ROTALA

connecting people to places

Annual Report 2009

For year ended 30 November 2009

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

Contents

Directors, Secretary and Advisers

Country of incorporation of parent company	England and Wales
Company registration number	5338907
Legal form	Public Limited Company
Directors	John Gunn (Non-Executive - Chairman) Simon Dunn (Chief Executive) Kim Taylor (Group Finance Director) Robert Dunn (Non-Executive Director) Geoffrey Flight (Non-Executive Director) Michael Samuel (Non-Executive Director)
Registered office	Beacon House Long Acre Birmingham B7 5JJ Telephone: 0121 322 2222 Fax: 0121 322 2718
Company Secretary	Kim Taylor
Nominated Adviser and Broker	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Enterprise House 115 Edmund Street Birmingham B3 3HJ
Solicitors	Pinsent Masons 3 Colmore Circus Birmingham B4 6BH
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham BR3 4TU
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP

The Year

December 2008

- General Meeting in respect of fundraising of £1.9m and repayment of loan notes

January 2009

- New services for South Gloucestershire County Council and others (revenues of £479,000)

February 2009

- 27 contracts from Centro and Worcestershire County Council (revenues of £2.2 million)

March 2009

- Night bus services for Bristol City Council commenced
- Contract for Rotary International meeting in Birmingham in June 2009 (£1.1 million)

April 2009

- Contracts for Bath & North East Somerset Council (£687,000)

May 2009

- Ansty Business Park, M6, contract gained (£200,000)
- Annual Report for the year ended 30 November 2008 published

June 2009

- Flights Hallmark Limited commenced operations in Bath

August 2009

- Futher contracts for Centro
- Worcestershire County Council contract awards to support new Worcester depot (£1.65 million)
- Extension of Bristol City Council night bus services to April 2010
- Unaudited Interim Results to 31 May 2009 published

September 2009

- The Diamond Bus Company Limited commenced operations in Droitwich and Worcester

October 2009

- Bath Spa University Link service launched in Bath

November 2009

- Announced to be £2.88 million beneficiary of Green Bus Fund initiative (see below)
- General Meeting in respect of fundraising of £2.3m

During 2009, Rotala won an award of funding from the Green Bus Fund, a £30 million fund set up by the Government to help companies acquire low carbon buses. Of the funding available, Rotala was awarded £2.88 million towards the cost of 23 new hybrid vehicles. This is part of Rotala's long-term commitment to innovation and environmental awareness across its operating centres. Up to the award of funding from the Department for Transport, Rotala's fleet incorporated a range of vehicles up to EEV emission standards. Of the entire fleet of 450, only 11 vehicles fall outside of the Disability Discrimination Act ("DDA") compliance guidelines.

The Group

Rotala Plc is an AIM listed company offering bus, coach and transport management solutions 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 expand and develop sustainable revenue streams through contract awards, contract renewals and being part of future trends in transport business developments 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

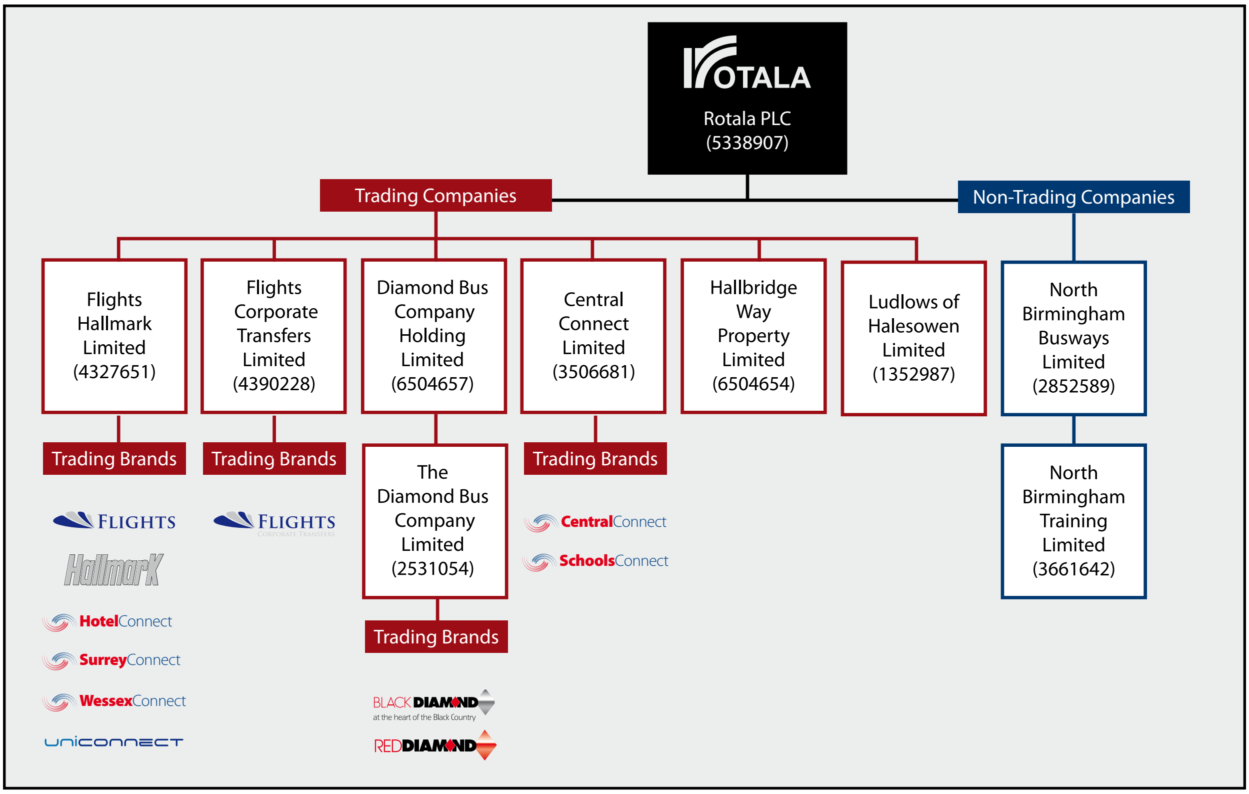
Rotala Plc pursues three key strategic goals:

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

Our Core Values

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

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



Our Vision

Rotala aims to become the dominant supplier for contracted bus and coach operations within our target regions. Our brands will signify consistency, reliability and employee commitment.

Our Mission

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

South West

WessexConnect

uniconnect

West Midlands

CentralConnect

FLIGHTS

Hallmark

BLACK DIAMOND
at the heart of the Black Country

RED DIAMOND

South East

FLIGHTS
CORPORATE TRANSFERS

HotelConnect

SurreyConnect

Key Figures

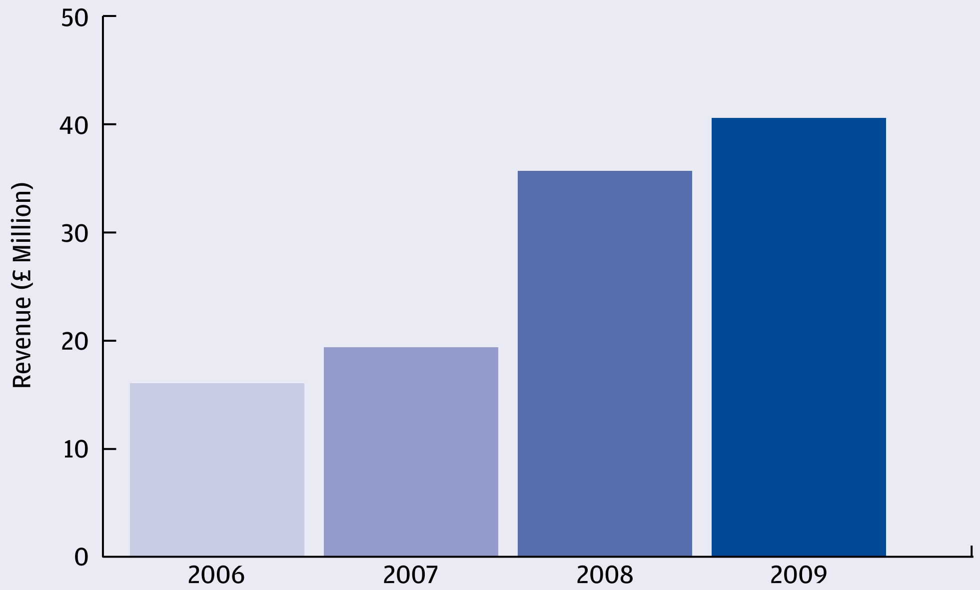
"It is very gratifying to me to be able to report to you another year of excellent progress in the development of Rotala. In 2009 we, unlike in all previous years, made no acquisitions. Thus the growth of the company's activities has come solely from organic sources."

John Gunn
Chairman, Rotala Plc

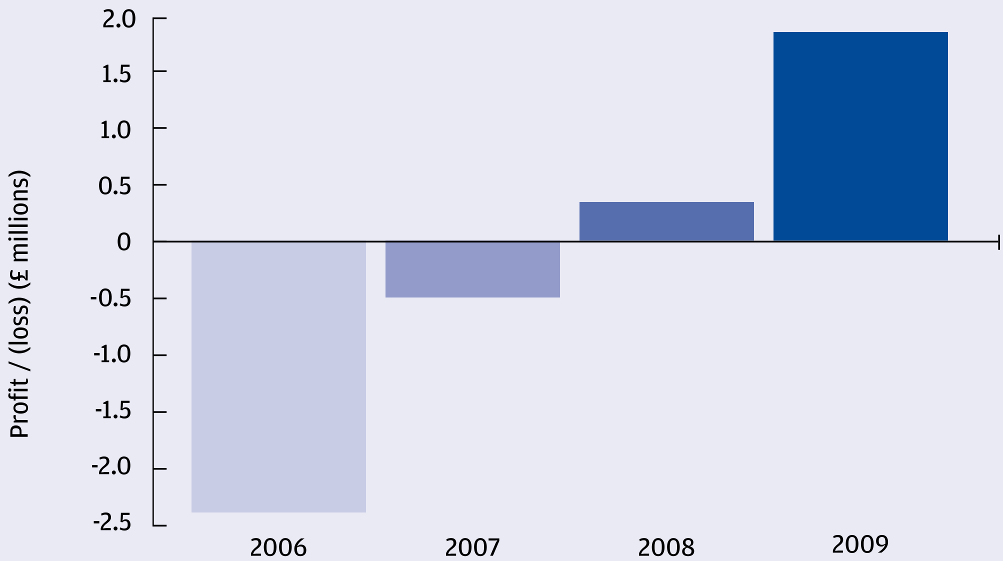
	2009 (£ Million)	2008 (£ Million)	2007 (£ Million)	2006 (£ Million)
Revenue	40.6	35.7	19.35	16.09
Gross profit	7.9	6.7	3.3	0.8
Operating Profit / (Loss)*	3.5	2.5	0.3	(2.2)
Operating Margin*	8.6%	7.0%	1.8%	(13.7%)
Profit / (Loss) before taxation*	1.9	0.35	(0.5)	(2.4)
Adjusted Earnings / (Loss) per share (pence)*	7.06	1.67	(3.2)	(22.4)

*before intangible asset expenses, share based payments & debt finance costs.

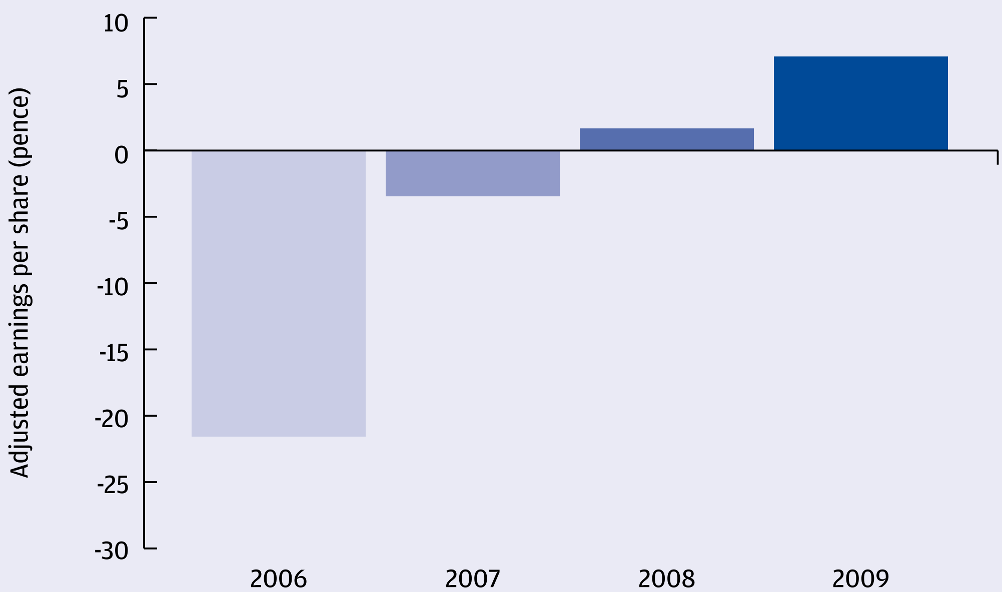
Revenue figures 2006-2009



Profit /(Loss) before taxation



Adjusted earnings per share



Strategy & Markets

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

Having grown through acquisition in key areas, Rotala has put itself into a position from which it can take advantage of future developments in the transport industry. Having footholds in the West Midlands, the South West and the Gatwick/Heathrow area ensures that the company is well positioned for future contract wins and organic growth. Our current customer portfolio proves our dedication to our aim.

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

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

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

To deliver this level of predictability the business has needed to focus on the development of its three main business streams:

1

Private Bus Networks

A private bus network is designed on a bespoke basis around the particular needs of an individual organisation. For example, in Isleworth on the outskirts of London we operate 8 vehicles daily for Sky TV; these buses provide transport around their various buildings and connect the offices with car parks and tube stations. We also have similar contracts with British Airways, GlaxoSmithKline, the NEC, and National Grid. One of the key factors which drives this customer need comes from the increasing prevalence of planning restrictions on new developments which either restrict car usage or suffer from a lack of available car parking facilities. There has been much growth in this area of business in recent years and government policy continues to drive change.

2

Subsidised Bus Operations

Since bus deregulation in 1986 the bus market has evolved and the dominant operators are now more focused on 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. Following these changes local authorities have decided 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: in some cases the operator takes the revenue risk and receives a partial subsidy, in others the subsidising body takes all the risk, and many fall between these two extremes of the subsidised contract model. Major examples of these types of services during this accounting year were operated under contract to Centro, Bristol City Council, Worcestershire County Council, Surrey County Council, South Gloucestershire County Council, and Bath & North East Somerset Council together with many smaller entities.

3

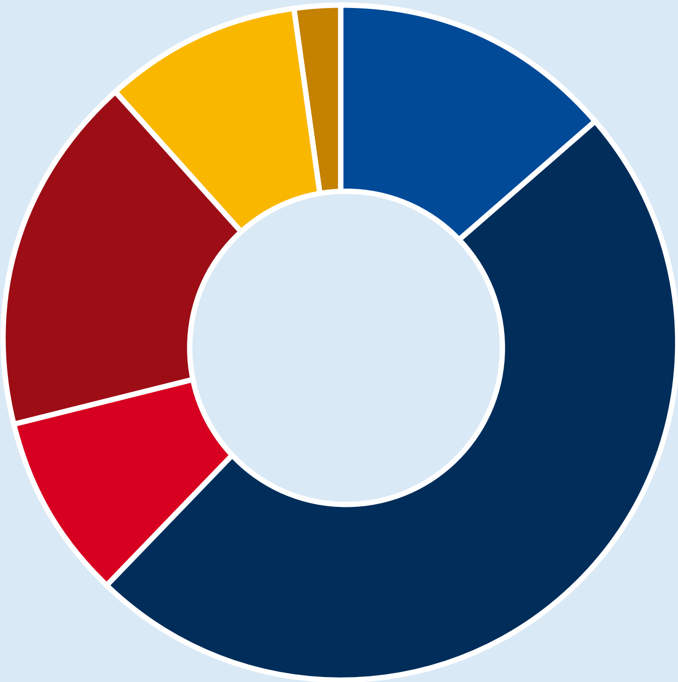
Commercial Bus Operations

Following the acquisition of The Diamond Bus Company Limited in 2008, the company inherited a portfolio of unsubsidised bus services operated on a purely commercial basis, where the company takes all the risk of operation. Since this acquisition Rotala has expanded the number of commercial services it operates in the West Midlands, Bristol and Bath.

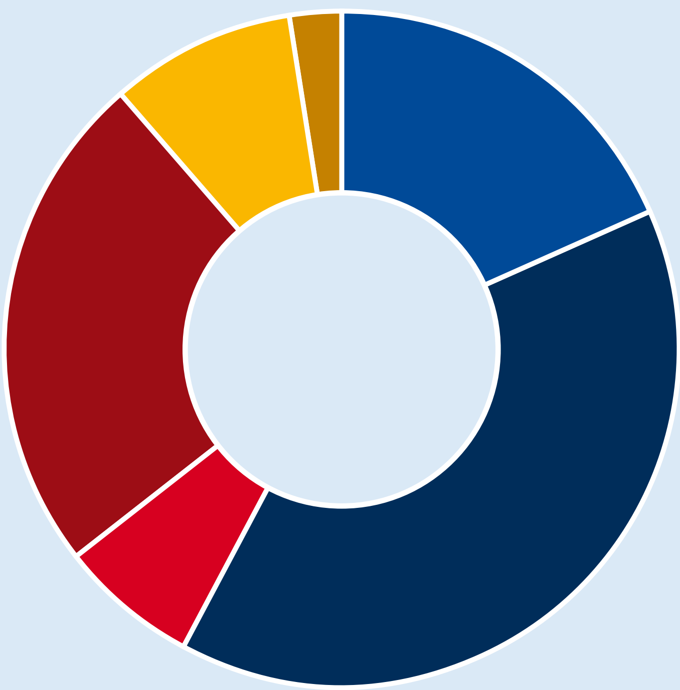
Operations

Employee Numbers
As at 30 November 2009

Central Connect	127
Diamond Bus	448
Flights Hallmark	83
Wessex Connect	160
Heathrow	87
Gatwick	19



Fleet Size
As at 30 November 2009



Central Connect	83
Diamond Bus	178
Flights Hallmark	29
Wessex Connect	109
Heathrow	40
Gatwick	11

West Midlands

Central Connect 'Connect 10' service in operation

In October 2009, the company carried over 310,000 passengers in one calendar month, and is planning the launch of several new services in 2010 to maintain the impetus of recent impressive results.

Central Connect

Within the West Midlands, Central Connect is one of the major Rotala Plc brands, used for local bus services operated from the Long Acre depot in northern Birmingham.

Rotala has continued to expand these services following the initial acquisitions of Zak's Bus and Coach Services Limited, North Birmingham Busways Limited and Birmingham Motor Traction Limited in 2006 and 2007. The fleet now consists of over 80 vehicles covering services as far north as Lichfield and as far south as Ludlow, comprising a variety of tendered and commercial services.

The company aims to develop further by reviewing local market conditions and providing bus services where others might have failed with a commercial service. One example of this is the 10 service, which Central Connect rescued from complete withdrawal in June 2009. Since taking over the route, patronage levels have been doubled and continue to grow promisingly. A variety of strategies is used to trigger these developments: investment in an experienced Route Development Officer has helped to increase passenger numbers on the 10 - and other commercial services, notably the 17 service in Birmingham. Focused advertising and marketing campaigns have allowed Central Connect to increase its exposure to potential passengers in the areas it serves.

Towards the end of 2009 the fleet was expanded by twenty vehicles in order to offer a higher quality service and new commercial routes, so that in October 2009 the company carried over 310,000 passengers in one calendar month.

Central Connect is planning the launch of several new services in 2010 to maintain the impetus of the recent impressive growth and further marketing campaigns are soon to follow to advertise the launch of new services, such as the Touchwood Connection linking Solihull's Touchwood shopping centre to Birmingham City Centre.

West Midlands

Hallmark 'VIP' vehicles outside the LG Arena, Birmingham

Flights Hallmark benefits from its rich transport history and therefore experience in the industry. This has helped to attract high profile organisations to use Flights Hallmark for transport consultancy and operations.

Flights Hallmark

Flights Hallmark operates from four depots: Heathrow, Gatwick, the NEC and Long Acre, the latter two both in Birmingham.

Flights Hallmark benefits from its rich history and therefore experience in the transport industry. This has helped to attract high profile organisations to use Flights Hallmark for transport consultancy and operations.

'Flights' - branded vehicles offer quality coach hire at regular prices, most often utilised by schools, activity groups and trips around the UK. The renowned prestige brands of 'Hallmark' and 'Hallmark VIP' vehicles offer high-class coaches fully equipped with kitchen facilities, SKYTV subscriptions and leather seating, for which customers pay a premium. There is no better way to travel in a group, in style. Rotala through the Flights brand also provides single trip private hires: amongst our most regular venues are Ascot, the Henley Regatta, Cheltenham and the British Grand Prix.

Airline clients such as British Airways, TUI (Thompson) and Qantas have all renewed contracts with Flights Hallmark to operate staff and workplace transport.

Rotala also operates contracts for other major clients such as Sky, Advantage West Midlands, Cathay Pacific, Atkins, Johnson Controls and GlaxoSmithKline, Transco and The NEC Group. Most of these customers have worked alongside Flights for many years and continue to strengthen their relationships.

The Diamond Bus Company Limited - Black Diamond

Diamond Bus Company

In the early years of its development Rotala's concentration was on the development of contracted revenue streams, but with the intention that in the longer term commercial bus operations would be added to the business mix. In early 2008, The Diamond Bus Company Limited was acquired from the Go Ahead Group Plc. We were delighted to become the new parent to this established bus operator, one which, in our opinion, could provide a springboard into commercial bus operation.

Our intention was not only to acquire working assets but also to establish route operations and competencies which could be scaled across the whole group. Following the acquisition the business was renamed and rebranded, and our initial post-acquisition objectives were as follows;

- to focus the business around the Black Country and Redditch, rather than the greater Birmingham area;
- to develop the Diamond brand within the West Midlands Bus market, through innovative marketing techniques and a strong visual identity;
- to turn losses into profits, through eliminating loss-making routes, effecting cultural change and centralising certain head office functions.

Later in 2008, Rotala acquired Ludlow's of Halesowen Limited, a small bus operator in Halesowen, and this business was subsequently merged into the Diamond Bus business. As part of our attempt to maximize synergy benefits, the old Ludlow's depot at Halesowen was closed. Our marketing strategy has focused on local branding, particular to operating geographies. From this work emerged "Black Diamond" which is now used in the Dudley and West Bromwich area and "Red Diamond" which is predominantly used in Redditch and our new depot near Worcester, which opened during September 2009.

In the latter part of 2008 and early 2009 we decided to invest in 40 brand new vehicles, split between the Red and Black Diamond fleets. This strategy was aimed at targeting specific areas of operation, and enhancing further the network of services. The vehicles were specified to high standards, with some having wooden floors and leather seats. It goes without saying that we specified environmentally efficient vehicles as far as possible.

During 2009 "Diamond" further developed its branding strategy and now showcases many eye catching and successful bus liveries. One example of this is the popular Route 56, derived from the American 'Route' shield idea. Such innovation in marketing has ensured that the company stands out clearly from its competitors and provides a different "feel" to the standard and mundane bus service. These marketing and branding strategies are combined with an emphasis on a sensible balance of price and quality; ultimately our aim is to deliver maximum value for money to all our customers.

During the course of Rotala Plc's ownership, the business has continued to evolve; the business as acquired was predominantly a commercial bus operator, in direct competition with the large regional incumbent. Over 2008 and 2009 the portfolio of business has been developed significantly and supplemented with contracted services in Birmingham, Redditch and Worcester. Now the Diamond Bus passenger levels regularly exceed 1.2 million journeys per month. Both Black and Red Diamond services continue to perform impressively, building on the foundations which our management has created.

South West

Bristol Park & Ride 902 service operated by Wessex Connect

With a presence in the area since 2007, the Wessex Connect brand has gone from strength to strength. Services have been developed across the contracted and commercial sector.

Wessex Connect

Wessex Connect, a brand within Flights Hallmark Limited, began operating in Bristol in April 2007. By June of that year, the bus business of South Gloucestershire Bus & Coach Company Limited had been acquired and rapid growth has followed.

The Wessex Connect brand has since gone from strength to strength. Services have been developed across the contracted and commercial sector with particular growth seen in Local Authority contracts and the 'UniConnect' brand that was recently introduced at the University of Bath. The company is also reviewing strategic locations for property within the Bristol and Bath areas in order to position itself well for the future.

Our aim is to expand in the South West, both geographically and functionally, by providing a cost effective alternative within the existing public transport market. The current size of the business can be gauged by the fact that in October 2009 Wessex Connect carried over 350,000 passengers and will be launching new services throughout 2010 on the back of winning funding from the Government's Green Bus initiative.

The Uniconnect U18 service at the University of Bath terminus

The expanding network of Wessex Connect in Bath gives UniConnect pass holders the ability to travel around Bath and to key transport links.

Uniconnect & ULink

The new "UniConnect" brand operates from a depot in Bath, serving specific areas of the city and linking them to the University of Bath.

The U18 service began in May 2009 since when the service has been expanded to run between 07:00 and 03:15. This flexibility allows students to leave and return to campus following events around the city, and staff to get to the university each day of the week. The Saturday and Sunday services are popular with students leaving accommodation on campus to shop in the centre of Bath. The service has also proven extremely popular because of its value fares and passes. The UniConnect brand is being expanded to offer a new service, the U10, from January 2010.

The expanding network of Wessex Connect in Bath gives UniConnect pass holders the ability to travel around Bath and to key transport links, or even to Bath Spa University. Increasing the network around Bath adds even more value to specific UniConnect passes and will encourage higher pass sales compared to the competitors in the area.

The University of the West of England ("UWE") "Ulink" brand operates from the Bristol depot, connecting up the UWE campuses around the city of Bristol. The UWE Ulink service was "Highly Recommended" in the category for winning new customers at the 2009 UK Bus Awards. The contracted service operates five routes connecting the UWE campuses, running buses fewer than three years old in striking UWE Ulink red and black branding. Each route has a unique rear vehicle vinyl advertising the low carbon status of the vehicles and the University's commitment to community transport.

South East

One of our Flights branded vehicles airside at Heathrow Airport

Our South East depots are heavily focused on the aviation sector, undertaking transport provision for a number of airlines around Heathrow and Gatwick airports.

Heathrow & Gatwick

The operations at Heathrow and Gatwick airports were part of Rotala's first acquisition in 2005. These two depots are heavily focused on the aviation sector, undertaking transport provision for a number of airlines around the two airports. The business operates under the "Flights Hallmark" brand.

Our operation includes air side and land side activities at both airports, for car, bus and coach. The strategy of offering competitive rates and high service levels has contributed to the success and growth of this area of business.

At our Gatwick operation, Rotala provides a dedicated Call Centre operating 24/7 to deal with all aviation requirements and we are the nationwide ground transport provider for all crew and passenger movement requirements for British Airways.

At our Gatwick base we also operate 4 dedicated "Hotel Connect" branded buses linking local hotels to the airport and a number of buses under contract to Surrey County Council for both local bus and school bus transportation.

UK Transport Management

A selection of our wide range of vehicles available

The Group through its geographical spread, extensive client base, business contacts and sector experience receives the invitation to be involved with the management of large events, service recovery and disaster recovery planning.

This typically is categorised into three main headings:

Bus Interruption Planning

This involves the planning and provision of transportation to assist large corporate entities with their employee movement requirements in the event of disruption to their Head Offices or regions.

Service Disruption

This can typically involve transport provision for disruptions at short notice, whether that be rail, plane or tube, for both car and coach. The company has a large number of customers for whom we regularly provide these services.

Large Event Management

Over a number of years the management team has been involved with the creation and provision of the transport infrastructure for a number of events which include: the Commonwealth Games in 2000, Rotary International meeting in 2009, the Eurovision song contest in Birmingham in 1998, the UEFA Cup Final in Stockholm, the Super Cup Final in Monaco, the G8 Summit, the UEFA Cup Final at Villa Park and Euro 1996. These events have typically involved thousands of transportation movements.

Key Partnerships

The business believes in building strong relationships with all its stakeholders. The management team, on an on-going basis, engages in communication with suppliers, customers and industry bodies:

Centro is committed to improving bus services for passengers across the West Midlands and is delighted that Rotala through its Diamond and Central Connect operations has agreed a new partnership approach to help deliver these improvements.

Geoff Inskip
Chief Executive, Centro

Rotala Plc is a member of the Confederation of Passenger Transport (CPT), the official trade body for the bus, coach and light rail industries operating in the UK. Rotala is able to contribute to the development of CPT policy in the UK via the company's representation on the CPT Bus Commission and CPT Engineering Committee.

Peter Gomersall
Director of Membership, CPT

Since the commencement of our working relationship in 2009, Cathay Pacific has been delighted with the professionalism and dedication shown by Flights Hallmark. The partnership is very valuable to us. They can be relied upon to react to anything out of the ordinary and have a great instinct for what really matters to an airline and its operation. When viewed against their constantly challenging operating environment, particularly Heathrow Airport and the inner London area, they are to be congratulated on such a consistently fine effort.

Lee Asprey
Airport Manager, Heathrow Airport

Since appointing Flights Hallmark to take care of our Crew transportation needs 3 years ago, Flights has always provided a highly efficient, prompt and reliable service.

John Sant
EVA Air Station Manager, London Heathrow

The business also has a number of key account managers who provide direct contact and focus to its customers, and we actively involve ourselves with local discussions on transport policy: Rotala is a member of the Freight Transport Association ("FTA") and uses the FTA to undertake internal audits as part of a strict internal quality management program.

Innovation & Investment

The management team is focused on achieving year on year growth and improvement in all areas of performance. The team believes that, in order to deliver this improvement, the company needs to promote an attitude of challenging the status quo and having an open mind to change. We also believe that, for the future success of the business, we need continually to invest in three key areas:

People

The on-going business has a strong core management team who are all long serving employees. Over the last few years the team has developed together as the business has grown and where appropriate it has been supplemented with experienced professionals who have brought specialist knowledge. Over the last 12 months, the induction and training program has been developed with particular focus on the driving work force. Over that period of time we have gained accreditation as a Certificate of Professional Competence ("CPC") training centre which will deliver a five year training plan. Drivers are at the forefront of service delivery; the role they play is vital to the success of our business. We aim through our CPC courses to enhance the skills of our staff to a level such that in the longer term we gain a competitive advantage.

Products

Our focus is always on tailoring a solution that meets the customer's needs, within their budget. We structure the commercial team to specific types of customers. In doing so our account managers are closer to the needs of their target audience and communication is stronger. Each account manager develops a detailed knowledge of their market and strong relationships. We encourage individuals to see projects through from start to finish and believe that they become better decision makers, able to take a complete and holistic view as a result.

The customer services team sits within the commercial department. There is a strong ethos of dealing with issues as they arise and dealing with customers in a straightforward manner; this attitude maintains stable long term relationships, because they are founded on realistic expectations and aspirations,. The financial strength of the group enables it to fund and acquire vehicles, so if investment in newer ones is required to develop further our network or particular contracts, then resources are made available to support the development.

Technology

The ethos of the business and the desire to create a competitive advantage means that we invest in technology with a desire to achieve one or more of the following:

- streamlined systems
- reduced underlying cost bases
- enhanced customer experience
- reduced burdens on the vehicle driver

Some of the initiatives have involved:

- working with Bristol City Council to provide Real Time Information systems on a number of core routes;
- the introduction of a smart card ticketing system in co-operation with UWE;
- the introduction of wide scale smart card ticketing systems in both Bristol and Birmingham, which are expected to go live in the current financial year;
- engagement in regular dialogue on the Bus Rapid Transit Scheme in Bristol;
- the creation of bespoke web-based customer service systems in Bristol and Bath;
- the acquisition of real time inspector monitoring devices.

Corporate Responsibility


The Turn Off Bristol campaign bus

BamBus, WessexConnect

The Turn Off Bristol campaign aims to inform students on climate change. In order to create awareness, a team of four students from Bristol University wanted to offer a free, low emissions bus service for students for two weeks. Wessex Connect was approached to source and operate the vehicle. Alongside Alexander Dennis Limited, the supplier of the vehicle, Wessex Connect operated an ALX Enviro 400 on the extremely popular service. Following the success of the BamBus, the team behind Turn Off Bristol won an n-power competition to become polar explorers on a British expedition in 2010.

Cancer Research, Central Connect

Central Connect launched its new 37 service, linking Touchwood Shopping Centre, Solihull with Birmingham City Centre. The bright pink and black “Touchwood Connection” began in January 2010 and made a donation to Cancer Research UK for every ticket bought during its first two months of operation.

Dorothy House, UniConnect

UniConnect offers a donation to charity for every ticket bought on its U18 service, and has offered this since its conception. Students at the University of Bath were polled to decide which charity they would like to give the donations to: Dorothy House received the most votes. The hospice offers “physical, psychological, social and spiritual care to patients and their families facing life-threatening illness, death or bereavement”. We hope our link with Dorothy House continues to grow alongside our network.

Health & Safety

It is the policy and aim of Rotala Plc to ensure the health, safety and welfare of all our employees, customers and others who may be affected by our activities in so far as is reasonably practicable at all times and to reduce the risk of occupational illness, accidents and incidents resulting from the group's activities, employee acts and omissions. The group aspires continually to improve occupational health and safety performance, well beyond the minimum legal requirements, and, in order to meet the changing needs of the business and the demands of regulation, ensure that its risk management systems are effectively structured and efficiently run. These systems involve throughout the Rotala group:

- the allocation of clear responsibilities for the successful implementation of Health and Safety policies;
- the adoption of comprehensive health, safety and welfare management systems, checks and reviews to ensure the effectiveness of the Health and Safety arrangements and organisation;
- the provision of adequate resources to meet the group Health and Safety commitments and aspirations;
- the provision of appropriate training to enable directors, managers, supervisors and all employees to fulfil their Health and Safety responsibilities;
- liaison with regulatory and industry bodies to comply with current legislative requirements and industry standards; and
- maintenance of consultation and dialogue with employees regarding Health and Safety issues which have an impact on them.

Training and Quality Management

Rotala has five Certificate of Professional Competence ("CPC") trainers, who offer in-house driver CPC training. The training of staff and drivers is vital to ensure that the quality Rotala expects from its employees is upheld, and therefore that the customer can be confident that the staff are some of the best in the industry. Quality management is of paramount importance to the safety and reliability of coach and bus operations. Therefore every depot in the Rotala group undergoes a rigorous monthly audit. Rotala has a dedicated team of Health and Safety, Human Resources, Training and Engineering managers who conduct these audits to very high standards. Any parts of the business which do not maintain the highest standards expected by Rotala are monitored intensively by the relevant manager until they are assured that quality and safety have not been compromised.

Chairman's Statement

I am pleased to be able to make this report to shareholders of Rotala plc for the year ended 30 November 2009.

Financial analysis

It is very gratifying to me to be able to report to you another year of excellent progress in the development of your company. In 2009 we, unlike in all previous years, made no acquisitions. Thus the growth of the group's activities has come solely from organic sources. Compared to 2008 Revenue is up 14% and Cost of Sales 13%. Gross profits in 2009 were therefore up by 17%. It is worthy of note that gross profits on the marginal revenue of £4.9m were £1.1m, a gross profit in percentage terms of 23%. This demonstrates why continuing organic growth at these levels of gross margin, built upon the group's existing core overhead base, will continue to deliver improvement in the operating performance of the group.

In the Consolidated Income Statement on page 34 I have separated out the trading performance of the group for 2009 and 2008. In making this distinction I have shown separately the impact of intangible asset expenses, share based payments and debt finance costs on the group's results. These items are analysed in detail in note 9 on page 49. Turning then to the group's performance before these intangible asset expenses, share based payments and debt finance costs, you can see that a Profit from Operations of £3.5m was recorded for 2009, compared with a figure of £2.5m for the previous year, an increase of 43%. This increase in profit was struck after Administrative Expenses which were little changed overall from the level seen in 2008. Finance expense also fell sharply. This effect results both from falls in general levels of interest rates and reductions in outstanding Hire Purchase obligations, as the vehicle fleet reaches a greater level of stability and maturity.

In my statement last year I pointed out that the net benefit to the profit and loss account in 2008 from the acquisition of Diamond Bus in that year was about £0.5m, once the initial trading losses sustained after the acquisition had been set off against the negative goodwill credited to the profit and loss account. Looking at the results for 2009 and 2008 in the same way, the Profit for the Year for 2009 before intangible asset expenses, share based payments and debt finance costs was £1.9m, compared to a figure of about £1m for 2008. This is a very pleasing improvement.

Although basic earnings per share show little change between 2009 (5.74p) and 2008 (5.79p), these figures are calculated on the full results for both the years before any adjustment for amortisation and similar non-operating credits and expenses, which mask the true picture. Looking through the crude measure imposed by the method of calculation of basic earnings per share to the underlying operating performance, you can see that in fact earnings per share increased substantially to 7.06p per share at the adjusted basic level. A similar improvement in earnings per share is also evident at the adjusted fully diluted level as well, where earnings per share increased to 6.71p in 2009. All these measures show a very encouraging advance on the results of the previous year.

Fundraising and the Balance Sheet

During the year we took a number of steps to strengthen the group's balance sheet and to equip it with the capital necessary to fund continued expansion. In December 2008 we raised £1.1m in new equity funds, more than half of which was contributed by your board as a demonstration of their faith in the continuing progress of the group. At the same time a total of £865,000 in loan notes and loan stock was retired and replaced by the same sum in equity share capital. At the end of May 2009 we were also able, by means of a small placing, to buy back the remaining £400,000 loan note outstanding from an issue in 2005, this time at a considerable discount. Finally in November 2009 we raised £2.3m in equity share capital. These steps served to increase the net assets of the group, augmented by the beneficial impact of the profits recorded in the year, from £11.5m at the end of 2008 to £17.6m at the end of 2009, an increase of 53%.

The gross assets of the group stood at £44.2m at 30 November 2009, an increase of 6% in the year. Most of that increase was driven by the growth in the vehicle fleet which at the year end stood at some 450 vehicles, up by 10% in the year. The loans and borrowings of the group, including its obligations under hire purchase contracts, fell from £23.5m at the end of 2008 to £21.9m by 30 November 2009, a fall of 7% despite the fact that the vehicle fleet, financed by new hire purchase contracts, continued to increase in size in this period.

The improvement in the operating performance of the group showed in a 29% rise in cash flows from operating activities before changes in working capital to a figure of £5.8m. Combined with the funds raised, the improved business performance ensured that the group enjoyed an increase in cash and cash equivalents of £1.2m in the year, building on the increase in the same measure of £0.8m in the previous year.

Strategy

The strategy of the group remains focused on the areas in which we have invested so far. Birmingham is the second largest bus market in the country and we are strongly represented there. We opened a new depot in Droitwich in September 2009 in order to extend our route network through that town to the city of Worcester which lies nearby. In addition we have established a comprehensive route network in and around Worcester itself and brought competition to a locality which had seen little in the recent past. We believe that this has brought benefits to the customer as well as to your business, to which the new depot is already making a significant contribution. We have also continued to invest in the Bristol and Bath areas where there are attractive expansion opportunities. In 2009 we opened a new depot near Bath to enable us to increase our penetration of the market in this city and build on the contracts we had already gained in the surrounding region. This has strengthened our presence in another area which is dominated by one major operator. That very factor gives us the opportunity to expand our operations to the betterment of both customer and the business generally.

In each of these major markets we are now well-established as at least the number two operator and so we are well positioned to take advantage of further developments. In London we have a considerable presence at Heathrow airport in the contracted market and we are always keen to expand our business in this market niche if the appropriate opportunities arise, as has been the case throughout 2009 when we gained a number of new customers for this depot. The turnover of the group is now broadly based and is more or less equally divided between revenues from commercial bus operations, subsidised bus routes and contracted private bus networks. We intend to retain this balance in the group's businesses as we continue to expand.

New business

It is furthermore pleasing to be able to record continuing success in the year in achieving our target of sustained organic growth in the revenues of the group through the addition of new contracts. In 2008 we were able to secure new contracts in both the public and private sectors with an annualised value of £5.6m. By contrast we were in 2009 able to gain £8m of new contracted business, in addition to the transportation contract for the Rotary International meeting in Birmingham in 2009. This was a one-off event of considerable prestige and brought us revenue of £1.1m. The contracts come from a broad range of local authorities and private sector customers. We have furthermore been successful in expanding our commercial bus revenues during 2009. This success in obtaining new work underlines our commitment to increase the group's turnover and to become a significant force in transport operations in our chosen locations.

Green Bus Fund

Right at the end of the year it was also most encouraging to secure a grant of £2.9 million under the Department of Transport's £30 million Green Bus Fund initiative. The aim of the Fund is to help bus operators acquire low carbon buses. Currently such vehicles have a higher capital cost than conventional diesel-powered buses. The grant will enable the group to acquire 23 hybrid diesel/electric vehicles to be manufactured by Alexander Dennis Limited. These buses will be deployed in the Bristol and Bath region and the Company will be the operator of almost all the hybrid vehicles to be brought into service under this initiative in this area of the country. Low carbon buses use at least 30 per cent less fuel and emit almost a third less carbon than an equivalent conventional bus. Therefore they also make a significant contribution to the improvement of air quality. The Board is delighted to be able to bring to the people of Bath and Bristol vehicles which, in congested cities like these, will reduce the impact of road transport on climate change. The vehicles will also meet the most stringent emission standards to improve air quality.

Chairman's Statement
(Continued)

Innovation

This year we have continued to invest heavily in new vehicles. In the acquisition of vehicles we have looked in particular at achieving fuel efficiency and low emission levels. The Green Bus Fund initiative described above will greatly aid in this objective. We have also continued to specify vehicles which provide the customer with the highest possible standard of service. This has been a particular focus of our investment in Diamond Bus but we have followed the same strategy in Bristol and Bath.

We also continue to value the training and development of our staff. We feel that this brings benefits not only to the business but also to the customer experience of the services we provide. Our staff go about their work with commitment and enthusiasm and there is plenty of evidence that our customers notice that we provide a different offering. The focus on marketing our routes and branding our vehicles has, as we know from customer reaction, also had a very beneficial effect on operations and has been a key component in increasing ridership and cementing relationships with both corporate and local authority customers. Elsewhere in this report you will find excellent examples of our efforts in these areas. All these innovations are a testament to the hard work and dedication of our operational management and the workforce. I extend my thanks to them for another successful year, and I know that this enthusiasm and dedication continues to be shown in 2010.

Competition Commission

The Competition Commission has now begun its investigation into local bus services and we plan to participate fully in its deliberations. We do have views on appropriate reforms and have made these initial views known to the Commission. We have said before, and we would repeat, that, in our opinion, the bus sector is indeed subject to certain anti-competitive practices, from some of which we have suffered in our day-to-day operations. It is our expectation that the report of the Competition Commission, when it is delivered in some eighteen months to two years' time, will highlight certain issues of relevance to our businesses. If Government deals with these issues in a satisfactory manner, we would expect benefits to flow to our operations both in the West Midlands and in South West England. The review will undoubtedly look to enhance competition in the bus market and your group is well-placed to take advantage of these developments.

Events since the year end

Our pursuit of suitable new opportunities is a consistent theme of what we do. We continue to be successful in winning new business and in April 2010 we announced a further batch of contract wins, which will bring £1.9m in new revenue on an annualised basis.

It should, however, be noted that, like all in the transport industry, the group's results are sensitive to fluctuations in the price of diesel. The spike in prices in 2008 had a considerable impact on the group. Whilst we are constantly monitoring costs and margins, there is no doubt that the fuel price is an ever-present risk factor in our business. We have been too small a consumer of diesel until comparatively recently to be able to obtain fuel hedges at sensible prices. We are keen however to limit this risk to the business and will look to take out fuel hedges if these facilities are made available to us at economic levels.

Outlook

I continue to be delighted with the progress of the group, both in 2009 and in the year so far. There are many factors in the transport market place which bring opportunity to our business. Undoubtedly the recession has had an impact on bus usage, especially in the West Midlands, but we have continued to grow our revenues against this trend. The pressure on government and local government finance is bound to be an important issue in the year ahead. But I believe that market conditions for a business based on public transport in its various forms are generally favourable. Recession has produced larger effects on our principal competitors with rail interests, which are beneficial for a bus-focused group such as Rotala. We have a lower cost base and so are able to take on routes which the larger operators see as marginal, and turn them to good effect. The group is showing a strong upward trend and I am confident that the group's performance will display continued progress. I feel sure that more opportunities will spring out of the need to improve public transport, relieve congestion and reduce pollution, both in the West Midlands and in and around our other principal depots. The Board believes that this strategy will deliver a sizeable and profitable, integrated transport group and I am sure that we will be able to report further positive moves in the development of the group in the remainder of the year.

John Gunn
Non-Executive Chairman

8 April 2010

Directors' Report

The Directors present their report together with the audited financial statements of the group for the year ended 30 November 2009.

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 2009 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. These key performance indicators are considered to be:

- Revenue
- New contract wins
- Operating efficiency of the vehicle fleet

Risks and uncertainties

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

- The availability of sufficient capital and leasing facilities to finance the growth in the group's businesses;
- New government legislation affecting the bus industry, particularly in the areas controlled by the Passenger Transport Executives;
- Developments in current industry regulation covering working hours and vehicle specifications;
- Availability of management resources of the appropriate quality;
- Ability to recruit drivers with appropriate skills;
- Level of vehicle insurance rates – particularly in the event of a major accident involving passenger fatality;
- Variations in the price of fuel.

Results and dividends

The group's results for the year are set out on page 34.

The Directors do not propose to recommend any distribution by way of a dividend for the year ended 30 November 2009 (2008 - £Nil).

Directors

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

Directors' interests

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

		2009		2008	
		Ordinary shares of 25p each	Options over ordinary shares of 25p each	Ordinary shares of 25p each	Options over ordinary shares of 25p each
J H Gunn	Beneficial	5,318,024	400,000	3,998,857	400,000
R A Dunn	Beneficial	820,168	400,000	420,168	400,000
K M Taylor	Beneficial	332,500	565,000	20,000	565,000
S L Dunn	Beneficial	286,402	445,000	102,227	445,000
M Samuel	Beneficial	375,000	-	-	-
F G Flight	Beneficial	1,325,055	220,000	990,333	220,000

Directors' Report
(Continued)

Directors' interests (Continued)

Options over 25p ordinary shares

	At 1 December 2008	Granted	Price	At 30 November 2009	Date Exercisable	Date of Expiry
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**		
S L Dunn	80,000	-	162.5p	80,000	30/08/2008	29/08/2015
	80,000	-	37.5p	80,000	30/03/2009	29/03/2016
	200,000	-	62.5p	200,000	06/09/2010	05/09/2017
	85,000	-	50.0p	85,000	05/09/2011	04/09/2018
	445,000	-		**445,000**		
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
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**		

Contracts existing during, or at the end of the year, in which a Director was or is materially interested, other than employment contracts, are disclosed in Note 28 – Related Party Transactions.

The company's share price at 30 November 2009 was 50.0p. The high and low prices in the year were 52.5p and 32.5p respectively.

Substantial shareholdings

As at 5 April 2010 the company had been notified that the following were interested in 3% or more of the ordinary share capital of the company:

Name	Ordinary Shares	%
Cazenove Capital Management	**2,055,000**	**6.24**
Gartmore	**1,250,000**	**3.79**
Link Traders (Aust) Pty Limited	**1,200,000**	**3.64**

Changes in share capital

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

Financial instruments

Details of financial instruments are given in note 27.

Employment policies

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

Creditor payment policy and practice

The group agrees terms of contracts when orders are placed and goods and services received. It is the group's policy that payments to suppliers are made in accordance with the agreed terms and conditions, provided all trading terms and conditions have been complied with. The group and company had respectively 60 and 63 days' purchases outstanding at 30 November 2009 (2008 - 89 days and 107 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 2009 (2008 - £Nil). Charitable contributions amounted to £751 (2008: £Nil).

Directors' Report
(Continued)

Corporate governance

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

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

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

The Board meets regularly, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and when appropriate, reporting to shareholders. To enable the Board to discharge its duties, all directors receive appropriate and timely information.

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

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

Going concern

After due enquiry the Board has judged the group's resources to be adequate to support its continued operations for the foreseeable future and have, therefore, adopted the going concern basis in preparing the financial statements for the year.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss for that period. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In preparing these financial statements, the Directors are required to:

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

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

Statement of Directors' responsibilities (continued)

In so far as the Directors are aware:

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

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

Events since the year end

Events of note since the year end are described in the Chairman's Statement on page 14.

Auditors

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's offices at Beacon House, Long Acre, Birmingham, B7 5JJ on 20 May 2010 at 12 p.m. The resolutions are set out in the notice of Annual General Meeting.

By order of the Board

Kim Taylor
Company Secretary

8 April 2010
Company registration number: 53389

Independent Auditor's Report

TO THE SHAREHOLDERS OF ROTALA PLC

We have audited the financial statements of Rotala plc for the year ended 30 November 2009 which comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, 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 19, 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 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/UKNP.

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 2009 and of the consolidated profit of the group 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

8 April 2010

Consolidated Income Statement

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Note	2009 (£'000)			2008 (£'000)		
		Results before intangible asset expenses, share based payments and debt finance costs	Intangible asset expenses, share based payments and debt finance costs (note 9)	Results for the year	Results before intangible asset expenses, share based payments and debt finance costs	Intangible asset expenses, share based payments and debt finance costs (note 9)	Results for the year
Revenue	**4**	40,561	-	40,561	35,677	-	35,677
Cost of sales		(32,735)	-	(32,735)	(28,980)	-	(28,980)
Gross profit		7,826	-	7,826	6,697	-	6,697
Administrative expenses	**7**	(4,294)	(226)	(4,520)	(4,219)	952	(3,267)
Profit from Operations		3,532	(226)	3,306	2,478	952	3,430
Finance expense	**8**	(1,652)	(126)	(1,778)	(2,159)	(95)	(2,254)
Finance income	**8**	-	-	-	28	-	28
Profit before tax		1,880	(352)	1,528	347	857	1,204
Tax expense	**10**	-	-	-	-	-	-
Profit for the year attributable to the equity holders of the parent		1,880	(352)	1,528	347	857	1,204
Earnings per share for profit attributable to the equity holders of the parent during the year:							
- Basic (pence)	**11**			5.74			5.79
- Diluted (pence)	**11**			5.66			5.55

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Called up share capital £'000	Share premium reserve £'000	Merger Reserve £'000	Warrant Reserve £'000	Retained Earnings £'000	Total £'000
At 1 December 2007	5,089	6,102	2,567	-	(4,226)	9,532
Profit for the year	-	-	-	-	1,204	1,204
Total recognised income and expense for the year	-	-	-	-	1,204	1,204
Issue of share capital	165	229	-	-	-	394
Costs of issue of share capital	-	(123)	-	-	-	(123)
Equity element arising on issue of convertible loan stock with warrants	-	-	-	370	-	370
Share based payment adjustment	-	-	-	-	84	84
At 30 November 2008	**5,254**	**6,208**	**2,567**	**370**	**(2,938)**	**11,461**
Profit for the year	-	-	-	-	1,528	1,528
Total recognised income and expense for the year	-	-	-	-	1,528	1,528
Issue of share capital	2,984	1,769	-	-	-	4,753
Costs of issue of share capital	-	(226)	-	-	-	(226)
Share based payment adjustment	-	-	-	-	84	84
At 30 November 2009	**8,238**	**7,751**	**2,567**	**370**	**(1,326)**	**17,600**

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

Consolidated Balance Sheet

AS AT 30 NOVEMBER 2009

	Note	2009 (£'000)	2008 (£'000)
Assets			
Non-current assets			
Property, plant and equipment	**12**	26,381	25,701
Goodwill and other intangible assets	**13**	9,661	9,803
Trade and other receivables		-	48
Deferred taxation		23	23
Total non-current assets		**36,065**	**35,575**
Current assets			
Inventories	**15**	603	694
Trade and other receivables	**16**	5,647	4,988
Cash and cash equivalents	**17**	1,927	509
Total current assets		**8,177**	**6,191**
Total assets		**44,242**	**41,766**
Liabilities			
Current Liabilities			
Trade and other payables	**18**	4,750	6,759
Loans and borrowings	**19**	1,938	1,440
Obligations under hire purchase	**20**	4,219	3,644
Total current liabilities		**10,907**	**11,843**
Non-current liabilities			
Loans and borrowings	**19**	6,261	6,471
Obligations under hire purchase	**20**	9,474	11,932
Provisions	**21**	-	59
Deferred tax liability	**22**	-	-
Total non-current liabilities		**15,735**	**18,462**
Total liabilities		**26,642**	**30,305**
TOTAL NET ASSETS		**17,600**	**11,461**

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

	Note	2009 (£'000)	2009 (£'000)	2008 (£'000)	2008 (£'000)
Shareholders' funds					
Share capital	**23**	8,238		5,254	
Share premium reserve		7,751		6,208	
Merger reserve		2,567		2,567	
Warrant reserve		370		370	
Retained earnings		(1,326)		(2,938)	
TOTAL EQUITY			**17,600**		**11,461**

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2010

John Gunn
Chairman

Kim Taylor
Group Finance Director

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 NOVEMBER 2009

	Note	2009 (£'000)	2008 (£'000)
Cash flows from operating activities			
Profit for the year		1,528	1,204
Adjustments for:			
Depreciation		2,481	2,007
Amortisation		142	132
Finance income		-	(28)
Finance expense		1,778	2,254
Negative goodwill arising on acquisition		-	(1,168)
Gain on sale of property, plant and equipment		(254)	(23)
Equity settled share-based payment expense		84	84
Cash Flow from operating activities before changes in working capital and provisions		**5,759**	**4,462**
Increase in trade and other receivables		(567)	(357)
Decrease/(increase) in inventories		91	(474)
(Decrease)/increase in trade and other payables		(1,109)	1,101
Decrease in provisions		(105)	(86)
		(1,690)	**184**
Cash generated from operations		4,069	4,646
Interest paid on hire purchase agreements and invoice discounting arrangements		(1,298)	(1,797)
Net cash flows from operating activities carried forward		**2,771**	**2,849**

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

	Note	2009 (£'000)	2008 (£'000)
Cash flows from operating activities brought forward		2,771	2,849
Investing activities			
Acquisition of subsidiary, net of cash acquired		-	(3,199)
Purchases of property, plant and equipment		(1,622)	(1,362)
Sale of property, plant and equipment		1,245	1,991
Purchase of intangibles		-	(113)
Interest received		-	28
Net cashed used in investing activities		**(377)**	**(2,655)**
Financing activities			
Issue of ordinary shares		3,825	272
Issue of loan stock and notes		-	4,568
Proceeds of hire purchase refinancing agreement		-	216
Proceeds of mortgage and other loans		1,650	-
Loan stock and notes repaid		(1,415)	(150)
Repayment of bank and other borrowings		(486)	-
Loan stock and bank loan interest paid		(355)	(362)
Capital element of lease payments		(4,408)	(3,968)
Net cash (used in)/from financing activities		**(1,189)**	**576**
Net increase in cash and cash equivalents		1,205	770
Cash and cash equivalents at beginning of year	**17**	(57)	(827)
Cash and cash equivalents at end of year	**17**	**1,148**	**(57)**

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 NOVEMBER 2009

1 General information

Rotala plc is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 30 November 2009 (including the comparatives for the year ended 30 November 2008) were approved by the Board of Directors on 8 April 2010. 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

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.

The major areas of judgement 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 including carrying values is included in note 13.

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

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

(c) 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 are described in note 24 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest.

2 Accounting policies (Continued)

(d) 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 confirmation.

Aside from the test of impairment of goodwill, there were no other major areas of estimation.

Basis of consolidation

The Group financial statements consolidate the results of the company and all its subsidiary undertakings at 30 November 2009. 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 purchase method is used, the results of the subsidiary are included from the date of acquisition. The purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Goodwill

Goodwill arising on consolidation represents any excess of the cost of the business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Purchased goodwill arises where businesses are acquired (as opposed to subsidiaries) and is treated in the same way as goodwill arising on consolidation.

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.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the Consolidated Income Statement 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. Currently these intangibles are amortised over a period of 3 years, and the charge is shown as part of Administrative Expenses within 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.

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, evenly over their expected useful lives. It is calculated at the following rates:

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

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. Contract revenues are recognised as services are delivered based on agreed contract rates.

Inventories

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

2 Accounting policies (Continued)

Taxation

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

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

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

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

Leased assets

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

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

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

Convertible debt

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

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

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

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

2 Accounting policies (Continued)

Onerous leases

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

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the Consolidated Income Statement in the year in which they become payable.

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

2 Accounting policies (Continued)

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 includes all current and prior period results as disclosed in the income statement.

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

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

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Income Statement 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 Consolidated Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated Income Statement is charged with the fair value of goods and services received.

3 Standards and interpretations not yet applied by Rotala Plc

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

Standard or interpretation	
IAS 1	Presentation of Financial Statements (revised 2007)
Amendment to IAS 1	Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 23	Borrowing Costs (revised 2007)
Amendment to IAS 32	Financial Instruments : Presentation
IAS 27	Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
Standards and IAS 27	Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
Amendment to IAS 39	Financial Instruments : Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
Amendment to IFRS 2	Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
Amendment to IFRS 7	Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (1 January 2009)
Embedded Derivatives	Amendments to IAS 39 and IFRIC 9 (effective for financial periods ending on or after 30 June 2009)
Improvements to IFRSs 2008	(effective 1 January 2009 other than certain amendments effective 1 July 2009)
Improvements to IFRSs 2009	(various effective dates, earliest of which is 1 July 2009, but mostly 2010)
IFRS 3	Business Combinations (Revised 2008) (effective 1 July 2009)
IRS 8	Operating Segments (effective 1 January 2009)
IFRIC 13	Customer Loyalty Programmes (IASB effective date 1 July 2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

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

4 Revenue

All of the activities of the group are conducted in the United Kingdom. The directors consider that the group operates in one sector and within one geographical segment and therefore there is only one reportable segment and hence no further segmental information has been disclosed.

5 Staff costs

	2009 £'000	2008 £'000
Staff Costs (including Directors) comprise:		
Wages and salaries	19,355	15,673
Employers' national insurance contributions	1,743	1,463
Defined contribution pension costs	45	44
Share-based payment expense	84	84
	21,227	**17,264**

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

	2009 Number	2008 Number
Management and administrative	61	42
Direct	807	659
	868	**701**

6 Directors' and key management personnel remuneration

	2009 £'000	2008 £'000
Directors' emoluments	353	337
Directors' fees	259	232
Contribution to defined contribution pension scheme	8	8
Share based payment expense	70	70
	690	**647**

1 director (2008 - 1) is a member of the Group's defined contribution pension scheme.

Emoluments of the highest paid director were £178,000 (2008 - £171,000). Pension contributions of £8,400 (2008 - £8,200) were made on his behalf.

The Directors' remuneration was as follows:

	2009 £'000	2008 £'000
Executive		
S L Dunn	178	171
K M Taylor	150	141
Non-Executive		
J H Gunn	75	73
N P Kennedy	-	21
R A Dunn	109	68
M Samuel	25	4
F G Flight	75	92
	612	**570**

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

In addition to their board responsibilities Geoffrey Flight and Robert Dunn in both periods provided services in respect of the review and evaluation of acquisitions both actual and potential. Robert Dunn also acted as lead co-ordinator of group strategies on engineering and health and safety.

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

7 Profit from operations

	2009 £'000	2008 £'000
This is arrived at after charging/(crediting)		
Depreciation of property plant and equipment	2,481	2,007
Amortisation of intangible assets	142	132
Operating lease expense:		
-other assets	448	424
Profit on disposal of fixed assets	(254)	(23)
Auditors' fees		
- group	8	40
- subsidiaries	49	65
- non-audit services	-	7

Fees charged by the auditors amounting to £nil (2008 - £19,000) in relation to the group's fundraisings and acquisitions have been posted to investment in subsidiary undertakings.

8 Finance

	2009 £'000	2008 £'000
Bank borrowings, overdraft and invoice discounting interest	120	248
Interest payable on loan notes	451	429
Hire purchase contracts	1,178	1,549
Other interest	29	28
	1,778	**2,254**

9 Profit before tax

	Intangible asset expenses, share based payments and debt finance costs	
	2009 £'000	**2008 £'000**
Amortisation of intangible assets	(142)	(132)
Share based payment expense	(84)	(84)
Negative goodwill arising on the acquisition of The Diamond Bus Company Limited	-	1,168
(Loss) / profit within Profit from Operations	(226)	952
Finance expense - amortisation of debt component of convertible debt	(126)	(95)
(Loss) / profit within Profit before Tax	(352)	857

10 Tax expense

No tax is payable in the current year.

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

	2009 £'000	2008 £'000
Profit before taxation	1,528	1,204
Profit at the standard rate of corporation tax in the UK of 28% (2008 - 28%)	(429)	(337)
Expenses not taxable	55	327
Capital allowances (lower than)/in excess of depreciation	(429)	35
Utilisation of previously unrecognised tax losses	803	65
Losses carried forward	-	(90)
TOTAL TAX CHARGE	**-**	**-**

11 Earnings per share

	2009 £'000	2008 £'000
Basic		
Profit attributable to ordinary shareholders	1,528	1,204
Weighted average number of ordinary shares in issue	26,610,256	20,803,526
Basic earnings per share	5.74p	5.79
Adjusted Basic		
Profit attributable to ordinary shareholders	1,880	347
Weighted average number of ordinary shares in issue	26,610,256	20,803,526
Adjusted basic earnings per share	7.06p	1.67p

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

11 Earnings per share (continued)

	Adjusted diluted 2009 £'000	Basic diluted 2009 £'000	Adjusted diluted 2008 £'000	Basic diluted 2008 £'000
Profit attributable to ordinary share holders	1,880	1,528	347	1,204
Interest expense of convertible loan notes	373	373	-	304
Profit for the purposes of diluted earnings per share	2,253	1,901	347	1,508
Weighted average number of shares in issue	26,610,256	26,610,256	20,803,526	20,803,526
Adjustments for:				
- assumed conversion of convertible debt	6,907,396	6,907,396	-	5,935,171
- exercise of warrants	12,500	12,500	210,276	210,276
- exercise of options	32,500	32,500	208,630	208,630
Weighted average number of ordinary shares for the purposes of diluted earnings per share	33,562,652	33,562,652	21,222,432	27,157,603
Adjusted diluted / basic diluted earnings per share	6.71p	5.66p	1.64p	5.55p

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

In order to arrive at adjusted earnings per share a similar approach has been taken, except that the profit attributable to ordinary shareholders is that profit which is shown in the columns headed "Results before intangible asset expenses, share based payments and debt finance costs" on page 34.

12 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold property £'000	Plant and machinery £'000	Public service vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 December 2007	2,266	900	150	12,857	338	16,511
Additions	136	2	281	9,601	138	10,158
Added with acquisitions	1,410	70	956	6,763	59	9,258
Disposals	-	-	-	(2,981)	-	(2,981)
At 30 November 2008	3,812	972	1,387	26,240	535	32,946
Additions	72	144	208	3,595	128	4,147
Disposals	-	(70)	(488)	(2,406)	(58)	(3,022)
At 30 November 2009	3,884	1,046	1,107	27,429	605	34,071
Depreciation						
At 1 December 2007	57	21	69	997	153	1,297
Charge for the year	9	13	108	1,789	88	2,007
Added with acquisitions	-	58	658	4,201	37	4,954
Disposals	-	-	-	(1,013)	-	(1,013)
At 30 November 2008	66	92	835	5,974	278	7,245
Charge for the year	43	31	165	2,163	79	2,481
Disposals	-	(59)	(477)	(1,455)	(45)	(2,036)
At 30 November 2009	109	64	523	6,682	312	7,690
Net book value						
At 30 November 2009	3,775	982	584	20,747	293	26,381
At 30 November 2008	3,746	880	552	20,266	257	25,701
At 30 November 2007	2,209	879	81	11,860	185	15,214

The net book value of public service vehicles at 30 November 2009 held under hire purchase agreements was £18,626,000 (2008 - £17,688,000). Depreciation of £1,740,000 (2008 - £1,529,000) 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 2007	250	200	8,700	9,150
Additions	-	113	781	894
At 30 November 2008	250	313	9,481	10,044
Additions	-	-	-	-
At 30 November 2009	250	313	9,481	10,044
Amortisation				
At 1 December 2007	95	14	-	109
Charge for the year	77	55	-	132
At 30 November 2008	172	69	-	241
Charge for the year	78	64	-	142
At 30 November 2009	250	133	-	383
Net book value				
At 30 November 2009	-	180	9,481	9,661
At 30 November 2008	78	244	9,481	9,803
At 30 November 2007	155	186	8,700	9,041

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. Moreover the manner in which the group has grown up, with the addition, integration and transformation of a number of businesses and entities, has obscured the formal breakdown of the total amount of goodwill. The directors consider that, in the light of these factors, the group is currently a single cash generating unit for the purposes of evaluating the carrying value of goodwill and the evaluation calculations have accordingly been carried out on this basis.

The recoverable amount of the goodwill of the business has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a three year period to 30 November 2012. Other major assumptions are as follows:

	CGU 2009 %	CGU 2008 %
Discount Rate	15	15
Operating Margin	9	9
Growth Rate	3	3
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 percentage which the group normally uses to evaluate its projects. Growth rates beyond the first three years are based on management estimates. Inflation has been based on management's expectation given historic trends.

15 Inventories

	2009 £'000	2008 £'000
Fuel and spares	603	694

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 £9,647,000 (2008 - £5,723,000).

16 Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	2,908	2,898
Other receivables	914	746
Prepayments	1,825	1,344
	5,647	4,988

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

All trade and other receivables have been reviewed for indicators of impairment. During the year certain trade receivables were found not to be impaired and a provision of £11,000 was released (2008: provision of £75,000 was made).

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

	Group	
	2009 £'000	2008 £'000
Not overdue	2,686	2,348
Not more than 3 months overdue	90	267
More than 3 months but not more than 1 year	108	259
More than 1 year overdue	24	24
	2,908	2,898

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

	£'000
Balance brought forward at 1 December 2008	75
Released in the year	(11)
Utilised in the year	(53)
Balance carried forward at 30 November 2009	11

17 Cash at bank and in hand

Cash and cash equivalents are analysed as follows:

	2009 £'000	2008 £'000
Cash at bank	1,927	509
Secured bank overdrafts	(5)	(81)
Amounts due under invoice discounting arrangements	(774)	(485)
	1,148	(57)

18 Trade and other payables - current

	2009 £'000	2008 £'000
Trade creditors	2,708	3,179
Taxation and social security	945	1,145
Other creditors	668	1,210
Accruals and deferred income	429	1,225
	4,750	6,759

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

19 Loans and borrowings

	2009 £'000	2008 £'000
Current:		
Secured bank overdrafts	5	81
Amounts due under invoice discounting agreements	774	485
Convertible loan stock	-	400
Loan notes	-	150
Other Loans	1,000	-
Bank loans	159	324
	1,938	1,440

	2009 £'000	2008 £'000
Non-current:		
Convertible loan stock	4,419	4,293
Loan notes	-	865
Bank loans	1,842	1,313
	6,261	6,471

Analysis of maturity

	Convertible debt £'000	Overdrafts and invoice discounting arrangements £'000	Bank loan £'000	Other Loan £'000	2009 Total £'000
In one year or less, or on demand	-	779	159	1,000	1,938
In more than one year but not more than two years	-	-	1,209	-	1,209
In more than two years but not more than five years	4,663	-	219	-	4,882
In more than five years	-	-	414	-	414
	4,663	779	2,001	1,000	8,443

19 Loans and borrowings (Continued)

Analysis of maturity

	Convertible debt £'000	Overdrafts and invoice discounting arrangements £'000	Bank loan £'000	Loan notes £'000	2008 Total £'000
In one year or less, or on demand	400	566	324	150	1,440
In more than one year but not more than two years	-	-	116	615	731
In more than two years but not more than five years	4,663	-	1,155	250	6,068
In more than five years	-	-	42	-	42
	5,063	566	1,637	1,015	8,281

Loan notes

Loan notes in the sum of £800,000 were issued as part of the consideration for the acquisition of the Flights Group on 30 August 2005. Repayments were due on 31 January each year from 2007 up to and including 2011 and repayments of £250,000 had been made by 30 November 2008. A further repayment of £150,000 in respect of these notes was made on 31 January 2009 but on 27 May 2009 the loan notes were repaid out of the proceeds of a share issue of the same date for a consideration of £335,000, a discount of £65,000 to their face value. The warrants over 600,000 ordinary shares associated with these notes were at the same time extinguished.

A further loan note issue of £465,000 had been made on 8 October 2007. These loan notes were repayable on 31 December 2009 but they were repaid at par on 19 December 2008 out of the proceeds of a placing of ordinary shares conducted on the same date. The holders of these notes used the funds to subscribe for additional shares in the Company, also on 19 December 2008. The notes bore a coupon of 8%; associated with the loan notes are warrants over 465,000 ordinary shares described in note 24.

Convertible debt

A convertible loan stock was issued on 22 December 2006. The convertible loan stock was redeemable at par on 31 December 2008 or was convertible into 25p ordinary shares of the company at a price of 62.5p per share. However on 19 December 2008 the Company repaid the loan stock at par out of the proceeds of a placing of ordinary shares conducted on the same date. The holders of these notes used the funds to subscribe for additional shares in the Company, also on 19 December 2008. The loan stock bore a coupon of 6%; associated with the loan stock are warrants over 320,000 ordinary shares described in note 24.

Further convertible loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock is redeemable at par on 31 December 2011 or is convertible into 25p ordinary shares of the company at a price of 67.5p per share, giving the right to receive a total of 6,727,396 ordinary shares. Conversion, at the option of the holder, may take place on 31 December 2011. The loan stock bears a coupon of 8%; associated with the loan stock are warrants over 2,542,257 ordinary shares described in note 24.

19 Loans and borrowings (Continued)

Bank loans
The bank loans are secured on the group's freehold and short leasehold property.

Other loan- 2009
The loan was secured on certain public service vehicle assets.

Amounts due under invoice discounting arrangements
Amounts due under the invoice discounting arrangements are secured by a mortgage debenture over trade debtors. The group entered into a cross-guarantee and floating charge agreement on 4 October 2005, covering its overdraft facilities.

20 Obligations under hire purchase contracts

Future lease payments are due as follows:

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

	2008		
	Minimum lease payments £'000	Interest £'000	Present Value £'000
Not later than one year	4,334	690	3,644
Later than one year and not later than five years	11,997	1,129	10,868
Later than five years	1,428	364	1,064
	17,759	2,183	15,576

The present values of future lease payments are analysed as:

	2009 £'000	2008 £'000
Current liabilities	4,219	3,644
Non-current liabilities	9,474	11,932
	13,693	15,576

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

21 Provisions

	2009 £'000	2008 £'000
Onerous contracts		
At beginning of year	59	145
Utilised in the year	(59)	(86)
At 30 November	-	59

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

22 Deferred tax

The deferred tax asset/(liability) included in the balance sheet is analysed as follows:

	2009 £'000	2008 £'000
Accelerated capital allowances	124	146
Arising on fair value adjustments on acquisition	(196)	(196)
Losses	95	73
Asset/(liability)	23	23

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

	2009 £'000	2008 £'000
Accelerated capital allowances	-	(416)
Losses	1,225	1,681
Asset/(liability)	1,225	1,265

Losses carried forward for the group are approximately £4,700,000 (2008 - £6,268,000).

23 Share capital

	Authorised 2009 Number	Authorised 2008 Number
Ordinary shares of 25p each	60,000,000	60,000,000

	Allotted, called up and fully paid			
	2009 Number	2009 £'000	2008 Number	2008 £'000
Ordinary shares of 25p each	32,951,479	8,238	21,018,970	5,254

Issued share capital	Number	Value £'000
As at 30 November 2007	20,354, 579	5,089
26 March 2008	655,462	164
15 October 2008	8,929	1
As at 30 November 2008	21,018,970	5,254
19 December 2008	4,912,500	1,229
27 May 2009	1,112,500	278
9 November 2009	5,774,175	1,444
30 November 2009	133,334	33
As at 30 November 2009	32,951,479	8,238

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 2009 the following share options had been issued and were outstanding under the company's employee share option scheme:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
29 March 2005	240,000	29 March 2008	28 March 2015	125.0p
30 August 2005	93,333	30 August 2008	29 August 2015	162.5p
30 March 2006	520,000	30 March 2009	29 March 2016	37.5p
24 July 2007	240,000	24 July 2010	23 July 2017	62.5p
6 September 2007	912,000	6 September 2010	5 September 2017	62.5p
5 September 2008	735,000	5 September 2011	4 September 2018	50.0p

In addition, an option to subscribe for 336,369 ordinary shares at a price of 37.5p was granted on 5 June 2006 to a corporate entity. The earliest exercise date of this option was 5 June 2006 and it expires on 5 June 2011.

24 Share options and warrants (continued)

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

	2009 Weighted average exercise price	2009 Number	2008 Weighted average exercise price	2008 Number
Outstanding at beginning of the year	63.28p	2,740,333	68.02p	2,053,333
Granted during the year	-	-	50.0p	735,000
Forfeited during the year	-	-	62.50p	(48,000)
Outstanding at the end of the year	63.28p	2,740,333	63.28p	2,740,333

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2008 – 37.5p and 162.5p) and their weighted average remaining contractual life was 7.48 years (2008 - 8.45 years).

853,333 options vested and were exercisable at the end of 2009 (2008 - 333,333). The weighted average exercise price was 75.78p (2008 - 135.5p).

The weighted average fair value of each option granted during the year ended 30 November 2008 was 9p. No options were granted in the year ended 30 November 2009.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the group.

Equity-settled

Option pricing model used	Black Scholes
Weighted average share price at grant date	50.0p
Exercise price	50.0p
Weighted average contractual life	8.45 years
Expected volatility	20%
Expected divided growth rate	n/a
Risk-free interest rate	3%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last two years. All share options have been assumed to vest after three years, with an assumption of no lapse or forfeiture.

24 Share options and warrants (continued)

Warrants

As at 30 November 2009 the following warrants had been issued and were outstanding covering the right to subscribe for ordinary shares in the company:

Date of issue	Number of warrants issued	Earliest exercise date	Date of expiry	Exercise price
22 December 2006	248,000	31 December 2006	31 December 2010	50.0p
8 October 2007	465,000	8 October 2007	31 December 2010	50.0p
21 December 2007	61,728	21 December 2007	31 December 2010	80.0p
14 February 2008	249,413	14 February 2008	31 December 2010	80.0p
3 March 2008	585,786	3 March 2008	31 December 2010	80.0p
5 March 2008	201,231	5 March 2008	31 December 2010	80.0p
26 March 2008	55,555	26 March 2008	31 December 2010	80.0p
26 March 2008	327,731	26 March 2008	31 December 2010	59.5p
30 March 2006	200,000	30 March 2006	30 March 2011	37.5p
31 July 2006	10,000	31 July 2006	30 March 2011	40.0p
21 December 2007	14,814	21 December 2007	31 December 2011	67.5p
14 February 2008	44,444	14 February 2008	31 December 2011	67.5p
3 March 2008	134,648	3 March 2008	31 December 2011	67.5p
5 March 2008	32,590	5 March 2008	31 December 2011	67.5p
26 March 2008	13,332	26 March 2008	31 December 2011	67.5p
21 December 2007	61,728	21 December 2007	31 December 2009	75.0p
14 February 2008	249,413	14 February 2008	31 December 2009	75.0p
3 March 2008	585,786	3 March 2008	31 December 2009	75.0p
5 March 2008	201,231	5 March 2008	31 December 2009	75.0p
26 March 2008	53,005	26 March 2008	31 December 2009	75.0p

The following changes in the warrants in issue occurred during the year:

- The warrants issued on 23 December 2005 over 600,000 ordinary shares at a price of 37.5p per share were extinguished on 27 May 2009;
- The warrants issued on 19 July 2007 over 34,668 ordinary shares at a price of 62.5p per share expired unexercised on 30 November 2009;
- The warrants issued on 19 July 2009 over 142,223 ordinary shares at a price of 25p per share were exercised on or before their date of expiry of 30 November 2009;
- By a resolution passed at a General Meeting held on 19 December 2008 the exercise price of the warrants over 248,000 ordinary shares issued on 22 December 2006 was adjusted from 62.5p to 50p per ordinary share and the expiry date of those warrants was extended to 31 December 2010;
- By a resolution passed at a General Meeting held on 19 December 2008 the exercise price of the warrants over 465,000 ordinary shares issued on 8 October 2007 was adjusted from 65p to 50p per ordinary share and the expiry date of those warrants was extended to 31 December 2010.

All of the warrants over ordinary shares in the company at a price of 75p per share and a date of expiry of 31 December 2009 in the above table expired unexercised.

25 Pensions

A group company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £45,000 (2008 - £41,000). Contributions amounting to £nil (2008 - £Nil) were payable to the fund and are included in other payables.

26 Commitments under operating leases

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

	2009 Land and buildings £'000	2009 Other £'000	2008 Land and buildings £'000	2008 Other £'000
Operating lease commitments payable:				
Within one year	265	208	281	277
In two to five years	366	131	588	74
In more than five years	1,641	25	1,686	-
Total	**2,272**	**364**	**2,555**	**351**

27 Financial instruments - risk management

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

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

	Carrying Value 2009 £'000	Carrying Value 2008 £'000
Financial assets		
Trade and other receivables	3,822	3,644
Cash and cash equivalents	1,927	509
	5,749	4,153

	Carrying Value 2009 £'000	Carrying Value 2008 £'000
Financial liabilities		
Trade and other payables	3,376	4,389
Loans and borrowings	8,199	7,911
	11,575	12,300

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

27 Financial instruments - risk management (continued)

Liquidity risk

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

Interest rate risk

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

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

	Financial liabilities on which a floating rate is paid 2009 £'000	Financial liabilities on which a fixed rate is paid 2009 £'000	Financial liabilities on which a floating rate is paid 2008 £'000	Financial liabilities on which a fixed rate is paid 2008 £'000
UK Sterling	2,781	5,418	2,203	5,708

In the year the group paid interest at a rate of between 3% and 4.5% (2008: between 5.5% and 7.5%) on its liabilities subject to floating rates of interest. The financial liabilities subject to fixed rates of interest (fixed for the whole year) were at rates of between 4% and 11% (2008: between 4% and 11%) in the year. For every 1% change in floating rates of interest the group's interest expense would change by £28,000 (2008 - £22,000).

Credit risk

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

Capital risk

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

	2009 £'000	2008 £'000
Share capital	8,238	5,254
Share premium reserve	7,751	6,208
Merger reserve	2,567	2,567
Warrant reserve	370	370
Retained earnings	(1,326)	(2,938)
TOTAL CAPITAL	17,600	11,461

28 Related party transactions

1. The services of J H Gunn were provided by Wengen Limited, a company controlled by J H Gunn, and invoiced by that company to Rotala, as set out in note 6. At the year end £12,500 (2008 - £68,750) of the amount charged was unpaid and included within creditors. On 19 December 2008 Mr. Gunn and his beneficial interests subscribed for 625,000 ordinary shares in the Company at a price of 40p per share. The funds for the purchase of these shares were provided by the repayment at par by the Company of the convertible loan stock issued on 22 December 2006 and the loan notes issued on 8 October 2007. On 9 November 2009 Mr. Gunn and his beneficial interests accepted 187,500 ordinary shares in the Company at a price of 40p per ordinary share in settlement of director's fees due to Wengen Limited under its contract of service. Furthermore on 30 November 2009 Mr. Gunn and his beneficial interests exercised 26,666 warrants over ordinary shares at 25p per share. Mr. Gunn and his beneficial interests subscribed on 14 February 2008 for £100,000 of Convertible Loan Stock, the terms of which are described in note 19. Associated with the loan stock are warrants, described in note 24, giving the right to subscribe for 61,728 ordinary shares in the company at a price of 75p per share and 61,728 ordinary shares at 80p per share. Mr Gunn also subscribed on 5 March 2008 for £30,000 of Convertible Loan Stock, the terms of which are described in note 19. Associated with the loan stock are warrants, described in note 24, giving the right to subscribe for 7,407 ordinary shares in the company at a price of 75p per share and 7,407 ordinary shares at 80p per share.

2. The services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to Rotala, as set out in note 6. At the year end £19,798 (2008 - £32,620) of the amount charged was unpaid and included within creditors. In addition Mr. Dunn and his beneficial interests, connected with the subscription for 420,168 ordinary shares in the company at 59.5p per share on 26 March 2008 received warrants, described in note 24, giving the right to subscribe for 210,084 ordinary shares in the company at a price of 59.5p per share. Mr Dunn had no loan to the company outstanding at the balance sheet date (2008: £50,000).

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 £18,750 (2008 - £18,750) of the amount charged was unpaid and included within creditors. On 19 December 2008 Mr. Flight and his beneficial interests subscribed for 187,500 ordinary shares in the Company at a price of 40p per share. The funds for the purchase of these shares were provided by the repayment at par by the Company of the convertible loan stock issued on 22 December 2006 and the loan notes issued on 8 October 2007. On 30 November 2009 Mr. Flight and his beneficial interests exercised 22,222 warrants over ordinary shares at 25p per share. In addition Mr. Flight and his beneficial interests subscribed on 14 February 2008 for £50,000 of Convertible Loan Stock, the terms of which are described in note 19. Associated with the loan stock are warrants, described in note 24, giving the right to subscribe for 12,345 ordinary shares in the company at a price of 75p per share and 12,345 ordinary shares at 80p per share.

4. S L Dunn had no loan to the company outstanding at the balance sheet date (2008: £50,000). Mr. Dunn and his beneficial interests also, by the conversion of part of the aforementioned loan, on 9 November 2009 obtained 53,495 ordinary shares in the Company at a price of 40p per share. In addition Mr. Dunn and his beneficial interests subscribed on 14 February 2008 for £160,000 of Convertible Loan Stock, the terms of which are described in note 19. Associated with the loan stock are warrants, described in note 24, giving the right to subscribe for 39,506 ordinary shares in the company at a price of 75p per share and 39,506 ordinary shares at 80p per share. Furthermore Mr. Dunn and his beneficial interests, connected with the subscription for 67,227 ordinary shares in the company at 59.5p per share on 26 March 2008 received warrants, described in note 24, giving the right to subscribe for 33,614 ordinary shares in the company at a price of 59.5p per share.

5. On 19 December 2008 K M Taylor and his beneficial interests subscribed for 62,500 ordinary shares in the Company at a price of 40p per share. The funds for the purchase of these shares was provided by the repayment at par by the Company of the loan notes issued on 8 October 2007. On 5 March 2008 K M Taylor subscribed for £25,000 of Convertible Loan Stock, the terms of which are described in note 19. Associated with the loan stock are warrants, described in note 24, giving the right to subscribe for 6,172 ordinary shares in the company at a price of 75p per share and 6,172 ordinary shares at 80p per share.

28 Related party transactions (continued)

6. M J Samuel and his beneficial interests subscribed on 14 February 2008 for £250,000 of Convertible Loan Stock, the terms of which are described in note 19. Associated with the loan stock are warrants, described in note 24, giving the right to subscribe for 61,728 ordinary shares in the company at a price of 75p per share and 61,728 ordinary shares at 80p per share.

7. During the year fees of £121,037 (2008 - £421,000) were payable to Ludgate Investments Limited ("Ludgate"), of which Mr. Gunn is a director and deputy chairman, for corporate finance advice and other professional services. At the year end £2,500 (2008 - £66,000) of the amount charged was unpaid and included within creditors. At the balance sheet date Ludgate had no loan outstanding to the company (2008: £100,000). At 30 November 2009 J.H. Gunn was interested in 13.4% (2008 - 13.4%) of the ordinary share capital of Ludgate.

29 Capital commitments

As at 30 November 2009 the group had no capital commitments (2008 -£1,067,000 in respect of buses).

Company Balance Sheet

AS AT 30 NOVEMBER 2009

	Note	2009 (£'000)	2008 (£'000)
Fixed assets			
Fixed asset investments	3	13,441	13,426
Current assets			
Debtors	4	7,257	4,822
Cash at bank and in hand		1,042	-
		8,299	4,822
Creditors: amounts falling due within one year	5	(417)	(2,104)
Net current assets		7,882	2,718
Total assets less current liabilities		21,323	16,144
Creditors: amounts falling due after more than one year	6	(4,419)	(5,158)
		16,904	10,986
Capital and reserves			
Called up share capital	8	8,238	5,254
Share premium account	10	7,751	6,208
Warrant reserve	10	370	370
Profit and loss account	10	545	(846)
Shareholders' funds		16,904	10,986

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2010

John Gunn
Chairman

Kim Taylor
Group Finance Director

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

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 NOVEMBER 2009

1 Accounting policies

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

Basis of preparation

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

Investments

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

Deferred taxation

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

Deferred tax balances are not discounted.

Convertible debt

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

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

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

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

Share based payments

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

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.

1 Accounting policies (Continued)

Related party disclosures

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

2 Profit /(Loss) for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group's profit for the year includes a profit after tax of £1,307,000 (2008 loss - £528,000) which is dealt with in these parent company financial statements.

3 Investments

	Subsidiary undertakings £'000
Cost	
At 1 December 2008	13,426
Additions	15
At 30 November 2009	13,441
Provisions	
At 1 December 2008 and 30 November 2009	-
Net book value	
At 30 November 2009	13,441
At 30 November 2008	13,426

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:

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Flights Hallmark Limited	England	100%	Transport
Flights Corporate Transfers Limited	England	100%	Transport
North Birmingham Busways Limited	England	100%	Dormant
Hallbridge Way Property Limited	England	100%	Property holding
Central Connect Limited	England	100%	Transport
The Diamond Bus Company Limited*	England	100%	Transport
Ludlows of Halesowen Limited	England	100%	Transport

*Held indirectly

4 Debtors

	2009 £'000	2008 £'000
Other debtors	23	-
Prepayments and accrued income	34	-
Amounts due from subsidiary undertakings	7,200	4,822
	7,257	4,822

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

5 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Convertible loan stock (note 6)	-	400
Secured bank overdrafts	-	5
Loan notes (note 6)	-	150
Trade creditors	37	242
Other creditors	350	900
Accruals and deferred income	30	407
	417	2,104

6 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Convertible loan stock	4,419	4,293
Loan notes	-	865
	4,419	5,158

Loan notes

Loan notes in the sum of £800,000 were issued as part of the consideration for the acquisition of the Flights Group on 30 August 2005. Repayments were due on 31 January each year from 2007 up to and including 2011 and repayments of £250,000 had been made by 30 November 2008. A further repayment of £150,000 in respect of these notes was made on 31 January 2009 but on 27 May 2009 the loan notes were repaid out of the proceeds of a share issue of the same date for a consideration of £335,000, a discount of £65,000 to their face value. The warrants over 600,000 ordinary shares associated with these notes were at the same time extinguished.

A further loan note issue of £465,000 had been made on 8 October 2007. These loan notes were repayable on 31 December 2009 but they were repaid at par on 19 December 2008 out of the proceeds of a placing of ordinary shares conducted on the same date. The holders of these notes used the funds to subscribe for additional shares in the Company, also on 19 December 2008. The notes bore a coupon of 8%; associated with the loan notes are warrants over 465,000 ordinary shares described in note 9.

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

Convertible debt

A convertible loan stock was issued on 22 December 2006. The convertible loan stock was redeemable at par on 31 December 2008 or was convertible into 25p ordinary shares of the company at a price of 62.5p per share. However on 19 December 2008 the Company repaid the loan stock at par out of the proceeds of a placing of ordinary shares conducted on the same date. The holders of these notes used the funds to subscribe for additional shares in the Company, also on 19 December 2008. The loan stock bore a coupon of 6%; associated with the loan stock are warrants over 320,000 ordinary shares described in note 9.

A further convertible loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock is redeemable at par on 31 December 2011 or is convertible into 25p ordinary shares of the company at a price of 67.5p per share, giving the right to receive a total of 6,727,396 ordinary shares. Conversion, at the option of the holder, may take place on 31 December 2011. The loan stock bears a coupon of 8%; associated with the loan stock are warrants over 2,542,257 ordinary shares described in note 9.

Analysis of maturity	**Convertible debt 2009 £'000**	**Loan Notes 2009 £'000**	**Total 2009 £'000**
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	4,663	-	4,663
	4,663	-	4,663

	Convertible debt 2008 £'000	**Loan Notes 2008 £'000**	**Total 2008 £'000**
In one year or less, or on demand	400	150	550
In more than one year but not more than two years	-	615	615
In more than two years but not more than five years	4,663	250	4,913
	5,063	1,015	6,078

7 Deferred tax

No closing deferred tax provision is required for the company for 2009. The potential deferred taxation assets not provided are:

	2009 £'000	**2008 £'000**
Accelerated capital allowances		-
Losses	136	185
	136	185

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

8 Share capital

	Authorised 2009 Number	Authorised 2008 Number
Ordinary shares of 25p each	60,000,000	60,000,000

	Allotted and called up and fully paid			
	2009 Number	2009 £'000	2008 Number	2008 £'000
Ordinary shares of 25p each	32,951,479	8,238	21,018,970	5,254

Issued share capital	Number	Value £'000
At 30 November 2007	20,354,579	5,089
26 March 2008	655,462	164
15 October 2008	8,929	1
As at 30 November 2008	21,018,970	5,254
19 December 2008	4,912,500	1,229
27 May 2009	1,112,500	278
9 November 2009	5,774,175	1,444
30 November 2009	133,334	33
As at 30 November 2009	32,951,479	8,238

During the year the company allotted 11,932,509 ordinary shares for a consideration of 40p per share.

9 Share options and warrant

As at 30 November 2009 the following share options had been issued and were outstanding under the company's employee share option scheme:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
29 March 2005	240,000	29 March 2008	28 March 2015	125.0p
30 August 2005	93,333	30 August 2008	29 August 2015	162.5p
30 March 2006	520,000	30 March 2009	29 March 2016	37.5p
24 July 2007	240,000	24 July 2010	23 July 2017	62.5p
6 September 2007	912,000	6 September 2010	5 September 2017	62.5p
5 September 2008	735,000	5 September 2011	4 September 2018	50.0p

In addition, an option to subscribe for 336,369 ordinary shares at a price of 37.5p was granted on 5 June 2006 to a corporate entity. The earliest exercise date of this option was 5 June 2006 and it expires on 5 June 2011.

9 Share options and warrants (Continued)

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

	2009 Weighted average exercise price	2009 Number	2008 Weighted average exercise price	2008 Number
Outstanding at beginning of the year	63.28p	2,740,333	68.02p	2,053,333
Granted during the year	-	-	50.0p	735,000
Forfeited during the year	-	-	62.50p	(48,000)
Outstanding at the end of the year	63.28p	2,740,333	63.28p	2,740,333

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2008 – 37.5p and 162.5p) and their weighted average remaining contractual life was 7.48 years (2008 - 8.45 years).

853,333 options vested and were exercisable at the end of 2009 (2008 - 333,333). The weighted average exercise price was 75.78p (2008 - 135.5p).

The weighted average fair value of each option granted in 2008 was 9p. No options were granted in the year ended 30 November 2009.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the group.

Equity-settled

Option pricing model used	Black Scholes
Weighted average share price at grant date	50.0p
Exercise price	50.0p
Weighted average contractual life	8.45 years
Expected volatility	20%
Expected divided growth rate	n/a
Risk-free interest rate	3%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last two years. All share options have been assumed to vest after three years, with an assumption of no lapse or forfeiture.

9 Share options and warrants (continued)

Warrants

As at 30 November 2009 the following warrants had been issued and were outstanding covering the right to subscribe for ordinary shares in the company:

Date of issue	Number of warrants issued	Earliest exercise date	Date of expiry	Exercise price
22 December 2006	248,000	31 December 2006	31 December 2010	50.0p
8 October 2007	465,000	8 October 2007	31 December 2010	50.0p
21 December 2007	61,728	21 December 2007	31 December 2010	80.0p
14 February 2008	249,413	14 February 2008	31 December 2010	80.0p
3 March 2008	585,786	3 March 2008	31 December 2010	80.0p
5 March 2008	201,231	5 March 2008	31 December 2010	80.0p
26 March 2008	55,555	26 March 2008	31 December 2010	80.0p
26 March 2008	327,731	26 March 2008	31 December 2010	59.5p
30 March 2006	200,000	30 March 2006	30 March 2011	37.5p
31 July 2006	10,000	31 July 2006	30 March 2011	40.0p
21 December 2007	14,814	21 December 2007	31 December 2011	67.5p
14 February 2008	44,444	14 February 2008	31 December 2011	67.5p
3 March 2008	134,648	3 March 2008	31 December 2011	67.5p
5 March 2008	32,590	5 March 2008	31 December 2011	67.5p
26 March 2008	13,332	26 March 2008	31 December 2011	67.5p
21 December 2007	61,728	21 December 2007	31 December 2009	75.0p
14 February 2008	249,413	14 February 2008	31 December 2009	75.0p
3 March 2008	585,786	3 March 2008	31 December 2009	75.0p
5 March 2008	201,231	5 March 2008	31 December 2009	75.0p
26 March 2008	53,005	26 March 2008	31 December 2009	75.0p

The following changes in the warrants in issue occurred during the year:

- The warrants issued on 23 December 2005 over 600,000 ordinary shares at a price of 37.5p per share were extinguished on 27 May 2009;
- The warrants issued on 19 July 2007 over 34,668 ordinary shares at a price of 62.5p per share expired unexercised on 30 November 2009;
- The warrants issued on 19 July 2009 over 142,223 ordinary shares at a price of 25p per share were exercised on or before their date of expiry of 30 November 2009;
- By a resolution passed at a General Meeting held on 19 December 2008 the exercise price of the warrants over 248,000 ordinary shares issued on 22 December 2006 was adjusted from 62.5p to 50p per ordinary share and the expiry date of those warrants was extended to 31 December 2010;
- By a resolution passed at a General Meeting held on 19 December 2008 the exercise price of the warrants over 465,000 ordinary shares issued on 8 October 2007 was adjusted from 65p to 50p per ordinary share and the expiry date of those warrants was extended to 31 December 2010.

All of the warrants over ordinary shares in the company at a price of 75p per share and a date of expiry of 31 December 2009 in the above table expired unexercised.

10 Reserves

	Share premium account 2009 £'000	Warrant reserve 2009 £'000	Profit and loss account 2009 £'000
At 1 December 2008	6,208	370	(846)
Profit for the year	-	-	1,307
Adjustment in respect of employee share schemes	-	-	84
On issue of new share capital	1,769	-	-
Expenses of share and capital issues	(226)	-	-
At 30 November 2009	**7,751**	**370**	**545**

11 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit/(loss) for the year	1,307	(528)
Issue of shares	4,753	394
Expenses of share issues	(226)	(123)
Share based payment charge credited to reserves	84	84
Equity component of convertible loan stock issue	-	370
Net addition to shareholders' funds	5,918	197
Opening shareholders' funds	10,986	10,789
Closing shareholders' funds	**16,904**	**10,986**

12 Pensions

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

13 Commitments under operating leases

The company had no operating lease commitments.

14 Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2009 the contingent liability amounted to £5,000 (2008 - £81,000).

The company has guaranteed some of the hire purchase obligations of its subsidiaries. At 30 November 2009 the contingent liability amounted to £13,693,000 (2008 - £15,576,000).

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 20 May 2010 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, 8 and 9 will be proposed as special resolutions.

Ordinary Resolutions

1. THAT, the accounts of the Company for the financial period ended 30 November 2009, together with the directors' report and the auditors' report on those accounts be received and considered.
2. 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.
3. THAT, Robert Dunn 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.
4. THAT, Simon Dunn 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 2011.

6. THAT, in substitution for all existing such authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the CA 2006 to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £2,719,230 (being approximately one-third of the issued ordinary share capital of the Company as at 7 April 2010) 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 2011 but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolutions

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(1) 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 £412,005 (representing approximately 5 per cent. of the issued ordinary share capital of the Company as at 7 April 2010);

7.2 shall expire at the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2011, 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 the CA 2006 to make market purchases (within the meaning of section 693(4) of the CA 2006) of Ordinary Shares provided that:-

8.1 the maximum number of Ordinary Shares which may be purchased is 3,296,037 (representing ten per cent of the Company's issued ordinary share capital as at 7 April 2010);

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 2011 (unless previously renewed, varied or revoked by the Company in general meeting); and

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

9. THAT:

9.1 the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 CA 2006, are to be treated as provisions of the Company's Articles of Association; and

9.2 the Articles of Association of the Company be further amended by inserting the following after Article 4:

"4(A) LIMITED LIABILITY

The liability of the members of the Company is limited to the amount, if any, unpaid on shares held by them."

By order of the Board

Kim Taylor
Company Secretary
8 April 2010

Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).
2. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified Resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to Resolutions) which may properly come before the meeting.
3. Shareholders may appoint a proxy or proxies:-

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

   3.2 in the case of CREST members, through the CREST electronic proxy appointment service.
4. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by one of the methods in note 3 above not less than 48 hours before the time for holding the meeting. In addition, any power of attorney or other authority under which the proxy is appointed (or a notarially certified copy of such power or authority) must be deposited at the offices of the Company's registrars, Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. Any such power of attorney or other authority cannot be submitted electronically.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear UK & Ireland") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting.
10. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be

accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

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

12. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at the close of business on 17 May 2010 shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, the close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.

Explanatory Notes to Notice of Annual General Meeting

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

Resolution 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 2009, 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 the 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 section 80 authority given under the Companies Act 1985 at the last AGM.
This authority will allow the directors to allot new shares up to a nominal value of £2,719,230 which is equivalent to one third of the total issued ordinary share capital as at 7 April 2010. The directors have no current intention of exercising this authority. This authority will expire at the conclusion of the next AGM, or 31 May 2011, whichever is the earlier.

Resolution 7 – Authority to disapply pre-emption rights
If equity securities (within the meaning of section 560 of the CA 2006) are to be allotted for cash, section 561 of the 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 the 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 allotments of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £412,005 which is equivalent to 5 per cent of the total issued ordinary share capital of the Company as at 7 April 2010 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 2011, 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 2009 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 3,296,037 ordinary shares, representing approximately 10 per cent of the issued share capital as at 7 April 2010. The directors intend to seek renewal of this power at each Annual General Meeting.

Resolution 9 – Amendments to Articles of Association

It is proposed in resolution 9 to amend the Company's articles of association (the "Articles") primarily in order to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006.

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and Articles. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The CA 2006 significantly reduces the constitutional significance of a company's memorandum. The CA 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the CA 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for companies existing at 1 October 2009, are deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the CA 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the CA 2006, are to be treated as forming part of the Company's Articles as of 1 October 2009. Resolution 9.1 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the Articles are being amended to include an express statement regarding the limited liability of the shareholders.

Recommendation

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

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