Annual Report

for year ended 30 November 2020

ROTALA
passenger transport

DIAMOND

DIAMOND
NORTH WEST

DIAMOND
SOUTH EAST

prestonbus

hallmark

hotelhoppa

ROTALA
passenger transport

Rotala Plc

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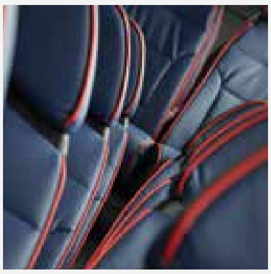
Website: www.rotalaplc.com

Contents

1

Rotala at a Glance


ROTALA
passenger transport
SUPPORT VEHICLE



Directors, Secretary & Advisers

Country of incorporation of parent company	England and Wales
Company registration number	05338907
Legal form	Public Limited Company
Directors	John Gunn (Non-Executive – Chairman) Graham Spooner (Non-Executive - Deputy Chairman) Simon Dunn (Chief Executive) Robert Dunn (Executive Director) Graham Peacock (Non-Executive Director) Kim Taylor (Group Finance Director)
Registered Office	Rotala Group Headquarters Cross Quays Business Park Hallbridge Way Tividale, Oldbury West Midlands B69 3HW Telephone: 0121 322 2222
Company Secretary	Kim Taylor
Nominated Adviser and Broker	Shore Capital & Corporate Limited Shore Capital Stockbrokers Limited Cassini House 57 St James's Street London SW1A 1LD
Auditor	Mazars LLP Statutory Auditor First Floor Two Chamberlain Square Birmingham B3 3AX
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
Bankers	HSBC Bank plc 120 Edmund Street Birmingham B3 2QZ

Rotala at a Glance

Rotala Plc is an AIM-traded company operating commercial and subsidised bus routes for businesses, local authorities and the general public.

Our Operating Companies:

- Diamond Bus Ltd
- Diamond Bus (North West) Ltd
- Hallmark Connections Ltd
- Preston Bus Ltd

Areas of Operation

Rotala Highlights

Despite a challenging year in 2020, Rotala Plc has continued to develop across our businesses nationwide.

Introducing brand new buses

During 2020, Rotala Plc introduced 125 brand new buses across our regional fleets

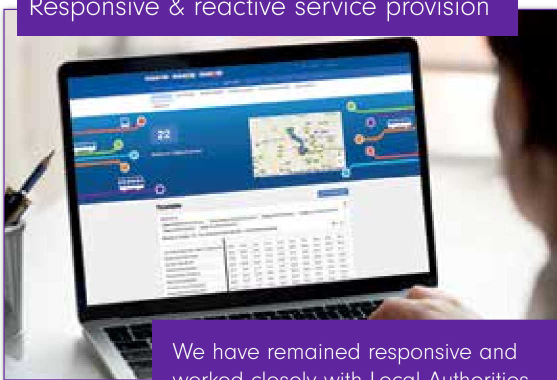
Reducing our environmental impact

Investment in new Euro 6 and low emission certified vehicles has furthered our commitment to reducing our environmental impact

Pioneering Covid-safe cleaning methods

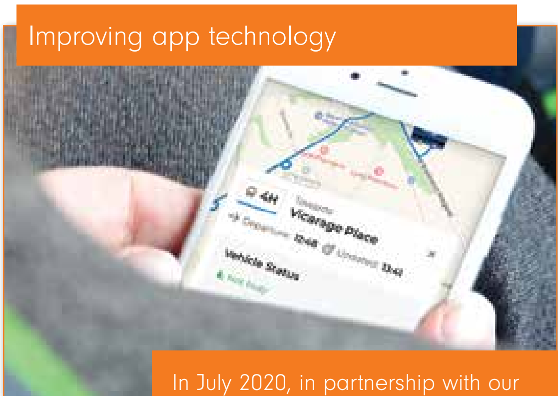
In May 2020, Rotala Plc was one of the first UK public transport companies to adopt pioneering daily Thermo-fogging cleaning across our fleet

Responsive & reactive service provision



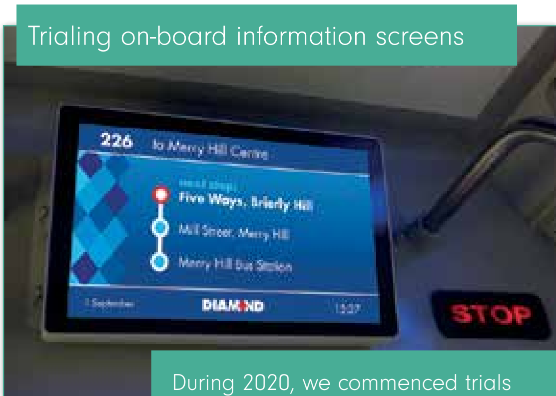
We have remained responsive and worked closely with Local Authorities to ensure services meet the changing demands of travellers

Improving app technology



In July 2020, in partnership with our technology providers we launched our new passenger capacity guide on the Diamond Bus Mobile App

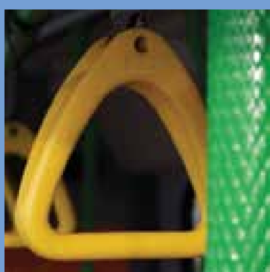
Trialing on-board information screens



During 2020, we commenced trials of on-board next stop announcement screens and on-board passenger wi-fi services on selected services

2

Review of Operations & Statutory Reports



Chairman's Statement and Review of Operations

I am pleased to be able to make this report to the shareholders of Rotala Plc for the year ended 30 November 2020.

Up until the COVID-19 pandemic triggered the first of the several "lockdowns" of the year, the group was trading in line with budget and was well on course to achieve its best ever annual results. However the pandemic, and the Government's response to it, meant that we were required to switch swiftly to a new basis of operation as restrictions on travel for all but essential workers were introduced on 23 March 2020.

Review of Operations

From the beginning of the COVID-19 crisis the support of Government at local and national level was and continues to be key to sustaining our operations. As soon as the first "lockdown" phase of the coronavirus pandemic began, the UK Government designated bus operation to be an essential service. Government also took steps, through specific direction provided by the Cabinet Office to all arms of the State at both national and local level and through the Department for Transport ("DfT"), to ensure that bus companies had sufficient cash flow to support the operations that they were being asked to run. These measures encompassed a specific COVID-19 Bus Service Support Grant (now renamed "CBSSG Restart") and the maintenance of Bus Services Operator's Grant, concessionary fares re-imbursements and payments for contracted bus services broadly at their pre-crisis levels. These measures are designed to put a bus company in a no profit/no loss position in return for the running of the level of bus service desired by the relevant Local Authority working in concert with the DfT. These support measures continue to be in place at the current time. We remain grateful to Government for recognising early that bus operation was indeed an essential public service and for putting in place the support measures that were necessary to keep services running in very adverse circumstances.

In response to these developments we consulted closely with the Local Authorities in whose areas we operate (as we were directed to do by the Government), reconfigured timetables to meet the likely new passenger levels and reduced driver rosters to match the new levels of service provision. By these means we were able to refine the costs of operation and conserve cash. Cash flow, both at EBITDA level and net of all debt, interest and other payments, was quickly stabilised. The bankers to the group, HSBC Bank Plc, responded to the COVID-19 crisis by increasing the group's overdraft facility to £6.6 million. The group has operated well within that facility in the intervening period and, whilst it has benefited from the grants Government is providing to the bus sector, it has not taken up any of the options offered under the various Government-supported loan schemes, and at the current time sees no requirement to do so. Besides the response of HSBC Bank Plc outlined above, the group benefited from a moratorium of between three and six months declared by the majority of hire purchase finance providers.

At the beginning of the pandemic passenger loadings fell to under 15% of expected levels on a like for like basis but then recovered slowly as the crisis eased into the summer of 2020 and the Government lifted many of the initial restrictions. When the new school year began in September 2020 and the holiday season ended loadings rose steadily to about 60% of those of the previous year. To match these increases bus service frequencies were gradually returned to pre-crisis levels. In the November 2020 lockdown period passenger volumes fell back once more to about 45% of the levels of the previous year but service frequencies were maintained. In the latest lockdown period put in place by the UK Government in January 2021 passenger numbers declined once more to about 25% of normal levels and service frequencies, working in co-ordination with Local Authorities and the DfT, were adjusted to 80% to 85% of pre-crisis levels. Since then however passenger numbers have recovered steadily and now stand at more than 50% of the levels seen before the COVID-19 pandemic. As lockdown restrictions are eased further, passenger confidence is likely to return more strongly. Service frequencies have already been restored to those operated before COVID-19.

As mentioned above, the CBSSG Restart scheme contains a ratchet mechanism which ensures that, as passenger numbers increase (or decline), grant support increases or declines, maintaining the no profit/no loss position for a bus operator. Government has confirmed that CBSSG Restart and all other support measures will continue in place for the time being. The DfT has stated that, if it decides to terminate CBSSG Restart, it will give eight weeks' notice of termination. This should give ample time for us to make any service changes which might be necessary following the withdrawal of the grant.

All employees not rostered to work in the initial lockdown period were placed into the Coronavirus Job Retention Scheme. At one time just under 50% of staff were on furlough but this proportion fell steadily as the lockdown restrictions eased in the early summer of 2020 and, bearing in mind that between 5% and 10% of staff are always on holiday, almost all staff were back at work by the middle of the year. The board is very mindful of the extraordinary demands made on the workforce of the group throughout this extended period of abnormal operation. The board therefore wishes to record its thanks to all employees for the stoicism and flexibility shown in these extraordinary times.

Results

For the year ended 30 November 2020 group revenues were £78.1 million (2019: £68.5 million). However, as mentioned above, there is no comparability between the two accounting periods and therefore little meaningful comparison to be made, except to point out that the 2020 figures include the benefit of a full year's ownership of the Bolton depot acquired in August 2019, but that the results for the previous year obviously do not include a contribution for a similar length of time. In the year to 30 November 2020 the grant and subsidy regime described above contributed £29.4 million to total revenues. The breakdown of this package of grants and subsidies is set out in note 4 to these accounts.

Despite the adverse operating conditions, before exceptional items, the group recorded an overall Operating Profit of £1.42 million for the year to 30 November 2020 (2019: £6.05 million). For the same period the group incurred a charge of £4.0 million for exceptional items, largely brought about by the COVID-19 crisis. The charge is analysed in detail in note 10 to these accounts and is the main cause of the loss before tax of £4.8 million (2019: profit before tax £2.6 million). The principal components of that charge are as follows:

- As the COVID-19 crisis took hold it rapidly became clear to the board that the oldest vehicles in the bus fleet (retained mainly to increase the flexibility of service operation) were very unlikely ever to see service again. Accordingly the board concluded that it would be more beneficial to group cash flow to sell these seventy one vehicles for scrap and take a one-off charge to the profit and loss account of £913,000. The group's cash flow will be improved by about £300,000 by the combined effect of the sale of the buses and the release back into the tyre pool of the tyres used by these vehicles;

- In order to hedge its requirement for diesel fuel, the group enters, in a normal year, into diesel commodity forward contracts. This means that the group's entire fuel derivative exposure is marked to the market price at the end of any reporting period. But immediately following the onset of the COVID-19 crisis fuel prices fell steeply and have since only slowly recovered. Therefore the profit and loss account for the year recognises the charge of £2.51 million required to reflect its losses in this regard.

The group has continued to take other measures to realign its operations to likely future requirements. At Heathrow Airport, the opportunity has been taken not to renew the lease of a depot near Hatton Cross station, which expired in October 2020, and to concentrate operations at the airport at the group's other depot on the south side of the airport perimeter road. This decision will result in annual savings of approximately £400,000. Most of the benefit of the decision will accrue in the financial year ending 30 November 2021.

In addition, the company has historically operated a small number of coaches. In the current operating climate there has been, as with many coach operators throughout the country, little demand for such vehicles. As the operating leases for these vehicles have come to an end, they have not therefore been replaced. As and when coach business returns, for example at Heathrow Airport, the board will consider the economic rationale for investing in this business stream and temper the scale of its investment accordingly.

Chairman's Statement and Review of Operations

(continued)

Fleet management

The COVID-19 pandemic delayed delivery of the buses for the Bolton depot ordered to replace those leased from First Group plc in accordance with the terms of the acquisition in August 2019. A large batch of these new vehicles arrived therefore in the second half of the year and caused the book value of passenger service vehicles and the hire purchase debt financing them to increase markedly by 30 November 2020. The remainder of the vehicles on order, with a value of some £10 million, almost all destined for Bolton, will arrive by the middle of 2021. In cash flow terms all these acquisitions will be cash neutral: the annual capital repayments on the new vehicles are no greater than the leasing costs of the vehicles they are replacing. In addition the replacement vehicles are far more fuel efficient and have much lower maintenance costs; they also meet the Low Emission Bus standards and so qualify for the enhanced rates of Bus Services Operator's Grant. Furthermore, given the change in circumstances since these orders were placed last year, we do not foresee any requirement, unless for completely new business, to acquire any vehicles for the following two years. In a normal year we would expect to invest about £4.0 million in the natural cycle of fleet replacement, so, after the initial large increase in the size of the outstanding hire purchase debt, that increase will be temporary and reduce rapidly so that, when the next re-equipment cycle begins, hire purchase debt levels will be comparable to those at the end of 2019 (at around £20 million).

Aside from the action taken on the fleet inherited with the Bolton acquisition, we have continued to be active in reshaping the group's bus fleet to match changing needs. Consequently the average age of the fleet fell to about 7.95 years (2019: 8.65 years). By the time the Bolton re-equipment has finished in mid-2021 the average fleet age will have fallen further to about 7.00 years.

When acquiring any vehicle new to the fleet we are acutely conscious of its emission standards and relative fuel consumption. We believe that having a modern and efficient bus fleet is a key aspect of customer service. Management monitors each vehicle in the fleet for relative fuel consumption, reliability and maintenance cost. Older vehicles also produce a greater level of emissions and we are keen to minimise this aspect of bus operation. Those vehicles that fall outside of acceptable parameters are designated for disposal.

Group Strategy

Before the COVID-19 crisis took hold in early 2020 the Government had announced an ambitious package of new funding to overhaul bus provision in every region outside London. It has now published a detailed strategy paper, "Bus Back Better", which lays out a comprehensive plan of reform and investment. New Enhanced Partnerships, combined with £3 billion of Government investment in 4,000 zero emission vehicles, are designed to re-invigorate the bus market all over the country and increase bus usage. We welcome this policy change and look forward to working closely with Local and National Government in making a success of these new initiatives. In Greater Manchester, Transport for Greater Manchester ("TfGM") has recently carried out another consultation on the franchising of bus services in Greater Manchester under the Bus Services Act 2017 and the Mayor has made the decision to proceed with franchising. In our view this decision stands at the end of a flawed process and we are challenging it (with another bus operator) in the courts.

Dividend

The company paid an interim dividend of 0.95 pence per share in December 2019. Given the advent of the coronavirus crisis the board decided that it was not prudent to recommend a final dividend in respect of the year ended 30 November 2019 to the Annual General Meeting in May 2020. One of the terms of the CBSSG Restart grant is that bus companies may not pay dividends as long as the grant is in place. Accordingly it will be necessary for the CBSSG Restart grant to cease and normal bus operation to re-commence successfully before the board can give any thought to the resumption of dividend payments.

Fuel hedging

When opportunities arose before the pandemic to hedge the fuel requirements of the group the board as usual took out fuel hedges, using diesel derivatives. As a result about 87% of the group's fuel requirement for 2021 is covered by hedging contracts, at an average price of 100p per litre, though the forecast fuel requirement of the group for 2021 is at the reduced level of about 11.5 million litres for the year. The group's forecasts anticipate fuel usage of about 14 million litres in 2022. About 54% of this fuel usage is covered by hedging contracts, at an average price of 87p per litre.

The Board will continue to monitor market conditions closely and take out such further fuel hedges as it deems are appropriate to meet its objective of reducing volatility in its costs and creating business certainty.

Financial review

Income statement

The Consolidated Income Statement is set out on page 39. Because of the COVID-19 crisis and the designation of bus operation as an essential service, Government provided a grant and subsidy support package to the bus industry (see note 4 of these financial statements for the breakdown of this package and its impact on group revenues). In return the group provided the service levels requested by the DfT and the Local Authorities in whose areas the group operates. These service levels also varied during the year, as the country moved into and out of lockdown periods and different parts of the country endured varying levels of restriction. Thus, looking at 2020 stand alone or 2020 against 2019, there is no useful comparison or comment to be made about the levels of Revenue, Cost of Sales, Gross Profit, Gross Profit Margin, Loss or Profit from Operations and Loss or Profit before Taxation.

Administrative expenses (setting aside exceptional items) did increase considerably compared to the previous year (from £7.56 million to £10.68 million). However a significant part of this increase was caused by the inclusion in the group of the new Bolton depot for a full year, rather than four months as in the previous year. Unsurprisingly COVID-19 caused overhead expense to increase in many areas but particularly in that of legal and professional advice, reflecting the need of management for a much enhanced level of legal and specific technical advice in very challenging and unusual times. The exit from the second Heathrow depot referred to above also caused a one-off dilapidation expense.

Finance expense in 2020 includes a charge of £393,000 for the interest element of leases falling under the ambit of IFRS 16. There is no corresponding charge in the same caption in 2019. IFRS 16 is being implemented for the first time this year, but, in accordance with an option in the accounting standard, the prior year figures have not been restated. The interest expense related to hire purchase agreements also rose in the year commensurately with the increased use of this type of vehicle finance. See note 9 to these financial statements for the full analysis.

The exceptional items represented by the mark to market provision on fuel derivatives and other exceptional costs are analysed in detail in note 10 to these financial statements. The principal components of the exceptional items are described fully in the "Results" section of this statement above.

There were no share issues in the year. As a result of all the factors set out above the basic loss per share in 2020, after all exceptional items, was 8.08p (2019: earnings of 4.00p per share).

Chairman's Statement and Review of Operations

(continued)

Balance sheet

The gross assets of the group grew by 17% in the year to £108.7 million at 30 November 2020 (2019: £92.6 million). The book value of property, plant and equipment increased by £13.7 million; part of this increase was due to the recognition, for the first time, of right of use assets totalling £1.3 million under IFRS 16. The rest of the increase reflected the delivery of about two-thirds of the vehicles ordered to replace those leased from First Group plc when the Bolton depot was acquired from them in August 2019. The asset represented by the defined benefit pension scheme decreased somewhat: asset values were maintained, but the actuary reduced the discount rate from 1.90% to 1.30%, thus increasing the net present value of liabilities. Note 25 to these accounts sets out the full detail. Goodwill and other intangible assets fell slightly as the result of the amortisation of the remaining £339,000 in contract-related intangibles.

Group stocks of parts, tyres and fuel fell by 19% compared to the previous year in response to the reduced demands under pandemic conditions. The growth in Trade and Other Receivables reflects the switch in revenue from cash, contactless sales and concessionary fares to the CBSSG Restart grant. This grant is subject to a complex series of submissions and reconciliations which inevitably considerably elongate the timing of the actual receipt of the income in cash.

The loans and borrowings of the group shown under Current Liabilities rose in response to the increased size of the overdraft (but this increase was offset to some degree by the increased holding of cash and cash equivalents at the year's end). Drawings under the group's Revolving Commercial Facility were unchanged year on year. Obligations under hire purchase contracts under both Current Liabilities and Non-current Liabilities increased as a result of the new vehicle deliveries for the Bolton fleet already mentioned above. Other lease liabilities in both Current and Non-current Liabilities are occasioned by the adoption for the first time of IFRS 16. In doing this the group has opted for the modified retrospective approach which does not involve the restatement of prior year figures. The gross liabilities of the group therefore rose to £78.1 million (2019: £56.02 million), an increase of 39%.

Therefore overall, mostly as the result of the losses inflicted on the group by the COVID-19 pandemic, the net assets of the group fell to £30.7 million at 30 November 2020, compared to £36.6 million at 30 November 2019.

Cash flow statement

Cash flows from operating activities (before changes in working capital and provisions) fell considerably to £6.35 million (2019: £9.50 million), a reduction of 33%, as a result of the fall in profits caused by the pandemic. However little working capital was absorbed compared to the previous year such that cash generated from operations, at £5.59 million (2019: £5.88 million), was only 5% down on the previous year. Interest actually paid on hire purchase agreements benefited from the moratorium declared by finance providers at the height of the COVID-19 pandemic. Interest paid on leases falling under IFRS 16 is shown separately for the first time, without any comparative for the reasons given above. Cash flows from operating activities therefore fell by 12% to £4.59m (2019: £5.21 million).

There were no acquisitions in the year. The sale of the surplus depot in Atherton, Greater Manchester served to offset the somewhat reduced level of cash expenditure on property, plant and equipment this year. Thus cash used in investing activities was only £292,000 compared to £7.2 million in the previous year.

Financing activities reflect the circumstances of the year. There were no share issues and no new bank borrowings. The only dividend paid occurred in December 2019, before the onset of the COVID-19 pandemic. Bank borrowings repaid in 2020 were slightly reduced by the payment moratorium already mentioned (the corresponding repayment in 2019 included a tranche of £1 million of mortgage principal linked to the sale of a property the previous year). The bank interest paid in the year was little changed. As with other borrowings of a similar nature the capital element of payments on hire purchase agreements benefited from the aforementioned moratorium. The capital element of leases falling under IFRS 16 is also shown separately for the first time, without any comparative in accordance with the modified retrospective approach adopted by the group in transitioning to the new standard. Thus overall £5.58 million in cash was used in financing activities in 2020 compared to the £282,000 in cash generated under very different circumstances in 2019.

In summary then cash and cash equivalents decreased by £1.29 million, which was, considering background events, a notably lower level of decrease than in 2019, when cash and cash equivalents decreased by £1.73 million compared to 2018.

Outlook

As mentioned above, the provisions of CBSSG Restart and the associated UK Government support measures have been designed to ensure that the group makes neither a profit nor a loss at the normalised level for as long as this package of measures is in place. Therefore any financial results for the year ending 30 November 2021 must be expected to conform to these restrictions unless and until CBSSG and its associated measures are terminated. Further announcements will be made on this matter as appropriate.

In making its forecasts for going concern testing purposes the board has assumed that social distancing measures on bus will drop away in the latter part of this year, together with the CBSSG Restart grant. The board has also assumed that passenger volumes will continue to be negatively affected throughout 2022 and that true recovery will not occur until 2023. At this stage these are little more than best guesses because the long term effects of COVID-19 on travel, living and working patterns are fundamentally unknown.

However, on the more optimistic side of the ledger, the Government's new National Bus Strategy does promise large scale fresh investment in bus transport. This must be a good thing for the industry in general. Our belief continues to be that the trends, which bus companies, both large and small, have sought to combat, largely unsuccessfully, over the last decade, have not gone away during the pandemic. If anything, as in so many walks of business, the crisis has speeded up the onset of those trends. However I continue to believe very firmly that the "new normal" in the bus industry, whatever its shape, will more than ever require management which is swift to think and swift to act. The slow, indecisive and cumbersome will be left behind. I am glad to say that Rotala possesses just the management team to prosper in those conditions with exactly the right characteristics and attitudes that are going to be required. Our track record over the last 15 years demonstrates this convincingly. Thus I think that your company is very well placed to take full advantage of the opportunities which are likely to occur for both organic growth and acquisitions,and I am therefore confident about the prospects of the group in the years ahead.

John Gunn
Non-Executive Chairman

Date: 5 May 2021

Strategic Report

For the year ended 30 November 2020

Rotala Plc is an AIM-traded company operating commercial and subsidised bus routes for businesses, local authorities, and the general public. Rotala was formed in 2005 and has grown largely through the acquisition of smaller local bus operations.

Rotala aims to develop profitable and sustainable revenue streams through the expansion of its commercial bus and contracted activities and by being an active participator in transport business trends in the UK. The board believes that government policy since the election of the Coalition Government in 2010 has profoundly upset the old order in the bus industry. It has made life much more difficult for the small bus operator at the same time as undermining the viability of many operating units within the businesses of the large operators.

Rotala's strategy is therefore to:

- Take advantage of the opportunities being created by the Bus Services Act 2017 in the West Midlands and Greater Manchester areas;
- Continue to consolidate smaller businesses via bolt on acquisitions in existing areas of operation;
- Look to consolidate unwanted business units from the larger bus operators.

Within these objectives Rotala Plc pursues the following key strategic goals:

- To achieve sustainable growth in shareholder value;
- To meet our stated progressive dividend policy;
- To improve continually the operational capability of the group; and
- To deliver a consistent quality of service to customers.

These goals are measured by:

- A focus on earnings per share and the resultant share price;
- A focus on strong organic growth and higher margin business;
- The level of new investment in infrastructure, technology and training with the objective of a sustained increase in operational efficiency; and
- Continually monitoring the timeliness and completeness of service delivery and levels of customer complaint.

Clearly all business activity contains risks. The objective of the board is to achieve the goals set out above whilst taking on acceptable, but not excessive levels of risk, so as to ensure that the company is viable in the long term. The key risks are outlined further below.

Rotala's Core Values

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

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

Our brands signify consistency, reliability and employee commitment.

Rotala's Mission

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

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

Rotala is committed to providing service excellence to stakeholders, by offering value for money and continuous improvement without compromising on the quality of service. 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.

Corporate governance

As the company's shares are traded on AIM, the company is required to comply with a Corporate Governance code. It has chosen as its benchmark the Corporate Governance Code developed by the Quoted Companies Alliance ("QCA"). On the company's website at www.rotalaplc.com/our-investors/corporate-governance-code.html is to be found a full analysis of the company's compliance with the QCA Code.

The board is responsible for the management and successful development of the group by:

- setting its 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 considers that it possesses collectively, through its members, a considerable range of experience in both transport and non-transport sectors. The board believes that this range of experience equips it well to supervise the running of the group and to give it effective direction. Members of the board commit through their contracts to devote as much time as is necessary to carry out their designated roles.

Strategic Report
(continued)

Departure from QCA Code

There is at present no formal performance review of individual directors or a formal review process of overall board effectiveness in accordance with Principle 7 of the QCA Code. In this respect only the company departs from the Code. The reason for this departure from the Code is that the Chairman considers that the company still retains the characteristics of its starting point: it began as a family company and in the main still is one. Given these attributes the Chairman takes the view that the formal review of the performance of each director is not appropriate. The board supports the Chairman in this approach. The board as a whole also believes that, at the current time, to review in any formal sense the effectiveness or the performance of the board would not serve any purpose. This does not mean that the board tolerates under-performance or lacks self-criticism. The Chairman has constructed a board in which he expects to see very robust, full and frank views delivered on the performance of the company and all other items on the agenda. This expectation is met at all board meetings. The board believes that it operates effectively at the current time in serving the strategic objectives of the company.

Succession planning in such an environment is difficult, as it always is in a family company. Succession to key executive roles is therefore a key risk, which the board acknowledges, while noting that it believes that no one is indispensable. As the company grows in size, the board expects that it too will grow commensurately. Over time therefore the expectation is that more formality over performance of individuals and board will naturally develop, as the company ceases to be reliant on its family base.

Board activity

The board meets regularly to review trading performance, to ensure adequate funding is available, to set and monitor strategy, and when appropriate, to report to shareholders. To enable the board to discharge its duties, all directors receive appropriate and timely information.

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

The attendance record of the board in the last year is as follows. Note that during much of the COVID-19 Crisis the board has met weekly. Almost all the meetings were held virtually:

Name	Number of board meetings in the last year	Number attended
John Gunn (Non-executive Chairman)	31	31
Graham Spooner (Non-executive Deputy Chairman and Senior Independent Director)	31	31
Simon Dunn (Chief Executive)	31	31
Robert Dunn (Executive director and Managing Director of all Rotala businesses in the North West)	31	31
Graham Peacock (Non-executive and Independent Director)	31	29
Kim Taylor (Group Finance Director)	31	31

Board Structures

The board is responsible for the governance of the company and the supervision of its activities. The board has however delegated certain of its roles and responsibilities to Board Committees, whilst reserving certain matters to itself. The chairmen of these Committees are responsible for making appropriate reports to the whole board on the activities of their committees.

The following committees of the board have been instituted. These committees are formed of the non-executive directors only:

Name	Nominations committee member	Audit committee member	Remuneration committee member
John Gunn (Non-executive Chairman)	Yes; chairman	Yes	Yes
Graham Spooner (Non-executive Deputy Chairman and Senior Independent Director)	Yes	Yes; chairman	Yes; chairman
Graham Peacock (Non-executive and Independent Director)	Yes	Yes	Yes

The functions of these committees are as follows:

1. Nominations Committee

The responsibilities of the Committee include role specification for any proposed new board appointment, short-listing and selection of candidates, and consideration of any appointment or re-appointment to the board, whether of executive or non-executive directors.

2. Audit Committee

The primary function of the Committee is to assist the board in fulfilling its oversight responsibilities by:

- serving as an independent and objective party to monitor the quality and timeliness of the financial reporting process and the internal financial control system;
- reviewing financial reports and other financial information in advance of their publication;
- monitoring, on a continuing basis, the systems of internal controls covering finance and accounting established by management and the board;
- monitoring the auditing, accounting and financial reporting processes generally.

The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal financial control system;
- review and appraise the audit efforts of the external auditors;
- provide an open avenue of communication between the external auditors, financial and senior management, and the board;
- confirm and assure the independence and objectivity of the external auditor.

3. Remuneration Committee

The Committee's primary duties and responsibilities are to:

- make recommendations on the company's framework of executive remuneration and its cost; this will include, as appropriate, the implementation and overview of the company's bonus and share option programmes;
- determine, on the board's behalf, specific remuneration packages for each of the executive directors, including pension rights and any compensation payments;
- approve any contract of employment or related contract with executive directors on behalf of the company;
- determine and approve any contract of employment of any other employee in respect of whom the board shall have requested the Committee to act.

Strategic Report
(continued)

In addition the board has reserved certain matters to itself. These matters include:

- Approval of interim and final financial statements;
- Approval of any significant changes in accounting policies or practices;
- Changes to the company's capital structure;
- Board appointments and removals;
- Responsibilities of and scope of tasks of the Chairman, Chief Executive and any other executive director;
- Terms of reference of and membership of board committees;
- .Approval of the group's long term objectives and commercial strategy;
- Approval of the group's annual operating and capital expenditure budgets;
- Changes to the group's management and reporting structure;
- Any acquisition or disposal of any business or company;
- Any contract of any description not in the ordinary course of business;
- Risk management strategy;
- Health and safety policy;
- Environmental policy.

The board does expect that, as the company grows in size and evolves, its governance structures will need to evolve and develop in commensurate fashion.

Relationships with stakeholders

In the bus industry there are many important interest groups. These groups may have direct influence over the company through the legal powers entrusted in them or they may possess a more informal influence, which is of no lesser importance to the company. The board regards it of the utmost importance to maintain contact with all these stakeholder interests and to listen to what they have to say. Identified more formally constituted stakeholders include:

- The Department for Transport and key government regulatory bodies (Traffic Commissioners and The Driver and Vehicle Standards Agency);
- Local Transport Authorities, Local Councils, local Members of Parliament, Local Councillors;
- Local bus user representative groups (including groups or charities with mobility interests);
- Individual bus users: individual bus users can make their views known via the company's website. This also incorporates a complaints facility. All complaints are recorded and systematically replied to.

The company is in constant contact at managerial level with all these stakeholders and conducts formal meetings with all of them, whether individually or through bus operator representative bodies. By these means the company gains insight not only into fresh legal or regulatory demands but also into the thinking and more general objectives of these stakeholder groups, with the added advantage of being able to influence them in return. The board receives regular reports of developments in these key relationships from the Chief Executive as part of his formal reporting. The company regards its relations with these bodies as being of critical importance in ensuring its success.

Other stakeholders include:

Employees

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 applications for employment from those who are disabled, to their training, career development and promotion, where employed, and to continuing the employment and training of those who become disabled while employed.

It is a key policy of the group to consider the health and welfare of employees by maintaining safe places and methods of work. The group employs a Health and Safety Auditor, who assesses regularly all places of work under a standardised testing scheme. Reports of these tests are communicated to the board.

Training is also a priority task and is a focus of considerable effort, especially in the field of dealing with passengers. All drivers are issued with a handbook at the commencement of their employment which sets out in detail the standards which they are expected to meet. All drivers are also regularly put through the training courses which are mandatory in enabling them to retain their driving qualifications.

Employees are briefed regularly about the performance and prospects of the group and their individual depots; they are also consulted about and involved in the development of the group in a number of ways, which include regular briefings, team updates and announcements. Executive directors and senior managers, as a matter of policy, are frequently on hand when services begin to run out first thing in the morning. By these means they make themselves known to all employees and enable themselves to get to know each individual employee. Managers pride themselves on being approachable and ready to listen to employee suggestions and comments about operating difficulties.

An SAYE scheme exists for the benefit of all employees. The details of the scheme are set out in note 28 to these financial statements. Because of COVID-19 no tranches under this scheme are however currently in issue.

Key suppliers and corporate customers

More formal relationships are conducted with corporate customers and key suppliers. Here the basis of the relationship is a written contract which governs dealings between the two parties. Contract performance reviews are regularly conducted with corporate customers. Here the key matters will be service delivery according to the targets embedded in the contract. It need hardly be pointed out that contract renewal is almost always dependent to some degree on the strength of the relationship with the customer and of course the performance against target. With the suppliers the relationship is the other way round: they are being held to account and their delivery performance reviewed against the agreed targets. Nevertheless a harmonious long-term relationship is always desired.

Relationships with shareholders

The company values the views of its shareholders and recognises their interest in the company's strategy and performance.

As regards institutional shareholders, the board obtains their views and expectations through the usual well-established channels:

- Face to face meetings with such shareholders as and when requested;
- Invitations to business tours if requested;
- "Road show" meetings as part of each half year and full year reporting cycle;
- Close liaison with the company's broker; and
- Regular meetings with the analysts covering the company (who are in turn in close contact with their clients).

The company's broker provides regular feedback on the outcomes of all these forms of meeting and this feedback is distributed to the whole board. Each member of the board also receives all notes published by the analysts which follow the company.

Strategic Report
(continued)

As regards private shareholders the Annual General Meeting and the Annual Report are the principal channels of communication. The directors are always available to answer questions at the Annual General Meeting. Private shareholders are encouraged to participate via the AGM but very few private shareholders presently attend it. Aside from the AGM, it is harder for the company to ascertain the views and expectations of private shareholders directly. Besides these initiatives the company normally attends a number of conferences during the year which are specifically aimed at the private shareholder. These events give the private shareholder the opportunity to ask questions and convey their views. The board has found these to be valuable and will continue to engage with private shareholders by these means. Any question can be put to the company by e-mail at info@rotala.co.uk

All historic annual reports, and Stock Exchange announcements, together with other key organisational documents, are available from the company's website www.rotalaplc.com/our-investors/annual-reports.html. The results of AGM business are announced via the Regulatory News Service, together with the details of each vote for and against AGM resolutions.

Streamlined energy and carbon reporting

Rotala, being an unquoted large company as defined, is required for the first time this year to disclose its annual energy use and greenhouse gas emissions, and related information.

Fuel	Millions of KWH	Emissions – tonnes gross CO2e
Diesel	116.0	27,820
Gas	2.50	456
Electricity	1.40	316
Total	119.9	28,592
Intensity ratio per £'million of revenue		366

Methodology

The figures in the above table have been derived from records of actual diesel fuel usage, gas and electricity consumption in the reporting period. These consumption statistics have then been converted into kilowatt hours ("KWH") and tonnes of gross CO2 equivalent ("tonnes gross CO2e") using the conversion factors set out in the paper "UK Government GHG Conversion Factors for Company Reporting".

As can be readily appreciated from the above table 97% of the group's energy consumption and CO2 emissions comes from the bus fleet. As set out in the section on "Fleet Management" in the Chairman's Statement, the board is acutely conscious of the emission standards both of the fleet as a whole and its individual component vehicles. The board's aim, over time, is gradually to improve the emission standards of the group and this policy guides the board's decisions on fleet replacement. All new vehicles introduced into the fleet in 2020 and on order for delivery in 2021 are of a minimum EURO VI standard.

The above table sets out an Intensity Ratio for the year of 366 tonnes of CO2e per £'million of revenue. This is unlikely, however, to provide a useful comparative in the future or form a suitable base year. This is because the year under report was a most unusual year as a result of the impact of COVID-19 on the group. Service levels varied considerably from month to month according to Government requirements and so, for example, diesel fuel usage totalled about 11 million litres in the year, when a full year of standard service operation might have been expected to require the use of about 15 million litres of diesel. It is also apparent that the statistics in the above table are sensitive to the split in the fleet between single- and double-deck vehicles. Double-deck vehicles are heavier and therefore use more fuel per mile driven. One feature of the re-equipment programme for the Bolton depot described in the "Fleet Management" section of the Chairman's Statement is that the programme, once complete, will see a fleet which has a much higher preponderance of double-deck vehicles than the interim fleet leased from First Group plc as part of the Bolton acquisition. Therefore the Intensity Ratio will take several years to settle down to a consistent time series which can be usefully compared and interrogated.

Statement in relation to Section 172 of the Companies Act

The board makes the following statement for the year ended 30 November 2020 in relation to Section 172 of the Companies Act.

Acting in good faith

The paragraph headed "Rotala's Core Values" above sets out very clearly the board expectations in this area. Attention is drawn in particular to these words in that paragraph: "Our commitment is to conduct business in an ethical manner". This is a statement by which the board has stood for many years and continues to do so.

Reputation

The paragraph above headed "Rotala's Mission" sets out the commitment to deliver consistent quality of service in accordance with the service level requirements of all stakeholders, while at the same time offering value for money. The board also aims continually to improve the quality of service delivery, which it successfully did throughout the year despite the malign effects of the COVID-19 pandemic.

Long-term decisions

By its very nature the bus industry is a long term business. Some of the company's bus routes, particularly those in urban centres, are the same today as they were a century and more ago, when they would first have been operated by horse drawn trams. This factor therefore requires decision making of an equally long term nature. As set out in its statement on "Strategy" above, the board, in its decision making always seeks to build profitable and sustainable revenue streams with the aim of improving continually the operating capability and efficiency of the group.

During 2020 however the board focused most of its energies on combatting the impact of the COVID-19 crisis on the company. As described in the Chairman's Statement this involved extensive, and very close, co-operation with relevant Local Authorities, Transport Authorities (particularly in the West Midlands and Greater Manchester) and the Department for Transport throughout the period.

Employees

The paragraph above headed "Employees" describes the many avenues by which employees are made aware of the progress of the group's business and their part in enhancing service delivery and continually improving the group's performance. The board also believes that employee training is a key contributor to the improvement in service delivery. Much effort is put into this activity, backed up by a very extensive handbook which every employee receives upon joining the group. As noted above this handbook lays out in great detail the standards to which every employee is expected to adhere.

Another key aspect of the operation of a bus company is a healthy and safe working environment, as much for passengers as for employees. Even in normal times the safety and security of passengers and employees is the first priority of the board. Indeed a standing item on the board meeting agenda is the one for "Health and Safety". All material events involving risk to Health & Safety are required to be reported to the board for consideration at every meeting. This subject has of course been of particular relevance during the COVID-19 crisis. Bus seating had first to be reconfigured on every vehicle to meet the changes in "social distancing" regulations during the year. At the same time measures had to be taken wherever possible to protect drivers from coronavirus. Generally group policy had been, before COVID-19, to see screens around the driver's cab as erecting a barrier between customer and driver. Now, with the onset of COVID-19, the board decided that screens should be re-installed. The decision was therefore taken right at the beginning of the crisis to do this at a cost of £300,000 before it was clear whether or not the Department for Transport would pay for this work (which turned out to be included in the grant package offered by the Government).

Business relationships

The manner in which the relationships with suppliers, corporate customers and other key stakeholders are governed is set out in the paragraphs above headed "Relationships with stakeholders" and "Key suppliers and corporate customers". Inevitably there is a certain tension between the interests and outlooks of these groups and the interests of shareholders but the board's approach is always to look to the long term and attempt to achieve a fair balance between the sometimes conflicting interests of these stakeholder groups.

Community and the environment

The board recognises that many of its individual bus users are completely reliant on the bus services provided by the group for their mobility because they do not have access to a car. Thus the board is keenly aware of its responsibility to ensure that it delivers low-cost, reliable and efficient services to its customer base, particularly to these individual bus users.

Bus services are furthermore largely delivered in high-density urban environments where the reduction in pollution from vehicles is a key aim. The board has been committed for many years to upgrading the group's bus fleet while continually improving the bus fleet's emission standards and fuel efficiency. The paragraph in the Chairman's Statement headed "Fleet Management" should be consulted for a full description of the progress in this area over the year. The Streamlined Energy and Carbon Report above should also be consulted for the impact of the group's business on the environment.

Strategic Report
(continued)

Principal risks and uncertainties

The directors consider that the following factors may be considered to be the material risks and uncertainties facing the group in normal circumstances. The impact of the Coronavirus epidemic on the bus industry and patterns of travel after all restrictions are lifted is largely unknown. It is therefore not possible at this time to evaluate and describe all the potential risk implications for the business of the group and the company. Although the board is unable comprehensively to assess the risks arising at this time, it has nevertheless taken action to mitigate these risks. The actions taken so far are set out in detail in the Chairman's Statement.

Risk	Potential impact	Management or mitigation
Variations in the price of fuel.	Fuel is a significant cost to the business. If fuel increases in price in circumstances where sales prices cannot be increased, then profitability will be affected.	Management monitors fuel prices closely, negotiates fuel escalator clauses where possible and increases fares if input costs rise in a sustained pattern. Management enters into fuel price fixing arrangements as described in the Chairman's Statement. Management also monitors fleet fuel efficiency and uses technological aids to optimise fuel usage.
The availability of sufficient capital and leasing facilities to finance the growth in the group's businesses.	The group may miss growth opportunities.	Management maintains close contact with actual and potential shareholders. Relationships with the providers of the group's asset financing and banking facilities are dealt with centrally in order to keep them fully briefed about the progress of the group. All bank account and treasury management is conducted at group level.
New government legislation (such as the Bus Services Act 2017) or industry regulation.	Significant unplanned or unforeseen costs may be imposed on the business.	Management continually monitors regulatory and legal developments and participates keenly in industry forums. Management also ensures that it responds to requests for information and insight from governmental bodies.
Availability of management resources of the appropriate quality.	Lack of appropriate management skills damages the business and its prospects.	The board continually assesses skill requirements, management and structures as the business grows. Appropriate recruits are brought into the business and any necessary management development courses are instituted.
Fleet insurance and cover and level of vehicle insurance rates – particularly in the event of a major accident involving passenger fatality.	The group may not be able to obtain adequate levels of insurance cover.	The group is self-insured for high frequency claims of low value, as set out in the group's accounting policies. Claims above a certain level are comprehensively insured in the normal way. Driver training emphasises a risk - averse culture. Accident rates are monitored centrally. Claims are managed by a claims handler who works closely with the group's insurance adviser and insurers. Relationships with insurance brokers and providers are considered to be key and are managed centrally by the group.

Streams of Business

The business is composed largely of contracted or predictable commercial revenue streams which equate to more than 90% of current revenue levels. To achieve this level of predictability the business focuses on the development of its three principal revenue streams: contract, commercial and charter.

Contract

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

1. Individual organisations: these can have specific transport needs. Private bus networks are designed on a bespoke basis around these needs;
2. Local authorities: since bus denationalisation in the 1980's the bus market has evolved and the dominant operators are now more focused on creating profitable route networks, in contrast to the pre-denationalisation approach when size and breadth of service were the sole concerns. Thus commercial bus groups have, over time, either curtailed or withdrawn services and Local Authorities have made decisions that there is a social need to subsidise the on-going provision of bus services to locations which would not support a commercial bus route. Contracts for these subsidised services operate on a variety of different bases but the contracted element of the revenue is included under this heading. Major examples of these types of services during this accounting year were operated under contract to TfGM, TfWM, Lancashire County Council and Surrey County Council.

Commercial

On a purely commercial bus service, the company takes all the risk of operation. Where a contracted service obliges the operator to take an element of revenue risk (the proportion of which can vary considerably), the variable element of the revenue is also included under this heading. Since its foundation Rotala has considerably expanded the number of commercial services it conducts in all of its operating areas.

Charter

Besides the main business streams above, Rotala also provides a private hire service to a variety of customers. Typically this covers business or service disruption, such as rail replacement or plane diversion.

Key performance indicators (KPIs)

The key performance indicators of the group from continuing operations (before mark to market provisions, acquisition expenses and other exceptional items) are considered to be:

	2020	2019
Revenue	£78,115,000	£67,533,000
Gross profit margin	15.5%	20.0%
Profit from operations before mark to market provisions and other exceptional items	£1,422,000	£6,053,000
(Loss)/profit before taxation and mark to market provisions and other exceptional items	(£782,000)	£4,418,000

The key performance indicators of the group from continuing operations (after all exceptional items) are considered to be:

	2020	2019
Revenue	£78,115,000	£67,533,000
Gross profit margin	15.5%	20.0%
(Loss)/profit from operations	(£2,577,000)	£4,247,000
(Loss)/profit before taxation	(£4,781,000)	£2,612,000

Strategic Report
(continued)

These key performance indicators are used as follows:

1. Revenue: this measure is a key indication of the success of the group in increasing its market share and thus its prominence within the bus industry. Management also tracks this measure and compares it to the targeted turnover levels which will maximise the throughput that the group achieves within its current depot infrastructure. The more throughput achieved, up to the maximum practicable amounts, the more efficient will be the group's operations;
2. Gross profit margin: it is fundamental to the longer term sustainability of the group that it attains a suitable level of gross profit in all of its activities. In any contracted business the gross profit margin is computed as part of the pricing process. Actual margin is then monitored in relation to the contract and service delivery targets. Gross profit margin will vary depending on the type, location and duration of the contract. Where the revenue is variable and derived from passengers, routes are constantly monitored for gross profit margin. Passenger loadings are also analysed and, in concert with margin analysis, frequencies and routes adjusted to maximise revenue yields. In these instances margins will vary in acceptability depending upon the length, locality and maturity of the route and the extent of competition;
3. Profit from operations before exceptional items: profit from operations before mark to market provisions and other exceptional items is a very important determinant of the long term success of the whole business. Because this indicator is calculated before interest it represents the theoretical debt-free performance of the group and is thus a key measure of value. It is also a measure of how effectively and efficiently the group is using its operating assets, particularly in relation to its peers. Therefore this metric is monitored monthly and progress is frequently reviewed;
4. Profit before taxation before mark to market provisions and other exceptional items: this indicator is a key determinant of return to shareholders. Therefore it is monitored through the prism of the monthly management accounts and reviewed by the board at its monthly meetings. The board places particular emphasis upon the target that this indicator should grow constantly because in this manner it can be confident that it is serving the interests of shareholders and providing the group thereby with the means to sustain its ambitions to increase its overall levels of business.

Trading results and Statement of Financial Position

A review of the group's activities, using its key performance indicators, and a review of its future prospects are contained in the Chairman's Statement and Review of Operations on pages 10 to 15. The group's results for the year are set out on page 39. The results of the year and the financial position as at 30 November 2020 are considered by the directors to be satisfactory.

Going concern

The UK Government from early in the COVID-19 pandemic designated bus operation to be an essential service. Passenger numbers have varied considerably over the last year as the economy has sprung in and out of lockdown. At present Government continues to support the operation of bus services with a specific grant package, including CBSSG. However it is still impossible to say what effect the pandemic will have had on living and work patterns in the long term and therefore what the impact of any new trends will be on demand for bus travel.

In the light of this uncertainty the board has examined its strategy and considered its profit and loss and cash flow projections for the accounting periods to 30 November 2023. It has assumed that CBSSG and social distancing will continue for the remainder of 2021 but have ceased by the beginning of 2022. It has further assumed that reduced passenger volumes will continue throughout 2022 and only recover in 2023. It has also evaluated the hire purchase, loan and overdraft facilities available to the group in connection with the period examined. After due enquiry and the modelling of severe downside scenarios, the board has judged the cash flow forecasts, asset financing and banking resources of the group to be adequate to support its continued operations for the foreseeable future and has adopted the going concern basis in preparing the financial statements.

By order of the Board.

Kim Taylor
Secretary

Date: 5 May 2021

Directors' Report

For the year ended 30 November 2020

The directors present their statutory report for the group for the year ended 30 November 2020.

Directors

The following Directors have held office during the year:

J H Gunn
R A Dunn
S L Dunn
G F Peacock
G M Spooner
K M Taylor

Future developments and achievement of strategic goals

Likely future developments in the business and the progress that the group has made towards its strategic goals are required to be addressed in the Directors' Report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in accordance with section 414C (11) of the Companies Act. In these accounts reference should be made to the Chairman's Statement and Review of Operations set out on pages 10 to 15 for a full description of these matters.

Streamlined energy and carbon reporting

Unquoted 'large' companies (like Rotala) are also required to disclose their annual energy use and greenhouse gas emissions, and related information in the Directors' Report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008'. In these accounts reference should be made to the Strategic Report on page 22 for a full description of these matters.

Financial instruments

Details of financial instruments, including information about exposure to financial risks and the financial risk management objectives and policies, are given in note 31.

Dividends and Share Price

An interim dividend in respect of 2019 of 0.95p per share was paid on 13 December 2019. In response to the COVID-19 pandemic the directors decided not to recommend a final dividend in respect of 2019 to the AGM. No dividends have been paid or are proposed in respect of the year ended 30 November 2020. The total cash outflow for dividends paid in the year was therefore £476,000.

The company's share price at 30 November 2020 was 28.00p (2019: 52.00p). The high and low prices in the year were 55.00p and 18.50p respectively.

Directors' Report
(continued)

Effect of the Withdrawal of the United Kingdom from the European Union

The directors do not anticipate that the withdrawal of the United Kingdom from the European Union will have or has had any material impact on the business of the company or the group.

Effect of the COVID-19 pandemic

The impact of the Coronavirus epidemic, following its emergence and the various stages of restriction which the UK Government imposed in response, is fully described in the Chairman's Statement, to which reference should be made upon this matter.

Directors' interests

The beneficial interests of the directors and their families in the company's shares and share options were at 30 November 2020 and 2019 as follows:

		2020 Ordinary shares of 25p each	**2020** Options over ordinary shares of 25p each	**2019** Ordinary shares of 25p each	**2019** Options over ordinary shares of 25p each
J H Gunn	Beneficial	5,649,987	-	5,649,987	-
R A Dunn	Beneficial	1,549,676	615,000	1,237,425	615,000
S L Dunn	Beneficial	1,720,187	900,000	1,656,687	900,000
G F Peacock	Beneficial	3,184,166	-	3,184,166	-
G M Spooner	Beneficial	696,540	-	518,000	-
K M Taylor	Beneficial	590,556	395,000	590,556	395,000

J H Gunn is also a director of and shareholder in The 181 Fund Limited: see note 32 – Related Parties and Transactions.

Share options	At 30 November 2019	Exercise Price	At 30 November 2020	Date Exercisable	Date of Expiry
R A Dunn	615,000	54.00p	615,000	24/11/2017	23/11/2024
S L Dunn	900,000	54.00p	900,000	24/11/2017	23/11/2024
K M Taylor	395,000	54.00p	395,000	24/11/2017	23/11/2024

The remuneration of the directors is set out in note 6 of these financial statements. 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 32 – Related Parties and Transactions.

Substantial shareholdings

As at 30 April 2021 the company had been notified that the following were interested in 3% or more of the ordinary share capital of the company:

Name	Number of Ordinary Shares	%
Mr Nigel Wray	7,609,400	15.19
Close Asset Management Limited	6,481,070	12.94
Mr John Gunn	5,649,987	11.28
Mr Graham Peacock	3,184,166	6.36
Mrs S Tobbell	3,184,166	6.36
Mr Simon Dunn	1,720,187	3.43
The 181 Fund Limited	1,702,443	3.40
Mr Robert Dunn	1,549,676	3.09

Purchase of own shares

Ordinary shares have been purchased for treasury in order to meet the need to issue shares in respect of the exercise of share options.

	2020 Number	2020 % of called up share capital	2020 £ Cost or proceeds	2019 Number	2019 % of called up share capital	2019 £ Cost or proceeds
Ordinary shares held in treasury at beginning of year	833,809	1.64	805,540	854,338	1.75	817,036
Acquired during the year	-	-	-	-	-	-
Issued for cash in respect of share option exercises	-	-	-	(20,529)	0.04	(11,496)
Ordinary shares held in treasury at end of year	833,809	1.64	805,540	833,809	1.64	805,540

The maximum number of ordinary shares held in treasury during the year was 833,809 (2019: 854,338), representing 1.64% of the called up share capital of the company (2019: 1.68%)

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company. Appropriate directors' and officers' liability insurance cover is in place in respect of all the directors.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The directors have elected to prepare the parent company financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Employment policies and employee involvement and communication

The group's policies in the matters of employment (including the disabled), employee involvement and communication are dealt with in the Strategic Report, to which reference should be made for these items. The Strategic Report also covers such matters as relationships with customers and suppliers.

Note 34 should be consulted for any significant post balance sheet events.

Auditors

Mazars LLP have expressed their willingness to continue in office as auditor. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

For the year ended 30 November 2020, the group has taken advantage of the exemption offered in sections 479A – 479C of the Companies Act 2006 and some of its subsidiaries have not been subject to an individual annual audit. Rotala Plc has given a statutory guarantee to each of these subsidiaries guaranteeing their liabilities, a copy of which will be filed at Companies House.

By order of the Board.

Kim Taylor
Secretary

Date: 5 May 2021

Company No: 05338907

Independent Auditor's Report

To the members of Rotala Plc

Opinion

We have audited the financial statements of Rotala Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2020 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Risk	Our Response
Revenue Recognition The group's accounting policy for revenue recognition is set out in the accounting policy notes on pages 48 and 49. Revenue is a material balance for Rotala Plc and represents the largest balance in the consolidated statement of comprehensive income. An error in this balance could significantly affect a user's interpretation of the financial statements. Risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. As a result, we identified revenue recognition, and in particular cut-off on both the contracted and commercial revenue streams, to be a key audit matter. Considering the impact of COVID-19 on Rotala Plc's activities during the year, which resulted in the receipt of various government grants, we also considered the revenue recognition risk to extend to income from the government support schemes that Rotala Plc has benefitted from. These include the Covid-19 Bus Service Support Grant (CBSSG) and Bus Service Operators Grant (BSOG). As a result, we identified cut-off on the balance to be a key audit matter.	Our procedures over revenue recognition included, but were not limited to: • Reconciling the commercial income receipts in the year through to the Till Receipt system and nominal ledger to an immaterial difference. • Detailed testing of a sample of revenue transactions pre and post year end to ensure they were accounted for in the correct period. In respect of grant income received or receivable, our procedures included: • Verifying receipts to bank statements • Assessing the accuracy of underlying data used to compile claim submissions and reviewing the appropriateness of expenses claimed with reference to the grant conditions. **Our observations:** As a result of the audit procedures performed, we did not identify any material misstatement in both contracted and commercial revenue streams. We also did not identify any material misstatement in respect of government grant receipts.
Impact of the outbreak of COVID-19 on the financial statements Covid-19 has continued to have a significant impact on many organisations causing widespread disruptions to normal patterns of daily life. As a result, the UK government has implemented various policies and procedures designed to restrict the spread of the virus. These measures continue to have an adverse impact on Rotala Plc's activities with the restricted movements for individuals resulting in a major reduction in passenger numbers for all bus operators. This sustained decline in demand could have an impact on the Going Concern status of the Group. The directors' consideration of the impact on the financial statements is disclosed in the Strategic Report on page 24 and going concern assessment on page 26. Whilst the long term impact of the pandemic is unclear at this point in time, the directors have concluded that, adopting the going concern basis of preparation is appropriate.	In forming our conclusions over going concern, we evaluated how management's going concern assessment considered the impacts arising from COVID-19 as follows: • We reviewed management's revised going concern assessment including COVID-19 implications based on a worst case scenario as approved by the board of directors. We made enquiries of management to understand the completeness of criteria taken into account and implication of those when assessing the 'worst case scenario' on the group's forecast financial performance; • We challenged the key assumptions in the worst case forecast and considered whether these appeared reasonable. • We examined the minimum committed facility headroom under the worst case monthly cash flow forecasts and evaluated whether the directors' conclusion that liquidity headroom remained in all but the most remote of events was reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks & uncertainties, and going concern. **Our observations:** Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements based on current available information. Our conclusions on going concern are set out under 'conclusions relating to going concern' above.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,406,000
How we determined it	Materiality has been determined with reference to a benchmark of revenue, of which it represents 1.8%.
Rationale for benchmark applied	We used revenue to calculate our materiality as, in our view, this is the most relevant measure of the underlying financial performance of the group.
Performance materiality	£1,054,000 On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was approximately 75 per cent of our financial statement materiality.
Reporting threshold	We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £42,180 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified during the course of assessing the overall presentation of the financial statements.

Audit work on subsidiary entities for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on individual statutory performance materiality which is lower than the consolidated materiality set out above. The performance materiality set for each subsidiary is based on the relative scale and risk of the subsidiary to the group as a whole and our assessment of the risk of misstatement at subsidiary level. In the current period, the performance materiality allocated to the sole subsidiary of the group subject to an audit was £230,400.

The Parent company financial statement materiality has been set as 1.8% of Total Assets, namely £1,170,200. Performance materiality has been set at approximately 75 per cent of our financial statement materiality, namely £877,600.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and company, the structure of the group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company and group's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error, review of minutes of directors' meetings in the year and enquiries of management.

The risks of material misstatement including due to fraud that had the greatest effect on our audit, are discussed under "Key audit matters" within this report.

Our group audit scope included an audit of the group and parent financial statements of Rotala Plc. Based on our risk assessment, all entities within the group were subject to full scope audit and were performed by the group audit team. At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.

Louis Burns

(Senior Statutory Auditor) for and on behalf of Mazars LLP.

Chartered Accountants and Statutory Auditor, First Floor, Two Chamberlain Square, Birmingham B3 3AX

Date: 5 May 2021

3

Financial Statements





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ROTALA
passenger transport


Consolidated Income Statement

For the year ended 30 November 2020

	Note	2020 Results before exceptional items £'000	2020 Exceptional items (note 10) £'000	2020 Results for the year £'000	2019 Results before exceptional items £'000	2019 Exceptional items (note 10) £'000	2019 Results for the year £'000
Continuing operations							
Revenue	4	78,115	-	78,115	67,533	-	67,533
Cost of sales		(66,010)	-	(66,010)	(53,917)	-	(53,917)
Gross profit		12,105		12,105	13,616	-	13,616
Administrative expenses		(10,683)	(3,999)	(14,682)	(7,563)	(1,806)	(9,369)
(Loss)/profit from operations	7	1,422	(3,999)	(2,577)	6,053	(1,806)	4,247
Finance income	8	43	-	43	53	-	53
Finance expense	9	(2,247)	-	(2,247)	(1,688)	-	(1,688)
(Loss)/profit before taxation	10	(782)	(3,999)	(4,781)	4,418	(1,806)	2,612
Tax credit/(expense)	11	149	585	734	(840)	175	(665)
(Loss)/profit for the year attributable to the equity holders of the parent		(633)	(3,414)	(4,047)	3,578	(1,631)	1,947
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the parent during the year:							
Basic (pence)	12	(1.26)		(8.08)	7.35		4.00
Diluted (pence)	12	(1.26)		(8.08)	7.35		4.00

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

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2020

	Note	2020 £'000	2019 £'000
(Loss)/profit for the year		(4,047)	1,947
Other comprehensive income:			
Items that will not subsequently be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme	25	(890)	527
Deferred tax on actuarial (loss)/gain on defined benefit pension scheme	26	169	(100)
Other comprehensive (loss)/profit for the year (net of tax)		(721)	427
Total comprehensive (loss)/income for the year attributable to the equity holders of the parent		(4,768)	2,374

IFRS 16 was adopted on 1 December 2019 for statutory reporting purposes, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2020 and an IAS 17 basis for 2019. Note 36 provides a reconciliation of the two measures.

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

Consolidated Statement of Financial Position

As at 30 November 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	65,392	51,698
Defined benefit pension asset	25	1,441	2,319
Goodwill and other intangible assets	14	14,907	15,246
Total non-current assets		81,740	69,263
Current assets			
Inventories	16	3,489	4,310
Trade and other receivables	17	22,299	18,275
Derivative financial instruments	23	165	36
Cash and cash equivalents	18	1,035	746
Total current assets		26,988	23,367
Total assets		108,728	92,630
Liabilities			
Current liabilities			
Trade and other payables	19	8,338	7,648
Loans and borrowings	20	20,842	19,267
Lease liabilities	21	6,340	4,295
Derivative financial instruments	23	1,267	3
Total current liabilities		36,787	31,213
Non-current liabilities			
Loans and borrowings	20	5,881	6,124
Lease liabilities	21	33,195	15,934
Provision for liabilities	24	579	234
Net deferred taxation	26	1,612	2,515
Total non-current liabilities		41,267	24,807
Total liabilities		78,054	56,020
TOTAL NET ASSETS		30,674	36,610

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

	Note	2020 £'000	2019 £'000
Shareholders' funds			
Share capital	27	12,731	12,731
Share premium reserve		12,369	12,369
Merger reserve		2,567	2,567
Shares in treasury		(806)	(806)
Retained earnings		3,813	9,749
TOTAL EQUITY		30,674	36,610

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 May 2021.

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

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

Consolidated Statement of Changes in Equity

For the year ended 30 November 2020

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Shares in treasury £'000	Retained earnings £'000	Total £'000
At 1 December 2018	12,220	11,779	2,567	(817)	9,146	34,895
Profit for the year	-	-	-	-	1,947	1,947
Other comprehensive income	-	-	-	-	427	427
Total comprehensive income	-	-	-	-	2,374	2,374
Transactions with owners:						
Dividends paid and accrued	-	-	-	-	(1,773)	(1,773)
Shares Issued	511	590	-	11	-	1,112
Share based payment	-	-	-	-	2	2
Transactions with owners	511	590	-	11	(1,771)	(659)
At 30 November 2019	12,731	12,369	2,567	(806)	9,749	36,610
Change in accounting policy – IFRS 16 leases	-	-	-	-	(1,168)	(1,168)
Loss for the year					(4,047)	(4,047)
Other comprehensive loss	-	-	-	-	(721)	(721)
Total comprehensive loss	-	-	-	-	(5,936)	(5,936)
Transactions with owners:						
Dividends paid	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
At 30 November 2020	12,731	12,369	2,567	(806)	3,813	30,674

- Called up share capital represents the nominal value of shares which have been issued;
- The share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuance of shares are deducted from the share premium reserve;
- The merger reserve arose as a consequence of an acquisition in 2005 in which more than 90% of the share capital of the acquired companies was purchased and new shares formed part of the consideration;
- Shares in Treasury result from the acquisition by the company of its own shares. Shares are issued from Treasury to meet the requirement to satisfy the exercise of share options under the company's SAYE and unapproved share option schemes;
- Retained earnings include all current and prior period retained profits and losses.

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

Consolidated Statement of Cash Flows

For the year ended 30 November 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	(4,781)	2,612
Adjustments for:		
Depreciation	7,765	4,361
Acquisition expenses	-	578
Finance expense (net)	2,204	1,635
Loss/(gain) on sale of property, plant and equipment	793	(4)
Contribution to defined benefit pension scheme	-	(190)
Intangible asset amortisation	339	501
Notional expense of defined benefit pension scheme	31	5
Cash flows from operating activities before changes in working capital and provisions	6,351	9,498
Decrease/(increase) in inventories	821	(590)
(Increase) in trade and other receivables	(4,024)	(2,377)
Increase/(decrease) in trade and other payables	962	(79)
Movement in provisions	345	(506)
Movement on derivative financial instruments	1,135	(71)
	(761)	(3,623)
Cash generated from operations	5,590	5,875
Interest paid on hire purchase agreements	(606)	(664)
Interest paid on other lease liabilities under IFRS 16	(394)	-
Net cash flows from operating activities carried forward	4,590	5,211

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

	2020 £'000	2019 £'000
Cash flows from operating activities brought forward	4,590	5,211
Investing activities		
Purchases of property, plant and equipment	(878)	(1,325)
Acquisition of businesses	-	(5,992)
Sale of property, plant and equipment	586	96
Net cash used in investing activities	(292)	(7,221)
Financing activities		
Shares issued	-	1,112
Dividends paid	(476)	(1,297)
Proceeds of mortgage and other bank loans	-	6,750
Repayment of bank and other borrowings	(243)	(1,283)
Bank interest paid	(1,069)	(1,037)
Hire purchase refinancing receipts	185	353
Capital settlement payments on vehicles sold	(228)	(117)
Capital paid on other lease liabilities under IFRS 16	(801)	-
Capital paid on hire purchase agreements	(2,952)	(4,199)
Net cash (used in)/from financing activities	(5,584)	282
Net (decrease) in cash and cash equivalents	(1,286)	(1,728)
Cash and cash equivalents at beginning of year	(1,959)	(231)
Cash and cash equivalents at end of year	(3,245)	(1,959)

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

Notes to the Consolidated Financial Statements

For the year ended 30 November 2020

1. General information

Rotala Plc is incorporated and domiciled in the United Kingdom. Its principal activity is the provision of bus services and all activities take place in the United Kingdom.

The financial statements for the year ended 30 November 2020 (including the comparatives for the year ended 30 November 2019) were approved by the Board of Directors on 5 May 2021. 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 international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis as described on page 26.

Overall considerations
The significant accounting policies that have been used in the preparation of these financial statements are summarised below.
The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

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

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

(a) Impairment of goodwill
The group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information about the impairment review and the reasons for the directors' assessment that there is but a single Cash Generating Unit is included in note 15.

(b) Pension scheme valuation
The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 25 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to Other Comprehensive Income and therefore do not impact on the profitability of the business, but the changes do impact on net assets. For carrying amounts at the period end, see note 25.

2. Accounting policies (continued)

(c) Self-insurance

The estimation of insurance costs, under the group's self-insurance scheme, is based on premiums paid and claims experience. The actual outcome of claims made is determined over the five years following each period end; no rebate of premium is accounted for until each insurance period is closed. The directors regularly review claims made and, should insurance premiums paid to date and the insurance claims provision be considered inadequate in the light of claims experience, further appropriate provision would be made. The carrying amount at the period end amounted to £579,000 (2019: £234,000).

(d) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its useful life. Useful lives are based on the management's estimates of the periods within which the assets will generate revenue and which are periodically reviewed for continued appropriateness. Changes to judgements 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 note 13.

(e) IFRS valuations

The application of IFRS 16 involves a degree of judgement in respect of the applicable discount rate. The discount rate is reviewed in conjunction with the rates on similar borrowings and lease extension periods by reference to business plans and the most likely outcome (see note 13).

Judgements

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

(a) Deferred tax assets

In determining the deferred tax asset to be recognised, management carefully review the recoverability of these assets on a prudent basis and reach a judgement based on the best available information.

Basis of consolidation

The group financial statements consolidate the results of the company and all its subsidiary undertakings as at 30 November 2020. The results of subsidiary undertakings acquired are included from the date on which control over the acquisition, the right to exercise that control, and exposure to variable returns from the acquisition passed to the group. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

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

Goodwill

Goodwill represents any excess of the fair value of consideration transferred for the business acquisition over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

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

2. Accounting policies (continued)

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 in administrative expenses in the Consolidated Income Statement.

Other intangible assets - contracts

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

Impairment

The group's goodwill and intangible assets are subject to impairment testing.

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

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

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

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

Revenue

Revenue represents sales to external customers excluding value added tax. Revenue is recognised at a point in time upon satisfaction of the relevant performance obligations for the various revenue streams:

- Passenger revenue is recognised when the service is delivered;
- Subsidy revenue from local authorities is recognised on an accruals basis, based on actual passenger numbers when services are provided;
- Contracted and charter services revenues are recognised when services are delivered, based on agreed contract rates.

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

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

In certain parts of the business revenues can be derived from a complex combination of a variable passenger revenue underpinned by a fixed revenue base delivered by contract.

2. Accounting policies (continued)

These types of service are managed by individual contract and route and so require a combination of management techniques and analyses to ensure that loadings and revenues are maximised whilst delivery to the service agreement is maintained.
Grants and subsidies provided by the Department for Transport and Local Authorities (see note 4) to support bus services run at their behest under COVID-19 conditions have been taken directly to income. Grant income is recognised on submission of a claim as there are no unfulfilled conditions at this point in time.

Government grant income
Government grant income is recognised when there is a reasonable assurance that the business will comply with the attached conditions and that the grant will be receivable. Grant income is recognised as income over the relevant period and deducted against the related cost.

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.

The useful lives and residual values of property, plant and equipment are reviewed at least annually and adjusted, where applicable. When disposed of, property plant and equipment is derecognised. Where an asset continues to be used by the group but is expected to provide reduced or minimal future economic benefits, it is considered to be impaired. Profits and losses on disposal are calculated by comparing the disposal proceeds with the carrying value of the asset, and the resultant gains or losses are included in the consolidated income statement. A gain or loss incurred at the point of derecognition is also included in the consolidated income statement at that point.

Repairs and maintenance are charged to profit or loss in the financial period in which they are incurred. Where probable future economic benefits, in excess of the current standard of performance of the existing asset, are considered to be derived from its major renovation, the cost of that major renovation is added to the carrying value of that asset. Major renovations are then depreciated over the remaining useful life of the asset.

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

Freehold land	-	Not depreciated
Freehold buildings	-	Fifty years straight line
Long leasehold property	-	Shorter of the lease term or fifty years straight line
Short leasehold property	-	Over the period of the lease
Plant and machinery	-	Between ten and four years straight line
Public Service Vehicles ("PSVs")	-	Between 10% and 25% per annum on a reducing balance basis
Fixtures and fittings	-	Three years straight line
Right of use asset	-	Over the period of the lease

Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

Mark to market provision and other exceptional costs
These items are those which the directors consider to be outside of the normal trading transactions of the group or those which hinder understanding of the underlying trading results of the group. They are highlighted separately on the Consolidated Income Statement.

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 reporting 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 reporting 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 reporting 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 reporting 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 – pre IFRS16

The following leasing policies were applied for periods to 30 November 2019. From 1 December 2019 IFRS 16 was applied with additional right of use assets and related liabilities recognised as set out in note 36.

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 profit or loss over the period of the lease.

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

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

Where finance leases or hire purchase agreements are refinanced, amounts received as cash inflows are shown in the cash flow statement as hire purchase refinancing, and cash outflows to settle the original leases are shown as hire purchase settlement payments.

2. Accounting policies (continued)

Leased assets – post IFRS16
From 1 December 2019, under IFRS 16, former operating leases are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the company.

Right of use assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions in the event the interest rate implicit within the lease is not readily determinable.

Lease payments are allocated between principal, presented as a separate category within borrowings, and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and are presented as a separate category within tangible fixed assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

On transition to IFRS 16 at 1 December 2019, the company has adopted the modified retrospective approach in which the net present value of the remaining lease payments at the transition date is recognised as the opening liability with a right of use asset to be depreciated over the remaining lease period. The comparative figures for 2019 have not been adjusted in accordance with the requirements of this approach.

Self-insurance
The group's policy is to self-insure high frequency, but low value, claims such as those for traffic accidents and to protect itself against high value claims through an insurance policy issued by a third party subject to an excess. Under this scheme, premiums to obtain the latter insurance are paid to QBE Insurance Limited ("QBE") in respect of each accounting period. These premiums are held by QBE in a trust separate from the assets of the company in order to meet those claims as and when they are settled. The company has no control over the assets of this trust. The administration of high frequency but low value claims is made by a claims handling specialist and the funding of the settlement of these claims is made by the company to the claims handler as and when required.

Provisioning for insurance claims is a major area of estimation in these financial statements and the approach used is described in detail in item (d) of the section on "Estimates" set out above. Claims can be made for a period of up to five years after the accounting period to which they relate. Should a year of insurance be in surplus, no rebate is recognised until the claim period has expired. Should a year of insurance be calculated at any time to be in deficit, an appropriate provision is made. Any provision made is discounted to take account of the expected timing of future payments.

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

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

2. Accounting policies (continued)

Financial assets

The group classifies its financial assets as a financial asset measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with IFRS 9.

Trade and other 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.

A provision for impairment of trade receivables is established based on the expected credit loss ("ECL"). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

Financial assets and liabilities include derivative financial instruments held at fair value through profit and loss ("FVTPL"). These assets and liabilities are, if they meet the relevant conditions, designated at FVTPL upon initial recognition. All of the group's derivative financial instruments currently fall into this category. Assets and liabilities in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of these financial assets and liabilities are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial liabilities

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

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

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

- The group has entered into diesel commodity forward contracts. The agreements do not meet the definitions of hedging transactions under IAS 39 'Financial Instruments: Recognition and Measurement', but are accounted for as a derivative and are recorded at fair value through profit and losss.

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

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 include all current and prior period results.

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.

Share based payments

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

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

Dividends

Dividend distributions to the company's shareholders are recognised as a liability in the group's financial statements on the date when dividends are approved by the company's shareholders. Interim dividends are recognised on the date that they are declared.

Segmental reporting

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

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

3. Changes in accounting standards and interpretations

On transition to IFRS 16 at 1 December 2019, the company has adopted the modified retrospective approach in which the net present value of the remaining lease payments at the transition date is recognised as the opening liability with a right of use asset to be depreciated over the remaining lease period. Note 13 should be consulted for more detail. These calculations assume break options will not be exercised and that leases run to their full length (note 36 discloses the minimum commitment with a break option). Depreciation of £790,000 and finance charges of £393,000 have been charged in respect of the assets for the year, compared with £1,200,000 of rent that would have been charged under the previous accounting treatment. The comparatives for the year ended 30 November 2019 have consequently not been adjusted.

The adoption of the following accounting standards, amendments and interpretations in the current year has not had a material impact on the group's financial statements.

	EU effective date: Periods beginning on or after	**IASB effective date: Periods beginning on or after**
Annual Improvements to IFRSs (2015 - 2017)	1 January 2019	1 January 2019
Amendments to IAS 19 Employee Benefits: Plan amendment, curtailment or settlement	1 January 2019	1 January 2019
Amendment to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures	1 January 2019	1 January 2019
Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019

The adoption of the following standards, amendments and interpretations in future years is not expected to have a material impact on the group's financial statements.

	EU effective date: Periods beginning on or after	**IASB effective date: Periods beginning on or after**
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material	1 January 2020	1 January 2020
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform – Phase 1	1 January 2020	1 January 2020
Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
IFRS 3 Business Combinations (Amendment): Definition of a Business	1 January 2020	1 January 2020
IFRS 16 Leases (Amendment): Covid-19-related Rent Concessions	† **	1 June 2020
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Amendments): Interest Rate Benchmark Reform – Phase 2	1 January 2021†*	1 January 2021
IFRS 4 Insurance Contracts (Amendment): Extension of the Temporary Exemption from Applying IFS 9	1 January 2021†*	1 January 2021
IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use	† **	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	† **	1 January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	† **	1 January 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	† **	1 January 2022
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2023†*	1 January 2023
IFRS 17 Insurance Contracts	† **	1 January 2023

Standards, amendments and interpretations cannot be adopted in the EU until they have been EU-endorsed.

† Pending endorsement

* Expected to be endorsed by the IASB effective date.

** Expected endorsement date not yet announced.

4. Segmental analysis and revenue

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

	2020 £'000	2019 £'000
Commercial	31,596	45,842
Contracted	16,501	20,223
Charter	665	1,468
Grants and subsidies	29,353	-
Total Revenue	78,115	67,533

As set out in the Chairman's Statement the group has been the beneficiary of extensive support in the current accounting period from the Department for Transport and Local Authorities. The principal component parts of the income from grants and subsidies in the period were:

- Concessionary fares income received but not matched by the carriage of a passenger - £7,335,000;
- Bus Services Operator's Grant not matched by actual kilometres driven - £946,000;
- COVID-19 Bus Services Support Grant - £20,339,000.

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

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

In 2020 and 2019 no customer constituted more than 10% of Revenues.

5. Staff costs

	2020 £'000	2019 £'000
Staff costs (including directors) comprise:		
Wages and salaries	38,092	33,186
Employer's national insurance contributions	4,357	3,525
Defined contribution pension costs	1,141	836
	43,590	37,547
Share-based payment expense	-	1
	43,590	37,548

Staff costs are stated after grant income received or receivable in respect of the Coronavirus Job Retention Scheme totalling £4,262,000 (2019: £nil).

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

	2020 Number	2019 Number
Management and administrative	86	93
Direct	1,599	1,300
	1,685	1,393

6. Directors' and key management personnel remuneration

	2020 £'000	2019 £'000
Salaries and other short term employee benefits	734	766
Social security costs	69	73
Contribution to defined contribution pension scheme (note 25)	15	15
	818	854

One director (2019: one) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £284,000 (2019: £303,000). Pension contributions of £15,000 (2019: £15,000) were made on his behalf.

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

The directors' remuneration was as follows:

	2020 £'000			2019 £'000		
	Remuneration	Pension	Total	Remuneration	Pension	Total
Executive						
S L Dunn	284	15	299	303	15	318
R A Dunn	187	-	187	195	-	195
K M Taylor	111	-	111	116	-	116
Non- Executive						
J H Gunn	80	-	80	80	-	80
G M Spooner	40	-	40	40	-	40
G F Peacock	32	-	32	32	-	32
	734	15	749	766	15	781

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

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

7. (Loss)/profit from operations

	2020 £'000	2019 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	6,975	4,361
Depreciation of right of use assets	790	-
Amortisation of contract intangibles	339	501
Short term or low value asset lease expense:		
- property	545	557
- plant and machinery	955	1,923
Loss/(profit) on disposal of property, plant and equipment	793	(4)
Auditor's fees:		
- audit of the parent company and the group	52	46
- audit of the accounts of subsidiaries	11	10
- other non-audit services	-	-

8. Finance income

	2020 £'000	2019 £'000
Net finance income on pension scheme (note 25)	43	53

9. Finance expense

	2020 £'000	2019 £'000
Bank borrowings and overdraft interest	1,069	1,014
Hire purchase contracts	785	653
Finance charges under IFRS 16	393	-
Other interest	-	21
	2,247	1,688

10. Exceptional items within (loss)/profit before taxation

(Loss)/profit before taxation includes the following mark to market provisions and other exceptional items:

	2020 £'000	2019 £'000
Mark to market (loss)/profit on fuel derivatives (note 31)	(2,511)	58
Loss on disposal of vehicles scrapped (see Chairman's statement)	(913)	-
Amortisation of intangible assets (note 14)	(339)	(501)
Redundancy and reorganisation costs and costs of integration of acquisitions	(236)	(784)
Acquisition costs	-	(578)
Share based payment expense	-	(1)
Loss within profit before taxation	(3,999)	(1,806)

11. Tax expense

	2020 £'000	2019 £'000
Current tax		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	871	(693)
Prior year adjustments	(137)	126
Change in rate of tax	-	(98)
Total deferred tax	734	(665)
Income tax credit/(expense)	734	(665)

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

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(4,781)	2,612
Profit at the standard rate of corporation tax in the UK of 19% (2019: 19%)	908	(496)
Non-taxable items	(37)	(197)
Adjustments in respect of prior periods	(137)	126
Impact of changes in tax rates	-	(98)
Total tax expense	734	(665)

The main rate of corporation tax was formerly set to fall to 17% from 1 April 2020 but this plan was reversed and the rate of corporation tax maintained at 19%.

Deferred tax has been measured at the average tax rates that are expected to apply in the accounting periods in which the timing differences are expected to reverse, based on the tax rates and laws which have been enacted or substantively enacted at the balance sheet date.

12. Earnings per share

(a) Basic earnings per share

	2020 £'000	2019 £'000
(Loss)/profit attributable to ordinary share holders	(4,047)	1,947
Weighted average number of ordinary shares	50,091,109	48,673,701
Basic (loss)/earnings per share	(8.08p)	4.00p

The calculation of the basic (loss)/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.

(b) Basic diluted earnings per share

	2020 Diluted £'000	2019 Diluted £'000
(Loss)/profit attributable to ordinary share holders	(4,047)	1,947
(Loss)/profit for the purposes of diluted earnings per share	(4,047)	**1,947**
Weighted average number of shares in issue	50,091,109	48,673,701
Adjustment for exercise of options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	50,091,109	48,673,701
Diluted (loss)/earnings per share	(8.08p)	**4.00p**

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 potential ordinary shares take the form of share options. A calculation has been carried out to determine the number of shares, at the average annual market price of the company's shares, which could have been acquired, based on the monetary value of the rights attached to those shares. This number has then been subtracted from the number of shares that could be issued on the assumption of full exercise of the outstanding options, in order to compute the necessary adjustments in the above table.

12. Earnings per share (continued)

(c) Adjusted basic (loss)/earnings per share (adjusted before mark to market provision and other exceptional items):

	2020 £'000	2019 £'000
(Loss)/profit attributable to ordinary share holders	(633)	3,578
Weighted average number of shares in issue	50,091,109	48,673,701
Adjusted basic (loss)/earnings per share	(1.26p)	7.35p

The calculation of the adjusted basic (loss)/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.

(d) Adjusted diluted (loss)/earnings per share (adjusted before mark to market provision and other exceptional items:

	2020 Diluted £'000	2019 Diluted £'000
(Loss)/profit attributable to ordinary share holders	(633)	3,578
(Loss)/profit for the purposes of diluted earnings per share	(633)	3,578
Weighted average number of shares in issue	50,091,109	48,673,701
Adjustment for exercise of options	-	-
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	50,091,109	48,673,701
Adjusted diluted (loss)/earnings per share	(1.26p)	7.35p

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 potential ordinary shares take the form of share options. A calculation has been carried out to determine the number of shares, at the average annual market price of the company's shares, which could have been acquired, based on the monetary value of the rights attached to those shares. This number has then been subtracted from the number of shares that could be issued on the assumption of full exercise of the outstanding options, in order to compute the necessary adjustments in the above table.

13. Property, plant and equipment

	Freehold and leasehold land and buildings £'000	Right of use assets under IFRS16 £'000	Plant and machinery £'000	Public service vehicles £'000	Total £'000
Cost:					
At 1 December 2018	7,103	-	5,238	50,954	63,295
Acquisitions	4,692	-	500	-	5,192
Additions	186	-	895	10,435	11,516
Disposals	(11)	-	(323)	(2,721)	(3,055)
At 30 November 2019	11,970	-	6,310	58,668	76,948
Right of use assets recognised under IFRS 16	-	4,159	-	-	4,159
Reclassifications	(904)	904	17	(17)	-
Additions	10	259	281	20,454	21,004
Disposals	(169)	(508)	(341)	(7,713)	(8,731)
At 30 November 2020	10,907	4,814	6,267	71,392	93,380
Depreciation:					
At 1 December 2018	503	-	1,604	21,744	23,851
Charge for the year	75	-	486	3,800	4,361
Disposals	(11)	-	(321)	(2,630)	(2,962)
At 30 November 2019	567	-	1,769	22,914	25,250
Depreciation on right of use assets recognised under IFRS 16	-	2,293	-	-	2,293
Reclassification	(254)	254	9	(9)	-
Charge for the year	47	790	598	6,330	7,765
Disposals	(16)	(478)	(183)	(6,643)	(7,320)
At 30 November 2020	344	2,859	2,193	22,592	27,988
Net book value:					
At 30 November 2020	10,563	1,955	4,074	48,800	65,392
At 30 November 2019	11,403	-	4,541	35,754	51,698

13. Property, plant and equipment (continued)

	Freehold and leasehold land and buildings £'000	Right of use assets under IFRS16 £'000	Plant and machinery £'000	Public service vehicles £'000	Total £'000
Net book value held under leases:					
At 30 November 2020	-	1,955	1,449	33,228	36,632
At 30 November 2019	-	-	1,755	24,053	25,808
Depreciation charged thereon :					
In 2020	-	790	94	2,590	3,474
In 2019	-	-	187	1,773	1,960

The net book value of right of use assets at 30 November 2020 consisted of public service vehicles (£1,329,000) and leasehold land and buildings (£626,000). Depreciation charged thereon was £767,000 and £23,000 respectively.

The group had already recognized as an asset a leasehold interest at its fair value at the date of its acquisition in 2006. This has now been reclassified as a right of use asset. Accounting standards at that time did not require the recognition of a corresponding lease liability; therefore this liability has been recognized as part of the transition adjustments in the application of IFRS 16.

14. Goodwill and other intangible assets

	Purchased brands £'000	Contracts £'000	Goodwill £'000	Total £'000
Cost:				
At 1 December 2018	250	1,621	14,036	15,907
Additions	-	-	871	871
At 30 November 2019	250	1,621	14,907	16,778
Additions	-	-	-	-
At 30 November 2020	**250**	**1,621**	**14,907**	**16,778**
Amortisation:				
At 1 December 2018	250	781	-	1,031
Charge for the year	-	501	-	501
At 30 November 2019	**250**	**1,282**	**-**	**1,532**
Charge for the year	-	339	-	339
At 30 November 2020	**250**	**1,621**	**-**	**1,871**
Net book value				
At 30 November 2020	**-**	**-**	**14,907**	**14,907**
At 30 November 2019	**-**	**339**	**14,907**	**15,246**

15. Goodwill and impairment

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

15. Goodwill and impairment (continued)

The recoverable amount of the goodwill of the business has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a three year period to 30 November 2023. Major assumptions are as follows:

	CGU 2020 %	CGU 2019 %
Discount rate	10	12
Operating margin	8	8
Long term growth rate	2	2
Inflation	3	3

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the group's weighted average cost of capital. Growth rates, beyond the first three years, are based on management estimates and on the historic achievements of the group. This rate does not exceed the average long term growth rate for the relevant markets. Inflation has been based on management's expectation given historic trends. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that there would be such change in a key assumption that it would reduce recoverable amount to below book value.

16. Inventories

	2020 £'000	2019 £'000
Fuel, tyres and spares	3,489	4,310

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 £17,936,000 (2019: £14,765,000). No inventory has been written down to fair value in 2020 or 2019 and therefore no associated expense was incurred.

17. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	2,104	3,744
Tax and social security	889	564
Prepayments and accrued income	19,306	13,967
	22,299	18,275

17. Trade and other receivables (continued)

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

In 2020 and 2019 all trade and other receivables have been reviewed for indicators of impairment. A provision of £141,000 (2019: £19,000) was created.

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:

	2020 £'000	2019 £'000
Not more than 3 months overdue	14	79
More than 3 months but not more than 1 year	293	205
	307	284

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

	2020 £'000	2019 £'000
Balance brought forward at 1 December	-	-
Provided	141	19
Used	(141)	(19)
Balance carried forward at 30 November	-	-

18. Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement are analysed as follows:

	2020 £'000	2019 £'000
Cash at bank	1,035	746
Bank Overdraft (note 20)	(4,280)	(2,705)
	(3,245)	(1,959)

19. Trade and other payables - current

	2020 £'000	2019 £'000
Trade payables	3,505	4,461
Taxation and social security	2,594	1,103
Interim dividend payable (note 29)	-	476
Other creditors	425	449
Accruals and deferred income	1,814	1,159
	8,338	7,648

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

20. Loans and borrowings

	2020 £'000	2019 £'000
Current:		
Overdrafts	4,280	2,705
Bank loans	16,562	16,562
	20,842	19,267
Non-current		
Bank loans	5,881	6,124
	26,723	25,391

In 2017 HSBC Bank plc became the principal bankers to the group. The Senior Facilities Agreement as at 30 November 2020 provided for a revolving facility of up to £16.2 million and a mortgage facility of £8.0 million, with a corresponding overdraft facility of up to £6.6 million. The group has entered into a cross-guarantee and floating charge agreement covering these facilities. At the balance sheet date these facilities were scheduled to expire on 5 December 2021. Subsequent to the balance sheet date these facilities were revised and extended to 5 December 2022. See further note 34.

The bank loans are secured on the group's freehold property. The annual mortgage repayments are calculated such that the mortgage facilities amortise in a straight line over a term of 20 years which is considered to give a reasonable approximation to the effective interest rate.

20. Loans and borrowings (continued)

Analysis of maturity

	2020 £'000 Bank loans and overdrafts	2020 £'000 Obligations under hire purchase agreements (note 22)	2020 £'000 Other lease liabilities (note 22)	2020 £'000 Trade and other payables	2020 £'000 Total
In one year or less or on demand	20,842	7,404	757	3,929	32,932
In more than one year but not more than two years	5,896	6,962	565	-	13,423
In more than two years but not more than five years	-	18,715	818	-	19,533
Later than five years	-	8,984	1,583	-	10,567
	26,738	42,065	3,723	3,929	76,455

The analysis above represents minimum payments on an undiscounted basis, except for other lease obligations under IFRS 16, which are discounted.

	2019 £'000 Bank loans and overdrafts	2019 £'000 Obligations under hire purchase agreements (note 22)	2019 £'000 Trade and other payables	2019 £'000 Total
In one year or less or on demand	19,267	5,003	4,910	29,180
In more than one year but not more than two years	694	4,373	-	5,067
In more than two years but not more than five years	5,762	8,781	-	14,543
Later than five years	-	4,233	-	4,233
	25,723	22,390	4,910	53,023

The analysis above represents minimum payments on an undiscounted basis.

On transition to IFRS 16 at 1 December 2019, the company has adopted the modified retrospective approach in which the net present value of the remaining lease payments at the transition date is recognised as the opening liability with a right of use asset to be depreciated over the remaining lease period. The comparative figures for 2019 have not been adjusted in accordance with the requirements of this approach.

21. Lease liabilities

	2020 £'000	2019 £'000
Current liabilities:		
Obligations under hire purchase agreements (see note 22)	5,788	4,295
Other lease liabilities (see note 22)	552	-
Total current liabilities	6,340	4,295
Non-current liabilities:		
Obligations under hire purchase agreements (see note 22)	31,309	15,934
Other lease liabilities (see note 22)	1,886	-
Total non-current liabilities	33,195	15,934

The group's obligations under hire purchase agreements are secured by the lessors' rights over the leased assets. Other lease liabilities are long term operating lease agreements.

22. Obligations under hire purchase agreements and other lease liabilities

(a) Obligations under hire purchase agreements:

Future lease payments are due as follows:

	2020 £'000 Minimum lease payments	2020 £'000 Interest	2020 £'000 Present value
Not later than one year	7,404	1,616	5,788
More than one but less than two years	6,962	1,106	5,856
More than two but less than five years	18,715	1,722	16,993
Later than five years	8,984	524	8,460
	42,065	4,968	37,097

	2019 £'000 Minimum lease payments	2019 £'000 Interest	2019 £'000 Present value
Not later than one year	5,003	708	4,295
More than one but less than two years	4,373	533	3,840
More than two but less than five years	8,781	730	8,051
Later than five years	4,233	190	4,043
	22,390	2,161	20,229

The present values of future lease payments are analysed as:

	2020 £'000	2019 £'000
Current liabilities	5,788	4,295
Non-current liabilities	31,309	15,934
	37,097	20,229

It is the group's policy to lease certain of its plant and equipment and the majority of its vehicles under finance leases. The average lease term is 5.5 years (2019: 4 years). For the year ended 30 November 2020, the average effective borrowing rate was 2.50 per cent (2019: 4 per cent). All leases are on a fixed repayment basis, but interest rates are variable on some leases and fixed on others (see note 31). No arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

(b) Other lease liabilities:

Future lease payments for leases treated as finance leases under IFRS 16 but which take the legal form of rental agreements without the legal right of ownership of the asset leased are as follows:

	2020 £'000 Minimum lease payments	2020 £'000 Interest	2020 £'000 Present value
Not later than one year	757	205	552
More than one but less than two years	565	139	426
More than two but less than five years	818	203	615
Later than five years	1,583	738	845
	3,723	1,285	2,438

The present values of future lease payments are analysed as:

	2020 £'000
Current liabilities	552
Non-current liabilities	1,886
	2,438

On transition to IFRS 16 at 1 December 2019, the company has adopted the modified retrospective approach in which the net present value of the remaining lease payments at the transition date is recognised as the opening liability with a right of use asset to be depreciated over the remaining lease period. Comparative figures for 2019 have not been presented in accordance with the requirements of this approach.

23. Derivative financial instruments

Derivative financial instruments are analysed as follows (see also note 31):

	2020 £'000	2019 £'000
Current assets	165	36
Current liabilities	(1,267)	(3)
(Liability)/asset	(1,102)	33

Financial assets at fair value through profit or loss are presented within Operating Activities and therefore form part of changes in working capital in the statement of cash flows.

The fair value of the commodity forward contracts is determined in accordance with the procedure described in note 31.

24. Provision for liabilities

	Insurance claims provision £'000
At 1 December 2019	234
Provided	345
Balance at 30 November 2020	579

Insurance claims provision

As set out in note 2 to these financial statements, the policy of the group is to self-insure high frequency, but low value, claims such as those for traffic accidents and to protect itself against high value claims through an insurance policy issued by a third party subject to an excess.

As at 30 November 2020 and 2019 it is considered by the company that the provision held is sufficient to meet the settlement responsibility which falls on the company at those dates.

Given the length of time which can elapse in dealing with insurance claims, it is probable that the above provision will be utilised gradually over the five year period in which claims can be made. Claims experience in the future will dictate the extent to which additions to the provision may be required and the extent of its utilisation in any accounting period.

25. Pensions

Group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge amounted to £1,141,000 (2019: £836,000). Contributions amounting to £142,000 (2019: £129,000) were payable to the funds at the balance sheet date.

Another group company operates a defined benefit pension scheme within the West Midlands Pension Fund ("WMPF"), governed by the Local Government Pension Regulations ("LGPR"). The administering authority for the Fund is the West Midlands Combined Authority.

The group accounts for pensions in accordance with IAS 19 "Employee Benefits". No contributions were paid in the year and none were payable to the fund at the balance sheet dates. Expected contributions for the year ending 30 November 2021 are £nil.

The plan exposes the group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

Interest rate risk
The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and is denominated in sterling. A decrease in market yield on high quality corporate bonds will increase the group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk
The plan assets at 30 November 2020 are predominantly in equities and bonds. The equities are largely invested in a spread of UK, North American, European and Asian equities. This is considered to form a good spread of risk.

Longevity risk
The group is required to provide benefits for life for the members of the defined benefit pension scheme. An increase in the life expectancy of members will increase the defined benefits liability.

Inflation risk
A significant proportion of the defined benefits liability is linked to inflation. An increase in the inflation rate will increase the group's liability.

The weighted average duration of the defined benefit obligation at 30 November 2020 is 12 years (2019: 12 years).

WMPF defined benefit pension scheme
The calculations of the IAS 19 disclosures for the WMPF have been based on the most recent actuarial valuation, which have been updated to 30 November 2020 to take account of the requirements of IAS 19. The calculations and disclosures have been made by the actuary to the WMPF, who is an independent professionally qualified actuary.

The principal actuarial assumptions used were as follows:

	30 November **2020** %	30 November **2019** %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.55	2.3
Discount rate	1.30	1.9
Inflation	2.55	2.3

25. Pensions (continued)

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

	30 November **2020** Years	30 November **2019** Years
Current pensioner aged 65 - male	20.9	20.8
Current pensioner aged 65 - female	24.0	23.9
Future pensioners at aged 65 (aged 45 now) - male	22.8	22.6
Future pensioners at aged 65 (aged 45 now) - female	25.9	25.8

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.1%	Increase/decrease of 1.2%
Inflation	Increase/decrease by 0.1%	Increase/decrease of 1.2%
Life expectancy	Increase by 1 year	Increase of 7%

The above analysis is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the liabilities of the scheme.

The amounts recognised in the statement of financial position were determined as follows:

	30 November **2020** £'000	30 November **2019** £'000
Equities	3,231	2,967
Bonds	10,986	11,129
Other	5,404	5,299
Cash	110	142
Total market value of assets	19,731	19,537
Present value of scheme liabilities	(18,290)	(17,218)
Gross pension asset before tax	1,441	2,319
Related deferred tax liability	(274)	(441)
Net pension asset	**1,167**	**1,878**

25. Pensions (continued)

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

The last formal actuarial valuation was carried out as at 31 March 2019. In that valuation cycle the actuary set a contribution rate of £nil for the period to 31 March 2023. The next actuarial valuation will be due as at 31 March 2022. As at 31 March 2019 the actuarial surplus of the scheme was £1,172,000, which represented a funding level of 106% of actuarial liabilities.

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

	2020 £'000	**2019** £'000
Administration expense	(31)	(5)
Finance cost		
- interest return on plan assets	353	531
- interest cost on pension liabilities	(310)	(478)
Net finance income	43	53
Total defined benefit profit	12	48
Defined contribution costs	(1,141)	(836)
Total profit and loss charge	**(1,129)**	**(788)**

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

	2020 £'000	**2019** £'000
Return on assets (in excess of interest)	811	1,086
Changes in assumptions underlying the present value of the scheme liabilities	(1,701)	(742)
Reversal of provision for remaining certified pension contributions	-	129
Pension contributions accrued in the prior year but not dealt with within Other Comprehensive Income	-	54
Actuarial (loss)/gain	(890)	527

Actuarial gains/(losses) as a percentage of scheme assets and liabilities at 30 November 2020 were as follows:

	2020	**2019**	**2018**
Return on assets as a percentage of scheme assets	4.1	5.6	(2.8)
Total actuarial (loss)/gain recognised in statement of total comprehensive income as a percentage of the present value of scheme liabilities	(4.9)	3.1	10.3

The cumulative amount of actuarial gains and losses on defined benefit schemes recognised in the statement of total comprehensive income since 25 January 2011 (the date at which the pension scheme entered the group) is a loss of £644,000 (2019: gain of £246,000). The actual return on plan assets was a gain of £1,164,000 (2019: £1,617,000).

25. Pensions (continued)

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

	2020 £'000	2019 £'000
Surplus in scheme at 30 November	2,319	1,737
Movement in period		
- Contributions	-	190
- Administrative expenses	(31)	(5)
- Actuarial (loss)/gain due to changes in financial assumptions	(890)	344
- Interest on plan assets	353	531
- Interest cost	(310)	(478)
Surplus in scheme at the end of the year	**1,441**	**2,319**

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

	2020 £'000	2019 £'000
At 30 November	19,537	18,689
Interest return on plan assets	353	531
Return on plan assets	811	1,086
Employer contributions	-	190
Administrative expenses	(31)	(5)
Benefits paid	(939)	(954)
At end of year	**19,731**	**19,537**

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

	2020 £'000	2019 £'000
At 30 November	(17,218)	(16,952)
Interest cost	(310)	(478)
Actuarial (loss)/gain – changes in assumptions	(1,701)	(742)
Benefits paid	939	954
At end of year	**(18,290)**	**(17,218)**

26. Deferred taxation

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

	Accelerated capital allowances £'000	Arising on fair value adjustments on acquisitions £'000	Arising on defined benefit pension scheme £'000	Arising on derivative financial instruments £'000	Losses £'000	Total £'000
At 1 December 2018	(1,660)	35	(294)	6	156	(1,757)
Dealt with in the profit and loss account	(648)	(10)	(47)	(13)	53	(665)
Dealt with in other comprehensive income	-	-	(100)	-	-	(100)
Dealt with in business combinations	-	-	-	-	7	7
At 30 November 2019	(2,308)	25	(441)	(7)	216	(2,515)
Dealt with in the profit and loss account	670	(11)	(2)	216	(139)	734
Dealt with in other comprehensive income	-	-	169	-	-	169
At 30 November 2020	(1,638)	14	(274)	209	77	(1,612)

At 30 November 2020 there were £nil (2019: £nil) temporary differences or unused tax losses for which deferred tax has not been provided.

27. Share capital

	Allotted and called up and fully paid			
	2020 Number	**2020** £'000	**2019** Number	**2019** £'000
Ordinary shares of 25p each	50,924,918	12,731	50,924,918	12,731

Issued Share Capital	Number	Nominal Value £'000
As at 1 December 2018	48,880,918	12,220
1 August 2019	1,865,500	466
21 October 2019	178,500	45
As at 30 November and 1 December 2019 and 30 November 2020	**50,924,918**	**12,731**

Share issue costs of £43,000 were incurred in the share issues of 2019 and were charged to the share premium account.

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.

At 30 November 2020 833,809 ordinary shares were held in treasury (2019: 833,809).

28. Share options and warrants

As at 30 November 2020 the following share options had been issued and were outstanding under the company's employee share option schemes:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
24 November 2014	1,910,000	24 November 2017	23 November 2024	54.00p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is a Her Majesty's Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. There are at present no issues outstanding in relation to this Scheme. A Scheme runs for a three year period. Employees subscribe, through payroll deductions, a monthly sum which accumulates in their individual savings accounts at YBS. At the end of the three year period the employee has the option to purchase ordinary shares of 25 pence in the company ("Ordinary Shares") at a price fixed at the start of each three year period. Under the rules of the Scheme, the board is free to price the share option at a discount to the market price of the Ordinary Shares, at the time the option is granted.

The company also operates an unapproved equity-settled share based remuneration scheme for group executive directors and senior management. The individual must remain an employee of the group until the option is exercised and the market price vesting condition must have been met. For the latter purpose the option issue is split into three equal tranches. For a tranche to be exercisable the share price of the company must have reached 65p, 80p and 95p respectively. At the balance sheet date the market price vesting condition had been met only in respect of the first tranche.

	2020		2019	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at beginning of the year	54.21	2,725,263	54.43	2,888,851
Forfeited during the year	54.00	(675,000)	58.05	(163,588)
Lapsed during the year	58.05	(140,263)	-	-
Outstanding at the end of the year	**54.00**	**1,910,000**	**54.21**	**2,725,263**

The exercise price of options outstanding at the end of the year was 54.0p (2019: range between 54.0p and 58.05p) and their weighted average remaining contractual life was 4 years (2019: 4.77 years).

Of the outstanding options at the reporting date 636,667 (2019: 861,667) were exercisable. The weighted average exercise price of these options was 54.0p (2019: 54.0p).

29. Dividends paid and proposed

	2020 £'000	2019 £'000
Declared and paid in the year		
Ordinary interim dividend for 2018 of 0.92 pence per share	-	442
Final dividend for 2018 of 1.78 pence per share	-	855
	-	1,297
Recognised as a liability at 30 November		
Ordinary interim dividend for 2019 of 0.95 pence per share	-	476
	-	476

30. Commitments under operating leases

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

	2020 £'000		2019 £'000	
	Land and buildings	Other assets	Land and buildings	Other assets
Operating lease commitments payable:				
Within one year	327	277	495	2,285
In two to five years	-	6	405	1,743
In more than five years	-	-	3,712	-
	327	283	4,612	4,028

Operating lease payments for land and buildings in 2020 consist principally of rentals payable by the group on short term leases for a depot and for facilities at bus stations.

Operating lease payments for other assets in 2020 consist principally of rentals payable for the vehicle fleet leased from First Group Plc as part of the deal for the acquisition of the Bolton business in 2019. These vehicles will all have been replaced by mid-2021 and returned to the lessor.

The operating lease payments disclosed in the columns for 2019 reflect the position prior to the transition to IFRS 16 with effect from 1 December 2019.

31. Financial instruments - risk management

The group holds derivative financial instruments to finance its operations and manage its operating risks. The Board agrees and reviews policies and financial instruments for risk management. Financial assets are classified as fair value through profit and loss ("FVTPL") or at amortised cost; financial liabilities are measured at amortised cost or FVTPL.

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

	2020	**2019**
	£'000	£'000
	Carrying value	Carrying value
Financial assets		
Trade and other receivables	15,849	8,798
Cash and cash equivalents	1,035	746
	16,884	9,544
Financial asset or liability – FVTPL		
Fuel commodity forward derivative contracts - asset	165	36
Fuel commodity forward derivative contracts – liability	1,267	3
Financial liabilities - at amortised cost		
Trade and other payables	5,741	6,069
Loans and borrowings	26,723	25,391
	32,464	31,460

The group's derivative financial instruments relate to fuel commodity forward contracts which help to mitigate the group's exposure to fluctuations in diesel prices. There are a number of contracts in place at the reporting date. These give the group certainty over a substantial proportion of its projected diesel expenditure up to 30 November 2022.

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The allocation of the group's financial assets and financial liabilities at fair value is classified as Level 2.

31. Financial instruments - risk management (continued)

The group's diesel forward contracts are not traded in active markets. The fair value of the diesel forward contracts has been measured by the contracting entities using inputs obtained from forward pricing curves corresponding to the maturity of the contracts.

The reconciliation of the carrying amounts of financial instruments classified within Level 2 is as follows:

	2020 £'000
Balance (asset) at 1 December 2019	33
Released to exceptional items within operating profit	(2,511)
Payments on matured instruments	1,376
Balance (liability) at 30 November 2020	(1,102)

Gains or losses related to these financial instruments are recognised within profit from operations in profit or loss and all amounts recognised in the current period relate to financial assets or liabilities held at 30 November 2020.

Changing inputs to Level 2 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets, total liabilities or total equity.

Financial risk management

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

Liquidity risk

The group has a policy of ensuring that sufficient funds are always available for its operating activities. The Board continually monitors the group's cash requirements, as disclosed in the Strategic Report.

In assessing and managing the liquidity risks of its derivative financial instruments the group considers both contractual inflows and outflows. The contractual cash flows of the group's derivative financial assets and liabilities are as follows:

	2020 £'000			2019 £'000		
	< 6 months	6-12 months	> 12 months	< 6 months	6-12 months	> 12 months
Cash inflow/(outflow)	(664)	(603)	165	(1)	34	–

31. Financial instruments - risk management (continued)

Interest rate risk

The group seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

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

	2020 £'000		2019 £'000	
	Financial liabilities on which a floating rate is paid	Financial liabilities on which a fixed rate is paid	Financial liabilities on which a floating rate is paid	Financial liabilities on which a fixed rate is paid
UK Sterling	35,522	28,298	25,693	19,928

In the year the group paid interest at a rate of between 1.54% and 3.30% (2019: between 2.80% and 3.20%) on the liabilities subject to floating rates of interest set out above. The financial liabilities set out above subject to fixed rates of interest (fixed for the whole year) were at rates between 1.07% and 5.11% (2019: between 2.11% and 7.89%) in the year. If floating rates of interest changed by 1%, the group's interest expense would not change by a material sum.

Credit risk

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

Commodity risk

The group is exposed to risk in the fluctuating price of diesel. It mitigates this risk when it considers it appropriate to do so through entering fixed price purchase contracts and fuel commodity forward derivative contracts.

Capital risk

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

Capital for the reporting period under review is as follows:

	2020 £'000	2019 £'000
Share capital	12,731	12,731
Share premium reserve	12,369	12,369
Merger reserve	2,567	2,567
Shares in treasury	(806)	(806)
Retained earnings	3,813	9,749
At end of year	**30,674**	**36,610**

32. Related parties and transactions

- The services of J H Gunn were provided by Wengen Limited, a company controlled by J H Gunn, and invoiced by that company to Rotala, as set out in note 6. At the year end £nil (2019: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £53,675 (2019: £144,841) in dividends on ordinary shares.
- Certain of the services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to subsidiary undertakings of Rotala, as set out in note 6. At the year end £8,395 (2019: £11,000) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £11,756 (2019: £30,035) in dividends on ordinary shares.
- During the year S L Dunn received from Rotala a total of £15,739 (2019: £43,202) in dividends on ordinary shares.
- During the year K M Taylor received from Rotala a total of £5,610 (2019: £15,473) in dividends on ordinary shares.
- During the year G M Spooner received from Rotala a total of £4,921 (2019: £6,750) in dividends on ordinary shares.
- During the year G F Peacock received from Rotala a total of £30,250 (2019: £78,750) in dividends on ordinary shares.
- J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,702,443 ordinary shares of Rotala as at 30 November 2020 (2019: 1,702,443 ordinary shares). Under Jersey law, Mr Gunn, as a non-resident of that state, is unable to exercise his vote at board meetings of The Fund. At 30 November 2020 Mr. Gunn and his beneficial interests held 32.8% (2019: 32.8%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £16,173 (2019: £45,966) in dividends on ordinary shares.

33. Capital commitments

As at 30 November 2020 the group had capital commitments for vehicles on order amounting to £9,887,000 (2019: £30,800,000).

34. Post balance sheet events

Subsequent to the balance sheet date the expiry date of the banking facilities set out in note 20 was extended to 5 December 2022. At the same time the overdraft facility was reduced to £4.5 million, which was the level at which it had stood before the inception of the COVID-19 crisis. Furthermore it was agreed that the revolving facility should amortise down to a maximum of £13.2 million by 5 December 2022, the amortisation to take place at four equal quarterly rests commencing on 30 September 2021.

35. Audit exemption for subsidiary undertakings

For the year ended 30 November 2020, the group has taken advantage of the exemption offered in sections 479A – 479C of the Companies Act 2006 and, with the exception of Preston Bus Limited, its subsidiary undertakings have not been subject to an individual annual audit. Rotala Plc has given a statutory guarantee to each of these subsidiary undertakings guaranteeing their liabilities, a copy of which will be filed at Companies House.

The companies which have taken this exemption are as follows:

Name	Company number
Rotala Shared Services Limited	4327651
Shady Lane Property Limited	3506681
Diamond Bus Limited	2531054
Hallmark Connections Limited	4390228
Hallbridge Way Property Limited	6504654
Diamond Bus (North West) Limited	3037228
Diamond Bus Company Holding Limited	6504657

36. IFRS16 adoption reconciliation

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 as at 1 December 2019:

	Carrying amount at 30 November 2019 £'000	Remeasurements £'000	IFRS 16 carrying amount at 1 December 2019 £'000
Intangible and pension assets	17,565	-	17,565
Property, plant and equipment	51,698	1,866	53,564
Current assets	23,367	-	23,367
Total assets	**92,630**	**1,866**	**94,496**
Loans and borrowings	(19,267)	-	(19,267)
Obligations under hire purchase contracts	(4,295)	-	(4,295)
Other lease obligations under IFRS 16	-	(3,034)	(3,034)
Other current liabilities	(7,651)	-	(7,651)
Non-current liabilities	(24,807)	-	(24,807)
Total liabilities	**(56,020)**	**(3,034)**	**(59,054)**
Net assets	**36,610**	**(1,168)**	**35,442**
Share capital	12,731	-	12,731
Other reserves	14,130	-	14,130
Retained earnings	9,749	(1,168)	8,581
Total equity	**36,610**	**(1,168)**	**35,442**

In accordance with IFRS 16 the group has recognised what were previously considered to be operating leases and classified them into their right of use and lease obligation components at 1 December 2019, being the date of transition. The values for right of use assets were established on the assumption that the standard had been applied at the inception of the respective leases. The values for lease obligations were established by discounting the lease payments from the inception of the respective leases at the applicable incremental borrowing rate in order to arrive at an appropriate net present value.

As allowed by IFRS 16 the group has taken advantage of the available practical expedients in:

- adopting the exemption for leases ending within 12 months of the transition date;
- using the exemption for low value items;
- using a single discount rate for bundles of leases of similar assets and characteristics.

The incremental borrowing rate used to measure the lease obligations at the date of transition was a weighted average of 12.50%.

36. IFRS16 adoption reconciliation (continued)

The following is a reconciliation of total operating lease commitments disclosed in the financial statements for the year ended 30 November 2019 to the lease obligations recognised at 1 December 2019:

	£'000
Total operating lease commitments disclosed at 30 November 2019	8,640
Recognition exemptions: low value assets	(29)
Leases ending within 12 months of transition date	(3,891)
Operating lease liabilities before discounting	4,720
Discounted using incremental borrowing rate	(1,686)
Total lease liabilities recognised under IFRS 16 at 1 December 2019	**3,034**

Company Statement of Financial Position

As at 30 November 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	4	42,626	42,126
Tangible assets	5	177	219
		42,803	42,345
Current assets			
Debtors	6	22,209	20,152
Creditors: amounts falling due within one year	7	(23,299)	(20,577)
Net current liabilities		(1,090)	(425)
Total assets less current liabilities		41,713	41,920
Creditors: amounts falling due after more than one year	8	(5,881)	(6,124)
Provisions for liabilities	10	(579)	(233)
Net assets		35,253	35,563
Capital and reserves			
Share capital	11	12,731	12,731
Share premium account	13	12,369	12,369
Shares in treasury	13	(806)	(806)
Retained earnings	13	10,959	11,269
Shareholders' funds - equity		35,253	35,563

The parent company loss for the year after taxation was £310,000 (2019: profit £3,003,000).

The parent company financial statements were approved by the Board of Directors and authorised for issue on 5 May 2021.

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

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

Company Statement of Changes In Equity

For the year ended 30 November 2020

	Share Capital £'000	Share Premium Reserve £'000	Shares in Treasury £'000	Retained Earnings £'000	Total £'000
At 1 December 2018	12,220	11,779	(817)	10,038	33,220
Profit for the year	-	-	-	3,003	3,003
Dividends paid	-	-	-	(1,773)	(1,773)
Shares issued	511	590	11	-	1,112
Share based payment	-	-	-	1	1
At 30 November 2019	12,731	12,369	(806)	11,269	35,563
Loss for the year	-	-	-	(310)	(310)
Dividends paid	-	-	-	-	-
Shares issued	-	-	-	-	-
At 30 November 2020	12,731	12,369	(806)	10,959	35,253

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

Notes to the Company Financial Statements

For the year ended 30 November 2020

1. Accounting policies

The following principal accounting policies have been applied in the preparation of the parent company financial statements.

The principal activity of the Company is that of a holding company which has remained unchanged from the previous year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Functional and presentation currency

The financial statements are presented in British Pounds Sterling.

Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- The requirement of IFRS 7 Financial Instruments Disclosure;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16;
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraph 10(d), 10(f), 16, 38A, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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.

Fixed assets

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.

The useful lives and residual values of property, plant and equipment are reviewed at least annually and adjusted, where applicable. When disposed of, property plant and equipment is derecognised. Where an asset continues to be used by the company but is expected to provide reduced or minimal future economic benefits, it is considered to be impaired. Profits and losses on disposal are calculated by comparing the disposal proceeds with the carrying value of the asset, and the resultant gains or losses are included in the income statement. A gain or loss incurred at the point of derecognition is also included in the income statement at that point.

1. Accounting policies (continued)

Repairs and maintenance are charged to profit or loss in the financial period in which they are incurred. Where probable future economic benefits, in excess of the current standard of performance of the existing asset, are considered to be derived from its major renovation, the cost of that major renovation is added to the carrying value of that asset. Major renovations are then depreciated over the remaining useful life of the asset.

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

Plant and machinery - 33% per annum straight line

Financial assets
The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity or available for sale.

Trade and other 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.

A provision for impairment of trade receivables is established based on the expected credit loss ("ECL"). The company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

Financial assets and liabilities include derivative financial instruments held at fair value through profit and loss ("FVTPL"). These assets and liabilities are, if they meet the relevant conditions, designated at FVTPL upon initial recognition. All of the company's derivative financial instruments currently fall into this category. Assets and liabilities in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of these financial assets and liabilities are determined by reference to active market transactions or using a valuation technique where no active market exists.

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

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest 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 statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;

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

- The company has entered into diesel commodity forward contracts. The agreements do not meet the definitions of hedging transactions under IAS 39 'Financial Instruments: Recognition and Measurement', but are accounted for as a derivative and are recorded at fair value through profit and loss.

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

1. 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 reporting 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 reporting 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 reporting 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:

- 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 reporting 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.

Fuel commodity forward contracts

The company has a number of fuel commodity forward contracts at the year end, the settlement of which lies in the future; therefore the company has recognised both an asset and a liability in respect of these contracts, as appropriate.

Self-insurance

The company's policy is to self-insure high frequency, but low value, claims such as those for traffic accidents and to protect itself against high value claims through an insurance policy issued by a third party subject to an excess. Under this scheme, premiums to obtain the latter insurance are paid to QBE Insurance Limited ("QBE") in respect of each accounting period. These premiums are held by QBE in a trust separate from the assets of the company in order to meet those claims as and when they are settled. The company has no control over the assets of this trust. The administration of high frequency but low value claims is made by a claims handling specialist and the funding of the settlement of these claims is made by the company to the claims handler as and when required.

Claims can be made for a period of up to five years after the accounting period to which they relate. Should a year of insurance be in surplus, no rebate is recognised until the claim period has expired. Should a year of insurance be calculated at any time to be in deficit, an appropriate provision is made. Any provision made is discounted to take account of the expected timing of future payments.

Share based payments

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

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

1. Accounting policies (continued)

Changes in accounting standards and interpretations

The adoption of the following accounting standards, amendments and interpretations in the current year has not had a material impact on the company's financial statements.

	EU effective date: periods beginning on or after	IASB effective date: Periods beginning on or after
Annual Improvements to IFRSs (2015 - 2017)	1 January 2019	1 January 2019
Amendments to IAS 19 Employee Benefits: Plan amendment, curtailment or settlement	1 January 2019	1 January 2019
Amendment to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures	1 January 2019	1 January 2019
Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019

The adoption of the following standards, amendments and interpretations in future years is not expected to have a material impact on the company's financial statements.

The adoption of IFRS 16 – Leases in the current year has not had a material impact on the company.

	EU effective date: Periods beginning on or after	IASB effective date: Periods beginning on or after
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material	1 January 2020	1 January 2020
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform – Phase 1	1 January 2020	1 January 2020
Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
IFRS 3 Business Combinations (Amendment): Definition of a Business	1 January 2020	1 January 2020
IFRS 16 Leases (Amendment): Covid-19-related Rent Concessions	† **	1 June 2020
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Amendments): Interest Rate Benchmark Reform – Phase 2	1 January 2021†*	1 January 2021
IFRS 4 Insurance Contracts (Amendment): Extension of the Temporary Exemption from Applying IFS 9	1 January 2021†*	1 January 2021
IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use	† **	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	† **	1 January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	† **	1 January 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	† **	1 January 2022
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2023†*	1 January 2023
IFRS 17 Insurance Contracts	† **	1 January 2023

Standards, amendments and interpretations cannot be adopted in the EU until they have been EU-endorsed.

† Pending endorsement

* Expected to be endorsed by the IASB effective date.

** Expected endorsement date not yet announced.

2. Profit 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 company's loss for the year includes a loss after taxation of £310,000 (2019: £3,003,000 profit) which is dealt with in these parent company financial statements.

For disclosure of the Auditor's fees reference should be made to note 7 to the consolidated financial statements.

3. Staff costs

	2020 £'000	**2019** £'000
Staff costs (including directors) comprise:		
Wages and salaries	1,238	1,148
Employer's national insurance contributions	134	123
Defined contribution pension costs	50	43
	1,422	1,314
Share-based payment expense	-	1
	1,422	1,315

For disclosure of the Directors' remuneration reference should be made to note 6 to the consolidated financial statements.

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

	2020 Number	**2019** Number
Management and administrative	27	26

4. Investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 December 2019	42,126
Additions	
At cost	500
Net book value	
At 30 November 2020	42,626
Net book value	
At 30 November 2019	42,126

During the year £500,000 was subscribed for additional share capital in a subsidiary undertaking by conversion of existing intercompany debt.

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
Diamond Bus Limited*	England	100%	Transport
Diamond Bus (North West) Limited	England	100%	Transport
Hallbridge Way Property Limited	England	100%	Property holding
Hallmark Connections Limited	England	100%	Transport
Preston Bus Limited	England	100%	Transport
Shady Lane Property Limited	England	100%	Property holding
Rotala Shared Services Limited	England	100%	Transport
Diamond Bus Company Holding Limited	England	100%	Holding company
Flights Hallmark Limited	England	100%	Dormant

* Held indirectly

All subsidiary undertakings in the group are registered at the same address. This is:

Rotala Group Headquarters
Cross Quays Business Park
Hallbridge Way
Tividale
Oldbury
West Midlands
B69 3HW

5. Tangible assets

	Plant and machinery £'000	Fixtures and fittings £'000	Total
Cost:			
At 1 December 2019	104	323	427
Additions	14	5	19
Disposals	(3)	(1)	(4)
At 30 November 2020	115	327	442
Depreciation:			
At 1 December 2019	58	150	208
Charge for the year	17	44	61
Disposals	(3)	(1)	(4)
At 30 November 2020	72	193	265
Net book value:			
At 30 November 2020	43	134	177
At 30 November 2019	46	173	219

6. Debtors

	2020 £'000	**2019** £'000
Prepayments and accrued income	397	607
Trade debtors	-	36
Taxation	44	55
Deferred tax (note 9)	231	25
Financial instruments	165	36
Amounts due from subsidiary undertakings	21,372	19,393
	22,209	20,152

All amounts shown under debtors fall due for payment within one year. The company is exposed to credit risk from its trade debtors and amounts due from subsidiary undertakings. Provisions for doubtful debts are established in respect of specific trade and other receivables where, based on management's consideration of an individual customer's payment history, credit risk and relevant forward-looking conditions, it is deemed that they are impaired.

7. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts (note 8)	20,842	19,262
Trade creditors	108	224
Interim dividend payable	-	476
Taxation and social security	152	38
Accruals and deferred income	692	311
Other creditors	238	263
Fuel commodity forward contracts liability	1,267	3
	23,299	**20,577**

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

	2020 £'000	2019 £'000
Bank loan	5,881	6,124
	5,881	**6,124**

Bank borrowings

In 2017 HSBC Bank plc became the principal bankers to the group. The Senior Facilities Agreement as at 30 November 2020 provided for a revolving facility of up to £16.2 million and a mortgage facility of £8.0 million, with a corresponding overdraft facility of up to £6.6 million. The group has entered into a cross-guarantee and floating charge agreement covering these facilities. At the balance sheet date these facilities were scheduled to expire on 5 December 2021. Subsequent to the balance sheet date these facilities were revised and extended to 5 December 2022. See further note 34.

The bank loans are secured on the group's freehold property. The annual mortgage repayments are calculated such that the mortgage facilities amortise in a straight line over a term of 20 years which is considered to give a reasonable approximation to the effective interest rate.

Analysis of maturity

	2020 Bank loans and overdrafts £'000	2019 Bank loans and overdrafts £'000
In one year or less, or on demand	20,842	19,262
In more than one year but not more than two years	5,881	388
In more than two years but not more than five years	-	5,736
	26,723	**25,386**

9. Deferred tax

The deferred tax asset included in the company balance sheet is analysed as follows:

	2020 £'000	2019 £'000
Accelerated capital allowances	22	11
Arising on derivative financial instruments	209	(7)
Losses	-	21
Net asset	231	25

All movements in each category of deferred tax asset or liability in the above table were dealt with in the profit and loss account.

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

	2020 £'000	2019 £'000
Balance brought forward at 1 December	25	24
Recognised in profit or loss	206	1
Balance carried forward at 30 November	231	25

At 30 November 2020 there were £nil (2019: £nil) temporary differences or unused tax losses for which deferred tax has not been provided.

Deferred tax has been measured at the average tax rates that are expected to apply in the accounting periods in which the timing differences are expected to reverse, based on the tax rates and laws which have been enacted or substantively enacted at the balance sheet date.

10. Provisions

	2020 £'000	2019 £'000
Insurance claims provision	579	233
	579	233

As set out in note 1 to the company financial statements, the policy of the company is to self-insure high frequency, but low value, claims such as those for traffic accidents and to protect itself against high value claims through an insurance policy issued by a third party subject to an excess.

As at 30 November 2020 and 2019 it is considered by the company that the provision held is sufficient to meet the settlement responsibility which falls on the company at those dates.

Given the length of time which can elapse in dealing with insurance claims, it is probable that the above provision will be utilised gradually over the five year period in which claims can be made. Claims experience in the future will dictate the extent to which additions to the provision may be required and the extent of its utilisation in any accounting period.

11. Share capital

	Allotted and called up and fully paid			
	2020 Number	**2020** £'000	**2019** Number	**2019** £'000
Ordinary shares of 25p each	50,924,918	12,731	50,924,918	12,731

Issued Share Capital	Number	Nominal Value £'000
As at 30 November 2018	48,880,918	12,220
1 August 2019	1,865,500	466
21 October 2019	178,500	45
As at 30 November and 1 December 2019 and 30 November 2020	50,924,918	12,731

Share issue costs of £43,000 were incurred in the share issues of 2019 and were charged to the share premium account.

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.

At 30 November 2020 833,809 ordinary shares were held in treasury (2019: 833,809).

12. Share options and warrants

As at 30 November 2020 the following share options had been issued and were outstanding under the company's employee share option schemes:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
24 November 2014	1,910,000	24 November 2017	23 November 2024	54.00p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is a Her Majesty's Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. There are at present no issues outstanding in relation to this Scheme. A Scheme runs for a three year period. Employees subscribe, through payroll deductions, a monthly sum which accumulates in their individual savings accounts at YBS. At the end of the three year period the employee has the option to purchase ordinary shares of 25 pence in the company ("Ordinary Shares") at a price fixed at the start of each three year period. Under the rules of the Scheme, the board is free to price the share option at a discount to the market price of the Ordinary Shares, at the time the option is granted.

The company also operates an unapproved equity-settled share based remuneration scheme for group executive directors and senior management. The individual must remain an employee of the group until the option is exercised and the market price vesting condition must have been met. For the latter purpose the option issue is split into three equal tranches. For a tranche to be exercisable the share price of the company must have reached 65p, 80p and 95p respectively. At the balance sheet date the market price vesting condition had been met only in respect of the first tranche.

12. Share options and warrants (continued)

	2020 Weighted average exercise price (p)	2020 Number	2019 Weighted average exercise price (p)	2019 Number
Outstanding at beginning of the year	54.21	2,725,263	54.43	2,888,851
Forfeited during the year	54.00	(675,000)	58.05	(163,588)
Lapsed during the year	58.05	(140,263)	-	-
Outstanding at the end of the year	54.00	1,910,000	54.21	2,725,263

The exercise price of options outstanding at the end of the year was 54.0p (2019: range between 54.0p and 58.05p) and their weighted average remaining contractual life was 4.0 years (2019: 4.77 years).

Of the outstanding options at the reporting date 636,667 (2019: 861,667) were exercisable. The weighted average exercise price of these options was 54.0p (2019: 54.0p).

13. Reserves

- Called up share capital represents the nominal value of shares which have been issued;
- The share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuance of shares are deducted from the share premium reserve;
- Shares in Treasury result from the acquisition by the company of its own shares. Shares are issued from Treasury to meet the requirement to satisfy the exercise of share options under the company's SAYE and unapproved share option schemes;
- Retained earnings include all current and prior period retained profits and losses.

14. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension charge amounted to £50,000 (2019: £43,000). Contributions amounting to £3,358 (2019: £3,707) were payable to the scheme at the balance sheet date.

15. Capital commitments

As at 30 November 2020 and 2019 the company had no capital commitments.

16. Commitments under operating leases

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

	Other Assets 2020 £'000	Other Assets 2019 £'000
Operating lease commitments payable:		
- Within one year	6	8
- In two to five years	5	14
	11	22

Operating lease payments for other assets in 2020 consist of rentals payable for low value assets.

The operating lease payments disclosed in the columns for 2019 reflect the position prior to the transition to IFRS 16 with effect from 1 December 2019.

17. Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2020 the contingent liability amounted to £nil (2019: £5,770).

The company has guaranteed the hire purchase obligations of its subsidiaries. At 30 November 2020 the contingent liability amounted to £37,097,000 (2019: £20,229,000).

18. Related parties and transactions

- 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 of the group financial statements. At the year end £nil (2019: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £53,675 (2019: £144,841) in dividends on ordinary shares.
- Certain of the services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to a subsidiary undertaking of Rotala, as set out in note 6 of the group financial statements. At the year end £8,395 (2019: £11,000) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £11,756 (2019: £30,035) in dividends on ordinary shares.
- During the year S L Dunn received from Rotala a total of £15,739 (2019: £43,202) in dividends on ordinary shares.
- During the year K M Taylor received from Rotala a total of £5,610 (2019: £15,473) in dividends on ordinary shares.
- During the year G M Spooner received from Rotala a total of £4,921 (2019: £6,750) in dividends on ordinary shares.
- During the year G F Peacock received from Rotala a total of £30,250 (2019: £78,750) in dividends on ordinary shares.
- J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,702,443 ordinary shares of Rotala as at 30 November 2020 (2019: 1,702,443 ordinary shares). Under Jersey law, Mr Gunn, as a non-resident of that state, is unable to exercise his vote at board meetings of The Fund. At 30 November 2020 Mr. Gunn and his beneficial interests held 32.8% (2019: 32.8%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £16,173 (2019: £45,966) in dividends on ordinary shares.

19. Post balance sheet events

For disclosure of post balance sheet events reference should be made to note 34 to the consolidated financial statements.

ROTALA
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