

# Regulatory Story

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Rotala plc  
("Rotala" or "the Group")

Final audited results for the financial year ended 30 November 2009

Rotala (ROL.LN), is pleased to announce its final results for the year ended 30 November 2009.

## Highlights

- Growth in revenue of 14 per cent. to £40.6 million (2008: £35.7 million)
- Results before intangible asset expenses, share based payments and debt finance costs rose to a profit of £1.9 million (2008: £0.35 million)
- Profit from operations before intangible asset expenses, share based payments and debt finance costs up 43 per cent. to £3.5 million (2008: £2.5 million)
- Adjusted basic earnings per share 7.06 pence, adjusted diluted earnings per share 6.71 pence (2008: 1.67 and 1.64 pence respectively)
- Net assets at year end up 53 per cent. to £17.6 million (2008: £11.6 million)

• Cash flow from operating activities before changes in working capital and provisions up 29 per cent. to £5.8 million (2008: £4.5 million)

• Vehicle fleet at year end up to 450 vehicles

• Trading in 2010 is in line with expectations

For further information please contact:

Rotala Plc

John Gunn, Chairman

Simon Dunn Chief Executive

020 7621 5774

07825-808525

0121-322-2222

Kim Taylor, Group Finance Director

07825- 808529

0121-322-2222

Charles Stanley Securities - Nominated Advisor and Broker

020 7149 6000

Mark Taylor / Ben Johnston

## CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

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I am pleased to be able to make this report to shareholders of Rotala 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 the 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 per cent. and Cost of Sales 13 per cent. Gross profits in 2009 were therefore up by 17 per cent. 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 per cent. 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 below 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 3 to this statement. 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 per cent. 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 per cent. The gross assets of the Group stood at £44.2m at 30 November 2009, an increase of 6 per cent 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 per cent 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 per cent 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 per cent 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, Worcestershire 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 the Company the opportunity to expand its 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 also been successful in expanding our commercial bus revenues during 2009. This success in obtaining new work underlines the Company's commitment to increase Group turnover and to become a significant force in transport operations in our chosen locations.

## Green Bus Fund

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.

## 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. 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 the 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. Furthermore, on 1 April 2010, the Company paid its inaugural dividend, as a special interim dividend in respect of 2010, at a rate of 0.45 pence per ordinary share.

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

CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30 NOVEMBER 2009

	Note	2009 Results before intangible asset expenses, share based payments and debt finance costs	2009 Intangible asset expenses, share based payments and debt finance costs	2009 Results for the year	2008 Results before intangible asset expenses, share based payments and debt finance costs	2008 Intangible asset expenses, share based payments and debt finance costs	2008 Results for the year
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	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		(4,294)	(226)	(4,520)	(4,219)	952	(3,267)
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Profit from operations		3,532	(226)	3,306	2,478	952	3,430
Finance expense		(1,652)	(126)	(1,778)	(2,159)	(95)	(2,254)
Finance income		-	-	-	28	-	28
<hr/>							
Profit before tax	3	1,880	(352)	1,528	347	857	1,204
Tax expense		-	-	-	-	-	-
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Profit for the year attributable to the equity holders of the parent		1,880	(352)	1,528	347	857	1,204
<hr/>							
Earnings per share for profit attributable to the equity holders of the parent during the year:							
Basic (pence)	4			5.74			5.79
Diluted (pence)	4			5.66			5.55
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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

CONSOLIDATED BALANCE SHEET  
AS AT 30 NOVEMBER 2009

	2009 £'000	2008 £'000
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	26,381	25,701
Goodwill and other intangible assets	9,661	9,803
Trade and other receivables	-	48
Deferred taxation	23	23
Total non-current assets	<u>36,065</u>	<u>35,575</u>
Current assets		
Inventories	603	694
Trade and other receivables	5,647	4,988
Cash and cash equivalents	1,927	509
Total current assets	<u>8,177</u>	<u>6,191</u>
Total assets	<u>44,242</u>	<u>41,766</u>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	4,750	6,759
Loans and borrowings	1,938	1,440
Obligations under hire purchase	4,219	3,644
Total current liabilities	<u>10,907</u>	<u>11,843</u>
Non-current liabilities		
Loans and borrowings	6,261	6,471
Obligations under hire purchase	9,474	11,932
Provision	-	59
Deferred tax liability	-	-
Total non-current liabilities	<u>15,735</u>	<u>18,462</u>

Total liabilities	26,642	30,305
TOTAL NET ASSETS	<u>17,600</u>	<u>11,461</u>
Shareholders' funds		
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 EQUITY	<u>17,600</u>	<u>11,461</u>

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 NOVEMBER 2009

	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 flows from operating activities before changes in working capital and provisions	<u>5,759</u>	<u>4,462</u>

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)
	<hr/>	<hr/>
	(1,690)	184
	<hr/>	<hr/>
Cash generated from operations	4,069	4,646
Interest paid on hire purchase agreements and invoice discounting arrangements	(1,298)	(1,797)
	<hr/>	<hr/>
Net cash flows from operating activities	2,771	2,849
	<hr/>	<hr/>
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
Purchases of intangibles	-	(113)
Interest received	-	28
	<hr/>	<hr/>
Net cash used in investing activities	(377)	(2,655)
	<hr/>	<hr/>
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)
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Net cash (used in)/from financing activities	(1,189)	576
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,205	770
Cash and cash equivalents at beginning of year	(57)	(827)
	<hr/>	<hr/>
Cash and cash equivalents at end of year	1,148	(57)
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## Notes to the Preliminary Announcement of results for the year ended 30 November 2009

### 1. Basis of preparation:

The accounting policies used in the preparation of these financial statements are those that have been used in the preparation of the annual statutory financial statements of the company for the year ended 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.

### 2. Turnover

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.

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.

### 3. Profit before tax

Profit before tax includes the following:

	Intangible asset expenses, share based payments and debt finance costs 2009 £'000	Intangible asset expenses, share based payments and debt finance costs 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	<u>(226)</u>	<u>952</u>
Finance expense - amortisation of debt component of convertible debt	(126)	(95)
(Loss)/profit within Profit before Tax	<u>(352)</u>	<u>857</u>

#### 4. Earnings per share

Basic	2009 £'000	2008 £'000
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	<u>5.74p</u>	<u>5.79p</u>
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	<u>7.06p</u>	<u>1.67p</u>

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.

	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 loan notes	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
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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" in the Consolidated Income Statement.

## 5. Financial Information:

The Financial Statements for the year ended 30 November 2009 were approved by the Board of Directors on 8 April 2010. The financial information in this announcement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on the 2009 accounts; the auditors' opinion is unqualified and does not include a statement under section 496 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.

## 6. Further Information

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 at [www.rotalaplco.co.uk](http://www.rotalaplco.co.uk).

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Regulatory