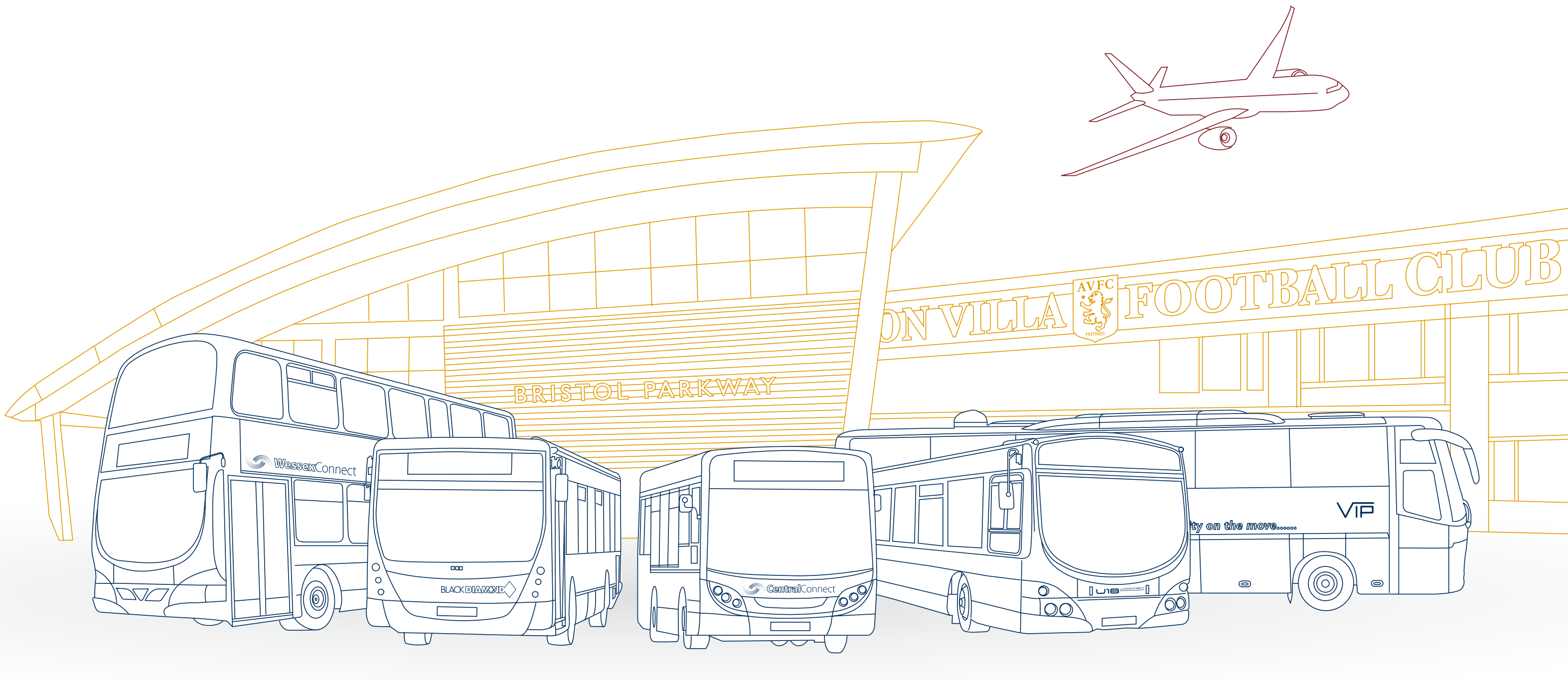
ROTALA

connecting people to places



Annual Report 2010

For year ended 30 November 2010

Contents

ROTALA
connecting people to places

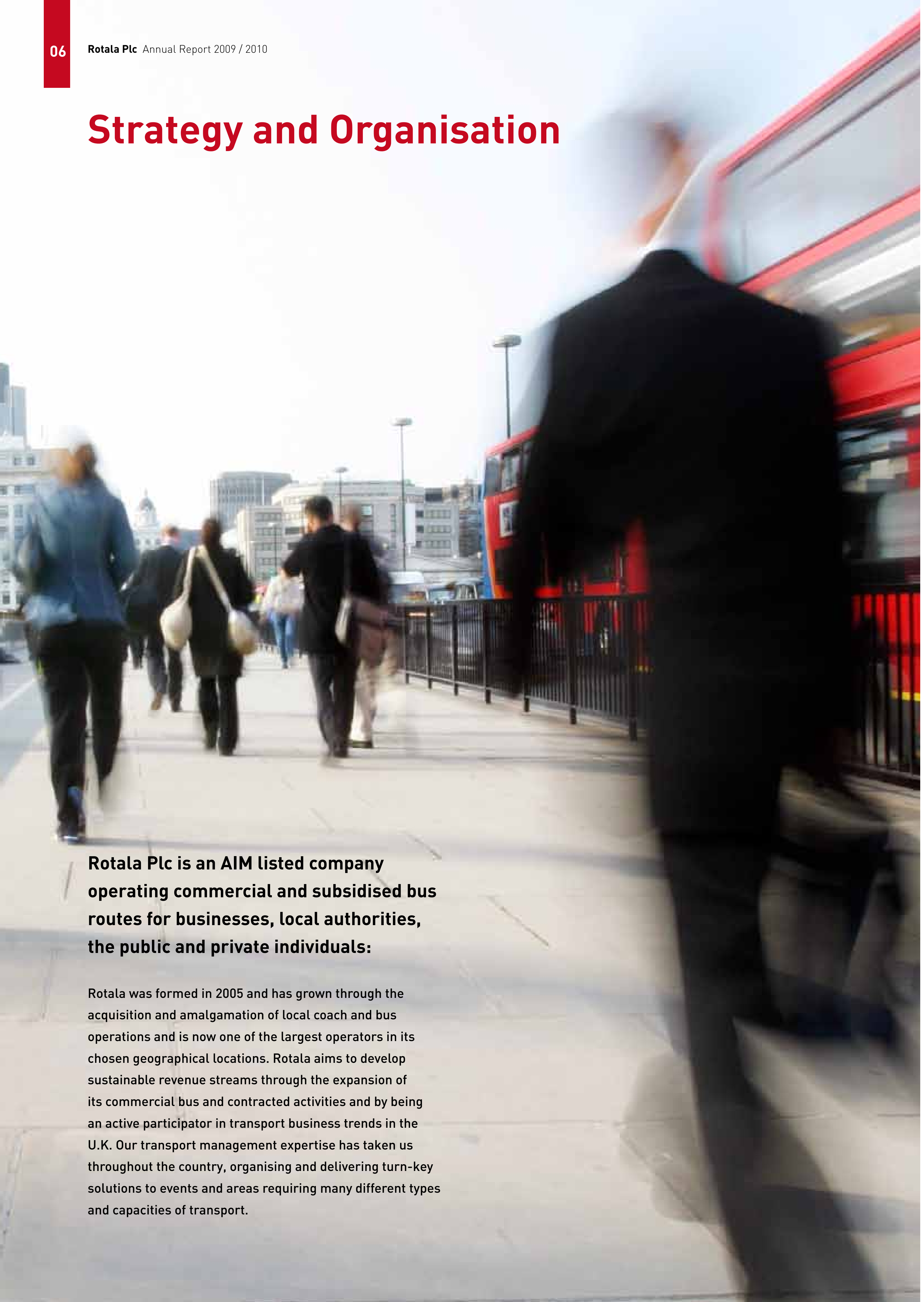
Rotala Plc
Head Office: Beacon House, Long Acre, Birmingham B7 5JJ
Telephone: 08458 382 382
Website: www.rotalaplc.co.uk

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

Rotala at a Glance

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) Kim Taylor (Group Finance Director) Robert Dunn Geoffrey Flight (Non-Executive 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	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT
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



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 U.K. 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

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 Core Values

Our commitment is to conduct business in an ethical manner; our Core Values display 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

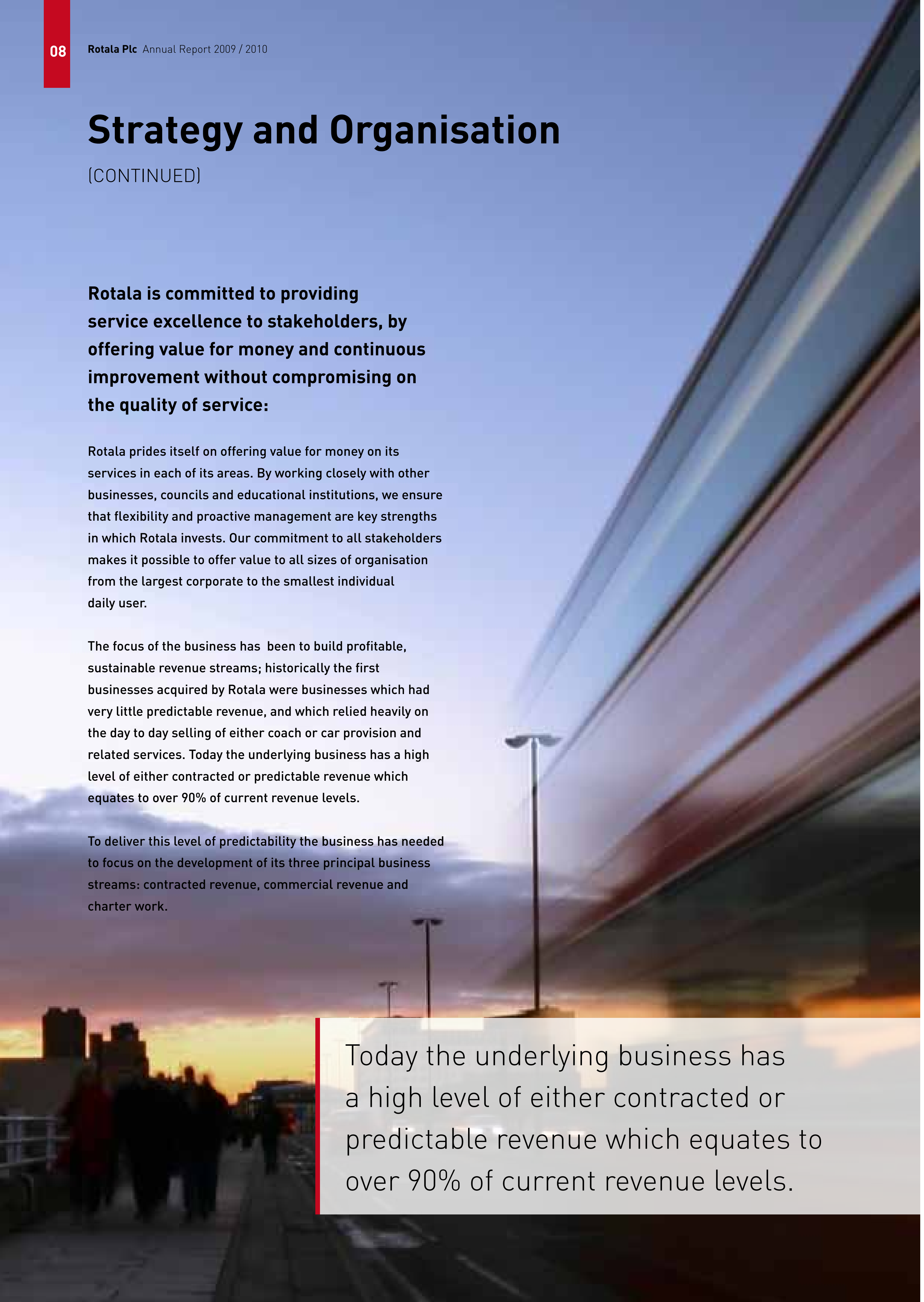
Our brands signify consistency, reliability and employee commitment.

Our Mission

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 and coach 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 Gatwick/Heathrow area ensures that the company is well positioned for future contract wins and organic commercial growth.



Strategy and Organisation

(CONTINUED)

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 business streams: contracted revenue, commercial revenue and charter work.

> Today the underlying business has a high level of either contracted or predictable revenue which equates to over 90% of current revenue levels.

Contract Revenue

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:

1. Individual organisations: these can have specific transport needs. Thus private bus networks are designed on a bespoke basis around these needs. For example, in Isleworth on the outskirts of London we operate 8 vehicles daily for Sky TV; these buses provide transport around their various buildings and connect the offices with car parks and tube stations. We also have similar contracts with British Airways, GlaxoSmithKline, the NEC, 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.

2. 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, Surrey County Council, South Gloucestershire County Council, and Bath and North East Somerset Council together with many smaller entities.

Commercial Revenue

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.

Charter Revenue

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 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 2010.

Review of trading

The group continued to make good progress in the year. Revenues rose by 10%, when compared to those of 2009, to a total of £44.6 million. This rise in revenue was well distributed amongst our various business streams and reflects the nature of the investment made in both 2009 and 2010. The increases are also wholly organic since there were no acquisitions made in the year. Rotala is now 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 7.6% to a total of £18.8 million. There were a number of reasons for this increase. The group enjoyed a full year's contribution from the business generated by the new depots opened in 2009 in both Bath and Worcester. Both these depots were underpinned by new contracted work obtained from the relevant local authorities throughout the period after they were opened. In addition the full effect was felt in the West Midlands of the contracted work successfully tendered for in 2009 under the Diamond brand. These successes more than compensated for some reductions in local authority work in the Bristol area and a reduction in contracted revenues from aviation work in and around Heathrow airport as a result of a change in the requirements from a major customer. There is no doubt that the recession and the Government's Spending Review, taken together, made for poor conditions in which to be seeking to expand business in this area. In 2010, in contrast to previous years, we were able to add new contracts in the private sector at about half the growth rate that had been our prior experience. There are good indications that this phase is now over. The market for new tenders seems to have returned and towards the end of the year we were able to secure a small number of new customer contracts. In the public sector, our experience was varied. Some local authorities are faced with difficult decisions of prioritisation whereas others have felt themselves better placed and more able to enter into longer term contracts. Our largest customer in this business stream, Centro, the government organisation responsible for transport policy and planning in the West Midlands, has had the advantage of the absence of conflicts of prioritisation, since it is a single purpose authority confined to that one objective of transport provision in its region.

Commercial Services

Revenues in Commercial Services showed strong growth in the year with an increase of 12.3% to a total of £21.8 million. Once again the sources of these revenue increases were well spread. In the West Midlands much effort has been made to invest in new commercial bus routes, particularly in any gaps left by the withdrawal of services by our larger rivals. Whilst this investment is still in its early stages and, as with any commercial bus initiative, will take time to become established, the increases in patronage and revenues are most encouraging. The new routes have made a considerable local impact, often using high specification vehicles, have attracted much public attention and generated all–important political support.

The expansion of services that became possible through the establishment of the depots in Worcester and Bath mentioned above also had a beneficial effect on revenues. New routes were registered in both these areas and showed strong growth. In Bristol too, though I highlighted above a drop in local authority subsidy, there was a sharp rise in commercial revenues which far outstripped the reduction in payments from contracts.

In contrast to Contracted Services, Commercial Services suffered from no external brake to their expansion. The recessionary conditions may have had some influence on bus usage but the principal factor in the establishment of commercial routes is that of naked competition. Success or failure is determined by the extent to which passengers are attracted and retained. Thus the limiting factor in the establishment of new commercial services is the appetite for risk. We have taken the view that a judicious series of carefully chosen new ventures is the way to proceed. We have avoided what we consider to be investments where the risk levels are unacceptably high or too large in relation to our capital base.

Charter Services

In the main this is a business stream which builds on our extensive experience and contacts to provide a service tailored to particular customer needs. Charter Services enjoyed an increase in revenue of some 10% when compared to the previous year. Demand for chauffeur car services in the aviation sector (which we sub-contract in their entirety) fell in 2010. But in contrast there was a welcome increase in one-off private hire work, an area which had suffered from the effects of recession. However the major contributor to the increase in revenues came from disruption work. This was occasioned both by the severe winter weather and a number of strikes in various parts of the transport infrastructure where we were called upon to organise alternative services. Thus this was an excellent overall result, particularly in the light of the fact that in 2009 revenues of £1.1m were generated by the transportation contract for the Rotary International meeting in Birmingham that year, which was of course a one-off event.

Fleet Modernisation

The group has continued to modernise its fleet and in the year under review about 20% of the vehicle fleet was replaced. This programme of replacement included some 50 new vehicles. One important facet of this initiative is the desire to improve the passenger experience: there is no doubt that a modern, clean and comfortable bus is a factor which attracts and retains patronage. In some cases we have invested in such features as leather seats and Wi-Fi (in Solihull and West Bromwich for example) on high frequency commuter routes. This helps ensure that we retain customers and changes the customer perception of bus travel.

The programme also ensures that Rotala continues to possess one of the youngest fleets in the industry with an average age of about 7.5 years. Older vehicles emit a greater level of emissions and we are keen to minimise this aspect of bus operation. The attention we have shown over the years to the profile of the fleet means furthermore that 98% of it already complies with the requirements of the Disability Discrimination Act. This Act sets compliance standards which must be met from 2014 onwards. Given the foresight which has been employed by your board in building up our bus fleet, you can see from the statistic mentioned that we anticipate no problems at all in meeting the deadlines set by law.

More recently we have ordered our first batch of hybrid power buses from the Optare Group. We were fortunate to receive an allocation of £2.9 million late in 2009 from the Government's first Green Bus Fund. We are using £1.6m of this allocation in an order for 15 hybrid vehicles. These vehicles will be deployed principally on routes in Solihull, but a number will also go to Bath and to our new operation in Preston, to which I shall refer later in this statement.

Diesel Prices

Fuel is a significant cost to Rotala's business. In the period under review we have seen further increases in the price of diesel and this trend persists. As a relatively small user of diesel (in industry terms) at about 10 million litres a year, it has been very difficult for the company to obtain a hedge at economic prices. Rotala has therefore remained without a hedge against fuel price increases. In 2010 the diesel fuel used cost about £1 million more than in 2009 on the same basis of operations. The volatility of the fuel price did therefore reduce our margins during the year. In any event a hedge can only provide temporary relief from market forces. In mitigation we were able to increase fares and contract prices but there is no doubt that fares for the whole bus industry will have to continue to increase in response to such large changes in the price of a material input cost.

Spending Review

In its Spending Review, the Government decided to reduce by 20% from April 2012 the grant by which it shields bus operators from about 80% of the duty contained within fuel prices. Rotala, like all other bus operators, will be obliged

Chairman's Statement and Review of Operations

(CONTINUED)

to review its fare structures in 2012 for this increase in fuel costs. It is anticipated currently that fare increases of about 5% will be required. Approximately one quarter of Rotala's turnover is not supported by this grant in any event and so is unaffected. Another spending reduction, commissioned by the previous government, involves a change in concessionary fares arrangements. However it is not expected that the new fare calculations will have a material effect on Rotala's operations. Inevitably bus fares will have to rise in order to compensate for these reductions in revenues, but it will be the same for all operators in any particular locality. We do expect that some of the more marginal routes may be relinquished by the larger, higher cost operators and so there will be opportunities to gain market share where this is on an economically sound basis.

Strategy and acquisitions

The strategy of the group remains focused on the areas in which we have invested so far. As I have already remarked, 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. Shortly after the year end we took the opportunity to establish a new hub for the business 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 the local authority 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 Company to the south west of Bristol and creates a new hub for the operations of the group. PBL will operate like any current depot in the group network, with all central administrative and support services provided by the Birmingham headquarters of the group. Preston sits in a region which has a historically high level of bus usage. In addition plans have recently been announced to build a major new shopping centre in Preston; a requirement for a new bus station was outlined some time before the announcement of the new shopping centre and thus the need has become more pressing. These improvements will add considerably to the attractiveness of Preston as a place to live and work, and are expected to create more bus passenger journeys. The Board of Rotala therefore regards the future development of the Preston hub with optimism.

Board change

On 30 June 2010, we announced that Michael Samuel had decided to step down from the Board to give himself more time to pursue his other business interests. We are grateful for the time that Michael gave to the group and the insights and experience which his presence brought to the board table.

Competition Commission

We have had considerable dialogue with the Competition Commission as their investigation into local bus services has progressed. Whatever the outcome of the Commission's deliberations, we cannot see that these can be to the detriment of the smaller operator like ourselves. The review will undoubtedly look to enhance competition in the bus market in various ways. We would expect benefits to flow to our operations both in the West Midlands and in South West England whatever the tenor of the Commission's report. Their initial findings are expected to be published in April 2011.

Financial review

I have already highlighted the 10% increase in revenues year on year. In the Consolidated Statement of Comprehensive Income on page 28 the impact of intangible asset expenses, share based payments and debt finance costs on the group's results has been shown separately, as these are not normal trading items. These items are analysed in detail in note 9 on page 44. Turning then to the group's performance before these intangible asset expenses, share based payments and debt finance costs, Cost of Sales was up 11% but Gross Profits rose by 5% compared to the previous year. Gross profit margin however declined slightly from 19% to 18%. One of the major causes of this was the increased cost of fuel. A Profit from Operations of £3.6m was recorded for 2010, which is very similar to the figure for the previous year. This slight increase in profit was struck after Administrative Expenses which were some 8% higher than those seen in 2009. The principal reason for this increase lay in the full year costs of the new depots in Worcester and Bath opened in the latter part of 2009. Finance expense was little changed overall but the Hire Purchase component of this figure continued to fall to reflect the reduced level of outstanding Hire Purchase obligations for most of the year. Profit before tax therefore showed a slight increase over that recorded in 2009 at £1.9 million.

Because there were more shares in issue in 2010, basic earnings per share show a fall compared to 2009 from 5.74p per share to 5.00p. For the same reason there was a fall in adjusted basic earnings per share also, from 7.06p in 2009 to 5.77p in 2010.

The gross assets of the group stood at £44.3m at 30 November 2010, much the same as the previous year. The vehicle fleet continued to grow: at the year end it stood at some 480 vehicles (2009: 450 vehicles). With the addition of PBL the fleet has now reached 570 vehicles. Whilst the book value of property and vehicle assets increased, debtors fell. The loans and borrowings of the group, including its obligations under hire purchase contracts, also fell by 7%, from £21.9m at the end of 2009 to £20.5m by 30 November 2010. The was despite the fact that a number of significant additions to the vehicle fleet, financed by new hire purchase contracts, were made in the last quarter of the year. Net assets reached £19.1m at the year end (2009: £17.6m).

The improvement in the operating performance of the group showed in a 99% increase in net cash flows from operating activities to a figure of £5.5m. Investment in property, plant and equipment (net of settlements paid on vehicles disposed of) totalled £0.9m this year (2009: £1.3m). All property mortgages were refinanced and consolidated in the year as related below. The capital element of payments on HP agreements totalled £3.8m in 2010 (2009: £3.4m). After dividend and interest payments the closing figure for cash and cash equivalents at the end of the year, at £1.1m, was virtually unchanged from the same figure at the end of 2009.

Banking facilities and finance

As part of our planning to sustain the expansion of the Group, the Royal Bank of Scotland ("RBS") has been appointed as Rotala's new clearing bankers. This move enabled us to discontinue the use of sales finance as a means of funding working capital and so reduce the effective rate of interest on these borrowings which were replaced by a £2.0 million conventional overdraft arrangement.
At the same time all existing property mortgages, totalling £1.9 million, (at the time with three different lenders) have been consolidated and re-financed with RBS. Through their Lombard arm, RBS too is able to increase the amount of vehicle finance facilities available to the group. This addition, together with other existing vehicle finance providers, gives us unused facilities in excess of £2.3 million and thus underpins our plans for further growth in the Group's businesses.

On 31 December 2011 the convertible unsecured loan stock issued in 2008 is due for repayment or conversion. The latter option looks unlikely at current share prices. At the same time a number of loan stock holders have approached the company to ask if the company would consider extending the life of the note. Since this request seemed to be in the company's interest, the board conducted a survey of note holders and established thereby that just over 50% of them wished to hold the debt for a further three years until 31 December 2014. In due course the company will be writing to each note holder to confirm these arrangements. The cash flow projections of the group show that repayment of the remaining holders can be financed through the existing facilities of the group. Shortly after the year end the company also took the opportunity to repay at par £475,000 of the loan stock, thus saving interest of £54,000 that would otherwise have accrued on this tranche.

Dividend

The Company paid an interim dividend of 0.30 pence per share in December 2010. At the forthcoming Annual General Meeting the Board will recommend a final dividend in respect of 2010 of 0.60p per share, making 0.90p for the year as a whole. As the company matures I expect the dividend

Chairman's Statement and Review of Operations

(CONTINUED)

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.

Outlook

With the acquisition of Preston Bus, the proportion of the group's revenues derived from commercial services will rise to some 60%. We intend to continue our quest to expand these services in all areas of our business. Our largest competitors in the West Midlands and in the South West have also concentrated this year on trimming their operations and optimising their own performance. This has enabled us to operate on new routes as the incumbent operators have retreated. I believe that this trend will provide us in the short and medium term with many attractive opportunities to continue the expansion of our commercial services. With our inherently lower cost base we are well positioned to take on routes in our areas of operation which to the larger operators may seem marginal. The high cost of motoring may also encourage car commuters to try the bus instead in the major conurbations in which we have the majority of our bus operations.

Given the pressure on local authority budgets, it is difficult to envisage expansion of any significance in this type of contracted business. Indeed certain local authorities may find it necessary to cut their transport budgets even more in years to come. However I do believe that the focus of government on the reduction of pollution and congestion will help to provide further opportunities for growth in contracted private sector business. In addition many tenders derive from the drive by the private sector to outsource those activities (like transport) which lie outside their core areas of expertise. We can only benefit from this trend.

For these reasons the board remains confident that the organic growth pattern of the group can be sustained. We are in addition constantly looking out for acquisition opportunities. Though there are none on the horizon at the moment, they always remain a possibility.

The bus industry is in a period of considerable change at this time. Some of these changes are driven by government policy or action (for example via the Competition Commission). Other changes are driven by the commercial decisions of the larger bus groups. I believe that Rotala is well positioned to take advantage of any opportunities that come our way from these changes. We have created a credible bus group which has a high profile in the bus industry. We can build with confidence on this solid base.

John Gunn
Non-Executive Chairman

18 April 2011

Directors' Report

The Directors present their report together with the audited financial statements of the group for the year ended 30 November 2010.

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 2010 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:

	2010	2009
Gross profit margin	18.40%	19.29%
Profit from Operations	£3,577,000	£3,532,000
Normalised profit after taxation	£1,904,000	£1,880,000

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 after 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.

Gross profit margin (%)

18.40% ▼ 4.6%

Profit from Operations (£)

£3,577,000 ▲ 1.0%

Profit after taxation (£)

£1,904,000 ▲ 1.3%

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. Replacement vehicles are procured with a view to their fuel efficiency (e.g. hybrids). Management may enter into fuel hedge contracts.
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.
Extension and re-financing of the existing convertible debt	The group may not be able to meet it debt repayment obligations.	Management surveyed the convertible debt holders and determined that more than 50% wished to continue to hold the debt until 31 December 2014. This extension will be put in place by the end of the year.
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 through its membership of key trade bodies. 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 and management structures as the business grows. Appropriate recruits are brought in 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 28.

The Directors will propose to the Annual General Meeting a distribution by way of a final dividend of 0.6p per share for the year ended 30 November 2010 (2009:Nil). An interim dividend of 0.3p per share was paid on 6 December 2010.

Directors

The following Directors have held office during the year:

J H Gunn
R A Dunn
S L Dunn
F G Flight
M Samuel (resigned 30 June 2010)
K M Taylor

Directors' Interests

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

		2010		2009	
		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	**5,318,024**	**400,000**	5,318,024	400,000
R A Dunn	Beneficial	**820,168**	**400,000**	820,168	400,000
S L Dunn	Beneficial	**316,402**	**445,000**	286,402	445,000
F G Flight	Beneficial	**1,325,055**	**220,000**	1,325,055	220,000
M Samuel	Beneficial	**375,000***	**-***	375,000	-
K M Taylor	Beneficial	**357,500**	**565,000**	332,500	565,000

*At date of resignation

Directors' Interests

Options over 25p ordinary shares

	At 1 December 2009	Granted	Price	At 30 November 2010	Date Exercisable	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**		

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 28 – Related Party Transactions.

The company's share price at 30 November 2010 was 31p. The high and low prices in the year were 51.5p and 28.5p respectively.

Substantial Shareholdings

As at 18 April 2011 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. Nigel Wray	2,382,400	6.86
Ludgate 181 (Jersey) Limited	1,335,221	3.84
Gartmore	1,250,000	3.60
Link Traders (Aust) Pty Limited	1,200,000	3.50
Mr. Graham Peacock	1,075,000	3.10
Mrs. Susan Tobbell	1,075,000	3.10

Directors' Report

(CONTINUED)

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 27.

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 55 and 64 days' purchases outstanding at 30 November 2010 (2009: 60 days and 63 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 2010 (2009 - £Nil). Charitable contributions amounted to £4,971 (2009: £751).

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.

Going concern

The board has examined its strategy and its profit and loss and cash flow projections over the two years to 30 November 2012. It has also examined the loan and overdraft facilities of the group, including the convertible debt which is due for repayment on 31 December 2011, and considered the likelihood of and effect of its repayment. The board conducted a survey in writing of the holders of the convertible debt and established thereby that just over 50% of them intended to hold the debt and extend the duration of the instrument for a further three years. The cash flow projections of the group show that repayment of the remaining holders can be financed through the existing facilities of the group. 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.

Statement of Directors' responsibilities

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 which give a true and fair view of the state of affairs of the group and the company and of the profit or loss for that period. Under that law the Directors are required 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 company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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.

Events since the year end

Events of note since the year end are described in the Review of Operations on page 14 under "Strategy and acquisitions ".

Relationship 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.

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

Kim Taylor
Secretary

Date: 18 April 2011
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 2010 which comprise 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 2010 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: 18 April 2011

Financial Statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 NOVEMBER 2010

		2010 £'000			2009 £'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**	**44,644**	**-**	**44,644**	**40.561**	**-**	**40,561**
Cost of sales		(36,430)	-	(36,430)	(32,735)	-	(32,735)
Gross Profit		**8,214**	**-**	**8,214**	**7,826**	**-**	**7,826**
Administrative expenses		(4,637)	(128)	(4,765)	(4,294)	(226)	(4,520)
Profit from Operations	**7**	**3,577**	**(128)**	**3,449**	**3,532**	**(226)**	**3,306**
Finance Expense	**8**	(1,673)	(126)	(1,799)	(1,652)	(126)	(1,778)
Profit before taxation		**1,904**	**(254)**	**1,650**	**1,880**	**(352)**	**1,528**
Tax expense	**10**	-	-	-	-	-	-
Profit for the year attributable to the equity holders of the parent		**1,904**	**(254)**	**1,650**	**1,880**	**(352)**	**1,528**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**1,904**	**(254)**	**1,650**	**1,880**	**(352)**	**1,528**
Earnings per share for profit attributable to the equity holders of the parent during the year:							
- Basic (pence)	**11**			5.00			5.74
- Diluted (pence)	**11**			4.98			5.73

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 NOVEMBER 2010

	Called up share capital £'000	**Share premium reserve £'000**	**Merger Reserve £'000**	**Warrant Reserve £'000**	**Retained Earnings £'000**	**Total £'000**
At 1 December 2008	**5,254**	**6,208**	**2,567**	**370**	**(2,938)**	**11,461**
Profit for the year and total comprehensive income	-	-	-	-	1,528	1,528
Transactions with owners:						
Issue of share capital	2,984	1,769	-	-	-	4,753
Costs of issue of share capital	-	(226)	-	-	-	(226)
Share based payment	-	-	-	-	84	84
Transactions with owners	**2,984**	**1,543**	**-**	**-**	**84**	**4,611**
At 30 November 2009	**8,238**	**7,751**	**2,567**	**370**	**(1,326)**	**17,600**
Profit for the year and 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**

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

Consolidated Statement of Financial Position

AS AT 30 NOVEMBER 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	**12**	28,256	26,381
Goodwill and other intangible assets	**13**	9,597	9,661
Deferred taxation	**22**	23	23
Total non-current assets		**37,876**	**36,065**
Current assets			
Inventories	**15**	779	603
Trade and other receivables	**16**	4,536	5,647
Cash and cash equivalents	**17**	1,128	1,927
Total current assets		**6,443**	**8,177**
Total assets		**44,319**	**44,242**
Liabilities			
Current Liabilities			
Trade and other payables	**18**	4,716	4,750
Loans and borrowings	**19**	127	1,938
Obligations under hire purchase	**20**	4,004	4,219
Total current liabilities		**8,847**	**10,907**
Non-current liabilities			
Loans and borrowings	**19**	6,254	6,261
Obligations under hire purchase	**20**	10,114	9,474
Total non-current liabilities		**16,368**	**15,735**
Total liabilities		**25,215**	**26,642**
TOTAL NET ASSETS		**19,104**	**17,600**

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

	Note	2010 £'000	2009 £'000
Shareholders' funds			
Share capital	**23**	8,265	8,238
Share premium reserve		7,762	7,751
Merger reserve		2,567	2,567
Warrant reserve		370	370
Retained earnings		140	(1,326)
TOTAL EQUITY		**19,104**	**17,600**

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2011

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 2010

	2010 £'000	2009 £'000
Cash flows from operating activities		
Profit for the year	1,650	1,528
Adjustments for:		
Depreciation	2,721	2,481
Amortisation	64	142
Finance expense	1,799	1,778
Gain on sale of property, plant and equipment	(455)	(254)
Equity settled share-based payment expense	64	84
Cash flow from operating activities before changes in working capital and provisions	**5,843**	**5,759**
Decrease/(increase) in trade and other receivables	1,111	(567)
(Increase)/decrease in inventories	(176)	91
Decrease in trade and other payables	(134)	(1,109)
Decrease in provisions	-	(105)
	801	**(1,690)**
Cash generated from operations	**6,644**	**4,069**
Interest paid on hire purchase agreements and invoice discounting arrangements	(1,136)	(1,298)
Net cash flows from operating activities carried forward	**5,508**	**2,771**

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

	Note	2010 £'000	2009 £'000
Cash flows from operating activities brought forward		**5,508**	**2,771**
Investing activities			
Purchases of property, plant and equipment		(1,201)	(1,622)
Sale of public service vehicles		2,391	1,245
Net cashed from / (used in) investing activities		**1,190**	**(377)**
Financing activities			
Issue of ordinary shares		38	3,825
Dividends paid		(149)	-
Proceeds of hire purchase refinancing agreement		933	-
Proceeds of mortgage and other loans		1,900	1,650
Loan stock and notes repaid		-	(1,415)
Repayment of other loan		(1,000)	-
Repayment of bank and other borrowings		(2,064)	(486)
Loan stock and bank loan interest paid		(538)	(355)
Capital settlement payments on vehicles sold		(2,073)	(968)
Capital element of lease payments		(3,765)	(3,440)
Net cash used in financing activities		**(6,718)**	**(1,189)**
Net (decrease) / increase in cash and cash equivalents		(20)	1,205
Cash and cash equivalents at beginning of year	17	1,148	(57)
Cash and cash equivalents at end of year	17	**1,128**	**1,148**

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 NOVEMBER 2010

1. General information

Rotala plc is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 30 November 2010 (including the comparatives for the year ended 30 November 2009) were approved by the Board of Directors on 18 April 2011. 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 22.

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.

Changes in accounting policies

The Group has adopted IAS1 'Presentation of Financial Statements (revised 2007)', which does not affect the financial position or profits of the Group, but gives rise to additional disclosures. IAS1 'Presentation of Financial Statements (revised 2007)' affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'. In accordance with the new standard, a 'Statement of Recognised Income and Expense' is no longer required and a 'Statement of Changes in Equity' is presented.

IAS1 'Presentation of Financial Statements (revised 2007)' requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. The directors do not consider that this is necessary since the consolidated balance sheet for 2009 is unchanged from that previously published.

IFRS3 'Business Combinations' (revised 2008) has resulted in a number of changes to the way that future business combinations are measured and accounted for; however there were no such business combinations during 2010.

Under IFRS8 'Operating Segments', the information reported is that used by the chief operating decision maker for internally evaluating segment performance and deciding how to allocate resources to operating segments.

IFRS7 'Amendment on Improving Financial Instruments Disclosures' requires additional disclosures for financial instruments carried at fair value in the Statement of Financial Position. These fair value measurements are categorised into a three level hierarchy reflecting the extent to which they are valued on observable data. The Group does not have any assets or liabilities at the balance sheet date to which this amendment is applicable.

2. Accounting policies (continued)

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.

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 13.

(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, expected life of the options and number of options expected to vest.

(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.

Judgements

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.

Basis of consolidation

The Group financial statements consolidate the results of the company and all its subsidiary undertakings at 30 November 2010. 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.

2. Accounting policies (continued)

Business combinations

Where the purchase 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 Statement of Comprehensive Income. 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.

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.

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 Statement of Comprehensive Income.

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.

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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 remeasured. 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.

Pension costs

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

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 the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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, bank overdrafts, and amounts due under invoice discounting arrangements.

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.

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 warrants issued and 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.

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

3. Standards and interpretations not yet applied by Rotala Plc

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the group's financial statements.

Standard or interpretation	
Improvements to IFRSs 2009	(various effective dates, earliest of which is 1 July 2009, but mostly 2010)
IFRS 9	Financial instruments (effective 1 January 2013)
IAS 24 (Revised 2009)	Related Party Disclosures (effective 1 January 2011)
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (effective 1 January 2010)
IAS 32 (amendment)	Classification of Rights Issues (effective 1 February 2010)
Amendment to IAS 32 IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement - (effective 1 January 2011)
Improvements to IFRS issued May 2010	(some changes effective 1 July 2010, others effective 1 January 2011)
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets (effective 1 July 2011)
Amendments to IAS 12 Income Taxes	Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)

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

4 Segmental analysis

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 business streams: contracted services, commercial services and charter services.

	Contract		Commercial		Charter		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Revenue	18,834	17,505	21,832	19,441	3,978	3,615	44,644	40,561

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 Business) or by route (for Commercial Business) or in certain circumstances by both contract and route, depending on the type of business. Charter business is typically delivered by short term contracts.

In Contracted and Charter Business service is 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.

4 Segmental analysis (Continued)

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 business 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 business stream assets. Other information such as capital expenditure, depreciation and impairment is also not analysed separately by business stream for this reason.

In 2010 one customer constituted 10.8% of Revenues (2009: one and the same customer and 12.4% of Revenues). This customer provided revenues in the Contract and Charter revenue streams.

5 Staff costs

	2010 £'000	2009 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	20,668	19,355
Employer's national insurance contributions	1,877	1,743
Defined contribution pension costs	63	45
	22,608	21,143
Share-based payment expense	64	84
	22,672	**21,227**

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

	2010 £'000	2009 £'000
Management and administrative	56	61
Direct	868	807
	924	**868**

6 Directors' and key management personnel remuneration

	2010 £'000	2009 £'000
Salaries and other short term employee benefits	512	657
Contribution to defined contribution pension scheme	6	8
Share based payment expense	46	56
	564	**721**

1 director (2009 - 1) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £147,560 (2009- £178,000). Pension contributions of £5,600 (2009 - £8,400) were made on his behalf.

The Directors' remuneration was as follows:

	2010 £'000			2009 £'000		
	Remuneration	Share based payment expense	Total	Remuneration	Share based payment expense	Total
Executive						
S L Dunn	148	10	158	178	13	191
R A Dunn	94	12	106	109	12	121
K M Taylor	114	12	126	150	14	164
Non-Executive						
J H Gunn	75	7	82	75	10	85
F G Flight	29	5	34	75	7	82
M Samuel*	15	-	15	25	-	25
	475	**46**	**521**	**612**	**56**	**668**

*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.

In addition to his board responsibilities Geoffrey Flight in 2009 provided services in respect of the review and evaluation of actual and potential acquisitions.

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

7 Profit from operations

	2010 £'000	2009 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	2,721	2,481
Amortisation of intangible assets	64	142
Operating lease expense:		
- property	283	265
- plant and machinery	321	183
Profit on disposal of property, plant and equipment	(455)	(254)
Auditors' fees		
- parent company	4	8
- subsidiaries	45	49

8 Finance Expense

	2010 £'000	2009 £'000
Bank borrowings, overdraft and invoice discounting interest	131	120
Interest payable on loan notes	499	451
Hire purchase contracts	1,101	1,178
Other interest	68	29
	1,799	**1,778**

9 Profit before taxation

Profit before taxation includes the following:

	Intangible asset expenses, share based payments and debt finance costs 2010 £'000	2009 £'000
Amortisation of intangible assets	(64)	(142)
Share based payment expense	(64)	(84)
Loss within Profit from Operations	(128)	(226)
Finance expense - amortisation of debt component of convertible debt	(126)	(126)
Loss within Profit before Taxation	**(254)**	**(352)**

10 Tax expense

No tax is payable in the current year.

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

	2010 £'000	2009 £'000
Profit before taxation	**1,650**	**1,528**
Profit at the standard rate of corporation tax in the U.K. of 28% (2009 - 28%):	(462)	(429)
Expense not (allowable) / taxable	(8)	55
Capital allowances lower than depreciation	(269)	(429)
Utilisation of previously unrecognised tax losses	739	803
Losses carried forward		-
Total tax charge	**-**	**-**

11 Earnings per share

	2010 £'000	2009 £'000
Basic		
Profit attributable to ordinary shareholders	1,650	1,528
Weighted average number of ordinary shares in issue	33,019,625	26,610,256
Basic earnings per share	5.00p	5.74p
Adjusted basic		
Profit attributable to ordinary shareholders	1,904	1,880
Weighted average number of ordinary shares in issue	33,019,625	26,610,256
Adjusted basic earnings per share	5.77p	7.06p

The calculation of the basic, adjusted 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.

11 Earnings per share (continued)

	Adjusted diluted 2010 £'000	Diluted 2010 £'000	Adjusted diluted 2009 £'000	Diluted 2009 £'000
Profit attributable to ordinary share holders	1,904	1,650	1,880	1,528
Interest expense of convertible loan notes	373	-	373	-
Profit for the purposes of diluted earnings per share	2,277	1,650	2,253	1,528
Weighted average number of shares in issue	33,019,625	33,019,625	26,610,256	26,610,256
Adjustments for:				
- assumed conversion of convertible loan notes	6,907,396	-	6,907,396	-
- exercise of warrants	29,882	29,882	12,500	12,500
- exercise of options	96,206	96,206	32,500	32,500
Weighted average number of ordinary shares for the purposes of diluted earnings per share.	40,053,109	33,145,713	33,562,652	26,655,256
Adjusted diluted / basic diluted earnings per share	5.69p	4.98p	6.71p	5.73p

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 three sources of potential ordinary shares: convertible loan notes, share warrants 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 and warrants 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.

In order to arrive at adjusted earnings per share a similar approach has been taken, except that the profit attributable to ordinary shareholders is that profit which is shown in the columns headed "Results before intangible asset expenses, share based payments and debt finance costs" on page 28.

12 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold property £'000	Plant and machinery £'000	Public service vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 December 2008	3,812	972	1,387	26,240	535	32,946
Additions	72	144	208	3,595	128	4,147
Disposals	-	(70)	(488)	(2,406)	(58)	(3,022)
At 30 November 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**
Depreciation						
At 1 December 2008	**66**	**92**	**835**	**5,974**	**278**	**7,245**
Charge for the year	43	31	165	2,163	79	2,481
Disposals	-	(59)	(477)	(1,455)	(45)	(2,036)
At 30 November 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**
Net book value						
At 30 November 2010	**3,846**	**950**	**482**	**22,706**	**272**	**28,256**
At 30 November 2009	**3,775**	**982**	**584**	**20,747**	**293**	**26,381**
At 30 November 2008	**3,746**	**880**	**552**	**20,266**	**257**	**25,701**

The net book value of public service vehicles at 30 November 2010 held under hire purchase agreements was £19,713,000 (2009: £18,626,000). Depreciation of £1,765,000 (2009: £1,740,000) 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 2008 and 2009 and 30 November 2009 and 2010	250	313	9,481	10,044
Amortisation				
At 1 December 2008	172	69	-	241
Charge for the year	78	64	-	142
At 30 November 2009	250	133	-	383
Charge for the year	-	64	-	64
At 30 November 2010	250	197	-	447
Net book value				
At 30 November 2010	-	116	9,481	9,597
At 30 November 2009	-	180	9,481	9,661
At 30 November 2008	78	244	9,481	9,803

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 sum 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 grown up, 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 is currently a single cash generating unit for the purposes of evaluating the carrying value of goodwill and the evaluation calculations have accordingly 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 2012. Other major assumptions are as follows:

	CGU 2010 %	CGU 2009 %
Discount rate	15	15
Operating Margin	9	9
Growth Rate	4	3
Inflation	4	3

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. It is considered 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

	2010 £'000	2009 £'000
Fuel and spares	779	603

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 £12,275,000 (2009 - £9,647,000).

16 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	2,678	2,908
Other receivables	510	914
Prepayments	1,348	1,825
	4,536	**5,647**

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 £11,000 was utilised (2009: 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:

	Group 2010 £'000	2009 £'000
Not more than 3 months overdue	181	90
More than 3 months but not more than 1 year	42	108
More than 1 year overdue	-	24
	223	**222**

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

	2010 £'000
Balance brought forward at 1 December 2009	11
Utilised in the year	(11)
Balance carried forward at 30 November 2010	**-**

17 Cash at bank and in hand

Cash and cash equivalents are analysed as follows:

	2010 £'000	2009 £'000
Cash at bank	1,128	1,927
Secured bank overdrafts	-	(5)
Amounts due under invoice discounting arrangements	-	(774)
	1,128	**1,148**

18 Trade and other payables - current

	2010 £'000	2009 £'000
Trade payables	2,610	2,708
Taxation and social security	1,101	945
Other creditors	493	668
Accruals and deferred income	413	429
Dividend payable	99	-
	4,716	**4,750**

The directors consider 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.

19 Loans and borrowings

	2010 £'000	2009 £'000
Current		
Secured bank overdrafts	-	5
Amounts due under invoice discounting arrangements	-	774
Other loans	-	1,000
Bank loans	127	159
	127	**1,938**

	2010 £'000	2009 £'000
Non-current		
Convertible loan stock	4,544	4,419
Bank loans	1,710	1,842
	6,254	**6,261**

Analysis of Maturity

	Convertible debt 2010 £'000	Overdrafts 2010 £'000	Bank loan 2010 £'000	Other loan 2010 £'000	Total 2010 £'000
In one year or less, or on demand	373	-	180	-	553
In more than one year but not more than two years	4,694	-	180	-	4,874
In more than two years but not more than five years	-	-	1,620	-	1,620
In more than five years	-	-	-	-	-
	5,067	-	1,980	-	7,047

19 Loans and borrowings (Continued)

	Convertible debt 2009 £'000	Overdrafts and invoice discounting arrangements 2009 £'000	Bank loan 2009 £'000	Other loan 2009 £'000	Total 2009 £'000
In one year or less, or on demand	373	779	239	1,040	2,431
In more than one year but not more than two years	373	-	1,289	-	1,662
In more than two years but not more than five years	4,694	-	243	-	4,937
In more than five years	-	-	434	-	434
	5,440	**779**	**2,205**	**1,040**	**9,464**

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 is redeemable at par on 31 December 2011 or is convertible into 25p ordinary shares of the company at a price of 67.5p per share, giving the right to receive a total of 6,907,396 ordinary shares. Conversion, at the option of the holder, may take place on 31 December 2011. The loan stock bears a coupon of 8%; associated with the loan stock were warrants over ordinary shares described in note 24. The proceeds received from the issue of the convertible loan notes were split between the liability element and an equity element of £370,000.

Bank

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

Bank loan

The bank loan is secured on the group's freehold and short leasehold 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.

Other loan 2009

The loan was secured on certain public service vehicle assets.

20 Obligations under hire purchase contracts

Future lease payments are due as follows:

	Minimum lease payments 2010 £'000	Interest 2010 £'000	Present value 2010 £'000
Not later than one year	4,866	862	4,004
Later than one year and not later than five years	11,062	1,046	10,016
Later than five years	100	2	98
	16,028	**1,910**	**14,118**

	Minimum lease payments 2009 £'000	Interest 2009 £'000	Present value 2009 £'000
Not later than one year	5,121	902	4,219
Later than one year and not later than five years	9,950	1,162	8,788
Later than five years	707	21	686
	15,778	**2,085**	**13,693**

The present values of future lease payments are analysed as:

	2010 £'000	2009 £'000
Current Liabilities	4,004	4,219
Non-current liabilities	10,114	9,474
	14,118	**13,693**

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

21 Provisions

	2010 £'000	2009 £'000
Onerous contracts		
At beginning of year	-	59
Utilised in the year	-	(59)
At 30 November	**-**	**-**

The provision for onerous contracts arose on the acquisition of the Flights group of companies in 2005. It was judged that the then-existing operating leases, which had been entered into by these companies prior to acquisition, were onerous and accordingly fair value adjustments at acquisition were recognised.

22 Deferred tax

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

	2010 £'000	2009 £'000
Accelerated capital allowances	-	124
Arising on fair value adjustments on acquisition	(196)	(196)
Losses	219	95
Asset	**23**	**23**

The remaining deferred tax asset has not been recognised in accordance with the group's accounting policies. The potential deferred taxation assets/(liabilities) not provided are:

	2010 £'000	2009 £'000
Accelerated capital allowances	167	-
Losses	362	1,225
Asset	**529**	**1,225**

Unused group tax losses for which no deferred tax asset is recognised total approximately £2,076,000 (2009 - £4,700,000). No deferred tax income or expense has been recognised in profit or loss (2009: £nil).

23 Share capital

	Authorised	
	2010 Number	2009 Number
Ordinary shares of 25p each	60,000,000	60,000,000

	Allotted and called up and fully paid			
	2010 Number	2010 £'000	2009 Number	2009 £'000
Ordinary shares of 25p each	33,060,368	8,265	32,951,479	8,238

Issued share capital	**Number**	**Nominal value £'000**
As at 30 November 2008	21,018,970	5,254
19 December 2008	4,912,500	1,229
27 May 2009	1,112,500	278
9 November 2009	5,774,175	1,444
30 November 2009	133,334	33
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**

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 2010 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

In addition, an option to subscribe for 336,369 ordinary shares at a price of 37.5p was granted on 5 June 2006 to a corporate entity. The option over 100,000 of these shares was exercised on 19 April 2010, when the price per ordinary share was 46p. The earliest exercise date of this option was 5 June 2006 and it expires 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.

	2010 Weighted average exercise price	2010 Number	2009 Weighted average exercise price	2009 Number
Outstanding at beginning of the year	63.30p	2,740,333	63.30p	2,740,333
Granted during the year	-	-	-	-
Forfeited during the year	57.69p	(26,000)	-	-
Outstanding at the end of the year	63.35p	2,714,333	63.30p	2,740,333

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2009 – 37.5p and 162.5p) and their weighted average remaining contractual life was 6.48 years (2009 - 7.48 years).

1,989,333 options were exercisable at the end of 2010 (2009 - 853,333). The weighted average exercise price was 68.20p (2009 - 75.78p).

No options were granted in the years ended 30 November 2009 or 2010.

24 Share options and warrants (continued)

Warrants

As at 30 November 2010 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			
30 March 2006	200,000	30 March 2006	30 March 2011	37.5p
31 July 2006	10,000	31 July 2006	30 March 2011	40.0p
22 December 2006	248,000	31 December 2006	31 December 2010	50.0p
8 October 2007	465,000	8 October 2007	31 December 2010	50.0p
21 December 2007	61,728	21 December 2007	31 December 2010	80.0p
14 February 2008	249,413	14 February 2008	31 December 2010	80.0p
3 March 2008	583,286	3 March 2008	31 December 2010	80.0p
5 March 2008	201,231	5 March 2008	31 December 2010	80.0p
26 March 2008	55,555	26 March 2008	31 December 2010	80.0p
26 March 2008	327,731	26 March 2008	31 December 2010	59.5p
	2,401,944			

A total of 1,151,163 warrants over ordinary shares at a price of 75.0p per share expired unexercised on 31 December 2009.

All of the warrants over ordinary shares in the company with dates of expiry of 31 December 2010 and 31 March 2011 in the above table expired unexercised.

25 Pensions

A group company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £63,000 (2009 - £45,000). Contributions amounting to £Nil (2009 - £Nil) were payable to the fund at the balance sheet dates.

26 Commitments under operating leases

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

	2010 Land and buildings £'000	2010 Other £'000	2009 Land and buildings £'000	2009 Other £'000
Operating lease commitments payable:				
Within one year	270	432	265	208
In two to five years	728	1,046	366	131
In more than five years	1,582	-	1,641	25
Total	**2,580**	**1,478**	**2,272**	**364**

27 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:

	Carrying Value 2010 £'000	Carrying value 2009 £'000
Financial assets - loan and receivables		
Trade and other receivables	3,188	3,822
Cash and cash equivalents	1,128	1,927
	4,316	**5,749**
Financial liabilities - at amortised cost		
Trade and other payables	3,103	3,376
Loans and borrowings	6,381	8,199
	9,484	**11,575**

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.

27 Financial instruments - risk management (Continued)

Liquidity risk

The group has a policy of ensuring sufficient funds are always available for its operating activities. The Board continually monitors the group's cash requirements, as disclosed on page 22.

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.

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

	Financial liabilities on which a floating rate is paid 2010 £'000	Financial liabilities on which a fixed rated is paid 2010 £'000	Financial liabilities on which a floating rate is paid 2009 £'000	Financial liabilities on which a fixed rated is paid 2009 £'000
U.K. Sterling	1,837	4,544	2,781	5,418

In the year the group paid interest at a rate of between 3% and 4.5% (2009: 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 of 11% (2009: between 4% and 11%) in the year. For every 1% change in floating rates of interest the group's interest expense would change by £18,000 (2009 - £28,000).

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. In managing its capital, the group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. The group has historically considered a mix of debt and equity funding to be the most appropriate form of capital for the group but keeps this mixture under review.

Capital for the reporting period under review is as follows:

	2010 £'000	2009 £'000
Share capital	8,265	8,238
Share premium reserve	7,762	7,751
Merger reserve	2,567	2,567
Warrant reserve	370	370
Retained earnings	140	(1,326)
Total Capital	**19,104**	**17,600**

28 Related party 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 (2009 - £12,500) of the amount charged was unpaid and included within creditors.

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 £9,221 (2009 - £19,798) of the amount charged was unpaid and included within creditors.

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 £4,896 (2009 - £18,750) of the amount charged was unpaid and included within creditors.

4. During the year goods and services to the value of £60,947 (2009: £17,080) were invoiced to Dunn Motor Traction Limited, a company of which R A Dunn is a director. At the year end £7,594 (2009: £1,932) of the amount invoiced was outstanding and included within debtors. At 30 November 2010 Mr. Dunn and his beneficial interests held a shareholding of 50% (2009: 50%) in that company.

5. During the year fees of £nil (2009 - £121,037) were payable to Ludgate Investments Limited ("Ludgate"), of which company Mr. Gunn was a director until 21 June 2010, for corporate finance advice and other professional services. At the year end £nil (2009 - £2,500) of the amount charged was unpaid and included within creditors. At 30 November 2010 Mr. Gunn had no interest in the ordinary share capital of Ludgate (2009 - 13.4%).

29 Capital commitments

As at 30 November 2010 the group had no capital commitments (2009 -£nil).

30 Post Balance Sheet Events

As described on page 14 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 is approximately £3.2 million in cash. At the date of these accounts the audit of the completion balance sheet of PBL was unfinished and the closing position remained to be agreed between the vendor and the company. A number of classes of assets and liabilities can only be valued in an approximate manner at this stage, and the pension scheme liability at the date of acquisition is subject to a material degree of uncertainty pending the receipt of expert actuarial advice. Within these constraints it is not expected at this time that there will be any material goodwill attached to the acquisition.

Nevertheless, with these caveats, an estimated balance sheet of PBL as at the date of acquisition, including necessary fair value adjustments, is set out below:

	£'000
Fixed Assets	
Vehicles	2,922
Freehold land and buildings	950
Other fixed assets	101
Total Fixed Assets	**3,973**
Current Assets	
Stocks	121
Trade debtors	148
Prepayments and accrued income	270
Cash	548
Total	**1,087**
Current Liabilities	
Accruals and deferred income	449
Other creditors	175
Total	**624**
Deferred tax asset	(45)
Pension scheme liability	1,226
Long Term Liabilities	**1,181**
Net Assets	**3,255**

Company Balance Sheet

AS AT 30 NOVEMBER 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Fixed asset investments	3	13,449	13,441
Current assets			
Debtors	4	9,765	7,257
Cash at bank and in hand		246	1,042
		10,011	**8,299**
Creditors: amounts falling due within one year	5	(453)	(417)
Net current assets		**9,558**	**7,882**
Total assets less current liabilities		23,007	21,323
Creditors: amounts falling due after more than one year	6	(6,254)	(4,419)
		16,753	**16,904**
Capital and reserves			
Called up share capital	8	8,265	8,238
Share premium account	10	7,762	7,751
Warrant reserve	10	370	370
Profit and loss account	10	356	545
Shareholders' funds		**16,753**	**16,904**

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2011

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 2010

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 not discounted.

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.

1 Accounting policies (continued)

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.

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 (Loss)/profit 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 loss after tax of £5,000 (2009: profit £1,307,000) which is dealt with in these parent company financial statements.

3 Investments

	Subsidiary undertakings £'000
Cost	
At 1 December 2009	13,441
Additions	8
At 30 November 2010	**13,449**

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
Flights Corporate Transfers Limited	England	100%	Transport
North Birmingham Busways Limited	England	100%	Dormant
Hallbridge Way Property Limited	England	100%	Property Holding
Central Connect Limited	England	100%	Transport
The Diamond Bus Company Limited*	England	100%	Transport
Ludlows of Halesowen Limited	England	100%	Transport

* Held indirectly

4 Debtors

	2010 £'000	2009 £'000
Other debtors	-	23
Prepayments and accrued income	2	34
Amounts due from subsidiary undertakings	9,763	7,200
	9,765	**7,257**

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

5 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Dividend payable	99	-
Bank loans (note 6)	127	-
Trade creditors	26	37
Other creditors	191	350
Accruals and deferred income	10	30
	453	**417**

6 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Convertible loan stock	4,544	4,419
Bank loan	1,710	-
	6,254	**4,419**

Convertible debt

A convertible loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock is redeemable at par on 31 December 2011 or is convertible into 25p ordinary shares of the company at a price of 67.5p per share, giving the right to receive a total of 6,907,396 ordinary shares. Conversion, at the option of the holder, may take place on 31 December 2011. The loan stock bears a coupon of 8%; associated with the loan stock are warrants over ordinary shares described in note 9. The proceeds received from the issue of the convertible loan notes were split between the liability element and an equity element of £370,000.

Bank loan

On 27 May 2010 the company entered into new banking arrangements in respect of its own affairs and those of all its subsidiary undertakings. The effect of these new banking arrangements was to cause the various mortgages outstanding on a number of the freehold and leasehold properties of the group, mortgages which were recorded in the balance sheets of the subsidiary undertakings concerned, to be repaid and replaced by a single mortgage facility. This facility is recorded in the balance sheet of the company and 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.

Analysis of maturity

	Convertible debt 2010 £'000	Bank loans 2010 £'000	Total 2010 £'000
In one year or less, or on demand	373	180	553
In more than one year but not more than two years	4,694	180	4,874
In more than two years but not more than five years	-	1,620	1,620
	5,067	**1,980**	**7,047**

	Convertible debt 2009 £'000	Bank loans 2009 £'000	Total 2009 £'000
In one year or less, or on demand	373	-	373
In more than one year but not more than two years	373	-	373
In more than two years but not more than five years	4,694	-	5,440
	5,440	**-**	**5,440**

7 Deferred tax

No closing deferred tax provision is required for the company for 2010. The potential deferred taxation assets not provided are:

	2010 £'000	2009 £'000
Accelerated capital allowances	-	-
Losses	83	136
	83	**136**

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

8 Share capital

	Authorised 2010 Number	2009 Number
Ordinary shares of 25p each	60,000,000	60,000,000

	Allotted and called up and fully paid			
	2010 Number	2010 £'000	2009 Number	2009 £'000
Ordinary shares of 25p each	33,060,368	8,265	32,951,479	8,238

Issued share capital	**Number**	**Value £'000**
As at 30 November 2008	21,018,970	5,254
19 December 2008	4,912,500	1,229
27 May 2009	1,112,500	278
9 November 2009	5,774,175	1,444
30 November 2009	133,334	33
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**

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 2010 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

In addition, an option to subscribe for 336,369 ordinary shares at a price of 37.5p was granted on 5 June 2006 to a corporate entity. The option over 100,000 of these shares was exercised on 19 April 2010. The earliest exercise date of this option was 5 June 2006 and it expires 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.

	2010 Weighted average exercise price	2010 Number	2009 Weighted average exercise price	2009 Number
Outstanding at beginning of the year	63.30p	2,740,333	63.30p	2,740,333
Granted during the year	-	-	-	-
Forfeited during the year	57.69p	(26,000)	-	-
Outstanding at the end of the year	63.35p	2,714,333	63.30p	2,740,333

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2009 – 37.5p and 162.5p) and their weighted average remaining contractual life was 6.48 years (2009 - 7.48 years).

1,989,333 options had vested and were exercisable at the end of 2010 (2009 - 853,333). The weighted average exercise price was 68.20p (2009 - 75.78p).

No options were granted in the years ended 30 November 2009 or 2010.

9 Share options and warrants (continued)

Warrants

As at 30 November 2010 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			
30 March 2006	200,000	30 March 2006	30 March 2011	37.5p
31 July 2006	10,000	31 July 2006	30 March 2011	40.0p
22 December 2006	248,000	31 December 2006	31 December 2010	50.0p
8 October 2007	465,000	8 October 2007	31 December 2010	50.0p
21 December 2007	61,728	21 December 2007	31 December 2010	80.0p
14 February 2008	249,413	14 February 2008	31 December 2010	80.0p
3 March 2008	583,286	3 March 2008	31 December 2010	80.0p
5 March 2008	201,231	5 March 2008	31 December 2010	80.0p
26 March 2008	55,555	26 March 2008	31 December 2010	80.0p
26 March 2008	327,731	26 March 2008	31 December 2010	59.5p
	2,401,944			

A total of 1,151,163 warrants over ordinary shares at a price of 75.0p per share expired unexercised on 31 December 2009.

All of the warrants over ordinary shares in the company with dates of expiry of 31 December 2010 and 30 March 2011 in the above table expired unexercised.

10 Reserves

	Share premium account 2010 £'000	Warrant reserve 2010 £'000	Profit and loss account 2010 £'000
At 1 December 2009	7,751	370	545
Loss for the year	-	-	(5)
Employee share schemes	-	-	64
On issue of new share capital	11	-	-
Dividends paid and payable	-	-	(248)
At 30 November 2010	**7,762**	**370**	**356**

11 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
(Loss)/profit for the year	(5)	1,307
Issue of shares	38	4,753
Expenses of share issues	-	(226)
Share based payment charge credited to reserves	64	84
Dividends paid and payable	(248)	-
Net (reduction in)/addition to shareholders' funds	(151)	5,918
Opening shareholders' funds	16,904	10,986
Closing shareholders' funds	**16,753**	**16,904**

12 Pensions

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

13 Commitments under operating leases

The company had no operating lease commitments.

14 Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2010 the contingent liability amounted to £nil (2009 - £5,000).

The company has guaranteed some of the hire purchase obligations of its subsidiaries. At 30 November 2010 the contingent liability amounted to £14,118,000 (2009 - £13,693,000).

15 Post Balance Sheet Events

As described on page 14 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 is approximately £3.2 million in cash. At the date of these accounts the audit of the completion balance sheet of PBL was unfinished and the closing position remained to be agreed between the vendor and the company. A number of classes of assets and liabilities can only be valued in an approximate manner at this stage, and the pension scheme liability at the date of acquisition is subject to a material degree of uncertainty pending the receipt of expert actuarial advice. Within these constraints it is not expected at this time that there will be any material goodwill attached to the acquisition.

Nevertheless, with these caveats, an estimated balance sheet of PBL as at the date of acquisition, including necessary fair value adjustments, is set out below:

	£'000
Fixed Assets	
Vehicles	2,922
Freehold land and buildings	950
Other fixed assets	101
Total Fixed Assets	**3,973**
Current Assets	
Stocks	121
Trade debtors	148
Prepayments and accrued income	270
Cash	548
Total	**1,087**
Current Liabilities	
Accruals and deferred income	449
Other creditors	175
Total	**624**
Deferred tax asset	(45)
Pension scheme liability	1,226
Long Term Liabilities	**1,181**
Net Assets	**3,255**

Shareholder Information

Notice of Annual General Meeting

NOTICE IS HEREBY given that the Annual General Meeting ("**AGM**") of Rotala plc (the "**Company**") will be held at 12pm on 26 May 2011 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 7 (inclusive) will be proposed as ordinary resolutions and Resolutions 8 and 9 will be proposed as special resolutions.

Ordinary Resolutions

1. THAT, the accounts of the Company for the financial period ended 30 November 2010, together with the directors' report and the auditors' report on those accounts be received and considered.
2. THAT, a final dividend of 0.60p per ordinary share be declared as a final dividend in respect of the financial year ended 30 November 2010.
3. THAT, Grant Thornton U.K. 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, John Gunn 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.
5. THAT, Kim Taylor 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

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

   6.1 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

   6.2 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 2012.

7. THAT, in substitution for all existing such authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the 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 £2,892,365 (being approximately one-third of the issued ordinary share capital of the Company as at 18 April 2011) 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 2012 but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolutions

8. THAT, in substitution for all existing such authorities and subject to the passing of Resolution 7, 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 7 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:-

   8.1 is limited to the allotment of equity securities:-

      8.1.1 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

      8.1.2 otherwise than pursuant to paragraph 8.1.1 up to an aggregate nominal value of £433,855 (representing approximately 5 per cent. of the issued ordinary share capital of the Company as at 18 April 2011);

   8.2 shall expire at the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2012, 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;

9. 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:-

   9.1 the maximum number of Ordinary Shares which may be purchased is 3,470,838 (representing ten per cent of the Company's issued ordinary share capital as at 18 April 2011);

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

   9.3 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;

   9.4 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 2012 (unless previously renewed, varied or revoked by the Company in general meeting); and

   9.5 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.

By Order of the Board

Kim Taylor
Company Secretary

Date: 18 April 2011

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. 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. 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.
12. 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 24 May 2011 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 23 June 2011 to those shareholders on the Company's register of members as at close of business on 27 May 2011.

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 2010, 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 7
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 £2,892,365 which is equivalent to one third of the total issued ordinary share capital as at 18 April 2011. The directors have no current intention of exercising this authority.

This authority will expire at the conclusion of the next AGM, or 31 May 2012, whichever is the earlier.

Resolution 8
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 £433,855 which is equivalent to 5 per cent of the total issued ordinary share capital of the Company as at 18 April 2011 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 2012, whichever is the earlier.

Resolution 9
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 3,470,838 ordinary shares, representing approximately 10 per cent of the issued share capital as at 18 April 2011. The directors intend to seek renewal of this power at each Annual General Meeting.

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.

connecting people to places

Rotala plc

Beacon House, Long Acre, Birmingham B7 5JJ

Telephone: 08458 382 382

Web: www.rotalaplc.co.uk