

30 August 2006

Rotala plc
(“Rotala” or ‘the Company’)

Unaudited Interim Results for the six months to 31 May 2006

Chairman’s Statement

Results for the period

I am pleased to be able to present this interim report to shareholders in respect of the six month period ended 31 May 2006.

In the period the Board continued to focus on turning round the fortunes of the Company both by the reduction of costs and cessation of unprofitable activities inherited from the previous management of the business. These actions included not only eliminating unnecessary expenditure but also discarding unprofitable contracts and replacing it with profitable revenue from new contracts. Since the acquisition of the Flights group of companies in August 2005, new and profitable revenues of more than £3.3 million per annum have more than replaced the unprofitable revenues discarded of approximately £2.5 million. Cost reductions achieved to date amount to more than £1.1 million per annum (compared to the cost base at the time of the acquisition of the businesses) and it is anticipated that plans already put in place will see this figure rise to an annualised value of more than £2.5 million by the end of 2007. The initial success of these measures is reflected in the recording of a gross profit for the group of £746,119 in the period to 31 May 2006, compared to the gross loss of £259,431 for the period to 30 November 2005. In view of the continuing success of efforts to reduce costs and to add profitable turnover, the Directors consider that the Company is moving steadily towards profitability in the medium term.

Provision for leases

The Board has undertaken a full review of the unsatisfactory and uneconomic vehicle leasing arrangements which it inherited with the acquisition of the Flights group. Negotiations to terminate or vary these contracts have commenced but no agreements have yet been reached. The acquired businesses continue to incur underlying losses because of these contracts; the adverse economic effects of these contracts will continue until they can be ended or re-negotiated. The underlying losses, though declining, will continue in the current year and will not finally be eradicated until 2007. These losses were provided for in the group accounts for the period ended 30 November 2005 and they will not have an impact on the profit and loss account in subsequent years. However, until negotiations are concluded, the existence of the contracts will continue to have an adverse impact on the cash flow of the group.

Increase of share capital

As a result of the increasing turnover of the Company, the continuing losses and the diversion of effort caused by the problems inherited from the vendor of the Flights group, the Directors considered that it was prudent to augment the capital of the Company. The Board determined that new equity funding should be raised to increase the Company’s capital resources and a placing of £1,625,000 was completed in April 2006. One of the principal objectives of the placing was also to raise funds to acquire the freehold of the Company’s 4.5 acre depot in Birmingham for £2 million. This step was successfully achieved. A commercial mortgage of £1.5 million was obtained on the property to assist in financing the acquisition. Now that the Company has secured a sizeable freehold base, it will seek opportunities to increase substantially its operations in the Birmingham area.

Prospects

The Board remains of the view that the transport sector offers opportunities for growth for the Company. The Directors believe that government policy on such issues as congestion and pollution, combined with increasing

customer demand for the specialist transport solutions that the group can offer, create an expanding marketplace for the group's services. Furthermore, the Board is still of the opinion that the many small and marginal businesses in the sector offer great opportunities to a consolidator such as Rotala. These two forces, increasing demand and opportunities to act as a consolidator, offer attractive growth prospects to the Company in the longer term; these were the original plans behind the Company's foundation and the Board sees no reason to deviate from this strategy. These plans do however require a strong operational and financial base and the directors anticipate that additional finance will be raised shortly to realise both these plans and to fund expected organic growth.

I am confident that we have created a sound infrastructure for the Flights business since we acquired it and that, using the strategy I have outlined above, we are well on the way to building a successful and profitable group.

John Gunn
Chairman

30 August, 2006

Contacts:

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Notes to Editors:

The Company was admitted to trading on AIM on March 29 2005, having been incorporated on January 21 2005 to invest in the transportation sector. In the transport sector, the Board anticipated that opportunities would arise in the provision of bus services, chauffeur-drive services, and integrated ground transportation. In the Company's admission document dated March 11 2005 the Board stated its intention to complete the Company's first acquisition within six months of Admission and in August 2005 it agreed the acquisition of the Flights Group of companies.

The Flights Group comprises three companies: Flights Hallmark, Flights Corporate Transfers and FH Transport. Flights Hallmark is a mature coach and bus business formed through the acquisition and amalgamation of a number of businesses. Its main activities include the provision of dedicated transport solutions for a range of corporate customers, the operation of various shuttle bus services and a substantial coach hire business. Flights Corporate Transfers operates chauffeur driven cars, particularly relating to transport to and from UK airports, for a range of airlines and airline-related customers. The third company, FH Transport, does not trade.

Consolidated profit and loss account

	Notes	Six months ended 31 May 2006 (unaudited)	Period ended 31 May 2005 (unaudited)	Period ended 30 November 2005 (audited)
		£	£	£
Turnover		8,026,749	-	3,960,795
Cost of sales		(7,280,630)	-	(4,220,226)
Gross profit/(loss)		746,119	-	(259,431)
Administrative expenses (Including goodwill amortisation of £259,285, £nil and £115,086 respectively)		(1,821,308)	(43,499)	(931,258)

Operating Loss		<u>(1,075,189)</u>	<u>(43,499)</u>	<u>(1,190,689)</u>
Interest receivable		1,284	27,538	67,429
Interest payable		(45,208)	-	(25,223)
Loss on ordinary activities before taxation		<u>(1,119,113)</u>	<u>(15,961)</u>	<u>(1,148,483)</u>
Tax on loss from ordinary activities		-	-	-
Loss on ordinary activities after taxation		<u>(1,119,113)</u>	<u>(15,961)</u>	<u>(1,148,483)</u>
Retained loss brought forward		(1,148,483)	-	-
Accumulated loss carried forward		<u>(2,267,596)</u>	<u>(15,961)</u>	<u>(1,148,483)</u>
Loss per share – basic and diluted	3	(0.54p)	(0.03p)	(1.33p)

Consolidated Balance Sheet

	Notes	At 31 May 2006 (unaudited) £	At 31 May 2005 (unaudited) £	At 30 November 2005 (audited) £
Fixed assets				
Intangible assets		8,313,431	-	8,322,717
Tangible assets		3,727,190	-	1,496,333
		<u>12,040,621</u>	<u>-</u>	<u>9,819,050</u>
Current assets				
Stocks		118,274	-	141,690
Debtors		2,464,942	314,241	3,752,080
Cash at bank and in hand		42,634	3,004,891	1,000,000
		<u>2,625,850</u>	<u>3,319,132</u>	<u>4,893,770</u>
Creditors: amounts falling due within one year		<u>(3,308,995)</u>	<u>(25,388)</u>	<u>(5,160,631)</u>
Net current (liabilities)/assets		<u>(683,145)</u>	<u>3,293,744</u>	<u>(266,861)</u>
Total assets less current liabilities		<u>11,357,476</u>	<u>3,293,744</u>	<u>9,552,189</u>
Creditors: amounts falling due after more than one year		(3,505,946)	-	(1,769,868)
Provisions		<u>(1,224,124)</u>	<u>-</u>	<u>(1,547,000)</u>
		<u>6,627,406</u>	<u>3,293,744</u>	<u>6,235,321</u>
Capital and reserves				
Called up share capital		2,803,077	1,070,000	1,719,744
Share Premium Account		3,525,258	2,239,705	3,097,393
Merger reserve		2,566,667	-	2,566,667
Profit and loss account (deficit)		(2,267,596)	(15,961)	(1,148,483)
Shareholders' funds		<u>6,627,406</u>	<u>3,293,744</u>	<u>6,235,321</u>

Consolidated cash flow statement

Notes	Six months ended 31 st	Period ended 31 st May	Period ended 30 November 2005
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		31 May 2006 (unaudited) £	31 May 2005 (unaudited) £	(audited) £
Net cash outflow from operating activities	4	(1,113,100)	(329,662)	(3,095,171)
Returns on investments and servicing of finance				
Interest received		1,284	24,848	67,429
Interest paid		(35,715)	-	(25,223)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(34,431)	24,848	42,206
Capital expenditure and financial investment				
Payment to acquire intangible fixed assets		(250,000)	-	-
Payments to acquire tangible fixed assets		(2,072,271)	-	(57,607)
Sale of tangible fixed assets		11,190	-	3,894
Net cash outflow from capital expenditure and financial investment		(2,311,081)	-	(53,713)
Acquisitions				
Expenses incurred in making the acquisitions		-	-	(603,835)
Bank overdraft acquired with acquisitions		-	-	(149,912)
Cash outflow from acquisitions		-	-	(753,747)
Cash outflow before use of liquid resources and financing		(3,458,612)	(304,814)	(3,860,425)
Management of liquid resources				
Decrease/(increase) in deposits with banks		1,000,000	(2,851,812)	(1,000,000)
Financing				
Issue of ordinary share capital		1,625,000	3,470,000	4,660,001
Issue costs		(113,801)	(160,295)	(309,530)
Mortgage raised		1,500,000	-	-
Cash inflow from financing		3,011,199	3,309,705	4,350,471
Increase/(Decrease) in cash for the period		552,587	153,079	(509,954)

Notes to the unaudited interim statement for the period ended 31st May 2006

- 1 Basis of Preparation: The financial information for the period has not been audited or reviewed. Rotala plc acquired the Flights Group of companies on 30 August 2005. The results for the period to 31 May 2005 therefore represent those of the Company only for that period. The results for the period ended 30 November 2005 include those of the Flights Group only for the three months ended on that date.
- 2 Accounting policies: the accounting policies used in this statement are the same as those which were used for the preparation of the audited accounts for the period ended 30 November 2005.
- 3 Loss per share: loss per share has been calculated in a manner based upon the weighted average number of shares in issue in the period of 208,283,884 (May 2005: 56,603,124; November 2005: 86,060,538). The share options outstanding at the period ends were not dilutive.
- 4 Reconciliation of Operating Loss to Net Cash Outflow:

Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities	Six months ended 31st May 2006	Period ended 31st May 2005	Period ended 30th November 2005
	£	£	£
Operating Loss	(1,075,189)	(43,499)	(1,190,689)
Amortisation of goodwill	259,286	-	115,086
Depreciation of tangible fixed assets	74,854	-	132,618
Decrease/(increase) in debtors	1,287,138	(311,551)	(413,342)
(Decrease)/increase in creditors	(1,362,515)	25,388	(1,603,491)
Decrease in stock	23,416	-	26,396
Loss/(profit) on disposal of fixed assets	2,786	-	(516)
Movement on provisions	(322,876)	-	(161,233)
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Net Cash Outflow from Operating Activities	(1,113,100)	(329,662)	(3,095,171)
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- 5 Additional Information: this Interim Report does not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985. Accounts for the period ended 30 November 2005 have been audited and the auditors' report thereon was unqualified. These accounts have been filed with the Registrar of Companies.
- 6 Other: copies of this Interim Report can be obtained by request from the company's registered office at 46, Cannon Street, London, EC4N 6JJ.

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