

25 August 2009

**Rotala plc**  
**("Rotala" or 'the Company')**

**Unaudited Interim Results for the six months to 31 May 2009**

Highlights

- Growth in turnover of 16 per cent. to £18.3 million (2008: £15.8 million)
- Underlying profit from operations of £1.8 million (2008: £1.2 million)
- Basic earnings per share of 3.00 pence (2008: 2.83 pence)
- Cash generated from operations of £1.7 million (2008: outflow £(0.1) million)
- Significant new contract wins
- Trading in the year to date continues to be in line with market expectations

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**Chairman's Statement**

I am pleased to be able to present this interim report to shareholders in respect of the six month period ended 31 May 2009.

**Financial analysis**

As I set out in my statement in the 2008 annual report, the Company has continued to make excellent progress in the first half of the 2009 accounting period. Turnover was up by 16 per cent. to £18.3 million (2008: £15.8 million). The gross profit margin improved to 23.0 per cent. (2008: 22.0 per cent.). Administrative expenses, after making due allowance for the negative goodwill credited in the comparative period, showed only a 5 per cent. increase.

Profit from operations before goodwill amortisation and share-based payment charges increased by 51.8 per cent. to £1.8 million (2008: £1.2 million).

Profit before tax for the six months to 31 May 2009 was £764,000, an increase of 32 per cent. on the £579,000 seen in the same period of 2008. The improvement in the performance of the business was also reflected in the figure for cash generated from operations. This measure stood at a figure of £1.7 million for the six months to 31 May 2009, compared to an outflow of £150,000 in the same period in 2008. Backed by this growing cash flow the board intends to initiate the payment of dividends out of the profits of the current financial year.

Furthermore, despite a 24 per cent. increase in the weighted average number of shares in issue in the period, basic earnings per share also increased by 6 per cent to 3.00 pence (2008: 2.83 pence). Overall, I am delighted with the progress which the company is making and which is reflected in these figures.

## **Strategy**

The strategy of the Company 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 will be opening a new depot in nearby Worcester in September 2009 with a comprehensive route network in and around this city. In London we have a considerable presence at Heathrow airport and we wish to expand our business in London if the appropriate opportunities arise. We also intend to continue to invest in the Bristol and Bath regions where we are considering a number of expansion opportunities. In each of our chosen areas of operation 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 these markets.

The turnover of the Company 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 Company's businesses as we continue to expand.

The Office of Fair Trading ("OFT") has been conducting a review of local bus services. In its recently published report the OFT has stated that it is minded to make a referral to the Competition Commission for a market investigation into local bus services. It is our opinion that the OFT report, and any subsequent reference to the Competition Commission, can only be of benefit to the smaller operators like Rotala. The effect of such government interventions should enhance the opportunities for competition in regional bus markets. The report may also have an influence on the size and shape of the bus business of our principal competitor in the West Midlands region. We believe that Rotala is well-placed to take advantage of any opportunities that arise from these developments.

## **New contracts**

It is pleasing to be able to report continuing success in achieving our target of sustained organic growth in the revenues of the Company through the addition of new contracts. A total of £4.7 million in new contract awards was announced on 20 April 2009. Since that date we have continued to be successful in this field and have recently won approximately £4.2 million in new contract awards. The principal components of these awards are as follows:

- Worcestershire County Council has awarded to our subsidiary, Diamond Bus Company, contracts with an annual value of approximately £1.65 million to commence new routes in and around the city of Worcester. These contracts have an average life of just over 2 years. These services commence on 1 September 2009.
- Centro (the organisation responsible for transport policy and provision in the West Midlands) has also awarded Diamond Bus Company a series of new contracts. These are for services in the Black Country area of the West Midlands. They have an annual value of approximately £1.84 million and an average life of some 2.5 years.
- Flights Hallmark Limited ("Flights") has been awarded by Advantage West Midlands a three year contract (with a further extension option of two years) to run a service from the new Ansty Business Park at junction 2 of the M6 into Coventry City Centre. The expected revenue from this service is some £200,000 a year.
- In Bristol, earlier in the year Flights was awarded by Bristol City Council an emergency contract to operate night buses on routes N1 to N8 in the city until September of this year. This contract has now been extended to April 2010 and will produce annual revenues of £165,000 for the Company.
- Also in Bristol, at the request of the University of the West of England, the number of vehicles provided by Flights under an existing contract has been further increased and, together with other small contract additions, it is expected that new revenues of approximately £340,000 will be generated from these new services.

This is a very encouraging improvement on our experience in 2008 when we were able to secure new contracts in both the public and private sectors with an annualised value of £5.6 million. Our success in obtaining new contracts underlines our commitment to increase the Company's turnover and returns to our shareholders and to become a significant force in transport operations in our chosen locations. The benefits of these recent contract wins will appear only in small part in the results for the second half of this year; the full impact will become visible in 2010.

## **Fundraising**

As previously announced we, in December 2008, raised £1.1 million in new equity, more than half of which was contributed by your board. At the same time a total of £865,000 in loan notes and loan stock was retired and replaced by the same sum in ordinary 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. These steps reduced the Company's debt by £1.3 million. Added to the benefits produced by the profits recorded in the first half of 2009, these fund raisings increased the capital base of the group by some £3.1 million, as can be seen in the attached unaudited interim consolidated balance sheet.

## Outlook

I am sure that more opportunities will arise out of the continuing need to improve public transport in the areas in which we operate, so that congestion may be relieved and pollution reduced. Further positive moves in the development of the Company are also likely in the second half of the year. I continue to believe that market conditions for a business based on public transport in its various forms are favourable, despite the current general business environment. We do not see any reduction in new opportunities and new tenders and, with our inherently lower cost base, we are well positioned to take on routes in our areas of operation which to the larger operators may seem marginal. I am pleased with the progress of Rotala in the first half of the year and I am confident that we will be able to make further progress in the second half of 2009.

John Gunn

Non-Executive Chairman

25 August 2009

### Condensed consolidated income statement

	Notes	Unaudited 6 months ended 31 May 2009 £'000	Unaudited 6 months ended 31 May 2008 £'000	Audited year ended 30 November 2008 £'000
Revenue		18,332	15,814	35,677
Cost of sales		(14,121)	(12,327)	(28,980)
Gross profit		4,211	3,487	6,697
Administrative expenses		(2,539)	(2,083)	(3,267)
Profit from operations	2	1,672	1,404	3,430
Finance income		4	22	28
Finance expense		(912)	(847)	(2,254)
Profit before tax		764	579	1,204
Tax expense		-	-	-
Profit for the period attributable to the equity holders of the parent		764	579	1,204
Earnings per share - basic	3	3.00p	2.83p	5.79p
Earnings per share - diluted	3	2.93p	2.72p	5.55p

<b>Condensed consolidated balance sheet</b>	Unaudited as at 31 May 2009	Restated and unaudited as at 31 May 2008	Audited as at 30 November 2008
	£'000	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	26,768	20,710	25,701
Goodwill and other intangible assets	9,743	9,863	9,803
Trade and other receivables	23	351	48
Total non-current assets	<u>36,534</u>	<u>30,924</u>	<u>35,552</u>
<b>Current assets</b>			
Inventories	768	335	694
Trade and other receivables	4,596	5,766	5,011
Cash and cash equivalents	398	41	509
Total current assets	<u>5,762</u>	<u>6,142</u>	<u>6,214</u>
<b>Total assets</b>	<u>42,296</u>	<u>37,066</u>	<u>41,766</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	(6,257)	(6,666)	(6,471)
Obligations under hire purchase agreements	(11,937)	(9,256)	(11,932)
Deferred income tax liabilities	-	(243)	-
Provisions	(59)	(101)	(59)
Total non-current liabilities	<u>(18,253)</u>	<u>(16,266)</u>	<u>(18,462)</u>
<b>Current liabilities</b>			
Trade and other payables	(5,166)	(5,580)	(6,759)
Loans and borrowings	(828)	(2,127)	(1,440)
Obligations under hire purchase agreements	(3,454)	(2,302)	(3,644)
Total current liabilities	<u>(9,448)</u>	<u>(10,009)</u>	<u>(11,843)</u>
<b>Total liabilities</b>	<u>(27,701)</u>	<u>(26,275)</u>	<u>(30,305)</u>
<b>Net assets</b>	<u>14,595</u>	<u>10,791</u>	<u>11,461</u>
<b>Capital and reserves attributable to equity holders of the company</b>			
Called up share capital	6,761	5,253	5,254
Share premium reserve	7,032	6,205	6,208
Merger reserve	2,567	2,567	2,567
Warrant reserve	370	370	370
Retained earnings	(2,135)	(3,604)	(2,938)

<b>Total equity</b>	<u>14,595</u>	<u>10,791</u>	<u>11,461</u>
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<b>Condensed consolidated cash flow statement</b>	Unaudited 6 months ended 31 May 2009	Restated and unaudited 6 months ended 31 May 2008	Audited year ended 30 November 2008
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Profit for the period	764	579	1,204
Finance expense	909	825	2,226
Depreciation	1,207	781	2,007
Amortisation	60	63	132
Gains on sale of property, plant and equipment	(30)	(111)	(23)
Negative goodwill arising on acquisition	-	(343)	(1,168)
Equity-settled share based payment expense	40	43	84
	<u>2,950</u>	<u>1,837</u>	<u>4,462</u>
<b>Cash flows from operating activities before changes in working capital</b>			
Decrease/(increase) in trade and other receivables	438	(1,433)	(357)
(Decrease)/increase in trade and other payables	(1,590)	(434)	1,101
Increase in inventories	(75)	(74)	(474)
Decrease in provisions	-	(43)	(86)
	<u>(1,227)</u>	<u>(1,984)</u>	<u>184</u>
<b>Cash generated from operations</b>	<u>1,723</u>	<u>(147)</u>	<u>4,646</u>
Interest paid on hire purchase and invoice discounting agreements	(680)	(600)	(1,797)
<b>Net cash flows from operating activities</b>	<u>1,043</u>	<u>(747)</u>	<u>2,849</u>
<b>Cash flows from investing activities</b>			
Interest received	4	22	28
Purchases of property, plant and equipment	(724)	(349)	(1,362)
Sale of property, plant and equipment	993	1,052	1,991
Purchase of intangible assets	-	(113)	(113)
Acquisition of subsidiaries net of cash acquired	-	(3,119)	(3,199)
<b>Net cash flows from/(used)</b>	<u>273</u>	<u>(2,507)</u>	<u>(2,655)</u>

**in) investing activities**

<b>Condensed consolidated cash flow statement (continued)</b>	Unaudited 6 months ended 31 May 2009	Restated and unaudited 6 months ended 31 May 2008	Audited year ended 30 November 2008
	£'000	£'000	£'000
<b>Condensed cash flow from financing activities</b>			
Issue of ordinary shares	2,331	272	272
Loan stock and bank loan interest paid	(173)	(81)	(362)
Issue of loan stock and notes	-	4,568	4,568
Inception of mortgage	650	-	-
Proceeds of hire purchase refinancing agreements	-	216	216
Loan notes repaid	(1,415)	(150)	(150)
Bank loan repaid	(21)	-	-
Capital element of lease payments	(2,698)	(2,120)	(3,968)
<b>Net cash (used in)/from financing activities</b>	<u>(1,326)</u>	<u>2,705</u>	<u>576</u>
Net (decrease)/increase in cash and cash equivalents	(10)	(549)	770
Cash and cash equivalents at start of period	(57)	(827)	(827)
Cash and cash equivalents at end of period	<u>(67)</u>	<u>(1,376)</u>	<u>(57)</u>

<b>Condensed consolidated Statement of Changes in Equity</b>	Called up share capital	Share premium account	Merger reserve	Warrant reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 December 2007	<u>5,089</u>	<u>6,102</u>	<u>2,567</u>	=	<u>(4,226)</u>	<u>9,532</u>
Profit for the period ended 31 May 2008	-	-	-	-	579	579
Total recognized income and expense for the period	=	=	=	=	<u>579</u>	<u>579</u>
Issue of share capital	164	226	-	-	-	390
Costs of issue of share	-	(123)	-	-	-	(123)

capital and loan stock						
Share based payment adjustment	-	-	-	-	43	43
Equity element on issue of loan stock with warrants	-	-	-	370	-	370
At 31 May 2008	<u>5,253</u>	<u>6,205</u>	<u>2,567</u>	<u>370</u>	<u>(3,604)</u>	<u>10,791</u>
Profit for the period ended 30 November 2007	-	-	-	-	625	625
Total recognized income and expense for the period	=	=	=	=	<u>625</u>	<u>625</u>
Share based payment adjustment	-	-	-	-	41	41
Issue of share capital	1	3	-	-	-	4
At 30 November 2008	<u>5,254</u>	<u>6,208</u>	<u>2,567</u>	<u>370</u>	<u>(2,938)</u>	<u>11,461</u>
Profit for the period ended 31 May 2009	-	-	-	-	764	764
Total recognized income and expense for the period	=	=	=	=	<u>764</u>	<u>764</u>
Share based payment adjustment	-	-	-	-	39	39
Issue of share capital	1,507	904	-	-	-	2,411
Costs of issue of share capital and loan stock	-	(80)	-	-	-	(80)
At 31 May 2009	<u>6,761</u>	<u>7,032</u>	<u>2,567</u>	<u>370</u>	<u>(2,135)</u>	<u>14,595</u>

## Notes to the unaudited Consolidated Interim Accounts for the six months ended 31 May 2009

### 1. Basis of preparation:

The accounting policies used in the preparation of these accounts are those that are expected to be used in the preparation of the annual financial accounts of the company for the year ending 30 November 2009. These policies are in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The unaudited consolidated balance sheet as at 31 May 2008 has been restated to reflect the treatment of the equity element arising on the issue of loan stock with warrants adopted in the audited accounts for the year ended 30 November 2008. The accounting policies applied in the preparation of these interim financial statements are consistent with those used in the financial statements for the year ended

30 November 2008.

## 2. Profit from operations:

The underlying profit from operations is analysed as follows:

	Unaudited 6 months ended 31 May 2009	Unaudited 6 months ended 31 May 2008	Audited year ended 30 November 2008
	£'000	£'000	£'000
Profit from operations	1,672	1,404	3,430
Share-based payment	40	43	84
Amortisation	60	63	132
Negative goodwill arising on acquisition	-	(343)	(1,168)
Underlying profit from operations	<u>1,772</u>	<u>1,167</u>	<u>2,478</u>

The negative goodwill arising on acquisition within profit from operations in the comparative periods has been analysed separately in order to enable a clearer and more useful comparison of the company's performance and profitability within each trading period.

## 3. Earnings per share:

Basic earnings per share have been calculated on the basis of profit after taxation and the weighted average number of shares in issue for the period of 25,476,181 (May 2008: 20,474,897; November 2008: 20,803,526). Diluted earnings per share have been calculated on the basis of profit after taxation (adjusted where necessary for the effect of convertible loan stock interest) and the weighted average number of shares in issue (including such potential issues as are dilutive) for the period of 32,412,510 (May 2008: 21,717,526; November 2008: 27,157,603).

## 4. Additional information :

The unaudited Consolidated Interim Report was approved by the Board of Directors on 24 August 2009. The consolidated interim financial information for the six months ended 31 May 2009 and for the six months ended 31 May 2008 is unaudited. The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section s434 of the Companies Act 2006.

The comparative financial information for the year ended 30 November 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Rotala plc for the year ended 30 November 2008 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 237(2) - (3) of the Companies Act 1985.

5. Copies of this statement are available from the registered office of the company at Beacon House, Long Acre, Birmingham, B7 5JJ or the Company's website [www.rotalapl.com](http://www.rotalapl.com)

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