p
6 September 2007	896,000	6 September 2010	5 September 2017	62.5p
5 September 2008	725,000	5 September 2011	4 September 2018	50.0p

An option granted to a corporate entity on 5 June 2006 over 236,369 ordinary shares at a price of 37.5p per share expired unexercised on 5 June 2011.

The company operates an equity-settled share based remuneration scheme for group executive directors and senior management. The only vesting condition is that the individual remains an employee of the group until the option is exercised.

	2011		2010	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	63.34p	2,714,333	63.30p	2,740,333
Forfeited during the year	-	-	57.69p	(26,000)
Outstanding at the end of the year	**63.34p**	**2,714,333**	**63.34p**	**2,714,333**

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2010: 37.5p and 162.5p) and their weighted average remaining contractual life was 5.48 years (2010: 6.48 years).

All options were exercisable at the end of 2011 (2010: 1,989,333). The weighted average exercise price was 63.34p (2010: 63.34p).

No options were granted in the years ended 30 November 2010 or 2011.

24.Share options and warrants (continued)

Warrants

As at 30 November 2011 the following warrants had been issued and were outstanding covering the right to subscribe for ordinary shares in the company:

Date of issue	Number of warrants issued	Earliest exercise date	Date of expiry	Exercise price
21 December 2007	14,814	21 December 2007	31 December 2011	67.5p
14 February 2008	44,444	14 February 2008	31 December 2011	67.5p
3 March 2008	134,650	3 March 2008	31 December 2011	67.5p
5 March 2008	32,590	5 March 2008	31 December 2011	67.5p
26 March 2008	13,332	26 March 2008	31 December 2011	67.5p
	239,830			

All of the warrants over ordinary shares in the company in the above table expired unexercised.

A total of 2,191,944 warrants over ordinary shares at various prices between 50p and 80p per share expired unexercised on 31 December 2010. A further 210,000 warrants over ordinary shares at prices between 37.5p and 40p per share expired unexercised on 30 March 2011.

25.Commitments under operating leases

The group had total commitments under non-cancellable operating leases as set out below:

	2011 £'000		2010 £'000	
	Land and buildings	Other	Land and buildings	Other
Operating lease commitments payable:				
Within one year	359	1,244	270	432
In two to five years	755	4,129	728	1,046
In more than five years	1,534	328	1,582	-
	2,648	**5,701**	**2,580**	**1,478**

26.Financial instruments - risk management

The group holds or issues financial instruments to finance its operations. The Board agrees and reviews policies and financial instruments for risk management. All financial assets are classified as loans and receivables and all financial liabilities are measured at amortised cost. The group has no derivative financial instruments.

The principal financial assets and liabilities on which financial risks arise are as follows:

	2011 £'000 Carrying value	2010 £'000 Carrying Value
Financial assets - loans and receivables		
Trade and other receivables	4,838	3,188
Cash and cash equivalents	869	1,128
	5,707	**4,316**
Financial liabilities - at amortised cost		
Trade and other payables	5,380	3,103
Loans and borrowings	5,588	6,381
	10,968	9,484

The principal financial risks to which the group is exposed are liquidity, credit, interest rate and capital risk. Each of these is managed as set out below. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

Liquidity risk

The group has a policy of ensuring that sufficient funds are always available for its operating activities. The Board continually monitors the group's cash requirements, as disclosed on page 23.

Interest rate risk

The group does not hold or issue derivative financial instruments for trading purposes. The group seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

26. Financial instruments - risk management (continued)

The interest rate profile of the financial liabilities of the group, all of which are in Sterling, was as follows:

	2011 £'000		2010 £'000	
	Financial liabilities on which a floating rate is paid	Financial liabilities on which a fixed rate is paid	Financial liabilities on which a floating rate is paid	Financial liabilities on which a fixed rate is paid
UK Sterling	625	18,145	1,837	18,662

In the year the group paid interest at a rate of between 3% and 4.5% (2010: between 3% and 4.5%) on its liabilities subject to floating rates of interest. The financial liabilities subject to fixed rates of interest (fixed for the whole year) were at rates between 5% and 11% (2011: between 5% and 11%) in the year. If floating rates of interest changed by 1%, the group's interest expense would not change by a material sum.

Credit risk

The group is exposed to credit risk on cash and cash equivalents, and trade and other receivables. Cash balances, all held in the UK, are placed with the group's principal bankers. The client base of the group lies mainly in government and semi-government bodies and substantial blue chip organisations. As a result the group rarely needs to carry out credit checks, but does do so if it judges this to be appropriate. Provisions for doubtful debts are established in respect of specific trade and other receivables where it is deemed they are impaired.

Capital risk

The group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to shareholders. The Board closely monitors current and forecast cash balances to allow the Group to maximise return to shareholders by way of dividends, whilst maintaining suitable amounts of liquid funds to allow continued investment in the Group. The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting period under review is as follows:

	2011 £'000	2010 £'000
Share capital	8,818	8,265
Share premium reserve	7,828	7,762
Merger reserve	2,567	2,567
Warrant reserve	245	370
Retained earnings	1,600	140
Total capital	**21,058**	**19,104**

27. Related parties and transactions

1. The services of J H Gunn were provided by Wengen Limited, a company controlled by J H Gunn, and invoiced by that company to Rotala, as set out in note 6. At the year end £nil (2010: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from the company a total of £48,942 (2010: £23,931) in dividends on ordinary shares and £10,400 (2010: £10,400) in interest on convertible unsecured loan stock.

2. The services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to Rotala, as set out in note 6. At the year end £11,319 (2010: £9,221) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from the company a total of £7,917 (2010: £3,691) in dividends on ordinary shares.

3. The services of F G Flight were provided by Central Coachways Limited, a company controlled by F G Flight, and invoiced by that company to Rotala, as set out in note 6. At the year end £5,000 (2010: £4,896) of the amount charged was unpaid and included within creditors. During the year F G Flight received from the company a total of £11,926 (2010: £5,963) in dividends on ordinary shares and £4,000 (2010: £4,000) in interest on convertible unsecured loan stock.

4. During the year S L Dunn received from the company a total of £4,990 (2010: £1,289) in dividends on ordinary shares and £20,800 (2010: £16,800) in interest on convertible unsecured loan stock.

5. During the year K M Taylor received from the company a total of £3,218 (2010: £1,496) in dividends on ordinary shares and £2,000 (2010: £2,000) in interest on convertible unsecured loan stock.

6. In the period to 6 May 2011 goods and services to the value of £65,251 (2010: £60,947) were invoiced to Dunn Motor Traction Limited, a company of which R A Dunn was a director until that date. At 30 November 2011 Mr. Dunn and his beneficial interests held no shareholding (2010: 50%) in that company. At 30 November 2010 £7,594 of the amount invoiced in that year was outstanding and included within debtors.

7. J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,730,221 ordinary shares of Rotala as at 30 November 2011 (2010: 1,335,221 ordinary shares). The Fund also held £605,850 of the convertible loan stock of Rotala as at that date (2010: £955,850). Furthermore, as at 30 November 2010, The Fund held 210,000 warrants over ordinary shares of Rotala at prices between 37.5p and 40p per share. These warrants expired unexercised on 30 March 2011. Under Jersey law, Mr Gunn, as a non-resident of that state, is unable to exercise his vote at board meetings of The Fund. At 30 November 2011 Mr. Gunn and his beneficial interests held 24.9% (2010: 19.5%) of the ordinary share capital of The Fund. During the year The Fund received from the company a total of £14,387 (2010: £6,008) in dividends on ordinary shares and £48,468 (2010: £76,468) in interest on convertible unsecured loan stock.

28. Acquisitions

As set out in the Chairman's Statement, on 25 January 2011 the company acquired 100% of the ordinary share capital of Preston Bus Limited ("PBL") from Stagecoach Plc. The Chairman's Statement describes the reasons for the acquisition and should be consulted for a detailed description of all the relevant factors. The consideration for the acquisition was £3.1 million in cash.

	Book value £'000	Adjustments £'000	Fair value £'000
Fixed assets			
Vehicles	2,938	-	2,938
Freehold land and buildings	446	504	950
Other fixed assets	3	-	3
Total fixed assets	**3,387**	**504**	**3,891**
Current assets			
Inventories	101	-	101
Trade receivables	106	-	106
Prepayments and accrued income	295	-	295
Cash	546	-	546
	1,048	**-**	**1,048**
Current liabilities			
Accruals and deferred income	(911)	-	(911)
Other payables	(190)	-	(190)
	(1,101)		**(1,101)**
Deferred tax liability	-	(20)	(20)
Defined benefit pension scheme liability (gross of tax)	(518)	-	(518)
Non-current liabilities	**(518)**	**(20)**	**(538)**
Net assets	**2,816**	**484**	**3,300**
Consideration			3,108
Gain on acquisition			192
			3,300

Statutory accounts were drawn up for PBL for the period ended 24 January 2011 and then audited by Grant Thornton UK LLP; these accounts, represented by the column headed "Book value" in the above table have been filed at Companies House.

The following fair value adjustments have been made:

- Freehold land and buildings were valued as at 25 January 2011 by external valuers on the basis of open market value. A deferred taxation liability of £150,000 arising on revaluation gains has been recognised.
- A deferred taxation asset of £130,000 has been recognised on the defined benefit pension scheme liability of £518,000.

The directors have followed the requirements of IFRS 3 Business Combinations and considered all available information in respect of the acquisition. There are no intangible assets that require inclusion because the business of the acquired company was largely that of commercial bus operations. Any contracts that the business did possess were close to their dates of expiry. The transaction resulted in a gain because of the circumstances of the sale.

28. Acquisitions (continued)

The seller was not a willing seller but was obligated by a Competition Commission ruling to effect a sale. In these circumstances the number of bidders for the business was limited. Therefore recognition of a gain on acquisition is appropriate.

PBL generated post-acquisition revenues of £9,615,000 and an operating profit of £489,000. If the acquisition had been made on 1 December 2010, revenues of £11,136,000 and an operating profit of £447,000 would have been recorded.

29. Capital commitments

As at 30 November 2011 the group had placed orders for undelivered vehicles with a capital value of £2,764,000 (2010: £nil).

30. Contingent liabilities

As related in note 18, the group during the year received a grant of £1,664,000 from the Government's Green Bus Fund for the acquisition of 15 hybrid diesel electric vehicles. The principal condition of this grant is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grant becomes repayable. The group has no intention of not meeting this condition of the grant.

Company Balance Sheet

AS AT 30 NOVEMBER 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	3	25,539	13,449
Current assets			
Debtors	4	4,569	9,765
Cash at bank and in hand		22	246
		4,591	**10,011**
Creditors: amounts falling due within one year	5	**(7,766)**	**(453)**
Net current (liabilities)/assets		**(3,175)**	**9,558**
Total assets less current liabilities		**22,364**	**23,007**
Creditors: amounts falling due after more than one year	6	(3,889)	(6,254)
Net assets		**18,475**	**16,753**
Capital and reserves			
Called up share capital	8	8,818	8,265
Share premium account	10	7,828	7,762
Warrant reserve	10	245	370
Profit and loss account	10	1,584	356
Shareholders' funds	11	**18,475**	**16,753**

The financial statements were approved by the Board of Directors and authorised for issue on 11 April 2012

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

The accompanying notes form an integral part of these financial statements.

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 NOVEMBER 2011

1. Accounting policies

The following principal accounting policies have been applied in the preparation of the financial statements:

Basis of preparation
The financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom applicable accounting standards.

Investments
Investments held as fixed assets are stated at cost less any provision for impairment. Where possible, advantage is taken of the merger relief rules and shares issued for acquisitions are accounted for at nominal value.

Deferred taxation
Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are measured on an undiscounted basis at tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Convertible debt
The proceeds received on issue of the company's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium account, as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Share based payments
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

1. Accounting policies (continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Related party disclosures
The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with members of the group headed by Rotala plc on the grounds that 100% of the voting rights in the company are controlled within that group and that the company is included in the consolidated financial statements.

2. Profit/(loss) for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group's profit for the year includes a profit after taxation of £1,439,000 (2010: loss £5,000) which is dealt with in these parent company financial statements.

3. Investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 December 2010	13,449
Additions	12,090
At 30 November 2011	**25,539**

As described in note 28 to the group accounts, the company acquired on 25 January 2011 100% of the share capital of Preston Bus Limited for a consideration of £3.1m. On 10 November 2011, the company increased its investment in its subsidiary, Flights Hallmark Limited, by £8.5m by means of the capitalisation of an existing balance on intercompany loan. On the same date the company increased its investment in its subsidiary, Hallbridge Way Property Limited, by £0.4m in the same fashion.

The principal undertakings (all held directly except where indicated), in which the company's interest at the year end is 20% or more, are as follows:

3. Investments (continued)

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Flights Hallmark Limited	England	100%	Transport
Hallbridge Way Property Limited	England	100%	Property holding
Central Connect Limited	England	100%	Transport
The Diamond Bus Company Limited*	England	100%	Transport
Preston Bus Limited	England	100%	Transport

* Held indirectly

4. Debtors

	2011 £'000	2010 £'000
Prepayments and accrued income	14	2
Vehicle order deposit place (see note 5)	1,443	-
Amounts due from subsidiary undertakings	3.112	9,763
	4,569	**9,765**

All amounts shown under debtors fall due for payment within one year.

5. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Dividend payable	141	99
Bank loans (see note 6)	127	127
Convertible loan stock (note 6)	1,572	-
Amounts due to subsidiary undertakings	4,248	-
Grant payable (see also note 4)	1,443	-
Trade creditors	60	26
Other creditors	175	191
Accruals and deferred income	-	10
	7,766	**453**

During the year the group placed an order with the Optare Group plc for 15 hybrid diesel electric buses. The group received from the Government's Green Bus Fund a related grant for the acquisition of these vehicles. As a condition of its receipt, the grant had to be passed immediately to the manufacturer. As at 30 November 2011 only two of these vehicles had been delivered. The remainder of the grant has therefore been treated as a payable in these accounts, with the related deposit placed with the manufacturer treated as a receivable. As the vehicles are delivered the receivable and corresponding payable are released. All the vehicles had been delivered by the date of signature of these accounts. The grant gives rise to a contingent liability (see note 15).

6. Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Convertible loan stock	2,306	4,544
Bank loan	1,583	1,710
	3,889	**6,254**

Convertible debt
A convertible unsecured loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock was originally redeemable at par on 31 December 2011 or convertible into 25p ordinary shares of the company at a price of 67.5p per share. However, with effect from 31 August 2011, holders of £2,315,850 of the stock agreed to defer the redemption date to 31 December 2014. For these holders conversion may take place on 31 December 2014 at a price of 45p per share. For the holders of the remaining £1,571,650 of the stock the redemption date remained 31 December 2011, but the conversion price was also 45p per share. None of this stock was converted on that date and was duly dealt with in accordance with the original loan stock terms. The loan stock continues to bear a coupon of 8%.

Bank loan
This loan is secured upon two freehold properties held by subsidiary undertakings of the company, Flights Hallmark Limited and Hallbridge Way Property Limited.

The mortgage facility, for an amount of £1.9m, is for an initial term of three years to 31 May 2013, renewable at that date, but the annual mortgage repayments are calculated such that the facility amortises in a straight line over a term of 15 years.

6. Creditors: amounts falling due after more than one year (continued)

Analysis of maturity

	Convertible debt 2011 £'000	Bank loan 2011 £'000	Total 2011 £'000
In one year or less, or on demand	1,572	127	1,699
In more than one year but not more than two years	-	1,583	1,583
In more than two years but not more than five years	2,306	-	2,306
	3,878	**1,710**	**5,588**

	Convertible debt 2010 £'000	Bank loan 2010 £'000	Total 2010 £'000
In one year or less, or on demand	-	127	127
In more than one year but not more than two years	4,544	127	4,671
In more than two years but not more than five years	-	1,583	1,583
	4,544	**1,837**	**6,381**

7. Deferred tax

No closing deferred tax provision is required for the company for 2011. The potential deferred taxation assets not provided are:

	2011 £'000	2010 £'000
Accelerated capital allowances	-	-
Losses	12	83
	12	**83**

The deferred tax asset above has not been recognised in accordance with the company's accounting policies.

8. Share capital

	Authorised	
	2011 Number	2010 Number
Ordinary shares of 25p each	60,000,000	60,000,000

	Authorised and called up and fully paid			
	2011 Number	2011 £'000	2010 Number	2010 £'000
Ordinary shares of 25p each	35,270,888	8,818	33,060,368	8,265

Issued share capital

	Number	Nominal Value
As at 30 November 2009	32,951,479	8,238
8 March 2010	8,889	2
19 April 2010	100,000	25
As at 30 November 2010	33,060,368	8,265
16 February 2011	1,648,020	412
26 May 2011	562,500	141
As at 30 November 2011	**35,270,888**	**8,818**

The shares issued during the year were used to finance the acquisition of Preston Bus Limited. Ordinary shares participate fully in the rights to vote, receive dividends and take part in any distribution of capital. There are no restrictions on ordinary shares nor are there any redeemable shares of any kind.

9. Share options and warrants

As at 30 November 2011 the following share options had been issued and were outstanding under the company's employee share option scheme:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
29 March 2005	240,000	29 March 2008	28 March 2015	125.0p
30 August 2005	93,333	30 August 2008	29 August 2015	162.5p
30 March 2006	520,000	30 March 2009	29 March 2016	37.5p
24 July 2007	240,000	24 July 2010	23 July 2017	62.5p
6 September 2007	896,000	6 September 2010	5 September 2017	62.5p
5 September 2008	725,000	5 September 2011	4 September 2018	50.0p

An option granted to a corporate entity on 5 June 2006 over 236,369 ordinary shares at a price of 37.5p per share expired unexercised on 5 June 2011.

The company operates an equity-settled share based remuneration scheme for group executive directors and senior management. The only vesting condition is that the individual remains an employee of the group until the option is exercised.

	2011		2010	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	63.34p	2,714,333	63.30p	2,740,333
Forfeited during the year	-	-	57.69p	(26,000)
Outstanding at the end of the year	**63.34p**	**2,714,333**	**63.34p**	**2,714,333**

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2010: 37.5p and 162.5p) and their weighted average remaining contractual life was 5.48 years (2010: 6.48 years).

All options were exercisable at the end of 2011 (2010: 1,989,333). The weighted average exercise price was 63.34p (2010: 63.34p).

No options were granted in the years ended 30 November 2010 or 2011.

9. Share options and warrants (continued)

Warrants

As at 30 November 2011 the following warrants had been issued and were outstanding covering the right to subscribe for ordinary shares in the company:

Date of issue	Number of warrants issued	Earliest exercise date	Date of expiry	Exercise price
21 December 2007	14,814	21 December 2007	31 December 2011	67.5p
14 February 2008	44,444	14 February 2008	31 December 2011	67.5p
3 March 2008	134,650	3 March 2008	31 December 2011	67.5p
5 March 2008	32,590	5 March 2008	31 December 2011	67.5p
26 March 2008	13,332	26 March 2008	31 December 2011	67.5p
	239,830			

All of the warrants over ordinary shares in the company in the above table expired unexercised.

A total of 2,191,944 warrants over ordinary shares at various prices between 50p and 80p per share expired unexercised on 31 December 2010. A further 210,000 warrants over ordinary shares at prices between 37.5p and 40p per share expired unexercised on 30 March 2011.

10. Reserves

	Share premium account 2011 £'000	Warrant reserve 2011 £'000	Profit and loss account 2011 £'000
At 1 December 2010	**7,762**	**370**	**356**
Profit for the year	-	-	1,439
Employee share schemes	-	-	16
On issue of new share capital	66	-	-
Release from warrant reserve	-	(125)	125
Dividends paid and payable	-	-	(352)
At 30 November 2011	**7,828**	**245**	**1,584**

11. Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit / (loss) for the year	1,439	(5)
Issue of shares	619	38
Share based payment charge credited to reserves	16	64
Dividends paid and payable	(352)	(248)
Net addition to / (reduction in) shareholders' funds	1,722	(151)
Opening shareholders funds	16,753	16,904
Closing shareholders' funds	**18,475**	**16,753**

12. Pensions

The company does not have a pension scheme of any nature.

13. Capital commitments

As at 30 November 2011 the company had placed orders for undelivered vehicles with a capital value of £2,764,000 (2010: £nil).

14. Commitments under operating leases

The company had the following operating lease commitments:

	Other 2011 £'000	Other 2010 £'000
Expiry date		
- up to one year	4	4
- between two and five years	3	3

15. Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2011 the contingent liability amounted to £nil (2010: £nil).

The company has guaranteed some of the hire purchase obligations of its subsidiaries. At 30 November 2011 the contingent liability amounted to £13,182,000 (2010: £14,118,000).

As related in note 5, the company during the year received a grant of £1,664,000 from the Government's Green Bus Fund for the acquisition of 15 hybrid diesel electric vehicles. The principal condition of this grant is that the vehicles should be retained by the Rotala group for at least three years. If this condition is not observed the grant becomes repayable. The company has no intention of not meeting this condition of the grant.

Shareholder Information

Notice of Annual General Meeting // 86

Notes to Members // 88

Explanatory Notes to Notice of Annual General Meeting // 90

Notice of Annual General Meeting

NOTICE IS HEREBY given that the Annual General Meeting ("AGM") of Rotala plc (the "Company") will be held at 12 pm on 30 May 2012 at the offices of the Company at Beacon House, Long Acre, Birmingham, B7 5JJ for the purpose of considering, and if thought fit, passing the following Resolutions with or without modifications and of which Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and Resolutions 7 to 9 will be proposed as special resolutions.

Ordinary Resolutions

1. THAT, the accounts of the Company for the financial period ended 30 November 2011, together with the directors' report and the auditors' report on those accounts be received and considered.
2. THAT, upon recommendation of the directors, a dividend of 0.80p per ordinary share be declared as a final dividend in respect of the financial year ended 30 November 2011.
3. THAT, Grant Thornton UK LLP be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting of the Company before which statutory accounts are laid and that the directors of the Company be and are hereby authorised to fix the auditors' remuneration from time to time.
4. THAT, Geoffrey Flight who is retiring by rotation in accordance with the Company's articles of association and, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.

Special Business

5. THAT, in accordance with section 366 of the Companies Act 2006 ("CA 2006"), the Company and its subsidiaries are hereby authorised to:-

   5.1 make political donations to political organisations or independent election candidates, as defined in sections 363 and 364 of CA 2006, not exceeding £25,000 in total; and

   5.2 incur political expenditure, as defined in section 365 of CA 2006, not exceeding £25,000 in total,

   during the period commencing on the date of this Resolution and ending on the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2013.

6. THAT, in substitution for all existing such authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of CA 2006 to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £2,939,240 (being approximately one-third of the issued ordinary share capital of the Company as at 11 April 2012 being the last working day prior to the publication of the notice convening the meeting) provided that such authority, unless renewed or revoked by the Company in general meeting, shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2013 but the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares or grant rights in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired.

Special Resolutions

7. THAT, in substitution for all existing such authorities and subject to the passing of Resolution 6, the directors be generally empowered pursuant to section 570 of CA 2006 to allot equity securities (within the meaning of section 560 of CA 2006) for cash pursuant to the authority conferred by Resolution 6 or by way of sale of treasury shares as if section 561 of CA 2006 did not apply to the allotment or sale provided that this power:-

   7.1 is limited to the allotment of equity securities:-

   7.1.1 where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be) to their existing holdings of Ordinary Shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or to deal with legal and/or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

   7.1.2 otherwise than pursuant to paragraph 7.1.1 up to an aggregate nominal value of £440,886 (representing approximately 5 per cent. of the issued ordinary share capital of the Company as at 11 April 2012);

   7.2 shall expire at the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2013, but such authority shall extend to the making of an offer or agreement which would or might require equity securities to be allotted after such expiry date and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this Resolution had not expired;

8. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of CA 2006 to make market purchases (within the meaning of section 693(4) of CA 2006) of Ordinary Shares provided that:-

   8.1 the maximum number of Ordinary Shares which may be purchased is 3,527,088 (representing ten per cent of the Company's issued ordinary share capital as at 11 April 2012;

   8.2 the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is 25 pence;

   8.3 the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations of an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased;

   8.4 this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company after the passing of this Resolution and 31 May 2013 (unless previously renewed, varied or revoked by the Company in general meeting); and

   8.5 the Company may, before such expiry, enter into one or more contracts to purchase Ordinary Shares under which such purchases may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

9. THAT Article 5 of the existing Articles of Association be deleted and replaced with "NOT USED".

By Order of the Board

Kim Taylor

Company Secretary

Date: 11 April 2012

Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).

2. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified Resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to Resolutions) which may properly come before the meeting.

3. Shareholders may appoint a proxy or proxies:-

   3.1 by completing and returning a form of proxy by post or by hand to the offices of the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

   3.2 in the case of CREST members, through the CREST electronic proxy appointment service.

4. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by one of the methods in note 3 above not less than 48 hours before the time for holding the meeting. In addition, any power of attorney or other authority under which the proxy is appointed (or a notarially certified copy of such power or authority) must be deposited at the offices of the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. Any such power of attorney or other authority cannot be submitted electronically.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear UK & Ireland") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting.

10. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

12. Copies of the directors' service contracts and the terms and conditions of appointment of non-executive directors will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the meeting and at the venue of the meeting for at least 30 minutes prior to and at the meeting.

13. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at the close of business on 28 May 2012 shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, the close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.

Explanatory Notes to Notice of Annual General Meeting

At the Annual General Meeting the following will be proposed as explained below:

Resolution 2 – Declaration of a final dividend

Shareholder approval is required for the payment of a final dividend as recommended by the board of directors. Subject to shareholder approval this dividend will be paid on 29June 2012 to those shareholders on the Company's register of members as at close of business on 1 June 2012.

Resolution 5 – Authority to make donations to political organisations and to incur political expenditure

Part 14 of the Companies Act 2006 ("CA 2006"), amongst other things, prohibits the Company and its subsidiaries from making donations of more than £5,000 to an EU political party or other EU political organisation or to an independent election candidate in the EU in any 12 month period unless they have been authorised to make donations by the Company's shareholders.

CA 2006 defines 'political organisations', 'political donations' and 'political expenditure' widely. It includes organisations which carry on activities which are capable of being reasonably regarded as intended to affect public support for a political party or an independent election candidate in any EU Member State or to influence voters in relation to any referendum in any EU Member State. As a result, it is possible that the definition may include bodies, such as those concerned with policy review and law reform, which the Company and/or its subsidiaries may see benefit in supporting.

Accordingly, and as proposed to Shareholders at the Company's annual general meeting in 2011, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of CA 2006 through the undertaking of routine activities, which would not normally be considered to result in making political donations or incurring political expenditure. Neither the Company nor any of its subsidiaries has any intention of making any particular political donations under the terms of this Resolution.

Resolution 6 – Authority to allot relevant securities

Under section 549 of CA 2006, the directors of a company may not allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company unless authorised to do so. This resolution, if passed, will continue the directors' flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares, and renews the authority given at the last AGM.

This authority will allow the directors to allot new shares and to grant rights in respect of shares up to a nominal value of £2,939,240 which is equivalent to one third of the total issued ordinary share capital as at 11 April 2012. The directors have no current intention of exercising this authority.

This authority will expire at the conclusion of the next AGM, or 31 May 2013, whichever is the earlier.

Resolution 7 – Authority to disapply pre-emption rights

If equity securities (within the meaning of section 560 of CA 2006) are to be allotted for cash, section 561 of CA 2006 requires that those equity securities are offered first to existing shareholders in proportion to the number held by them at the time of the offer and otherwise in compliance with the technical requirements of CA 2006. However, it may be in the interests of the Company for the directors to allot shares and/or sell treasury shares other than to shareholders in proportion to their existing holdings or otherwise than strictly in compliance with those requirements.

A special resolution will be proposed to renew the authority of the directors to allot equity securities for cash without first being required to offer such securities to existing shareholders. This authority is limited to the allotment of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £440,886 which is equivalent to 5 per cent of the total issued ordinary share capital of the Company as at 11 April 2012 and allotments of equity securities and/or sale of treasury shares in connection with a rights issue or other offer to shareholders, subject to the directors ability to make arrangements to deal with certain legal or practical problems arising in connection with such offer. This power will expire at the conclusion of the next AGM, or 31 May 2013, whichever is the earlier.

Resolution 8 – Authority to purchase own shares

The directors believe that it is in the interests of the Company and its members to continue to have the flexibility granted to the directors at the last AGM to purchase its own shares and this resolution seeks continued authority from members to do so. The directors intend only to exercise this authority where, after considering market conditions prevailing at the time, they believe that the effect of such exercise would be to increase the earnings per share and be in the best interests of shareholders generally.

The effect of such purchases would either be to cancel the number of shares in issue or the directors may elect to hold them in treasury pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations").

This resolution would be limited to 3,527,088 ordinary shares, representing approximately 10 per cent of the issued share capital as at 11 April 2012. The directors intend to seek renewal of this power at each Annual General Meeting.

Resolution 9 – Amendment to Articles of Association

The concept of an "authorised share capital" has been removed from UK Company legislation. Accordingly the Board is of the view that it should be removed from the Company's Articles of Association.

Recommendation

Your directors consider that all the Resolutions in the notice of AGM are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

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