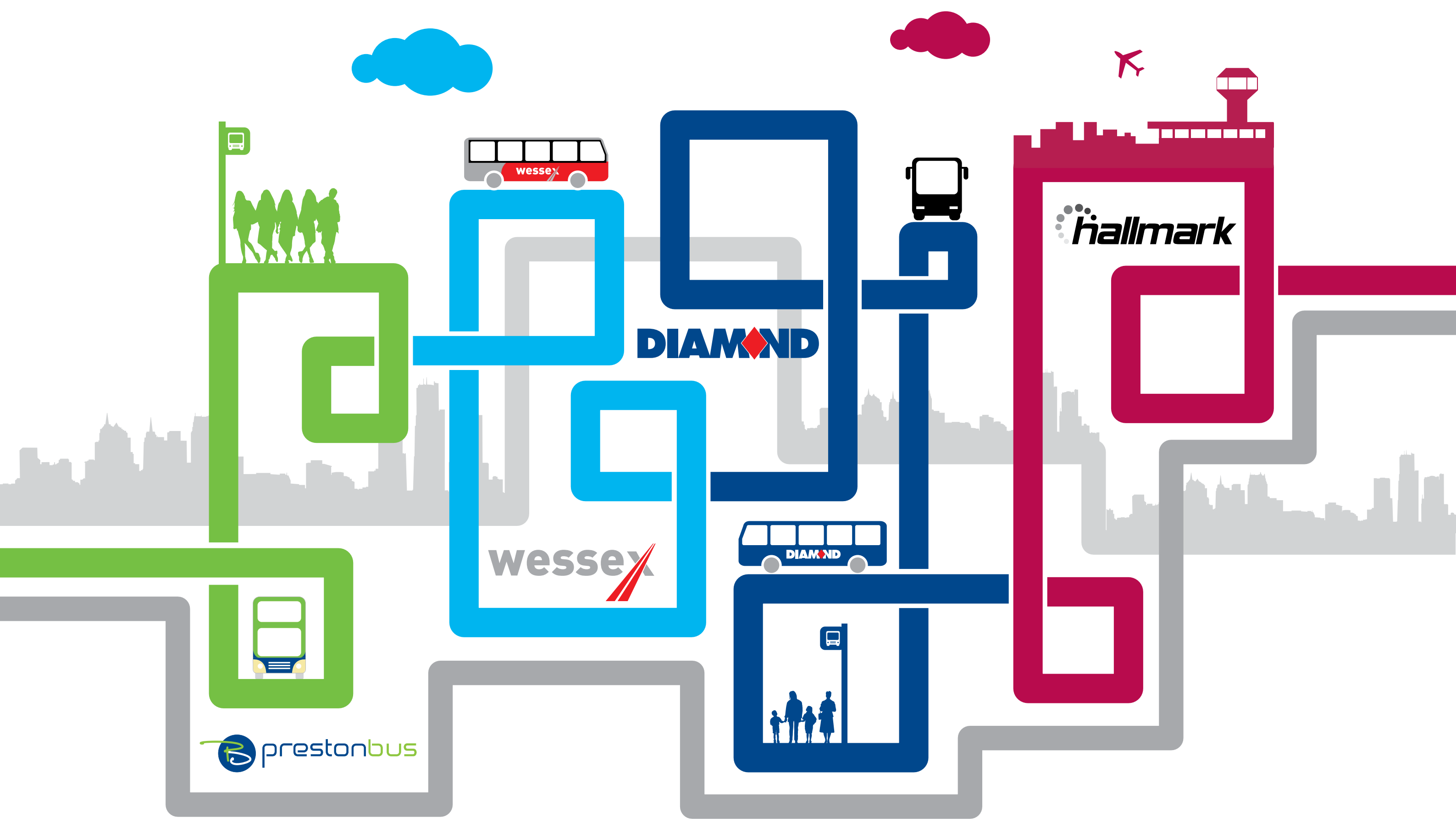
ROTALA

connecting people to places



Annual Report

For year ended 30 November 2012

Rotala Plc
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Website: www.rotalaplc.com

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

Contents

Directors, Secretary & Advisers

Country of incorporation of parent company	England and Wales
Company registration number	5338907
Legal form	Public Limited Company
Directors	John Gunn (Non Executive - Chairman) Simon Dunn (Chief Executive) Robert Dunn (Executive Director) Geoffrey Flight (Non-Executive Director) Kim Taylor (Group Finance Director)
Registered Office	Beacon House Long Acre Birmingham B7 5JJ Telephone: 0121 322 2222 Fax: 0121 322 2718
Company Secretary	Kim Taylor
Nominated Adviser and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Colmore Plaza 20 Colmore Circus Birmingham B4 6AT
Solicitors	Shakespeares Legal LLP Park House Friar Lane Nottingham NG1 6DN
Registrars	Capita Registrars Limited 34 Beckenham Road Beckenham BR3 4TU
Bankers	RBS/Natwest 1 St. Philips Place Birmingham B3 2PP

Financial Highlights

A glance at the highlights of the financial year ended 30 November 2012.

Revenue

£**54,813,000**

↓ 2.3%

Profit before Taxation

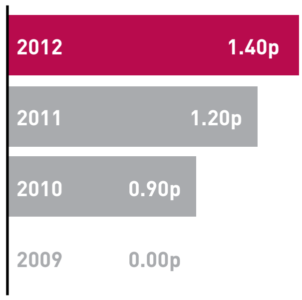
£**2,076,000**

↑ 10.5%

Dividend

1.40p

↑ 16.7%



Contracted Revenue

£**22.5**m

↑ 2.7%

Commercial Revenue

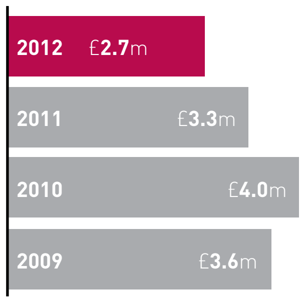
£**29.6**m

↓ 4.2%

Charter Revenue

£**2.7**m

↓ 18.2%



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 participator in transport business trends in the UK. Our transport management expertise has taken us throughout the country, organising and delivering turn-key solutions to events and areas requiring many different types and capacities of transport.

OUR GOALS

Our Goals

Rotala Plc pursues three key strategic goals:

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

OUR VALUES

Our Core Values

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

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

Our brands signify consistency, reliability and employee commitment.

OUR MISSION

Our Mission

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

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

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

Strategy and Organisation

(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. The business is composed largely of contracted or predictable revenue streams which equate to more than 90% of current revenue levels.

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

CONTRACT

Contract

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

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

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

COMMERCIAL

Commercial

On a purely commercial bus service, 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 its foundation Rotala has considerably expanded the number of commercial services it operates in the West Midlands and South West. Furthermore early in 2011 the group acquired Preston Bus Limited, setting up a new hub of commercial bus operations in the North West.

CHARTER

Charter

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

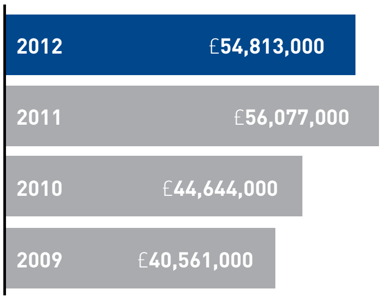
Chairman's Statement and Review of Operations

I am pleased to be able to make this report to the shareholders of Rotala Plc for the year ended 30 November 2012.

Revenue

£54,813,000

↓ 2.3%

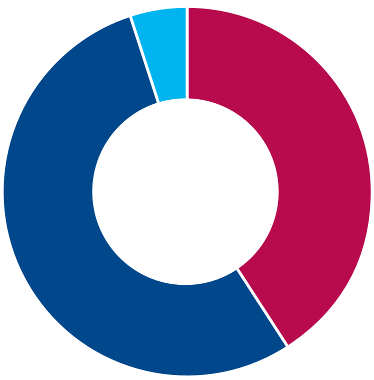


Revenue by Stream

41.1% Contracted

54.0% Commercial

4.9% Charter



Review of trading

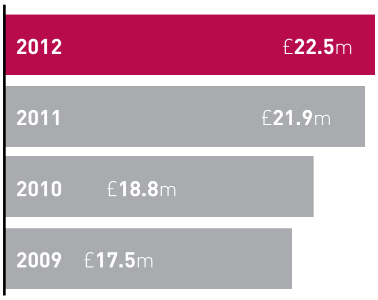
Rotala continues to hold a leading market position in Preston and be the number two bus operator in Bristol and Bath. In the West Midlands (the second largest bus market in the country after London), where we are also the number two bus operator, we strengthened our position shortly after the year end with the acquisition from First Group Plc ("First") of their depots in Kidderminster and Redditch. I shall return to this acquisition later in my statement. We are furthermore one of the leading providers of private bus networks in the country, especially to the aviation industry around Heathrow.

The 2012 financial year was one of profound and continuing change for the bus industry. Against the background of an economy, at the very least, showing no signs of recovery, the industry has been obliged to confront and deal with the challenges put in its way by a number of changes in government policy. These changes stem from the austerity measures which the Government has introduced since its election in 2010. In April 2012 the 20% reduction in the fuel tax rebate inherent in the Bus Services Operators' Grant took effect. For Rotala this cut in rebate amounted to approximately £1 million. This increase in the effective cost of fuel came on top of progressive reductions in concessionary fares reimbursement rates and the fall in local authority transport budgets. These measures made and make for a challenging operating environment. In this we are no different from our competitors, large and small, but difficult choices have to be made in these circumstances. Bus fares can only rise so far before volumes begin to fall. There is a limit in the operating efficiencies which can be obtained. Therefore your board has taken a number of measures during the year to safeguard margins and profitability. These have been successful, as is borne out in the group results on page 26. Bus fares have been raised where possible, but where this was not a viable option, route mileage has been cut back to that which remains profitable. We have also not been drawn in to submitting unrealistic bids for local authority tenders and have thus deliberately relinquished some business in this area. For the group as a whole therefore, excluding the fall in Charter Revenue (which is ad hoc by nature) revenues fell by only 4% when compared to 2011, to a total of £54.8 million.

Contracted Revenue

£22.5m

↑ 2.7%



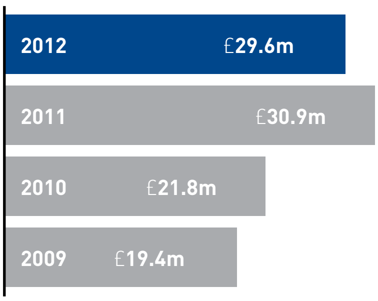
Contracted Services

Revenues in Contracted Services overall rose by 3% to £22.5 million (2011: £21.9 million). Reductions in revenue resulted from further cutbacks in transport budgets in Worcestershire and to a certain extent in the Bristol area, following the withdrawal of some subsidised services. In addition the group lost a number of marginally profitable subsidised contracts in the Centro operating area, in circumstances where we refused to match unrealistic tender bids made by certain competitors. We had closed our small Gatwick depot at the end of 2011 and moved some of the business to our Heathrow depot, relinquishing the rest. We took this step because we did not consider that we stood any realistic prospect of significant expansion in our business around Gatwick and because we felt that our capital invested there would be better utilised elsewhere in the group. But in contrast to this our revenues from corporate customers grew strongly in the year and more than compensated for the reductions in local authority business and the closure of the Gatwick depot.

Commercial Revenue

£29.6m

↓ 4.2%



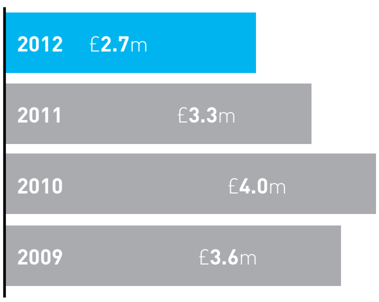
Commercial Services

Revenues in Commercial Services fell by some 4% to £29.6 million (2011: £30.9 million). There was a mixture of reasons for this fall. The reduction in the reimbursement rates for concessionary fares was a significant factor. Revenues also fell as the result of decisions to cease operations on all or part of routes, where we felt that economic running was no longer profitable. In addition the variable revenue element attached to local authority contracts is classified in this sector of business and, as certain local authority contracts were not renewed, the associated commercial income also fell away. Nevertheless, taking into account compensating positive variances in a number of areas, including a significant rise in income from our own network cards, the overall reduction in revenue was slight. Encouragingly there was a continuing large rise in sales of the Centro Network Card. I mentioned this trend last year; it bodes well for the full introduction of the electronic multi-operator pass card by Centro later in 2013.

Charter Revenue

£2.7m

↓ 18.2%



Charter Services

In line with group policy we have progressively reduced the exposure of the group to this area of business in recent years. We have done this consciously because we judged the return on capital in this sector to be too low to justify continued investment. We also cut back the number of coaches we have available for private hire work as we considered that, in the current economic environment, the risks in speculative private hire work were too high. Thus Charter Revenues fell by 18% to £2.7 million (2011: £3.3 million). Airline related chauffeur car services (which we sub-contract in their entirety) also saw fewer movements in the year and this had some impact on year on year revenues.

Chairman's Statement and Review of Operations (continued)

Diamond Bus outside the newly acquired Kidderminster depot.

Strategy and acquisitions

At the end of January 2013 we were able to announce the acquisition from First of certain of their bus operations in Worcestershire. This deal was completed at the beginning of March 2013. We acquired, for a cash consideration of £1.5 million, two freehold depots, one in Kidderminster and the other in Redditch, 36 vehicles, and various items of plant and equipment. These depot acquisitions added about 108 staff to our workforce. On the basis of the information available at present the acquisition is expected to generate a small amount of negative goodwill.

The Kidderminster depot comprises a site of some two acres and was purpose built in 2001. It can accommodate up to 60 vehicles. The Redditch depot, built about 35 years ago, has a slightly smaller useable area and can accommodate about 50 vehicles. In the year ended 31 March 2012, these depots reported combined revenues of approximately £5.2 million and an operating loss of about £0.27 million.

In essence the two depots bring bus routes which are complementary to our existing route network in Worcestershire. There was very little overlap between our operations and those of First: indeed we competed on only one route. The acquisition therefore enables us to expand and consolidate our position in those areas of Worcestershire which are contiguous to our main areas of operation in and around the Birmingham conurbation. By integrating these acquired depots into our current depot network, the Company will in time be able to take advantage of the operating efficiencies that will be generated. The acquisition is not expected to have a material impact on earnings in 2013. It will take time to integrate fully the two route networks and workforces. Inevitably a certain amount of investment is required. The 36 vehicles we did acquire from First did not comprise the whole of their fleet at these two depots. We immediately brought in more than 20 vehicles from our existing fleet in order to bring the fleet numbers up to those required for efficient operations. Furthermore, many of the vehicles do not comply with the requirements of the Disability Discrimination Act which begin to come into force in 2014. We will thus need to replace most of these vehicles in due course, and in certain cases have done this already. Once the integration of operations and overheads has been fully implemented, the acquisition is expected to have a beneficial effect on earnings in the following years.

Fuel prices

In the earlier part of 2012 the price of fuel was volatile and an average price of about 113p per litre was paid. This gave rise to an adverse variance in that period against the budgeted cost of fuel. However in the middle of the year we were able to take advantage of the dip in diesel prices at that time to fix some 75% of the group's diesel needs out to July 2013. These fuel fixes ensured that the average price of three quarters of the group's fuel supply was 108p a litre for the rest of the year. This was slightly below the figure at which we had budgeted for that period. The board is keen to fix fuel prices as far out as possible and so will take advantage of any further opportunities to eliminate fuel price exposures as and when they arise.

Following the recent acquisition of the Kidderminster and Redditch depots of First, the group will use about 12 million litres of diesel fuel in a full year.

Chairman's Statement and Review of Operations (continued)

Fleet improvement

During the year we have received the remainder of our initial batch of 15 hybrid-power buses from the Optare Group. These have performed well in service and have achieved the targeted 30% fuel saving, when compared to a similar diesel bus. We were also awarded a grant of £683,000 in the third round of the Government's Green Bus funding. This is in respect of a further eight hybrid-power vehicles, this time from the Wright group using the Volvo chassis and hybrid drive system. These vehicles were all in service by the time of writing this report. Their initial performance has been excellent and they have been very well received by customers.

Under a separate programme, we have embarked upon the installation of "EcoManager" fuel-saving software in the existing conventionally powered fleet. The aim of this software is to give the driver visual indication not only if he or she is driving in a manner which is comfortable for the passenger but also in a manner which is economical and efficient. So far about 23% of the vehicle fleet has been equipped with this software. A further 50% of the fleet will be fitted with this equipment by the end of the year. Thus, by that date, almost three quarters of the fleet will have been equipped with fuel saving systems which should be delivering significant cost reductions. To date EcoManager has shown a like for like fuel saving of a minimum of 11% of fuel usage. We are confident that further fuel efficiency gains will be achieved once drivers are fully attuned to what is needed from them and the software is optimised for individual route characteristics.

Robert Dunn, Managing Director of Preston Bus Limited and an Executive Director of Rotala Plc, pictured with the Volvo Hybrid buses.

"The Optare Hybrid buses have performed well in service and have achieved the targeted 30% fuel saving, when compared to a similar diesel bus."

The board continues to target an average fleet age of about 7.5 years. Even with the addition of the relatively old vehicles which we acquired recently with the purchase of the Redditch and Kidderminster depots from First, the average fleet age stands at 7.7 years. As we continue to replace vehicles this average will certainly fall. This figure is low in industry terms. We believe that having a modern and efficient bus fleet is a key aspect of customer service and that running one of the youngest fleets compared to its peers gives the group an important competitive advantage. Older vehicles also emit a greater level of emissions and we are keen to minimise this aspect of bus operation.

The board monitors each vehicle in the fleet for relative fuel consumption, reliability and maintenance cost. Those vehicles that fall outside of acceptable parameters are designated for disposal. As a result of this policy about 25% of the vehicle fleet was replaced in the year. These replacements are a judicious mix of the new and the second hand, chosen so as to meet the criteria which we have set. The objective, to possess an efficient and effective fleet of the right age profile, was successfully achieved.

Banking facilities and finance

At the end of the year we entered into a revised suite of banking facilities with our principal bankers RBS/NatWest. The new facilities, totalling £11m, increased our existing facilities. First we obtained an enlarged mortgage facility of approximately £4 million. This enabled us in January 2013 to acquire the freehold of our depot at Avonmouth, Bristol, which up to now we had been leasing. We bought this very attractive 2.6 acre site for a consideration of £1.8 million. We have been at this depot since the middle of 2011 and have invested heavily in the plant and facilities there. At the same time we were able to reduce our ordinary overdraft facility with the bank from £3 million to £2 million because we obtained a new revolving credit facility of up to £5 million, of which £1.5 million had been drawn down at the end of the year. We can use this facility both for working capital finance and acquisition finance. Indeed the £1.5 million purchase price of the First depots described earlier in this statement was provided by this facility. These enhanced facilities will support our aim of continuing to grow both organically and by acquisition.

In addition to these facilities we had at the year's end available but unused vehicle financing facilities of approximately £10 million. Thus we believe that the group has been provided with sufficient working capital and financing facilities to continue its growth, whether by acquisition or otherwise, for the foreseeable future.

Financial review

The Consolidated Income Statement is set out on page 26. I have already highlighted the slight decrease in revenues year on year and the reasons for this variance. Cost of Sales fell by 3%; the principal business reasons for this have been described above. Gross Profits were almost exactly the same when compared to the previous year, but the gross profit margin improved somewhat to 16.5% from the 15.6% of 2011. This rise resulted from all the measures we took to focus on profitable business and operational efficiencies. Administrative Expenses were 7% higher than those of the previous year. The principal reason for this increase was the inclusion for a full year of the Avonmouth depot which was only in use for part of 2011. The Profit from Operations at £3.4 million was also much the same as that recorded in 2011. Finance expense was down overall by about 19%. Partly this resulted from a fall of about 17% in hire purchase debt year on year. The retirement of some 40% of the convertible loan stock at the beginning of the calendar year also made a significant contribution as the effective rate of interest on this debt was about 11%. Profit before taxation therefore rose by 10.5% when compared to the previous year to £2.08 million (2011: £1.88 million). In 2011 basic earnings per share, at 6.22p, benefited from a one-off tax credit; there is no real

Chairman's Statement and Review of Operations (continued)

Financial review (continued)

comparison possible with this figure in 2012, where there was a tax charge of £210,000 instead of the prior year's tax credit of £279,000. Basic earnings for 2012 were 5.29p per share.

The gross assets of the group stood at £48.2 million at 30 November 2012 (2011: £48.4 million). Holdings of Property, Plant and Equipment fell by about 7% largely because of the changes made in the vehicle fleet in the year which I have described in a separate paragraph. The ever rising cost of fuel and the switch from rented to owned tyres is reflected in the value of Inventories; the working capital devoted to Trade and Other Receivables rose as well as more business was derived from contracted income where payment periods tend to be longer. The swing from a cash asset of £869,000 to a net overdraft of £1,410,000 is analysed below but is another reason for the change in the make up of gross assets. The bulk of the change in Trade and Other Payables results from the movement in Green Bus Grant creditor compared to the previous year. The gross loans and borrowings of the group increased by some £2.2 million very largely because of the use of the new banking facilities described above, but in contrast HP obligations fell by £2.3 million year on year to £10.9 million (2011: £13.2 million). The amount outstanding on the convertible unsecured loan stock also fell from £3.9 million in 2011, to £2.3 million in these financial statements, as a significant proportion of the loan stock was retired on 31 December 2011. There was finally an adverse movement in the Preston pension fund as at 30 November 2012. The gross liabilities of the group therefore stood slightly down on the previous year at £26.3 million at 30 November 2012 (2011: £27.3 million). Net assets reached £21.9 million at the year end (2011: £21.1 million).

Cash flows from operating activities before changes in working capital, at £6.3 million, were little changed from those generated in the previous year. Working capital was absorbed by a number of factors. I have already mentioned the rise in fuel and tyre stocks. The switch to a tyre contract will ensure that this working capital is released in 2013. Trade receivables rose by some £0.7 million in reflection of the changing nature of the group's business. Prepayments, accruals and deferred income absorbed significant amounts of working capital as the result of the inception of new contracts, a swing to a net recoverable in Bus Services Operators' Grant and a higher level of insurance claims recoverable from third parties than the previous year. Many of these increases in working capital will reverse in the current year and some have already done so. Investment in property, plant and equipment rose this year to £1.6 million (2011: £0.6 million), representing a considerable investment in new ticket machinery as well as vehicles. Sale of vehicles, after taking account of the related hire purchase settlements, produced £3.1 million for the group (2011: £0.7 million). As related above, new banking facilities were agreed before the year's end. Almost all bank loans were thus repaid and then drawn anew. Fresh bank borrowings amounted to some £2 million net of repayments. During the year a total of £1,337,000 of the convertible unsecured loan stock was also repaid; in addition the capital element of payments on hire purchase agreements reached £5.0 million (2011: £4.5 million). After taking account of rising dividend but falling interest payments, the group swung from a cash and cash equivalents asset at the end of 2011 to an overdraft of £1,410,000 at the end of 2012, in line with management's plans and expectations.

Dividend

The Company paid an interim dividend of 0.50 pence per share in December 2012. At the forthcoming Annual General Meeting the Board will recommend a final dividend in respect of 2012 of 0.90p per share, making 1.40p for the year as a whole. As the company matures I expect the dividend to be progressive. The Board is conscious of the importance of dividend flows to shareholders and intends that dividends should grow in line with the growth in underlying earnings and free cash flows.

"The Board feels confident about the Group's prospects and believes many opportunities will be available to ensure the continued growth of the group."

Outlook

The acquisition of the Redditch and Kidderminster depots from First will expand further the commercial bus revenues of the group in line with our stated strategy. After the acquisition approximately 60% of the group's annualised revenues will derive from this source. We intend to continue the expansion of our revenues from this business stream.

Given the downward pressure on local authority transport budgets it is unlikely that contracted revenues from this source will increase this year. There may well be further reductions. But there is still encouraging activity in the corporate sector for private bus networks. We are one of the leading players in this field and we are confident that we will obtain more new business in this area. One of the leading drivers of this business comes from the focus of government on the reduction of pollution and congestion. This will provide further opportunities for growth. In addition many private bus tenders derive from decisions by the private sector to outsource those activities (like transport) which lie outside their core areas of expertise.

Government policy decisions are driving considerable changes in the bus industry. I would have to say that many of these decisions look illogical: Government wishes to get us out of our cars and on to public transport but takes decisions which are not calculated to promote the increase in bus patronage that could be obtained with more coherent thinking. But this does mean that volatility and instability in the bus industry will continue. We have managed to cope with these changes as a result of much hard work and application of operational expertise, but the trading environment will remain challenging. Many smaller operators are finding the going very hard and a number of family businesses of long standing have given up the ghost in the last year or so.

Where others take decisions to divest, or not re-invest, we are given the opportunity to expand, as with the Redditch and Kidderminster acquisition. Uncertainty brings opportunity. The group has a very solid financial base. Your board has in the forefront of its mind the total return to shareholders, whether that comes from earnings growth, dividend growth or net asset value per share. The latter is reflected in a balance sheet underpinned by some £21 million of vehicle assets and 22 acres of property in prime sites in the books at £9 million. The aim of the board is to be financially conservative whilst respecting these three key points for shareholder return. We want to create a solid and reliable performer for all shareholders for the long term.

When we have digested our recent acquisition, the group will be conservatively geared and we possess ample facilities to take on any further acquisitions that may arise. Therefore the Board feels confident about the group's prospects and believes many opportunities will be available to ensure the continued growth of the group.

John Gunn

Non-Executive Chairman

Directors' Report

The Directors present their report together with the audited financial statements of the group for the year ended 30 November 2012.

Principal activities

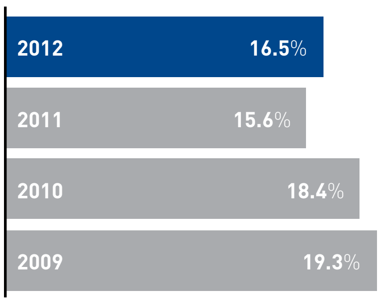
The principal activities of the group are the provision of bus services to public and private bodies and tailored transport solutions to a wide range of private customers.

Review of the business and future prospects

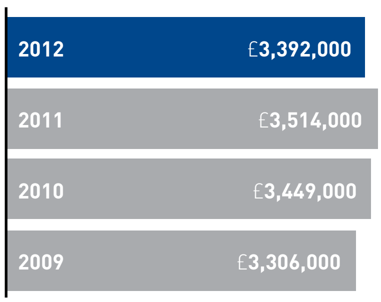
The results of the year and the financial position as at 30 November 2012 are considered by the Directors to be satisfactory. A review of the group's activities, using its key performance indicators, and a review of its future prospects are contained in the Chairman's Statement and Review of Operations. These key performance indicators are considered to be:

	2012	2011
Gross profit margin	16.5%	15.6%
Profit from operations	£3,392,000	£3,514,000
Profit before taxation	£2,076,000	£1,878,000

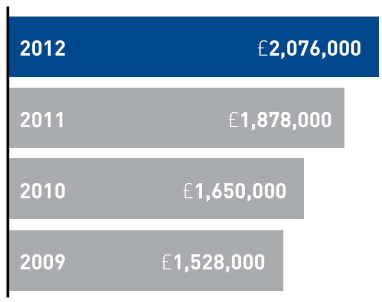
Gross profit margin
16.5%
↑ 6.5%



Profit from operations
£3,392,000
↓ 3.5%



Profit before taxation
£2,076,000
↑ 10.5%



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

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

Directors' Report (continued)

Principal risks and uncertainties

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

Risk	Potential impact	Management or mitigation
Variations in the price of fuel.	Fuel is a significant cost to the business. If fuel increases in price in circumstances where sales prices cannot be increased, then profitability will be affected.	Management monitors fuel prices closely, negotiates fuel escalator clauses where possible and increases fares if input costs rise in a sustained pattern. Management enters into fuel price fixing arrangements as described in the Chairman's Statement. Management also monitors fleet fuel efficiency and uses technological aids to optimise fuel usage as further described in the Chairman's Statement.
The availability of sufficient capital and leasing facilities to finance the growth in the group's businesses.	The group may miss growth opportunities.	Management maintains close contact with actual and potential shareholders and vehicle financiers to keep them fully briefed about the progress of the group.
Repayment of the group's convertible debt.	The group may not be able to meet it debt repayment obligations.	The debt is due for conversion or repayment on 31 December 2014. Management forecasts encompass the need to repay this debt, if not converted into ordinary shares by that date.
New government legislation or industry regulation.	Significant unplanned or unforeseen costs may be imposed on the business.	Management continually monitors regulatory and legal developments and participates keenly in industry forums. Management also ensures that it responds to requests for information and insight from such bodies as the Competition Commission.
Availability of management resources of the appropriate quality.	Lack of appropriate management skills damages the business and its prospects.	The board continually assesses skill requirements, management and structures as the business grows. Appropriate recruits are brought into 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.

Results and dividends

The group's results for the year are set out on page 26.

The Directors will propose to the Annual General Meeting a distribution, by way of a final dividend, of 0.9p per share for the year ended 30 November 2012 (2011: 0.8p per share). An interim dividend of 0.5p per share (2011: 0.4p) was paid on 7 December 2012.

Directors

The following Directors have held office during the year:
J H Gunn
R A Dunn
S L Dunn
F G Flight
K M Taylor

Directors' interests

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

		2012		2011	
		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	5,526,616	400,000	5,614,116	400,000
R A Dunn	Beneficial	909,454	422,471	909,454	400,000
S L Dunn	Beneficial	686,880	467,471	673,544	445,000
F G Flight	Beneficial	1,325,055	220,000	1,325,055	220,000
K M Taylor	Beneficial	357,500	565,000	357,500	565,000

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

		2012	2011
		Convertible Unsecured Loan Stock	Convertible Unsecured Loan Stock
J H Gunn	Beneficial	-	-
R A Dunn	Beneficial	-	-
S L Dunn	Beneficial	£260,000	£260,000
F G Flight	Beneficial	-	£50,000
K M Taylor	Beneficial	£25,000	£25,000

The terms of the Convertible Unsecured Loan Stock are described in note 19.

Directors' Report (continued)

Directors' interests (Continued)

Options over 25p ordinary shares

	At 1 December 2011	Granted	Price	At 30 November 2012	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
	-	22,471	40.05p	22,471	24/09/2015	24/03/2016
	400,000	**22,471**		**422,471**		
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
	-	22,471	40.05p	22,471	24/09/2015	24/03/2016
	445,000	**22,471**		**467,471**		
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**		

Options were granted on 24 September 2012 under the terms of the Rotala Plc SAYE Share Option Scheme. This is described in more detail in note 24.
The remuneration of the Directors is set out in note 6. Contracts existing during, or at the end of the year, in which a Director was or is materially interested, other than employment contracts, are disclosed in note 27 – Related Parties and Transactions.

The company's share price at 30 November 2012 was 44p. The high and low prices in the year were 45.5p and 37.5p respectively.

Changes in share capital

As set out in note 23 to the financial statements, there were no movements in share capital during the year.

Financial instruments

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

Employment policies

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

Creditor payment policy and practice

The group agrees terms of contracts when orders are placed and goods and services received. It is the group's policy that payments to suppliers are made in accordance with the agreed terms and conditions, provided all trading terms and conditions have been complied with. The group and company had respectively 56 and 65 days' purchases outstanding at 30 November 2012 (2011: 57 days and 77 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 2012 (2011: £Nil). Charitable contributions amounted to £230 (2011: £510).

Corporate governance

The directors support the recommendations of the UK Corporate Governance Code. 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.

Directors' Report (continued)

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

Relationships with shareholders

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

Going concern

The board has examined its strategy and considered its profit and loss and cash flow projections over the two years to 30 November 2014. It has also evaluated the positive impact of the recently enlarged loan and overdraft facilities of the group, as described in the Chairman's Statement. 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.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

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

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

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.

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company'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.

Substantial shareholdings

As at 12 April 2013 the company had been notified that the following were interested in 3% or more of the ordinary share capital of the company:

Name	Number of Ordinary Shares	%
Mr. J. H. Gunn	5,526,616	15.67
Mr. Nigel Wray	4,944,400	14.02
The 181 Fund Limited	1,980,221	5.61
Mr. F. G. Flight	1,325,055	3.76
Link Traders (Aust) Pty Limited	1,300,000	3.69
Mr. Graham Peacock	1,075,000	3.05
Mrs. Susan Tobbell	1,075,000	3.05

Auditors

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

For the year ended 30 November 2012, the group has taken advantage of the exemption offered in sections 479A – 479C of the Companies Act 2006 and certain of its subsidiaries have not been subject to an individual annual audit. Rotala Plc has given a statutory guarantee to each of these subsidiaries guaranteeing their liabilities, a copy of which will be filed at Companies House.

By order of the Board

Kim Taylor
Secretary

Date: 12 April 2013
Company registration number: 5338907

Independent Auditors' Report

We have audited the financial statements of Rotala plc for the year ended 30 November 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 22, 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 2012 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: 12 April 2013

Consolidated Income Statement

For the year ended 30 November 2012

	Note	2012 Results for the year (£'000)	2011 Results for the year (£'000)
Revenue	4	**54,813**	**56,077**
Cost of sales		(45,790)	(47,316)
Gross profit		**9,023**	**8,761**
Administrative expenses		(5,631)	(5,247)
Profit from operations	7	**3,392**	**3,514**
Finance income	8	15	-
Finance expense	9	(1,331)	(1,636)
Profit before taxation (expense)/credit		**2,076**	**1,878**
Tax (expense)/credit	10	(210)	279
Profit for the year attributable to the equity holders of the parent		**1,866**	**2, 157**
Earnings per share for profit attributable to the equity holders of the parent during the year:			
Basic (pence)	11	5.29	6.22
Diluted (pence)	11	5.18	5.99

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

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2012

	Note	2012 £'000	2011 £'000
Profit for the year		**1,866**	**2,157**
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	**22**	(1,009)	(648)
Deferred tax on actuarial loss on defined benefit pension scheme	**21**	242	162
Other comprehensive income for the year (net of tax)		**(767)**	**(486)**
Total comprehensive income for the year attributable to the equity holders of the parent		**1,099**	**1,671**

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

Consolidated Statement of Changes in Equity

For the year ended 30 November 2012

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total £'000
At 1 December 2010	**8,265**	**7,762**	**2,567**	**370**	**140**	**19,104**
Profit for the year	-	-	-	-	2,157	2,157
Other comprehensive income	-	-	-	-	(486)	(486)
Total comprehensive income	**-**	**-**	**-**	**-**	**1,671**	**1,671**
Transactions with owners:						
Issue of share capital	553	66	-	-	-	619
Dividends paid or declared	-	-	-	-	(352)	(352)
Share based payment	-	-	-	-	16	16
Release of warrant reserve to retained earnings	-	-	-	(125)	125	-
Transactions with owners	**553**	**66**	**-**	**(125)**	**(211)**	**283**
At 30 November 2011	**8,818**	**7,828**	**2,567**	**245**	**1,600**	**21,058**
Profit for the year	-	-	-	-	1,866	1,866
Other comprehensive income	-	-	-	-	(767)	(767)
Total comprehensive income	**-**	**-**	**-**	**-**	**1,099**	**1,099**
Transactions with owners:						
Dividends paid or declared	-	-	-	-	(283)	(283)
Share based payment	-	-	-	-	2	2
Release of warrant reserve to retained earnings	-	-	-	(245)	245	-
Transactions with owners	**-**	**-**	**-**	**(245)**	**(36)**	**(281)**
At 30 November 2012	**8,818**	**7,828**	**2,567**	**-**	**2,663**	**21,876**

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

Consolidated Statement of Financial Position

As at 30 November 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	27,509	29,690
Goodwill and other intangible assets	13	9,482	9,482
Deferred taxation	21	521	489
Total non-current assets		**37,512**	**39,661**
Current assets			
Inventories	15	1,892	1,272
Trade and other receivables	16	8,454	6,551
Cash and cash equivalents	17	351	869
Total current assets		**10,697**	**8,692**
Total assets		**48,209**	**48,353**
Liabilities			
Current liabilities			
Trade and other payables	18	6,228	7,671
Loans and borrowings	19	3,550	1,699
Obligations under hire purchase contracts	20	3,931	4,253
Total current liabilities		**13,709**	**13,623**
Non-current liabilities			
Loans and borrowings	19	4,216	3,889
Obligations under hire purchase contracts	20	6,945	8,929
Defined benefit pension obligation	22	1,463	854
Total non-current liabilities		**12,624**	**13,672**
Total liabilities		**26,333**	**27,295**
TOTAL NET ASSETS		**21,876**	**21,058**

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

	Note	2012 £'000	2011 £'000
Shareholders' funds			
Share capital	23	8,818	8,818
Share premium reserve		7,828	7,828
Merger reserve		2,567	2,567
Warrant reserve		-	245
Retained earnings		2,663	1,600
TOTAL EQUITY		**21,876**	**21,058**

The financial statements were approved by the Board of Directors and authorised for issue on 12 April 2013

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 2012

	2012 £'000	2011 £'000
Cash flows from operating activities		
Profit before taxation	2,076	1,878
Adjustments for:		
Depreciation	3,742	3,680
Amortisation	-	115
Negative goodwill	-	(192)
Finance expense	1,316	1,636
Gain on sale of property, plant and equipment	(417)	(160)
Contribution to defined benefit pension scheme	(400)	(312)
Equity settled share-based payment expense	2	16
Cash flows from operating activities before changes in working capital and provisions	**6,319**	**6,661**
Increase in trade and other receivables	(2,663)	(1,657)
Increase in inventories	(620)	(392)
(Decrease)/increase in trade and other payables	(721)	1,838
	(4,004)	(211)
Cash generated from operations	**2,315**	**6,450**
Interest paid on hire purchase agreements	(862)	(1,085)
Net cash flows from operating activities carried forward	**1,453**	**5,365**

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

	Note	2012 £'000	2011 £'000
Cash flows from operating activities brought forward		**1,453**	**5,365**
Investing activities			
Purchases of property, plant and equipment		(1,562)	(583)
Acquisition of subsidiary, net of cash acquired		-	(2,562)
Sale of public service vehicles		5,656	1,754
Net cash from/(used in) investing activities		**4,094**	**(1,391)**
Financing activities			
Issue of ordinary shares		-	619
Dividends paid		(423)	(310)
Proceeds of hire purchase refinancing agreement		-	2,415
Proceeds of mortgage and other loans		3,735	618
Loan stock repaid		(1,337)	(775)
Repayment of bank and other borrowings		(1,756)	(745)
Loan stock and bank loan interest paid		(501)	(470)
Capital settlement payments on vehicles sold		(2,535)	(1,038)
Capital element of lease payments		(5,009)	(4,547)
Net cash used in financing activities		**(7,826)**	**(4,233)**
Net decrease in cash and cash equivalents		**(2,279)**	**(259)**
Cash and cash equivalents at beginning of year	**17**	**869**	**1,128**
Cash and cash equivalents at end of year	**19**	**(1,410)**	**869**

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

Notes to the Consolidated Financial Statements

1. General information

Rotala plc is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 30 November 2012 (including the comparatives for the year ended 30 November 2011) were approved by the Board of Directors on 12 April 2013. 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.

Critical accounting estimates and judgements

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

Estimates

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

(a) Impairment of goodwill

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

(b) Share based payment

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

2 Accounting policies (continued)

(c) Pension scheme valuation

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

(d) Self insurance

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

Judgements

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

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

Property, plant and equipment is depreciated over its useful life. Useful lives are based on the management's estimates of the periods 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 note 12.

(b) Extinguishment accounting

Where there is an exchange of debt instruments, the future discounted cash flows are compared to those of the original liability in order to determine if extinguishment accounting is applicable, or alternatively whether the amendment is treated as a modification to the existing instrument. This involves a comparison under IAS 39.AG62, between the net present value of the cash flows under the revised terms versus the original terms, and whether the difference exceeds 10%. During the current period the refinancing of banking facilities did not generate a difference exceeding this threshold and no qualitative changes in terms have been identified which indicate the new debt to be substantially different. Therefore extinguishment accounting has not been applied. During the prior period, the convertible bonds were amended which involved both the extension of repayment dates and the reduction in the exercise price of holder conversion options. The conclusion reached was that the amendment was accounted for as a modification of the existing instrument. This involved two judgements. The first judgement was whether or not qualitative aspects should be considered in addition to the 10% quantitative test.

2. Accounting policies (continued)

(b) Extinguishment accounting (continued)

The judgement applied in this case was that qualitative aspects were not considered, and accordingly whether or not extinguishment accounting applied was dependent solely on the 10% quantitative test. The second judgement was how to incorporate the change in conversion option value in the 10% quantitative test, as IAS 39.AG62 is not specific on this matter. The judgement applied was to include the incremental fair value changes of the option arising from the change in option terms within the 10% test.

(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.

Basis of consolidation

The group financial statements consolidate the results of the company and all its subsidiary undertakings at 30 November 2012. The results of subsidiary undertakings acquired are included from the date on which control passed to the group. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

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

Goodwill

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

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

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

Other intangible assets - brands

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

Other intangible assets - contracts

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

2. Accounting policies (continued)

Impairment

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

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately.

Property, plant and equipment

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

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

Freehold land	-	Not depreciated
Freehold buildings	-	Fifty years straight line
Short leasehold property	-	Over the period of the lease
Plant and machinery	-	Between ten and 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)
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.

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

Leased assets (continued)
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.

Where the Group enters into sale and leaseback transactions, the accounting treatment depends on the type of lease involved and the economic and commercial substance of the arrangement. Where the Group retains the majority of the risks and rewards of ownership of the assets they are accounted for as finance leases and any excess of sales proceeds over the carrying amount of the asset is deferred and amortised over the lease term. Where the group transfers substantially all the risks and rewards of ownership to the lessor they are accounted for as operating leases and any excess of sales proceeds over the carrying value of the asset is recognised in the income statement as a gain on disposal.

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 equity component is included in the warrant reserve.

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 through the warrant reserve and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

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

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

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

Diesel pricing contracts
The group has entered into agreements to purchase agreed quantities of diesel over a period of time at a fixed price. The agreements do not meet the definitions of a financial instrument under IAS 32 'Financial Instruments: Disclosure and Presentation' as the contracts represent executory contracts to buy a non-financial asset for the use of the group. Therefore no financial asset or liability is recognised in respect of these contracts.

2. Accounting policies (continued)

Pension costs

Defined contribution schemes

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

Defined benefit pension schemes

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

Financial assets

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

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

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

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

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

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

2. Accounting policies (continued)

Financial liabilities

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

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

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

Equity

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

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

Proceeds from the issue of warrants, net of issue costs, are credited to the warrant reserve and are transferred to share premium account on exercise of the warrants. Any balance in relation to unexercised warrants at the expiry of the warrant period is transferred to the profit and loss reserve.

Share based payments

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

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

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

Segmental reporting

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

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

3. Standards and interpretations not yet applied by Rotala Plc

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

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

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

Based on the group's current business model and accounting policies, management does not otherwise expect a material impact on the group financial statements when these standards and interpretations become effective, other than the revision to IAS 19 noted above.

4. Segmental analysis and revenue

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

	Contracted		Commercial		Charter		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Revenue	22,513	21,878	29,569	30,884	2,731	3,315	54,813	56,077

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

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

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

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

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

In 2012 and 2011 no customer constituted more than 10% of Revenues.

5. Staff costs

	2012 £'000	2011 £'000
Staff Costs (including Directors) comprise:		
Wages and salaries	24,776	25,240
Employer's national insurance contributions	2,309	2,145
Defined contribution pension costs	156	159
	27,241	**27,544**
Share based payment expense	2	16
	27,243	**27,560**

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

	2012 Number	2011 Number
Management and administrative	86	82
Direct	1,003	1,049
	1,089	**1,131**

The prior year employee numbers have been restated to ensure consistency of comparability with those of 2012.

6. Directors' and key management personnel remuneration

	2012 Number	2011 Number
Salaries and other short term employee benefits	446	467
Social security costs	36	39
Contribution to defined contribution pension scheme	6	6
Share based payment expense	-	13
	488	**525**

1 director (2011 - 1) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £149,160 (2011: £149,259). Pension contributions of £5,600 (2011: £5,600) were made on his behalf.

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

The Directors' remuneration was as follows:

	2012 £'000			2011 £'000		
	Remuneration	Share based payment expense	Total	Remuneration	Share based payment expense	Total
Executive						
S L Dunn	149	-	149	149	2	151
R A Dunn	112	-	112	122	9	131
K M Taylor	85	-	85	96	2	98
Non- Executive						
J H Gunn	75	-	75	75	-	75
F G Flight	25	-	25	25	-	25
	446	**-**	**446**	**467**	**13**	**480**

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

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

7. Profit from operations

This is arrived at after charging/(crediting):

	2012 £'000	2011 £'000
Depreciation of property , plant and equipment	3,742	3,680
Amortisation of intangible assets	-	115
Operating lease expense		
- property	474	320
- plant and machinery	1,602	823
Profit on disposal of property, plant and equipment	(417)	(160)
Auditors' fees		
- parent company	43	8
- subsidiaries	3	53

8. Finance income

	2012 £'000	2011 £'000
Interest receivable on bank deposits	15	-

9. Finance expense

	2012 £'000	2011 £'000
Bank borrowing and overdraft interest	272	91
Interest payable on loan notes	229	434
Hire purchase contracts	825	1,085
Debt arrangement costs	-	23
Other interest	5	3
	1,331	**1,636**

10. Tax expense

	2012 £'000	2011 £'000
Current tax		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	451	78
Change in rate of tax	26	-
Adjustments in respect of prior periods	(267)	(357)
Total deferred tax (note 21)	210	(279)
Income tax expense/(credit)	210	(279)

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

	2012 £'000	2011 £'000
Profit before taxation	**2,076**	**1,878**
Profit at the standard rate of corporation tax in the UK of 24% (2011 - 25%):	498	469
Expenses not taxable	(47)	(19)
Capital allowances higher than depreciation	-	(300)
Utilisation of previously unrecognised tax losses	-	(72)
Adjustments in respect of prior periods	(241)	(357)
Total tax charge /(credit)	**210**	**(279)**

11. Earnings per share

	2012 £'000	2011 £'000
Basic		
Profit attributable to ordinary shareholders	1,866	2,157
Weighted average number of ordinary shares in issue	35,270,888	34,651,991
Basic earnings per share	5.29p	6.22p

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

	2012 £'000 Diluted	2011 £'000 Diluted
Profit attributable to ordinary share holders	1,866	2,157
Interest expense of convertible loan notes (note 9)	229	434
Profit for the purposes of diluted earnings per share	2,095	2,591
Weighted average number of shares in issue	35,270,888	34,651,991
Adjustments for:		
- assumed conversion of convertible loan notes	5,146,333	8,638,889
- exercise of options	49,331	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	40,466,552	43,290,880
Basic diluted earnings per share	5,18p	5.99p

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

12. Property, plant and equipment

	Freehold land and buildings £'000	Short lease hold property £'000	Plant and machinery £'000	Public service vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 December 2010	4,012	1,057	1,169	30,536	696	37,470
Additions	84	31	304	2,293	104	2,816
Acquisition	950	-	267	6,390	-	7,607
Disposals	-	(1)	(13)	(2,502)	(16)	(2,532)
At 30 November 2011	**5,046**	**1,087**	**1,727**	**36,717**	**784**	**45,361**
Additions	43	-	946	5,779	32	6,800
Transfers	185	(185)	-	-	-	-
Disposals	-	-	(17)	(8,929)	-	(8,946)
At 30 November 2012	**5,274**	**902**	**2,656**	**33,567**	**816**	**43,215**
Depreciation						
At 1 December 2010	166	107	687	7,830	424	9,214
Charge for the year	79	40	256	3,184	121	3,680
Acquisition	-	-	264	3,452	-	3,716
Disposals	-	-	(11)	(922)	(6)	(939)
At 30 November 2011	**245**	**147**	**1,196**	**13,544**	**539**	**15,671**
Charge for the year	132	13	273	3,225	99	3,742
Transfers	54	(54)	-	-	-	-
Disposals	-	-	-	(3,707)	-	(3,707)
At 30 November 2012	**431**	**106**	**1,469**	**13,062**	**638**	**15,706**
Net book value						
At 30 November 2012	**4,843**	**796**	**1,187**	**20,505**	**178**	**27,509**
At 30 November 2011	**4,801**	**940**	**531**	**23,173**	**245**	**29,690**

The net book value of public service vehicles at 30 November 2012 held under hire purchase agreements was £20,177,000 (2011: £21,326,000). Depreciation of £3,318,000 (2011: £2,554,000) 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 2010 and 2011 and at 30 November 2011 and 2012	250	312	9,482	10,044
Amortisation				
At 1 December 2010	250	197	-	447
Charge for the year	-	115	-	115
At 30 November 2011	**250**	**312**	**-**	**562**
Charge for the year	-	-	-	-
At 30 November 2012	**250**	**312**	**-**	**562**
Net book value				
At 30 November 2012	**-**	**-**	**9,482**	**9,482**
At 30 November 2011	**-**	**-**	**9,482**	**9,482**

14. Goodwill and impairment

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

14. Goodwill and impairment (continued)

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 2014. Other major assumptions are as follows:

	CGU 2012 %	CGU 2011 %
Discount rate	12	15
Operating margin	8	8
Growth rate	2	6
Inflation	3	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 group's weighted average cost of capital. Growth rates, beyond the first two years, are based on management estimates and on the historic achievements of the group. This rate does not exceed the average long term growth rate for the relevant markets. Inflation has been based on management's expectation given historic trends. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that there would be such change in a key assumption that it would reduce recoverable amount to below book value.

15. Inventories

	2012 £'000	2011 £'000
Fuel and spares	1,892	1,272

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 £15,488,000 (2011: £17,487,000). No inventory has been written down to fair value in 2012 or 2011 and therefore no associated expense was incurred.

Rotala at a Glance
Statutory Reports
Financial Statements
Shareholder Information

16. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	3,660	2,929
Tax and social security	371	466
Prepayments and accrued income	3,740	1,713
Vehicle order deposit placed (see note 18)	683	1,443
	8,454	**6,551**

The carrying values of trade and other receivables 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 no trade receivables were found to be impaired and a provision of £33,000 was released (2011: provision of £18,000 was created and utilised).

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:

	2012 £'000	2011 £'000
Not more than 3 months overdue	45	107
More than 3 months but not more than 1 year	189	118
	234	**225**

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

	2012 £'000	2011 £'000
Balance brought forward at 1 December	33	-
Provided in the year	-	18
Acquired	-	33
Released	(33)	-
Utilised in the year	-	(18)
Balance carried forward at 30 November	**-**	**33**

17. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	2012 £'000	2011 £'000
Cash at bank	351	869

18. Trade and other payables - current

	2012 £'000	2011 £'000
Trade payables	3,720	3,760
Taxation and social security	536	839
Other creditors	261	177
Accruals and deferred income	1,028	1,311
Grant payable (see also note 16)	683	1,443
Dividend declared and payable	-	141
	6,228	**7,671**

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

During 2012 the group placed an order for 8 (2011: 15) hybrid diesel electric buses. The group received from the Government's Green Bus Fund a related grant for the acquisition of these vehicles. As a condition of its receipt, the grant had to be passed immediately to the manufacturer and the vehicles have to be in operation by 31 March 2013. As at 30 November 2012 none (2011: 2) of these vehicles had been delivered and therefore the grant has been treated as a payable in these accounts as not all of the criteria are yet met, with the related deposit placed with the manufacturer treated as a receivable.

As the vehicles are delivered, the receivable and corresponding payable are released, and any cost of the asset in excess of the grant received is capitalised. All the vehicles had been delivered by the date of signature of these accounts. The grant gives rise to a contingent liability (see note 30).

19. Loans and borrowings

	2012 £'000	2011 £'000
Current		
Convertible loan stock	-	1,572
Overdrafts	1,761	-
Bank loans	1,789	127
	3,550	**1,699**
Non-current		
Convertible loan stock	2,316	2,306
Bank loans	1,900	1,583
	4,216	**3,889**

Analysis of maturity

	2012 £'000 Convertible debt	2012 £'000 Bank loans and overdrafts	2012 £'000 Obligations under hire purchase	2012 £'000 Trade and other payables	2012 £'000 Total
In one year or less or on demand	185	3,678	4,525	4,664	13,052
In more than one year but not more than two years	2,330	384	3,373	-	6,087
In more than two years but not more than five years	-	1,711	4,100	-	5,811
	2,515	**5,773**	**11,998**	**4,664**	**24,950**

	2011 £'000 Convertible debt	2011 £'000 Bank loans and overdrafts	2011 £'000 Obligations under hire purchase	2011 £'000 Trade and other payables	2011 £'000 Total
In one year or less or on demand	1,776	212	5,038	5,380	12,406
In more than one year but not more than two years	184	1,623	4,162	-	5,969
In more than two years but not more than five years	2,506	-	5,567	-	8,073
Later than 5 years	-	-	6	-	6
	4,466	**1,835**	**14,773**	**5,380**	**26,454**

19. Loans and borrowings (continued)

Convertible debt

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

Bank borrowings

The group entered into a Senior Term and Revolving Facilities Agreement with its bankers on 20 November 2012. This agreement provides a revolving £5m facility combined with a mortgage facility of up to £3.4m. It is for an initial three year term, renewable at 20 November 2015. There is a separate mortgage facility with the same bank, which expires on 20 December 2016, for a sum of £620,000.

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

The bank loans are secured on the group's freehold property. The annual mortgage repayments are calculated such that the mortgage facilities amortise in a straight line over a term of 15 years which is considered to give a reasonable approximation to the effective interest rate.

20. Obligations under hire purchase contracts

	2012 £'000 Minimum lease payments	2012 £'000 Interest	2012 £'000 Present value
Not later than one year	4,525	594	3,931
More than one but less than two years	3,373	342	3,031
More than two but less than five years	4,100	186	3,914
	11.998	**1,122**	**10,876**

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

The present values of future lease payments are analysed as:

	2012 £'000	2011 £'000
Current liabilities	3,931	4,253
Non-current liabilities	6,945	8,929
	10,876	**13,182**

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

21. Deferred taxation

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

	2012 £'000	2011 £'000
Accelerated capital allowances	(396)	(248)
Arising on fair value adjustments on acquisitions	(302)	(308)
Arising on defined benefit pension scheme	351	214
Losses	868	831
Asset	**521**	**489**

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

	2012 £'000	2011 £'000
Balance brought forward at 1 December	489	68
Recognised in business combination	-	(20)
Recognised in profit or loss	(210)	279
Recognised in other comprehensive income	242	162
Balance carried forward at 30 November	**521**	**489**

At 30 November 2012 there were £nil (2011: £nil) timing differences or unused tax losses for which deferred tax has not been provided.

22. Pensions

Group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge amounted to £156,000 (2011: £159,000). Contributions amounting to £973 (2011: £Nil) were payable to the funds at the balance sheet dates.

Another group company operates a defined benefit pension scheme within the West Midlands Integrated Transport Authority Pension Fund ("WMITAPF"), governed by the Local Government Superannuation Regulations 1986. The group accounts for pensions in accordance with IAS 19 "Employee Benefits". Contributions amounting to £22,841 (2011: £49,435) were payable to the fund at the balance sheet dates.

WMITAPF defined benefit pension scheme

The calculations of the IAS 19 disclosures for the WMITAPF have been based on the most recent actuarial valuations, which have been updated to 30 November 2012 by an independent professionally qualified actuary to take account of the requirements of IAS 19.

The principal actuarial assumptions used were as follows:

	30 November **2012** %	30 November **2011** %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.0	2.1
Discount rate	4.0	4.9
Inflation	2.0	2.1
Expected long-term rate of return		
-Equities	7.0	7.0
- Government bonds	2.7	3.0
- Other bonds	3.6	4.2
- Cash	0.5	0.5
- Property	n/a	n/a

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

The life expectancy assumptions used for the scheme are periodically reviewed and as at 30 November 2012 were:

	30 November **2012** Years	30 November **2011** Years
Current pensioner aged 65 - male	20.9	20.8
Current pensioner aged 65 - female	23.7	23.6
Future pensioners at age 65 (aged 45 now) - male	22.3	22.2
Future pensioners at age 65 (aged 45 now) - female	25.2	25.2

22. Pensions (continued)

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.1%	Increase/decrease of 1.27%
Inflation	Increase/decrease by 0.1%	Increase/decrease of 1.28%
Life expectancy	Increase by 1 year	Increase of 2.2%

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

	30 November 2012 £'000	30 November 2011 £'000
Equities	6,959	6,434
Bonds	8,506	8,079
Cash	-	44
Total market value of assets	15,465	14,557
Present value of scheme liabilities	(16,928)	(15,411)
Pension liability before tax	(1,463)	(854)
Related deferred tax asset	351	214
Net pension liability	**(1,112)**	**(640)**

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

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

	2012 £'000	2011 £'000
Finance cost		
- expected return on assets	734	676
- interest cost	(734)	(676)
Net cost	-	-
Total defined benefit cost	-	-
Defined contribution costs	(156)	(159)
Total profit and loss charge	**(156)**	**(159)**

22. Pensions (continued)

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

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	638	(107)
Changes in assumptions underlying the present value of the scheme liabilities	(1,647)	(541)
Actuarial loss	**(1,009)**	**(648)**

Actuarial (losses)/gains as a percentage of scheme assets and liabilities at 30 November 2012 were as follows:

	2012	2011
Actual return less expected return on pensions scheme assets as a percentage of scheme assets	4.2	(0.7)
Total actuarial gain/(loss) recognised in statement of total comprehensive income as a percentage of the present value of scheme liabilities	(5.9)	(3.6)

The cumulative amount of actuarial gains and losses on defined benefit schemes recognised in the statement of total comprehensive income since 25 January 2011 (the date at which the pension scheme entered the group) is a loss of £1,657,000.

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

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

	2012 £'000	2011 £'000
Deficit in scheme at 30 November	(854)	(518)
Movements in the period		
- Contributions	400	312
- Actuarial loss	(1,009)	(648)
Deficit in scheme at the end of the year	**(1,463)**	**(854)**

22. Pensions (continued)

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

	2012 £'000	2011 £'000
Deficit in scheme at 30 November	14,557	14,253
Expected return on plan assets	734	676
Actuarial gains/(losses)	638	(107)
Employer contributions	400	312
Benefits paid	(864)	(577)
At end of year	**15,465**	**14,557**

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

	2012 £'000	2011 £'000
At 30 November	(15.411)	(14,771)
Interest cost	(734)	(676)
Actuarial loss - changes in assumptions	(1,647)	(541)
Benefits paid	864	577
At end of year	**(16,928)**	**(15,411)**

23. Share capital

	Authorised and called up and fully paid			
	2012 Number	2012 £'000	2011 Number	2011 £'000
Ordinary shares of 25p each	35,270,888	8,818	35,270,888	8,818

	Number	Nominal Value £'000
As at 1 December 2010	33,060,368	8,265
16 February 2011	1,648,020	412
26 May 2011	562,500	141
As at 30 November 2011 and 2012	**35,270,888**	**8,818**

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 2012 the following share options had been issued and were outstanding under the company's employee share option schemes:

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	208,000	24 July 2010	23 July 2017	62.5p
6 September 2007	880,000	6 September 2010	5 September 2017	62.5p
5 September 2008	695,000	5 September 2011	4 September 2018	50.0p
24 September 2012	431,066	24 September 2015	24 March 2016	40.05p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is an HM Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. The issue of share options of 24 September 2012 is at present the only issue in relation to this Scheme. The Scheme runs for an initial three year period. Employees will subscribe, through payroll deductions, a monthly sum which will accumulate in their individual savings accounts at YBS. At the end of the three year period the employee will have the option to purchase ordinary shares of 25 pence in the Company ("Ordinary Shares") at a price fixed at the start of each three year period. Under the rules of the Scheme, the Board is free to price the share option at a discount to the market price of the Ordinary Shares, at the time the option is granted. Opportunities to subscribe for further options under the Scheme will arise every six months, within a period of approximately 42 days after the announcement of the Interim and Annual Results of the Company. In the initial phase of the Scheme the Board has decided that it is prepared to allocate up to 1 million options over Ordinary Shares of the Company for this purpose.

The company also operates an unapproved 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.

	2012		2011	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	63.34p	2,714,333	63.34p	2,714,333
Forfeited during the year	(58.00)	(78,000)	-	-
Issued during the year	40.05	431,066	-	-
Outstanding at the end of the year	**60.21p**	**3,067,399**	**63.34p**	**2,714,333**

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2011: 37.5p and 162.5p) and their weighted average remaining contractual life was 4.23 years (2011: 5.48 years).

Of the outstanding options at the balance sheet date 2,636,333 (2011: 2,714,333) were exercisable. The weighted average exercise price was 60.21p (2011: 63.34p).

24. Share options and warrants (continued)

The fair value of options granted was determined under IFRS 2 using the Black-Scholes valuation model. Significant assumptions used in the calculations included:

- an exercise price of 40.05p;
- a share price volatility of 20% based on expected and historical price movements;
- a weighted average share price of 44.5p;
- a dividend yield of 3%;
- a risk-free interest rate of 3%; and
- a period to maturity of three years from the date of grant of the options.

The weighted average fair value of options granted in the period was 8p.

Warrants

A total of 239,830 warrants over ordinary shares at a price of 67.5p expired unexercised on 31 December 2011. There are no further warrants now outstanding.

25. Commitments under operating leases

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

	2012 £'000		2011 £'000	
	Land and buildings	Other	Land and buildings	Other
Operating lease commitments payable:				
Within one year	337	1,833	359	1,244
In two to five years	565	5,113	755	4,129
In more than five years	1,488	587	1,534	328
	2,390	**7,533**	**2,648**	**5,701**

26. Financial instruments - risk management

The group holds or issues derivative financial instruments to finance its operations and manage its operating risks. 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 principal financial assets and liabilities on which financial risks arise are as follows:

	2012 £'000 Carrying value	2011 £'000 Carrying Value
Financial assets - loans and receivables		
Trade and other receivables	4,343	4,372
Cash and cash equivalents	351	869
	4,694	**5,241**
Financial liabilities - at amortised cost		
Trade and other payables	4,664	5,380
Loans and borrowings	7,766	5,588
	12,430	**10,968**

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

Liquidity risk
The group has a policy of ensuring that sufficient funds are always available for its operating activities. The Board continually monitors the group's cash requirements, as disclosed on page 21.

Interest rate risk
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:

	2012 £'000		2011 £'000	
	Financial liabilities on which a floating rate is paid	Financial liabilities on which a fixed rate is paid	Financial liabilities on which a floating rate is paid	Financial liabilities on which a fixed rate is paid
UK Sterling	4,444	13,766	625	18,145

26. Financial instruments - risk management (continued)

Interest rate risk (continued)

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

Credit risk

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

Commodity risk

The Group is exposed to risk in the fluctuating price of diesel. It mitigates this risk through entering fixed price purchase contracts.

Capital risk

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

Capital for the reporting period under review is as follows:

	2012 £'000	2011 £'000
Share capital	8,818	8,818
Share premium reserve	7,828	7,828
Merger reserve	2,567	2,567
Warrant reserve	-	245
Retained earnings	2,663	1,600
Total capital	**21,876**	**21,058**

27. Related parties and transactions

1. The services of J H Gunn were provided by Wengen Limited, a company controlled by J H Gunn, and invoiced by that company to Rotala, as set out in note 6. At the year end £nil (2011: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from the company a total of £66,669 (2011: £48,942) in dividends on ordinary shares and £nil (2011: £10,400) in interest on convertible unsecured loan stock.
2. The services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to a subsidiary undertaking of Rotala, as set out in note 6. At the year end £10,570 (2011: £11,319) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £10,913 (2011: £7,917) in dividends on ordinary shares.
3. The services of F G Flight were provided by Central Coachways Limited, a company controlled by F G Flight, and invoiced by that company to Rotala, as set out in note 6. At the year end £7,891 (2011: £5,000) of the amount charged was unpaid and included within creditors. During the year F G Flight received from Rotala a total of £15,901 (2011: £11,926) in dividends on ordinary shares and £2,000 (2011: £4,000) in interest on convertible unsecured loan stock.
4. During the year S L Dunn received from the company a total of £8,083 (2011: £4,990) in dividends on ordinary shares and £20,800 (2011: £20,800) in interest on convertible unsecured loan stock.
5. During the year K M Taylor received from the company a total of £4,290 (2011: £3,218) in dividends on ordinary shares and £2,000 (2011: £2,000) in interest on convertible unsecured loan stock.
6. In the period to 6 May 2011 goods and services to the value of £65,251 were invoiced to Dunn Motor Traction Limited, a company of which R A Dunn was a director until that date. At 30 November 2012 and 2011 Mr Dunn and his beneficial interests held no shareholding in that company.
7. J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,730,221 ordinary shares of Rotala as at 30 November 2012 (2011: 1,730,221 ordinary shares). The Fund also held £400,000 of the convertible loan stock of Rotala as at that date (2011: £605,850). Under Jersey law, Mr Gunn, as a non-resident of that state, is unable to exercise his vote at board meetings of The Fund. At 30 November 2012 Mr. Gunn and his beneficial interests held 25.02% (2011: 24.9%) of the ordinary share capital of The Fund. During the year The Fund received from the company a total of £20,763 (2011: £14,387) in dividends on ordinary shares and £40,234 (2011: £48,468) in interest on convertible unsecured loan stock.

28 Post balance sheet events

As set out in the Chairman's Statement, on 3 March 2013 the group acquired certain businesses and assets in Kidderminster and Redditch from First Group plc. The Chairman's Statement describes the reasons for the acquisition and should be consulted for a detailed description of all the relevant factors. The consideration for the acquisition was £1.5 million in cash. At the date of these accounts it is possible only to estimate the fair values of the assets which have been acquired. These are set out below. It is not expected that there will be a material amount of goodwill attached to the acquisition.

	£'000
Fixed assets	
Vehicles	250
Freehold land and buildings	1,189
Other fixed assets	61
Total fixed assets	**1,500**

29. Capital commitments

As at 30 November 2012 the group had placed orders for undelivered vehicles with a capital value of £1,677,000 (2011: £2,764,000).

30. Contingent liabilities

As related in note 18, the group during the year received a grant of £683,000 from the Government's Green Bus Fund for the acquisition of 8 hybrid diesel electric vehicles. The principal condition of this grant is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grant becomes repayable. The group has no intention of not meeting this condition of the grant.

The group in 2011 received a grant of £1,664,000 from the Government's Green Bus Fund for the acquisition of 15 hybrid diesel electric vehicles. The principal condition of this grant is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grant becomes repayable. The group has no intention of not meeting this condition of the grant.

31. Audit exemption for subsidiary undertakings

For the year ended 30 November 2012, the group has taken advantage of the exemption offered in sections 479A – 479C of the Companies Act 2006 and, with the exception of Preston Bus Limited, its subsidiary undertakings have not been subject to an individual annual audit. Rotala Plc has given a statutory guarantee to each of these subsidiary undertakings guaranteeing their liabilities, a copy of which will be filed at Companies House.

The companies which have taken this exemption are as follows:

Name	Company Number
Flights Hallmark Limited	4327651
Central Connect Limited	3506681
The Diamond Bus Company Limited	2531054
Flights Corporate Transfers Limited	4390228
Hallbridge Way Property Limited	6504654
North Birmingham Busways Limited	2852589
North Birmingham Training Limited	3661642
Ludlows of Halesowen Limited	1352987
Diamond Bus Company Holding Limited	6504657

Company Balance Sheet

As at 30 November 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	3	25,539	25,539
Current assets			
Debtors	4	1,870	4,569
Cash at bank and in hand		-	22
		1,870	**4,591**
Creditors: amounts falling due within one year	5	**(5,148)**	**(7,766)**
Net current (liabilities)/assets		**(3,278)**	**(3,175)**
Total assets less current liabilities		**22,261**	**22,364**
Creditors: amounts falling due after more than one year	6	(4,216)	(3,889)
Net assets		**18,045**	**18,475**
Capital and reserves			
Called up share capital	8	8,818	8,818
Share premium account	10	7,828	7,828
Warrant reserve	10	-	245
Profit and loss account	10	1,399	1,584
Shareholders' funds	11	**18,045**	**18,475**

The financial statements were approved by the Board of Directors and authorised for issue on 12 April 2013

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

1. Accounting policies

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

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

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

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

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

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

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

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

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

1. Accounting policies

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. Profit/(loss) for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group's profit for the year includes a loss after taxation of £149,000 (2011: profit £1,439,000) which is dealt with in these parent company financial statements.

3. Investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 December 2011 & 30 November 2012	**25,539**

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

3. Investments (continued)

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

* Held indirectly

4. Debtors

	2012 £'000	2011 £'000
Prepayments and accrued income	79	14
Vehicle order deposit place (see note 5)	683	1,443
Amounts due from subsidiary undertakings	1,108	3.112
	1,870	**4,569**

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

5. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Dividend declared and payable	-	141
Bank loans and overdrafts (note 6)	2,401	127
Convertible loan stock (note 6)	-	1,572
Amounts due to subsidiary undertakings	1,635	4,248
Grant payable (see also note 4)	683	1,443
Trade creditors	57	60
Other creditors	372	175
	5,148	**7,766**

During 2012 the company placed an order for 8 (2011: 15) hybrid diesel electric buses. The company received from the Government's Green Bus Fund a related grant for the acquisition of these vehicles. As a condition of its receipt, the grant had to be passed immediately to the manufacturer. As at 30 November 2012 none (2011: 2) of these vehicles had been delivered. The grant has therefore been treated as a payable in these accounts, with the related deposit placed with the manufacturer treated as a receivable.

As the vehicles are delivered the receivable and corresponding payable are released. All the vehicles had been delivered by the date of signature of these accounts. The grant gives rise to a contingent liability (see note 15).

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

	2012 £'000	2011 £'000
Convertible loan stock	2,316	2,306
Bank loan	1,900	1,583
	4,216	**3,889**

Convertible debt

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

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

Bank loan

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

The company entered into a Senior Term and Revolving Facilities Agreement with its bankers on 20 November 2012. This agreement provides a revolving £5m facility combined with a mortgage facility of up to £3.4m. It is for an initial three year term, renewable at 20 November 2015. There is a separate mortgage facility with the same bank, which expires on 20 December 2016, for a sum of £620,000.

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

The bank loans are secured on the group's freehold property. The annual mortgage repayments are calculated such that the mortgage facilities amortise in a straight line over a term of 15 years.

Analysis of maturity

	Convertible debt 2012 £'000	Bank loan 2012 £'000	Total 2012 £'000
In one year or less, or on demand	-	2,401	2,401
In more than one year but not more than two years	2,316	289	2,605
In more than two years but not more than five years	-	1,611	1,611
	2,316	**4,301**	**6,617**

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

7. Deferred tax

No closing deferred tax provision is required for the company for 2012. The potential deferred taxation assets not provided are:

	2012 £'000	2011 £'000
Accelerated capital allowances	-	-
Losses	16	12
	16	**12**

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

8. Share capital

	Allotted and called up and fully paid			
	2012 Number	2012 £'000	2011 Number	2011 £'000
Ordinary shares of 25p each	35,270,888	8,818	35,270,888	8,818

Issued Share Capital	Number	Value
As at 1 December 2010	33,060,368	8,265
16 February 2011	1,648,020	412
26 May 2011	562,500	141
As at 30 November 2011 and 2012	**35,270,888**	**8,818**

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 2012 the following share options had been issued and were outstanding under the company's employee share option schemes:

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	208,000	24 July 2010	23 July 2017	62.5p
6 September 2007	880,000	6 September 2010	5 September 2017	62.5p
5 September 2008	695,000	5 September 2011	4 September 2018	50.0p
24 September 2012	431,066	24 September 2015	24 March 2016	40.05p

9. Share options and warrants (continued)

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is an HM Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. The issue of share options of 24 September 2012 is at present the only issue in relation to this Scheme. The Scheme runs for an initial three year period. Employees will subscribe, through payroll deductions, a monthly sum which will accumulate in their individual savings accounts at YBS. At the end of the three year period the employee will have the option to purchase ordinary shares of 25 pence in the Company ("Ordinary Shares") at a price fixed at the start of each three year period. Under the rules of the Scheme, the Board is free to price the share option at a discount to the market price of the Ordinary Shares, at the time the option is granted. Opportunities to subscribe for further options under the Scheme will arise every six months, within a period of approximately 42 days after the announcement of the Interim and Annual Results of the Company. In the initial phase of the Scheme the Board has decided that it is prepared to allocate up to 1 million options over Ordinary Shares of the Company for this purpose.

The company also operates an unapproved 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.

	2012 Weighted average exercise price	**2012** Number	**2011** Weighted average exercise price	**2011** Number
Outstanding at beginning of the year	63.34	2,714,333	63.34p	2,714,333
Forfeited during the year	(58.00)	(78,000)	-	-
Issued during the year	40.05	431,066	-	-
Outstanding at the end of the year	**60.21p**	**3,067,399**	**63.34p**	**2,714,333**

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2011: 37.5p and 162.5p) and their weighted average remaining contractual life was 4.23 years (2011: 5.48 years).

Of the outstanding options at the balance sheet date 2,636,333 (2011: 2,714,333) were exercisable. The weighted average exercise price was 60.21p (2011: 63.34p).

The fair value of options granted was determined under IFRS 2 using the Black-Scholes valuation model. Significant assumptions used in the calculations included:

- an exercise price of 40.05p;
- a share price volatility of 20% based on expected and historical price movements;
- a weighted average share price of 44.5p;
- a dividend yield of 3%;
- a risk-free interest rate of 3%; and
- a vesting period of three years from the date of grant of the options.

The weighted average fair value of options granted in the period was 8p.

Of the outstanding options at the balance sheet date 2,636,333 (2011: 2,714,333) were exercisable. The weighted average exercise price was 60.21p (2011: 63.34p).

Warrants

A total of 239,830 warrants over ordinary shares at a price of 67.5p expired unexercised on 31 December 2011. There are no further warrants now outstanding.

10. Reserves

	Share premium account 2012 £'000	Warrant reserve 2012 £'000	Profit and loss account 2012 £'000
At 1 December 2011	**7,828**	**245**	**1,584**
Loss for the year	-	-	(149)
Employee share schemes	-	-	2
Release from warrant reserve	-	(245)	245
Dividends paid and payable	-	-	(283)
At 30 November 2012	**7,828**	**-**	**1,399**

11. Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
(Loss)/profit for the year	(149)	1,439
Issue of shares	-	619
Share based payment charge credited to reserves	2	16
Dividends paid and payable	(283)	(352)
Net addition to shareholders' funds	(430)	1,722
Opening shareholders' funds	18,475	16,753
Closing shareholders' funds	**18,045**	**18,475**

12. Pensions

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

13. Capital commitments

As at 30 November 2012 the company had placed orders for undelivered vehicles with a capital value of £1,677,000 (2011: £2,764,000).

14. Commitments under operating leases

The company had the following operating lease commitments:

	Other 2012 £'000	Other 2011 £'000
Expiry date		
- up to one year	-	4
- between two and five years	31	3

15. Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2012 the contingent liability amounted to £717,000 (2011: £nil).

The company has guaranteed some of the hire purchase obligations of its subsidiaries. At 30 November 2012 the contingent liability amounted to £10,876,000 (2011: £13,182,000).

As related in note 5, the company during the year received a grant of £683,000 from the Government's Green Bus Fund for the acquisition of 8 hybrid diesel electric vehicles. The principal condition of this grant is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grant becomes repayable. The company has no intention of not meeting this condition of the grant.

The company in 2011 received a grant of £1,664,000 from the Government's Green Bus Fund for the acquisition of 15 hybrid diesel electric vehicles. The principal condition of this grant is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grant becomes repayable. The company has no intention of not meeting this condition of the grant.

16. Related parties and transactions

1. The services of J H Gunn were provided by Wengen Limited, a company controlled by J H Gunn, and invoiced by that company to Rotala. At the year end £nil (2011: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £66,669 (2011: £48,942) in dividends on ordinary shares and £nil (2011: £10,400) in interest on convertible unsecured loan stock.

2. The services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to a subsidiary undertaking of Rotala. At the year end £10,570 (2011: £11,319) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £10,913 (2011: £7,917) in dividends on ordinary shares.

3. The services of F G Flight were provided by Central Coachways Limited, a company controlled by F G Flight, and invoiced by that company to Rotala. At the year end £7,891 (2011: £5,000) of the amount charged was unpaid and included within creditors. During the year F G Flight received from Rotala a total of £15,901 (2011: £11,926) in dividends on ordinary shares and £2,000 (2011: £4,000) in interest on convertible unsecured loan stock.

4. During the year S L Dunn received from Rotala a total of £8,083 (2011: £4,990) in dividends on ordinary shares and £20,800 (2011: £20,800) in interest on convertible unsecured loan stock.

5. During the year K M Taylor received from Rotala a total of £4,290 (2011: £3,218) in dividends on ordinary shares and £2,000 (2011: £2,000) in interest on convertible unsecured loan stock.

6. In the period to 6 May 2011 goods and services to the value of £65,251 were invoiced by a subsidiary undertaking of Rotala to Dunn Motor Traction Limited, a company of which R A Dunn was a director until that date. At 30 November 2012 and 2011 Mr Dunn and his beneficial interests held no shareholding in that company.

7. J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,730,221 ordinary shares of Rotala as at 30 November 2012 (2011: 1,730,221 ordinary shares). The Fund also held £400,000 of the convertible loan stock of Rotala as at that date (2011: £605,850). Under Jersey law, Mr Gunn, as a non-resident of that state, is unable to exercise his vote at board meetings of The Fund. At 30 November 2012 Mr. Gunn and his beneficial interests held 25.02% (2011: 24.9%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £20,763 (2011: £14,387) in dividends on ordinary shares and £40,234 (2011: £48,468) in interest on convertible unsecured loan stock.

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 22 May 2012 at the offices of the Company at Beacon House, Long Acre, Birmingham, B7 5JJ for the purpose of considering, and if thought fit, passing the following Resolutions with or without modifications and of which Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and Resolutions 7 to 8 will be proposed as special resolutions.

Ordinary Resolutions

1. THAT, the accounts of the Company for the financial period ended 30 November 2012, together with the directors' report and the auditors' report on those accounts, be received and considered.
2. THAT, upon recommendation of the directors, a dividend of 0.90p per ordinary share be declared as a final dividend in respect of the financial year ended 30 November 2012.
3. THAT, Grant Thornton UK LLP be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting of the Company before which statutory accounts are laid and that the directors of the Company be and are hereby authorised to fix the auditors' remuneration from time to time.
4. THAT, 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

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

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

   5.2 incur political expenditure, as defined in section 365 of CA 2006, not exceeding £25,000 in total, during the period commencing on the date of this Resolution and ending on the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2014.

6. THAT, in substitution for all existing such authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of CA 2006 to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £2,939,240 (being approximately one-third of the issued ordinary share capital of the Company as at 12 April 2013 being the last working day prior to the publication of the notice convening the meeting) provided that such authority, unless renewed or revoked by the Company in general meeting, shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2014 but the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares or grant rights in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired.

Special Resolutions

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

   7.1 is limited to the allotment of equity securities:-

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

      7.1.2 otherwise than pursuant to paragraph 7.1.1 up to an aggregate nominal value of £440,886 (representing approximately 5 per cent. of the issued ordinary share capital of the Company as at 12 April 2013);

   7.2 shall expire at the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2014, but such authority shall extend to the making of an offer or agreement which would or might require equity securities to be allotted after such expiry date and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this Resolution had not expired;

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

   8.1 the maximum number of Ordinary Shares which may be purchased is 3,527,088 (representing ten per cent of the Company's issued ordinary share capital as at 12 April 2013);

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

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

   8.4 this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company after the passing of this Resolution and 31 May 2014 (unless previously renewed, varied or revoked by the Company in general meeting); and

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

By Order of the Board

Kim Taylor

Company Secretary

Date: 12 April 2013

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, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

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

4. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars, Capita Registrars Limited, PXS, 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, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. Any such power of attorney or other authority cannot be submitted electronically.

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

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

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

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

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

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

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

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

13. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at the close of business on 20 May 2013 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 the 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 28 June 2013 to those shareholders on the Company's register of members as at close of business on 31 May 2013.

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 2012, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of CA 2006 through the undertaking of routine activities, which would not normally be considered to result in making political donations or incurring political expenditure. Neither the Company nor any of its subsidiaries has any intention of making any particular political donations under the terms of this Resolution.

Resolution 6

Authority to allot relevant securities

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

This authority will allow the directors to allot new shares and to grant rights in respect of shares up to a nominal value of £2,939,240 which is equivalent to one third of the total issued ordinary share capital as at 12 April 2013. The directors have no current intention of exercising this authority.

This authority will expire at the conclusion of the next AGM, or 31 May 2014, whichever is the earlier.

Resolution 7

Authority to disapply pre-emption rights

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

A special resolution will be proposed to renew the authority of the directors to allot equity securities for cash without first being required to offer such securities to existing shareholders. This authority is limited to the allotment of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £440,886 which is equivalent to 5 per cent of the total issued ordinary share capital of the Company as at 12 April 2013 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 2014, whichever is the earlier.

Resolution 8

Authority to purchase own shares

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

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

This resolution would be limited to 3,527,088 ordinary shares, representing approximately 10 per cent of the issued share capital as at 12 April 2013. The directors intend to seek renewal of this power at each Annual General Meeting.

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