



Annual Report

for year ended 30 November 2019



DIAMOND

DIAMOND
NORTH WEST

 **prestonbus**

 **wings**

 **hallmark**

ROTALA
passenger transport

Rotala Plc

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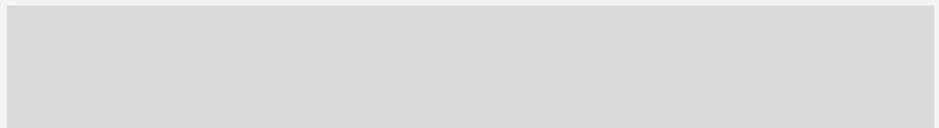
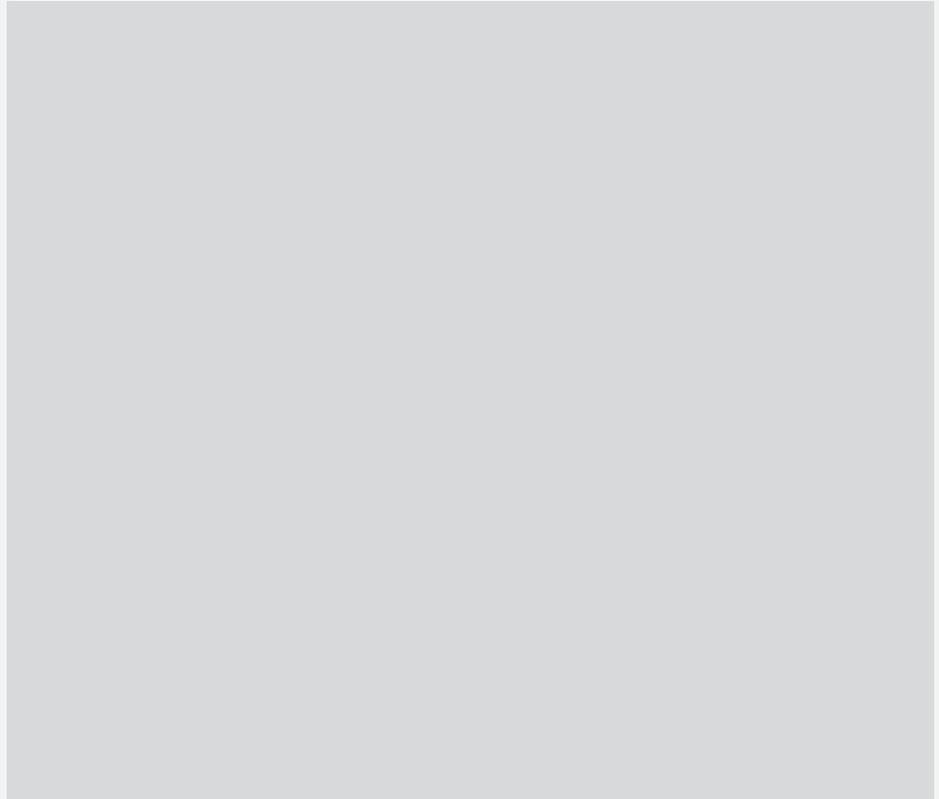
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Rotala at a Glance





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	Cenkos Securities Plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Auditor	Mazars LLP Statutory Auditor 45 Church Street Birmingham B3 2RT
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





Financial Highlights

A glance at the highlights of the financial year ended 30 November 2019.

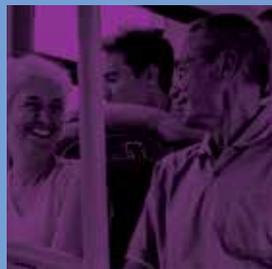


* Continuing business only



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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 2019.

Profit before Taxation

£4.42m

↑ 4%

(before exceptional items)

2019	£4.42m
2018	£4.23m*
2017	£3.59m*
2016	£2.68m

Revenue by Stream

30% Contracted

68% Commercial

2% Charter



* Continuing business only

In the year the company made a key acquisition in Greater Manchester which will in a full year considerably enlarge the revenues of the group. Before the onset of the Coronavirus crisis Rotala was continuing to make good progress and to show the benefits of our stated acquisition strategy. At the time of writing this statement however the increasing seriousness of the Coronavirus epidemic, and the UK Government's response to it, have put such considerations on hold.

Results and review of trading

Revenues for the group for the year ended 30 November 2019 were £67.5 million. This represents an increase of 8% on the revenues of £62.4 million achieved in the previous year. Gross margin remained steady at 20.0%. Pre-tax profits before exceptional items rose by 4% to £4.42 million (2018: £4.23 million).

Contracted Services

Revenues in the Contracted Services division fell overall by 6% to £20.2 million (2018: £21.6 million). Contracted Services represented 30% of group revenues in this year (2018: 35%). The acquisition in Bolton, which was exclusively a commercial bus business, fell in its entirety into the Commercial Services division of the group and so, relatively speaking, decreased the contribution made by Contracted Services to group revenues.

In this division revenues come under two broad headings: corporate contracts and local authority bus contracts. Corporate contracts comprise only about a third of the revenues of the division and the most important component part of these revenues is our airline business around Heathrow airport. This is a highly competitive market in which bids for contracts are often made at unsustainable prices. As a matter of principle we always tender for contracts at prices which will ensure that the work we do contributes to group profitability. Consequently a number of airline contracts were not renewed this year and revenues from this source declined year on year.

In contrast revenues from local authority bus contracts continue to grow, as they have done consistently since the low point reached in 2013 at the height of the Government's public sector finance cuts. This used to be the arena for the family-owned and run bus business. However the ever increasing demands and complexities of running a bus business seem to have caused many of these smaller businesses to withdraw from this part of the market in recent years. This has helped us increase our market share in Preston and the West Midlands. In the latter region it will be recalled that we have made a number of acquisitions in the last few years with the precise objective of obtaining a greater share of the contracted bus market. We have therefore continued to be able to increase our revenues from this source and revenues from local authority contracts now form two thirds of the revenues in the Contracted Services division.

The recent Government announcement of its intention to invest considerable sums in bus transport should bode well for this sector of our business in particular.

Commercial Services

Revenues in the Commercial Services division grew by 18% in 2019 to reach £45.8 million for the year (2018: £38.9 million). Commercial Services comprised 68% of group revenues in 2019, compared to 62% in 2018. The increased revenue in this division, and so also its increased contribution to group revenues, resulted largely from the acquisition in August 2019 of part of the commercial bus business of First Manchester Limited ("First"). The business acquired operates from a large depot in Bolton, Greater Manchester, which we also purchased. The business is an exclusively commercial bus operation servicing some 18 bus routes in Bolton, Bury and into the centre of Manchester. Its contribution to the current year revenues of the group was limited by the date of the business purchase. However this acquisition will in time move the North West region of the group into being its single largest component and also propelled the group into being the Number 2 bus operator in the Greater Manchester conurbation.

The group remains the second largest bus operator in the West Midlands. Here revenues were stable year on year, as they were also at our Preston and Heathrow depots. We have made considerable investment in the Commercial Services division over the last six years. It is pleasing to be able to report that revenues in the division have as a result grown by almost 50% in that period.

Charter Services

Charter Services are becoming a more minor part of group revenues as our focus is increasingly on Commercial and Contracted services. Where we have capacity we continue to look for private hire work which will maximize the usage of the vehicles in the fleet, but this capacity is at a lower level than in previous years. Consequently in the year revenues in Charter Services fell to £1.47 million (2018: £1.9 million) and now form only 2% of group revenues (2018: 3%). Most of these revenues come from private hire work serviced by our Heathrow depots.

Contracted Revenue

£20.2m

↓ 6%

2019 £20.2m

2018 £21.6m*

2017 £18.6m*

2016 £19.7m

Commercial Revenue

£45.8m

↑ 18%

2019 £45.8m

2018 £38.9m*

2017 £31.2m*

2016 £32.9m

Charter Revenue

£1.47m

↓ 24%

2019 £1.47m

2018 £1.9m

2017 £2.8m

2016 £2.4m

* Continuing business only



Chairman's Statement and Review of Operations

(continued)

Acquisition

As I have set out above, in August 2019 the group acquired from First a commercial bus business operating from a large depot in Bolton. We also acquired the freehold of the depot and its associated plant and machinery. The consideration paid for the acquisition was £5.4 million in cash.

The annual turnover of the business is approximately £25 million, and so, given the date of the acquisition, the group results will only begin to reflect the full impact of the acquisition in the year ending 30 November 2020. The Bolton depot covers an area of 6.7 acres and consists largely of a combination of freehold and very long leasehold interests. The depot is a purpose-built bus depot, constructed about 15 years ago, capable of operating up to 200 vehicles. Approximately 500 staff transferred to Rotala with the business.

The aim of the acquisition was to strengthen significantly Rotala's operations in the Greater Manchester area. After London, Manchester represents one of the largest bus markets in the country, on a par with the West Midlands where Rotala already has a significant presence. The acquisition enabled Rotala to move from being a small player in the Greater Manchester bus market to the Number 2 bus operator in that region. The Bolton depot has also become the headquarters of the group in the North West and the existing operations of the group in the region have been completely re-organised with the objective of making full use of the facilities and capacity of the Bolton depot. The group already had two smaller depots in Greater Manchester, in Eccles and Atherton, operating approximately 90 vehicles. The Atherton depot has been sold, subject to contract, and the vehicles formerly based there have been redeployed to Bolton and Eccles. Bolton has furthermore become the national driver training centre for the entire group. This re-organisation will in time enable Rotala to extract all the synergy benefits which were identified in making the acquisition, and facilitate the operation in the most efficient manner possible of the group's expanded services in the Greater Manchester area.

We did not acquire any vehicles with the acquisition of this business. Instead, under the terms of a separate vehicle leasing agreement, we agreed with First to lease from it 125 of the vehicles which were used at the time of the acquisition to service the 18 commercial bus routes which formed the acquired business. These vehicles are being progressively replaced with modern vehicles which meet the latest air quality standards. Thus, by 30 June 2021, all the leased vehicles will have been returned to First. Immediately on making the acquisition the Board decided to acquire for it 13 new double deck buses in order to avoid taking on a matching number of leased vehicles from First. After further careful evaluation the Board has since placed orders for 130 new vehicles at a total capital cost of £25.5 million. This step is in accordance with the plan which we set out at the time of the acquisition. This capital expenditure is spread over the next two accounting periods and will be financed using the group's existing panel of hire purchase finance providers. Crucially these new vehicles will more than justify their acquisition through significantly lower fuel consumption and other operating cost savings.

Fleet management

Aside from the action taken on the fleet inherited with the Bolton acquisition, we have continued to be active this year in reshaping the group's bus fleet to match changing needs. In my statement last year I reported that, at that stage of the year, we had already acquired 20 new single deck buses for our West Midlands operation. We added a further 13 for various parts of the group later in the year. In addition we acquired another 23 of the Mercedes van-based small buses which I described in detail last year. These vehicles have proved very useful on the narrow roads often found in street grids laid out in the 19th century. They are also well liked by passengers and drivers and we now have 38 of them. These bus acquisitions enabled us to dispose of a matching number of older vehicles. Consequently the average age of the fleet (excluding the vehicles being leased for the short term from First) fell to about 8.65 years (2018: 9.42 years).

You will be well aware that there is considerable pressure nationally to meet air quality targets and we therefore expect to continue to upgrade the bus fleet, as we have done in the West Midlands and are doing in Bolton. However all the new vehicles we are acquiring meet the Low Emission Bus standards and so qualify for the enhanced rates of Bus Services Operator's Grant. They are also much more fuel efficient and enjoy lower maintenance costs than the older vehicles that they are replacing. Therefore we do not anticipate that these fleet changes will have a material impact on our business. We will thus continue to manage the fleet actively in accordance with our policies and this will no doubt result in an on-going level of vehicle acquisition and disposal.

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

Whilst the Bus Services Act 2017 continues to have its impact, the Government has very recently announced that it will provide £5 billion of new funding to overhaul bus and cycle links for every region outside London. The details of this programme will be set out in a Government paper on its National Bus Strategy later this year, as part of the Comprehensive Spending Review. The package of investment will boost bus services by focusing on a range of priorities including:

- Higher frequency services (including evenings and weekends);
- More “turn up and go” routes;
- Bus priority schemes to improve punctuality;
- More affordable and simpler fares;
- More than 4,000 new Zero Emission buses.

All this investment is very welcome after a ten year period in which Government had been steadily reducing its direct and indirect support for bus services. As I have had to report in the past, these reductions had a considerable negative impact on your company. Nevertheless we now appear to be entering a new era for bus transport with renewed and enhanced Government support for a key part of the country’s transport network. We welcome this announcement and look forward to working closely with Local and National Government in making a success of these new initiatives. We do not believe at this stage that these moves mean any modification is required to the business strategy of the group, as set out in the Strategic Report on page 18. The Government’s investment is specifically not focused on London, where we have no commercial bus operations. Our focus is on the West Midlands and the North West. In the West Midlands we have now negotiated three route partnerships under the auspices of Transport for the West Midlands (“TfWM”). These partnerships have produced the expected benefit for passengers in the ability to catch any bus and also for ourselves in lowering operating costs and increasing bus loadings with no reduction in overall revenues.

In Greater Manchester, Transport for Greater Manchester (“TfGM”) has recently closed its consultation period on the refranchising of the bus network under the Bus Services Act 2017 and is digesting the various responses it has received to its refranchising proposals. At the present time the outcome of the consultation process is unknown and the next steps are consequently unclear.

Dividend

As the company matures I expect the dividend to be progressive. The board is conscious of the importance of dividend flows to shareholders and has set a target dividend cover of 2.5 times earnings, to match underlying earnings and free cash flows.

The company paid an interim dividend of 0.95 pence per share in December 2019. Before the advent of the Coronavirus crisis the directors intended to propose a final dividend for the year of 1.95p per share to the Annual General Meeting (“AGM”). However the directors believe that in the current circumstances it would be imprudent to propose any final dividend to the AGM. The board will consider at an appropriate time in the future whether it may be possible to pay a special interim dividend to replace the abandoned final dividend for 2019. In respect of 2018, interim and final dividends totalling 2.70 pence per share were paid.

Fuel hedging

The annual fuel requirement of the Group is approximately 14.0 million litres. In drawing up its budgets the Board has targeted an average fuel price of about 100p a litre. When opportunities have arisen to hedge the fuel requirements of the group at this price level the Board has taken out a number of fuel hedge contracts, using diesel derivatives. As a result about 77% of the group’s fuel requirement for 2020 is covered by hedging contracts, at an average price of 100p per litre, and about 87% of the fuel requirement for 2021, at a similar price.

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.



Chairman's Statement and Review of Operations

(continued)

Financial review

Income statement

The Consolidated Income Statement is set out on page 35. This section of the review addresses the results for continuing operations before the mark to market provision for fuel derivatives and other exceptional items. Revenues for the year rose by 8% compared to those of 2018. This increase was principally driven by the acquisition made in Bolton at the end of the third quarter. Cost of Sales also rose by 8%. Gross Profits increased by 9%, whilst the gross profit margin remained the same as last year at 20.0%. Administrative expenses increased by 13% as a result of the general expansion in the size of the group and the Government-mandated increased defined contribution pension costs. Profit from Operations grew to £6.05 million (2018: £5.76 million), an increase of 5% on the previous year. As a consequence EBITDA before exceptional items (defined as Profit from Operations before exceptional items plus depreciation (note 14)) rose by 18% to £10.4 million (2018: £8.8 million). Finance expense however rose by 10%, reflecting the increased bank and HP borrowings used to finance the Bolton acquisition and then the start made on re-equipping it. Profit before taxation before exceptional items therefore rose by 4% when compared to the previous year to £4.42 million (2018: £4.23 million).

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. As can be seen from this note the principal components of the exceptional item caption this year are acquisition costs, reorganisation and integration expense caused by the acquisition, and intangible asset amortisation. Profit from Operations after exceptional items was £4.25 million, compared to £5.18 million in 2018, a fall of 18% caused by the exceptional costs already highlighted above. Profit before Taxation and after exceptional items also fell for the same reason, to £2.61 million (2018: £3.65 million).

As a result of the share issues during the year the weighted average number of shares in issue rose slightly to 48.7 million, but the major adverse impact on earnings per share came from the Government's recent decision not to reduce the rate of corporation tax to 17% in 2020, but instead to keep that rate at 19%, and the concomitant effect on the deferred tax provision.

As a result of the factors set out above basic earnings per share in 2019, after all exceptional items, fell by 17% to 4.00p per share (2018: 4.81p). However the impact of exceptional items in particular makes the basic earnings per share numbers very difficult to understand. A better guide to true comparability is to consider the adjusted basic earnings per share numbers. Adjusted basic earnings per share (before all exceptional items) were 7.35p in 2019, compared to 7.22p in 2018, an increase of 2% year on year.

Balance sheet

The gross assets of the group grew by 22% in the year and stood at £92.6 million at 30 November 2019 (2018: £76.0 million). The book value of property, plant and equipment increased by some £12.25 million compared to 2018. This increase reflected the assets acquired as part of the Bolton acquisition, the new ticket machines purchased to integrate Bolton systems with the rest of the group and the considerable changes to the vehicle fleet both at Bolton and elsewhere described under the Fleet Management section above. The asset represented by the defined benefit pension scheme increased by a further 34% this year to £2.31 million (2018: £1.74 million). The reasons for this are set out in full in note 25 to these accounts. Goodwill and other intangible assets increased only slightly as a result of the one acquisition made in the year and the amortisation of £501,000 of contract-related intangibles.

As a result of the increased size of the group stocks of parts, tyres and fuel rose by 22% compared to the previous year. The growth in Trade and Other Receivables partly reflects the increased size of the group, but also in part reflects the fact that Bus Services Operator's Grant and Concessionary Fares recoveries are slow to adjust to increased levels of activity. Equally the increase in the size of the group had its impact on Trade and Other Payables.

The loans and borrowings of the group shown under Current Liabilities rose to reflect the fact that the Revolving Commercial Facility was drawn down to finance the acquisition of the Bolton business. New share capital totalling £1.1 million was also raised to finance this transaction in part but the rest of the consideration was supplied by an increase in the group's mortgage finance secured on its freehold property, which is shown under Non-Current Liabilities.

The sections dealing with the purchase of the Bolton business and Fleet Management above describe very fully the reasons for the acquisition of a considerable number of new vehicles in the year. These vehicles were financed by hire purchase contracts and their purchase is the cause of the increase in the Obligations under Hire Purchase Contracts compared to the level reached at the end of the previous year.

The gross liabilities of the group therefore rose to £56.02 million (2018: £41.12 million), an increase of 36%. As already mentioned £1.1 million of new share capital was raised in the year. Therefore overall the net assets of the group rose to £36.6 million at the end of the year, compared to £34.9 million at the end of 2018, a rise of 5% year on year.

Cash flow statement

Cash flows from operating activities (before changes in working capital and provisions) rose strongly to reach £9.50 million (2018: £7.98 million), an increase of 19%. However the Bolton acquisition, as a trade deal only, necessitated the application of a considerable quantity of working capital from the group's own resources. Interest paid on HP agreements increased somewhat when compared to the previous year as a result of the number of vehicles acquired under HP agreements during the year. Nevertheless net cash flows from operating activities rose by 26% to £5.21 million (2018: £4.13 million).

Naturally the acquisition of the Bolton business caused the large increase in cash used in investing activities when compared to the previous year. As can be seen, the acquisition cost (including the expenses of acquisition of £578,000) a total of £5.99 million. Purchases of property, plant and equipment fell considerably when compared to the previous year. Thus cash used in investing activities was £7.2 million net of related proceeds (2018: £1.5 million net).

Financing activities were affected by a number of events. Through the issue of 2,044,000 new shares at a price of 56p per share we were able to raise £1.1 million towards the finance required to complete the Bolton acquisition. Dividends paid in the year reflect both an increase in the dividend per share, in accordance with our progressive dividend policy, and the number of shares in issue.

The remainder of the acquisition consideration was provided, as already described, by a combination of drawings on the group's Revolving Commercial Facility and new mortgage finance secured by the large freehold depot in Bolton that we acquired with the business purchase. The bank interest paid in the year reflects these facility drawings. The capital element of payments on hire purchase agreements rose somewhat to £4.2 million (2018: £3.75 million). This increase reflects the new HP finance arranged in the year for the new vehicles acquired, as described fully earlier in this statement. However overall £282,000 in cash was generated by financing activities, in contrast to the total of £1.15 million used for the same purpose in the previous year.

In summary therefore cash and cash equivalents decreased by £1.73 million when compared to the previous year (2018: an increase of £1.47 million), largely as a result of the acquisition of the sizeable Bolton business from First as described extensively above.



Chairman's Statement and Review of Operations

(continued)

Outlook

The group performed well in 2019 and, as I have already remarked, before the Coronavirus epidemic was upon us trading for the current year began in line with expectations.

Clearly we have now entered extraordinary times which are beyond any current experience. Bus services are regarded by the Government as an essential service. Government has therefore taken steps, through specific direction provided to all arms of the State at both national and local level, to ensure that bus companies have sufficient cash flow to support the operations that they are running. The board has also taken action on many fronts to align the bus services being operated with local requirements, reduce commensurately the costs of operation and conserve cash.

If it is permitted to look beyond the Coronavirus crisis, having regard to the fact that it is of unknown duration and effect, the recent announcement by the Government of large scale investment in bus transport heralds a new era in the bus industry after a difficult ten year period. However, in order to prosper in these conditions, bus companies will need to possess strong and experienced management. I am glad to say that Rotala has such a management team which has consistently proved itself over the last decade. Furthermore we do not see any let up in the potential for divestment and acquisition activity in the bus market in the next few years. We believe we are very well positioned to take full advantage of all these developments. Therefore we are confident about the prospects of the group and excited about the possibility of expanding it considerably in the years ahead.

John Gunn

Non-Executive Chairman

Date: 21 April 2020







Strategic Report

For the year ended 30 November 2019

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 sustainable revenue streams through the expansion of its commercial bus and contracted activities and by being an active participant 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:

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.

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 full impact of the Coronavirus epidemic, following its recent emergence and the severe restrictions which the UK Government has imposed in response, is still 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 note 35 to these financial statements.

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.





Strategic Report

(continued)

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 clients 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.

The focus of the business is to build profitable and sustainable revenue. 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:

	2019	2018
Gross profit margin	20.0%	20.0%
Profit from operations before mark to market provisions and other exceptional items	£6,053,000	£5,761,000
Profit before taxation and mark to market provisions and other exceptional items	£4,418,000	£4,230,000

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

	2019	2018
Gross profit margin	20.0%	20.0%
Profit from operations	£4,247,000	£5,181,000
Profit before taxation	£2,612,000	£3,650,000

These key performance indicators are used as follows:

1. 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;
2. 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;



Strategic Report

(continued)

3. 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 16. The group's results for the year are set out on page 35. The results of the year and the financial position as at 30 November 2019 are considered by the directors to be satisfactory.

Going concern

The UK Government has designated bus operation to be an essential service in the Coronavirus crisis prevalent at the date of these accounts. Passenger numbers had fallen steeply even before the very severe restrictions on travel for all but key workers introduced on 23 March 2020. In this light Government has taken steps, through specific direction provided by the Cabinet Office to all arms of the State at both national and local level, to ensure that bus companies have sufficient cash flow to support the operations that they are running. These measures cover the maintenance of Bus Services Operator's Grant, concessionary fares re-imbursements and payments for contracted bus services broadly at their pre-crisis levels.

Internally the Board has taken a number of steps to align the bus services being operated with local requirements, reduce commensurately the costs of operation and conserve cash. These measures include the rescheduling of services to run an enhanced Sunday-level timetable; reduction in driver rosters; suspension of discretionary capital expenditure; termination of vehicle operating leases where possible; and placing a significant proportion of the workforce into the Coronavirus Job Retention Scheme.

Given the early stage of this crisis and its unknown duration it is impossible to quantify at the current time what effect the crisis will have on the business of the group or its assets, liabilities, shareholders and employees. Potential effects might include write downs in now redundant property, plant, equipment and inventory; write off of trade and other receivables; re-evaluation of the pension scheme asset; mark to market losses on fuel derivative contracts given current oil prices and associated tax effects.

The board has examined its strategy and considered its profit and loss and cash flow projections for the fourteen month period to 31 May 2021. It has modelled, so far as is possible, the reduced scale of operations and cash flows called for under the restrictions imposed by the Government in response to the Coronavirus epidemic. It has also evaluated the hire purchase, loan and overdraft facilities available to the group in connection with the period examined. After due enquiry, 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.

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.rotalapl.com/our-investors/corporate-governance-code.html is to be found a full analysis of the QCA code in as far as it applies to the company.

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

- setting its strategic direction;
- monitoring and guiding operational performance;
- establishing policies 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.

The Chairman does not believe that in a group such as this the board should seek to delegate any of its responsibilities to committees. The Chairman therefore requires that all directors participate fully in debates about remuneration and nomination to the board, and that the board as a whole meets with the Statutory Auditor to agree the audit strategy and to receive his Audit Report annually. On this matter the company does not comply with Principle 5 of the QCA Code for the reasons stated above.

Furthermore the board does not currently review its effectiveness of performance on a regular or formal basis. Nor does it formally review the performance of individual directors. The Chairman believes 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 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.

Because there is no formal performance review of individual directors nor a formal review process of overall board effectiveness in accordance with Principle 7 of the QCA Code, the company departs from the Code in this respect also.

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.

Relationships with shareholders

The company values the views of its shareholders and recognises their interest in the company's strategy and performance. The Annual General Meeting is used to communicate with shareholders and they are encouraged to participate. The directors will be available to answer questions at the Annual General Meeting.

By order of the Board.

Kim Taylor

Secretary

Date: 21 April 2020





Directors' Report

For the year ended 30 November 2019

The directors present their statutory report for the group for the year ended 30 November 2019.

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 16 for a full description of these matters.

Dividends and Share Price

An interim dividend in respect of 2019 of 0.95p per share was paid on 13 December 2019. Before the advent of the Coronavirus crisis the directors intended to propose a final dividend for the year to the AGM of 1.95p per share. However the directors believe that in the current circumstances it would be imprudent to propose any final dividend. In respect of the year ended 30 November 2018, an interim dividend of 0.92p per share was paid on 7 December 2018. A final dividend of 1.78p per share was paid on 28 June 2019. The total cash outflow for dividends paid in the year was therefore £1,297,000.

The company's share price at 30 November 2019 was 52.00p (2018: 47.30p). The high and low prices in the year were 61.00p and 44.50p respectively.

Employment policies and employee involvement and communication

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.

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.

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.

Directors' interests

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

		2019	2019	2018	2018
		Ordinary shares of 25p each	Options over ordinary shares of 25p each	Ordinary shares of 25p each	Options over ordinary shares of 25p each
J H Gunn	Beneficial	5,649,987	-	5,364,487	-
R A Dunn	Beneficial	1,237,425	615,000	1,112,425	646,007
S L Dunn	Beneficial	1,656,687	900,000	1,593,047	918,604
G F Peacock	Beneficial	3,184,166	-	2,916,666	-
G M Spooner	Beneficial	518,000	-	250,000	-
K M Taylor	Beneficial	590,556	395,000	573,056	395,000

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

	At 30 November 2018	Exercise Price	Forfeited	At 30 November 2019	Date Exercisable	Date of Expiry
R A Dunn	31,007	58.05p	(31,007)	-		
	615,000	54.0p	-	615,000	24/11/2017	23/11/2024
	646,007		(31,007)	615,000		
S L Dunn	18,604	58.05p	(18,604)	-		
	900,000	54.0p	-	900,000	24/11/2017	23/11/2024
	918,604		(18,604)	900,000		
K M Taylor	395,000	54.0p	-	395,000	24/11/2017	23/11/2024
	395,000		-	395,000		

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.

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 any material impact on the business of the company or the group.

Effect of the Coronavirus epidemic

The full impact of the Coronavirus epidemic, following its recent emergence and the severe restrictions which the UK Government has imposed in response, is still unknown. It is therefore not possible at this time to evaluate and describe all the potential implications for the business of the group and the company, and its customers, suppliers and the wider economy.



Directors' Report

For the year ended 30 November 2019

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.

	2019	2019	2019	2018	2018	2018
	Number	% of called up share capital	£ Cost or proceeds	Number	% of called up share capital	£ Cost or proceeds
Ordinary shares held in treasury at beginning of year	854,338	1.75	817,036	854,338	1.98	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	854,338	1.75	817,036

The maximum number of ordinary shares held in treasury during the year was 854,338 (2018: 854,338), representing 1.68% of the called up share capital of the company (2018: 1.75%)

Substantial shareholdings

As at 21 April 2020 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
The 181 Fund Limited	1,702,443	3.40
Mr S L Dunn	1,656,687	3.31

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.

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 Financial Reporting Standards (IFRS) as adopted by the European Union. 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.

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.

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 2019, 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: 21 April 2020

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 2019 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 and 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 the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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, as applied to listed entities 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**Revenue Recognition**

The group's accounting policy for revenue recognition is set out in the accounting policy notes on page 44.

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.

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.

Our Response

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 from all revenue transactions pre and post year end to ensure they were accounted for in the correct period.

Our observations:

As a result of the audit procedures performed, we did not identify any material misstatement in both contracted and commercial revenues streams.

Impact of the outbreak of COVID-19 on the financial statements

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. During the latter stages of finalising the financial statements, the potential impact of COVID-19 became significant and is causing widespread disruption to normal patterns of daily life, including in the U.K.

The directors' consideration of the impact on the financial statements is disclosed in the Strategic Report on page 19 and going concern assessment on page 22. Whilst the situation is still evolving, based on information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate. They have also concluded that COVID-19 is a non-adjusting post balance sheet event as set out in note 35.

We assessed the directors' conclusion that the matter be treated as a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate. We considered:

- The timing of the development of the outbreak across the world and in the U.K.; and
- How the financial statements and business operations of the group might be impacted by the disruption.

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 'reverse stress check scenario' (worst case) 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 evaluated the key assumptions in the revised forecast and considered whether these appeared reasonable;
- We examined the minimum committed facility headroom under the revised 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, post balance sheet events 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:

Financial Statement materiality:	£1,216,000
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:	£912,000 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 £36,400 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 £249,000.

The Parent company financial statement materiality has been set as 1.8% of Total Assets, namely £1,124,900. Performance materiality has been set at approximately 75 per cent of our financial statement materiality, namely £843,600.

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 parent 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 group and parent company'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 those 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 was 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 27, 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, 45 Church Street, Birmingham B3 2RT

Date: 21 April 2020



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Financial Statements





Consolidated Income Statement

For the year ended 30 November 2019

	Note	2019			2018		
		Results before exceptional items £'000	Exceptional items (note 10) £'000	Results for the year £'000	Results before exceptional items £'000	Exceptional items (notes 10 & 12) £'000	Results for the year £'000
Continuing operations							
Revenue	4	67,533	-	67,533	62,408	-	62,408
Cost of sales		(53,917)	-	(53,917)	(49,942)	-	(49,942)
Gross profit		13,616	-	13,616	12,466	-	12,466
Administrative expenses		(7,563)	(1,806)	(9,369)	(6,705)	(580)	(7,285)
Profit from operations	7	6,053	(1,806)	4,247	5,761	(580)	5,181
Finance Income	8	53	-	53	-	-	-
Finance expense	9	(1,688)	-	(1,688)	(1,531)	-	(1,531)
Profit before taxation	10	4,418	(1,806)	2,612	4,230	(580)	3,650
Tax expense	11	(840)	175	(665)	(761)	(46)	(807)
Profit for the year from continuing operations		3,578	(1,631)	1,947	3,469	(626)	2,843
Loss for the year from discontinued operations	12	-	-	-	-	(534)	(534)
Profit for the year attributable to the equity holders of the parent		3,578	(1,631)	1,947	3,469	(1,160)	2,309
Earnings per share for profit attributable to the equity holders of the parent during the year:							
Basic - continuing operations (pence)	13	7.35		4.00	7.22		5.92
Basic - discontinued operations (pence)	13	-		-	-		(1.11)
Total		7.35		4.00	7.22		4.81
Diluted - continuing operations (pence)	13	7.35		4.00	7.22		5.92
Diluted - discontinued operations (pence)	13	-		-	-		(1.11)
Total		7.35		4.00	7.22		4.81

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



Consolidated Statement of Comprehensive Income

For the year ended 30 November 2019

		2019	2018
	Note	£'000	£'000
Profit for the year		1,947	2,309
Other comprehensive income:			
Items that will not subsequently be reclassified to profit or loss:			
Actuarial gain on defined benefit pension scheme	25	527	1,748
Deferred tax on actuarial gain on defined benefit pension scheme	26	(100)	(315)
Other comprehensive profit for the year (net of tax)		427	1,433
Total comprehensive income for the year attributable to the equity holders of the parent		2,374	3,742

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

Consolidated Statement of Financial Position

As at 30 November 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	51,698	39,444
Defined benefit pension asset	25	2,319	1,737
Goodwill and other intangible assets	15	15,246	14,876
Total non-current assets		69,263	56,057
Current assets			
Inventories	17	4,310	3,525
Trade and other receivables	18	18,275	15,895
Derivative financial instruments	23	36	95
Cash and cash equivalents	19	746	446
Total current assets		23,367	19,961
Total assets		92,630	76,018
Liabilities			
Current liabilities			
Trade and other payables	20	7,648	6,465
Loans and borrowings	21	19,267	13,830
Obligations under hire purchase contracts	22	4,295	3,843
Derivative financial instruments	23	3	132
Defined benefit pension obligation	25	-	129
Total current liabilities		31,213	24,399
Non-current liabilities			
Loans and borrowings	21	6,124	4,068
Obligations under hire purchase contracts	22	15,934	10,159
Provision for liabilities	24	234	740
Net deferred taxation	26	2,515	1,757
Total non-current liabilities		24,807	16,724
Total liabilities		56,020	41,123
TOTAL NET ASSETS		36,610	34,895

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



	Note	2019 £'000	2018 £'000
Shareholders' funds			
Share capital	27	12,731	12,220
Share premium reserve		12,369	11,779
Merger reserve		2,567	2,567
Shares in treasury		(806)	(817)
Retained earnings		9,749	9,146
TOTAL EQUITY		36,610	34,895

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 April 2020.

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 2019

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Shares in treasury £'000	Retained earnings £'000	Total £'000
At 1 December 2017	12,220	11,779	2,567	(817)	6,602	32,351
Profit for the year	-	-	-	-	2,309	2,309
Other comprehensive income	-	-	-	-	1,433	1,433
Total comprehensive income	-	-	-	-	3,742	3,742
Transactions with owners:						
Dividends paid	-	-	-	-	(1,201)	(1,201)
Share based payment	-	-	-	-	3	3
Transactions with owners	-	-	-	-	(1,198)	(1,198)
At 30 November 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)
Share based payment	-	-	-	-	2	2
Shares Issued	511	590	-	11	-	1,112
Transactions with owners	511	590	-	-	(1,771)	(659)
At 30 November 2019	12,731	12,369	2,567	(806)	9,749	36,610

- 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 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit before taxation*	2,612	2,998
Adjustments for:		
Depreciation	4,361	3,391
Acquisition expenses	578	64
Finance expense (net)	1,635	1,531
Gain on sale of property, plant and equipment	(4)	(172)
Contribution to defined benefit pension scheme	(190)	(298)
Intangible asset amortisation	501	450
Notional expense of defined benefit pension scheme	5	11
Equity settled share-based payment expense	-	3
Cash flows from operating activities before changes in working capital and provisions	9,498	7,978
(Increase)/decrease in inventories	(590)	(998)
(Increase) in trade and other receivables	(2,377)	(2,250)
(Decrease)/increase in trade and other payables	(79)	(41)
Movement in provisions	(506)	(463)
Movement on derivative financial instruments	(71)	487
	(3,623)	(3,265)
Cash generated from operations	5,875	4,713
Interest paid on hire purchase agreements	(664)	(588)
Net cash flows from operating activities carried forward	5,211	4,125
	2019 £'000	2018 £'000
*Profit before taxation comprises:		
Profit before taxation in the Consolidated Income Statement	2,612	3,650
Loss before taxation for discontinued operations (note 12)	-	(387)
Impairment recognised on the re-measurement of the assets of the disposed business, gross of a tax credit of £48,000 (note 12)	-	(265)
Profit before taxation for the purposes of the cash flow statement	2,612	2,998

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

	2019	2018
	£'000	£'000
Cash flows from operating activities brought forward	5,211	4,125
Investing activities		
Purchases of property, plant and equipment	(1,325)	(2,174)
Acquisition of businesses	(5,992)	(2,014)
Sale of property, plant and equipment	96	2,685
Net cash used in investing activities	(7,221)	(1,503)
Financing activities		
Shares issued	1,112	-
Dividends paid	(1,297)	(1,201)
Proceeds of mortgage and other bank loans	6,750	18,379
Repayment of bank and other borrowings	(1,283)	(15,111)
Bank interest paid	(1,037)	(942)
Hire purchase refinancing receipts	353	1,709
Capital settlement payments on vehicles sold	(117)	(237)
Capital element of lease payments	(4,199)	(3,751)
Net cash from/(used in) financing activities	282	(1,154)
Net (decrease)/increase in cash and cash equivalents	(1,728)	1,468
Cash and cash equivalents at beginning of year	(231)	(1,699)
Cash and cash equivalents at end of year	(1,959)	(231)

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



Notes to the Consolidated Financial Statements

For the year ended 30 November 2019

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 2019 (including the comparatives for the year ended 30 November 2018) were approved by the Board of Directors on 21 April 2020. Amendments to the financial statements are not permitted after they have been approved.

2. Accounting policies

Basis of preparation

The group's financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on a going concern basis as described on page 22.

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 16.

(b) Share based payment

The group has an equity-settled share-based remuneration scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated on the date of grant by using the Black-Scholes valuation model or a binomial valuation model, according to the characteristics of the option, and is based on certain assumptions. Those assumptions include, among others, the dividend growth rate, expected volatility, and the expected life of the options. Management then apply the fair value to the number of options expected to vest. For carrying amounts at the period end, see note 28.

(c) 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)

(d) 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 £234,000 (2018: £740,000).

(e) Acquisition fair values and intangibles

In attributing value to intangibles on acquisition, management has made certain assumptions about the profitability of acquired businesses, brands and customer relationships. The key assumptions relate to the trading performance of the acquired business and the derivation of the fair value of assets or liabilities acquired, including any value attributable to intangible assets such as brands and contracts. Where a business acquired is loss-making, it is considered to be unlikely that brands or contracts have any value. Management uses valuation techniques and its knowledge of the market, combined with its experience of previous acquisitions, to determine the fair value of net assets acquired in business combinations. Management bases its assumptions on observable data as far as possible, but this is not always available. Where observable data is not available management uses the most suitable information it can identify. Estimated fair values may vary from the actual prices that would be achieved in an arms' length transaction at the reporting date. For carrying amounts at the period end, see note 15.

(f) 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 14.

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 2019. 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.



2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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. 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.

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

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

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.

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.

2. Accounting policies (continued)

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.

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.

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

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.

The group's loans and receivables comprise trade and other receivables in the consolidated statement of financial position.

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.



2. Accounting policies (continued)

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 loss.

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.

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

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
Amendments to IAS 40 Investment Property: Transfer of Investment Property	1 January 2018
Amendments to IFRS 2 Share-based Payment: Classification and measurement of Share-based payment transactions	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRSs (2014 - 2016)	1 January 2018

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
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
IFRS 16 Leases	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
IFRS 9, IAS 39, IFRS 7 Amendment: Interest Rate Benchmark Reform	1 January 2020	1 January 2020
Amendment to IFRS 3 Business Combinations	1 January 2020†	1 January 2020
IAS 1 Presentation of Financial Instruments: Classification of Liabilities as Current or Non Current	1 January 2022†	1 January 2022
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.

‡ In March 2020 the IASB announced deferral of the effective date to 1 January 2023

The group has assessed the impact of the adoption of IFRS 16 on future financial statements. The adoption of IFRS 16 will have no material impact on the profit and loss account. As to the balance sheet:

- the carrying value of right of use assets at 1 December 2019 (the commencement date) is estimated to be £2,442,000;
- the present value of the minimum lease payments at the commencement date is estimated to be £2,987,000;
- however a leasehold interest was recognized in the balance sheet at its fair value at acquisition in 2006. Its depreciated fair value at 30 November 2019 was £650,000;
- therefore the impact on shareholders funds from the adoption of IFRS 16 at 1 December 2019 is estimated to be a net debit of £1,195,000 before tax effects.



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:

	2019	2018
	£'000	£'000
Commercial	45,842	38,865
Contracted	20,223	21,620
Charter	1,468	1,923
Total Revenue	67,533	62,408

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 three 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 2019 and 2018 no customer constituted more than 10% of Revenues.

5. Staff costs

	2019 £'000	2018 £'000
Staff costs (including directors) comprise:		
Wages and salaries	33,186	33,088
Employer's national insurance contributions	3,525	3,203
Defined contribution pension costs	836	522
	37,547	36,813
Share-based payment expense	1	3
	37,548	36,816

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

	2019 Number	2018 Number
Management and administrative	93	85
Direct	1,300	1,396
	1,393	1,481

6. Directors' and key management personnel remuneration

	2019 £'000	2018 £'000
Salaries and other short term employee benefits	766	710
Social security costs	73	67
Contribution to defined contribution pension scheme (note 25)	15	15
Share based payment expense	-	-
	854	792

One director (2018:1) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £303,000 (2018: £284,000). Pension contributions of £15,000 (2018: £14,725) were made on his behalf.



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

The directors' remuneration was as follows:

	2019 £'000				2018 £'000			
	Remuneration	Share based payment expense	Pension	Total	Remuneration	Share based payment expense	Pension	Total
Executive								
S L Dunn	303	-	15	318	284	-	15	299
R A Dunn	195	-	-	195	168	-	-	168
K M Taylor	116	-	-	116	106	-	-	106
Non- Executive								
J H Gunn	80	-	-	80	80	-	-	80
G M Spooner	40	-	-	40	40	-	-	40
G F Peacock	32	-	-	32	32	-	-	32
	766	-	15	781	710	-	15	725

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. Profit from operations

	2019 £'000	2018 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	4,361	3,391
Amortisation of contract intangibles	501	450
Operating lease expense:		
- property	557	530
- plant and machinery	1,923	1,717
Profit on disposal of property, plant and equipment	(4)	(172)
Auditor's fees:		
- audit of the parent company and the group	46	43
- audit of the accounts of subsidiaries	10	10
- other non-audit services	-	-

8. Finance income

	2019 £'000	2018 £'000
Net finance income on pension scheme (note 25)	53	-

9. Finance expense

	2019 £'000	2018 £'000
Bank borrowings and overdraft interest	1,014	913
Hire purchase contracts	653	589
Net finance costs on pension scheme (note 25)	-	6
Other interest	21	23
	1,688	1,531

10. Exceptional items within profit before taxation

Profit before taxation includes the following mark to market provisions and other exceptional items:

	2019 £'000	2018 £'000
Mark to market profit on fuel derivatives (note 31)	58	475
Acquisition costs	(578)	(64)
Abortive transaction costs	(7)	(99)
Redundancy costs and costs of integration of acquisitions	(717)	(394)
Costs of changes to banking facilities	(60)	(45)
Amortisation of intangible assets	(501)	(450)
Share based payment expense	(1)	(3)
Loss within profit before taxation	(1,806)	(580)



11. Tax expense

	2019 £'000	2018 £'000
Current tax		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	693	749
Prior year adjustments	(126)	58
Change in rate of tax	98	-
Total deferred tax	665	807
Income tax expense	665	807

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

	2019 £'000	2018 £'000
Profit before taxation	2,612	3,650
Profit at the standard rate of corporation tax in the UK of 19% (2018: 18%)	496	657
Non-taxable items	197	92
Adjustments in respect of prior periods	(126)	58
Impact of changes in tax rates	98	-
Total tax expense	665	807

The main rate of corporation tax was formerly set to fall to 17% from 1 April 2020 but this plan has been 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. Discontinued operations

The results of the discontinued operation and the result recognised on the re-measurement of the assets of the business disposed of are as follows:

	2019 £'000	2018 £'000
Revenue	-	2,382
Cost of sales	-	(2,508)
Gross profit	-	(126)
Administrative expenses	-	(261)
Loss before taxation	-	(387)
Tax credit	-	70
Loss after tax	-	(317)
Impairment (net of a tax credit of £48,000) recognised on the re-measurement of the assets of the disposed business	-	(217)
Loss for the year from the discontinued operation	-	(534)

As described fully in the Chairman's Statement the decision was taken during the year to cease operations in the South West.

Cash Flows

	2019 £'000	2018 £'000
Operating cash flows	-	(309)
Investing cash flows	-	242
Financing cash flows	-	-
Total cash flows	-	(67)



13. Earnings per share

(a) Basic earnings per share

	2019 £'000	2018 £'000
Basic total:		
Profit attributable to ordinary shareholders	1,947	2,309
Weighted average number of ordinary shares	48,673,701	48,026,580
Basic earnings per share	4.00p	4.81p

	2019 £'000	2018 £'000
Basic - continuing operations:		
Profit attributable to ordinary shareholders	1,947	2,843
Weighted average number of ordinary shares	48,673,701	48,026,580
Basic earnings per share	4.00p	5.92p

	2019 £'000	2018 £'000
Basic - discontinued operations:		
Loss attributable to ordinary shareholders	-	(534)
Weighted average number of ordinary shares	-	48,026,580
Basic loss per share	-	(1.11)p

The calculation of the basic 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.

13. Earnings per share (continued)

(b) Diluted earnings per share

	2019 Diluted £'000	2018 Diluted £'000
Diluted total:		
Profit attributable to ordinary share holders	1,947	2,309
Profit for the purposes of diluted earnings per share	1,947	2,309
Weighted average number of shares in issue	48,673,701	48,026,580
Adjustment for exercise of options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	48,673,701	48,026,580
Diluted earnings per share	4.00p	4.81p

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.

	2019 £'000	2018 £'000
Diluted basic - continuing operations		
Profit attributable to ordinary shareholders	1,947	2,843
Weighted average number of ordinary shares (as above)	48,673,701	48,026,580
Basic earnings per share	4.00p	5.92p

	2019 £'000	2018 £'000
Diluted basic - discontinued operations:		
Loss attributable to ordinary shareholders	-	(534)
Weighted average number of ordinary shares (as above)	-	48,026,580
Basic loss per share	-	(1.11)p



13. Earnings per share (continued)

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

	2019 £'000	2018 £'000
Adjusted basic total:		
Profit attributable to ordinary shareholders	3,578	3,469
Weighted average number of ordinary shares	48,673,701	48,026,580
Basic earnings per share	7.35p	7.22p

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

Adjusted diluted earnings per share:

	2019 Diluted £'000	2018 Diluted £'000
Adjusted diluted total:		
Profit attributable to ordinary share holders	3,578	3,469
Profit for the purposes of diluted earnings per share	3,578	3,469
Weighted average number of shares in issue	48,673,701	48,026,580
Adjustment for exercise of options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	48,673,701	48,026,580
Adjusted diluted earnings per share	7.35p	7.22p

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.

14. Property, plant and equipment

	Freehold land and buildings £'000	Long and short leasehold property £'000	Plant and machinery £'000	Public service vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost:						
At 1 December 2017	7,680	1,088	4,699	45,653	189	59,309
Acquisitions	-	-	20	1,463	-	1,483
Additions	375	1	897	5,638	28	6,939
Disposals	(2,032)	-	(542)	(1,800)	(62)	(4,436)
Transfers	(5)	(4)	9	-	-	-
At 30 November 2018	6,018	1,085	5,083	50,954	155	63,295
Acquisition	4,692	-	500	-	-	5,192
Additions	186	-	880	10,435	15	11,516
Disposals	-	(11)	(316)	(2,721)	(7)	(3,055)
At 30 November 2019	10,896	1,074	6,147	58,668	163	76,948
Depreciation:						
At 1 December 2017	426	230	1,516	20,115	97	22,384
Charge for the year	66	29	369	2,908	19	3,391
Disposals	(248)	-	(344)	(1,279)	(53)	(1,924)
At 30 November 2018	244	259	1,541	21,744	63	23,851
Charge for the year	51	24	466	3,800	20	4,361
Disposals	-	(11)	(314)	(2,630)	(7)	(2,962)
At 30 November 2019	295	272	1,693	22,914	76	25,250
Net book value:						
At 30 November 2019	10,601	802	4,454	35,754	87	51,698
At 30 November 2018	5,774	826	3,542	29,210	92	39,444
Net book value held under hire purchase agreements :						
At 30 November 2019	-	-	1,755	24,053	-	25,808
At 30 November 2018	-	-	990	16,103	-	17,093
Depreciation charged thereon :						
In 2019	-	-	187	1,773	-	1,960
In 2018	-	-	66	1,301	-	1,367



15. Goodwill and other intangible assets

	Purchased brands £'000	Contracts £'000	Goodwill £'000	Total £'000
Cost:				
At 1 December 2017	250	1,189	13,901	15,340
Additions	-	432	135	567
At 30 November 2018	250	1,621	14,036	15,907
Additions	-	-	871	871
At 30 November 2019	250	1,621	14,907	16,778
Amortisation:				
At 1 December 2017	250	331	-	581
Charge for the year	-	450	-	450
At 30 November 2018	250	781	-	1,031
Charge for the year	-	501	-	501
At 30 November 2019	250	1,282	-	1,532
Net book value				
At 30 November 2019	-	339	14,907	15,246
At 30 November 2018	-	840	14,036	14,876

16. 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.

16. 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 2022. Major assumptions are as follows:

	CGU 2019	CGU 2018
	%	%
Discount rate	12	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.

17. Inventories

	2019	2018
	£'000	£'000
Fuel, tyres and spares	4,310	3,525

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 £14,765,000 (2018: £15,181,000). No inventory has been written down to fair value in 2019 or 2018 and therefore no associated expense was incurred.

18. Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	3,744	2,871
Tax and social security	564	410
Prepayments and accrued income	13,967	12,614
	18,275	15,895



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 2019 and 2018 all trade and other receivables have been reviewed for indicators of impairment. A provision of £19,000 (2018: nil) 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:

	2019	2018
	£'000	£'000
Not more than 3 months overdue	79	155
More than 3 months but not more than 1 year	205	286
	284	441

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

	2019	2018
	£'000	£'000
Balance brought forward at 1 December	-	-
Provided	19	-
Used	(19)	-
Balance carried forward at 30 November	-	-

19. Cash and cash equivalents

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

	2019	2018
	£'000	£'000
Cash at bank	746	446
Bank Overdraft (note 21)	(2,705)	(677)
	(1,959)	(231)

20. Trade and other payables - current

	2019	2018
	£'000	£'000
Trade payables	4,461	4,432
Taxation and social security	1,103	1,080
Interim dividend payable (note 29)	476	-
Other creditors	449	184
Accruals and deferred income	1,159	769
	7,648	6,465

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.

21. Loans and borrowings

	2019	2018
	£'000	£'000
Current:		
Overdrafts	2,705	677
Bank loans	16,562	13,153
	19,267	13,830
Non-current		
Bank loans	6,124	4,068
	25,391	17,898



21. Loans and borrowings (continued)

Analysis of maturity

	2019 £'000	2019 £'000	2019 £'000	2019 £'000
	Bank loans and overdrafts	Obligations under hire purchase	Trade and other payables	Total
In one year or less or on demand	19,796	5,003	4,910	29,709
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
	26,252	22,390	4,910	53,552

	2018 £'000	2018 £'000	2018 £'000	2018 £'000
	Bank loans and overdrafts	Obligations under hire purchase	Trade and other payables	Total
In one year or less or on demand	14,182	4,333	4,616	23,131
In more than one year but not more than two years	481	3,456	-	3,937
In more than two years but not more than five years	3,980	6,206	-	10,186
Later than five years	-	1,276	-	1,276
	18,643	15,271	4,616	38,530

The analyses above represent minimum payments on an undiscounted basis.

Bank borrowings

In late 2017 HSBC Bank plc became the principal bankers to the group. The Senior Facilities Agreement now provides 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 £3.5 million. The group entered into a cross-guarantee and floating charge agreement on that same date covering these facilities. The facilities expire on 5 December 2021 but are renewable at that date.

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.

22. Obligations under hire purchase contracts

Future lease payments are due as follows:

	2019 £'000	2019 £'000	2019 £'000
	Minimum lease payments	Interest	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

	2018 £'000	2018 £'000	2018 £'000
	Minimum lease payments	Interest	Present value
Not later than one year	4,333	490	3,843
More than one but less than two years	3,456	336	3,120
More than two but less than five years	6,206	407	5,799
Later than five years	1,276	36	1,240
	15,271	1,269	14,002

The present values of future lease payments are analysed as:

	2019 £'000	2018 £'000
Current liabilities	4,295	3,843
Non-current liabilities	15,934	10,159
	20,229	14,002

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years (2018: 3 years). For the year ended 30 November 2019, the average effective borrowing rate was 4 per cent (2018: 4.5 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

The group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 21.



23. Derivative financial instruments

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

	2019 £'000	2018 £'000
Current assets	36	95
Current liabilities	(3)	(132)
Asset/(liability)	33	(37)

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 2018	740
Utilised	(506)
Balance at 30 November 2019	234

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. At the end of the 2016 accounting period responsibility for the administration of new claims passed to a third party claims handling specialist and QBE retained responsibility for settling all claims made up to 30 November 2016. At the same time QBE returned £1.3 million in cash to the company out of the trust fund which it held to settle claims made against the group, but the company assumed responsibility for funding those claims when they were settled.

As at 30 November 2018 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. Although the form of the manner in which insurance claims are made against the company and settled by the company has therefore changed, the substance has not changed and the accounting policy remains the same as in previous accounting periods.

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 £836,000 (2018: £522,000). Contributions amounting to £129,000 (2018: £57,570) 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 Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority.

The group accounts for pensions in accordance with IAS 19 "Employee Benefits". Contributions amounting to £nil (2018: £27,083) were payable to the fund at the balance sheet date. Expected contributions for the year ending 30 November 2020 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 2019 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 2019 is 12 years (2018: 13 years).

WMPF defined benefit pension scheme

The calculations of the IAS 19 disclosures for the WMPF have been based on the most recent actuarial valuations, which have been updated to 30 November 2019 by an independent professionally qualified actuary to take account of the requirements of IAS 19.

The principal actuarial assumptions used were as follows:

	30 November 2019 %	30 November 2018 %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.3	2.6
Discount rate	1.9	2.9
Inflation	2.3	2.6



25. Pensions (continued)

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

	30 November 2019 Years	30 November 2018 Years
Current pensioner aged 65 - male	20.8	21.9
Current pensioner aged 65 - female	23.9	24.0
Future pensioners at aged 65 (aged 45 now) - male	22.6	24.1
Future pensioners at aged 65 (aged 45 now) - female	25.8	26.3

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 1.1%
Inflation	Increase/decrease by 0.1%	Increase/decrease of 1.1%
Life expectancy	Increase by 1 year	Increase of 6.5%

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 2019 £'000	30 November 2018 £'000
Equities	2,967	4,872
Bonds	11,129	9,247
Other	5,299	4,413
Cash	142	157
Total market value of assets	19,537	18,689
Present value of scheme liabilities	(17,218)	(16,952)
Gross pension asset	2,319	1,737
Remaining certified pension contributions	-	(129)
Pension asset before tax	2,319	1,608
Related deferred tax liability	(441)	(294)
Net pension asset	1,878	1,314

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 2016. In that valuation cycle the contributions certified by the actuary ceased with effect from 31 March 2019. An actuarial valuation is currently being carried out as at 31 March 2019. As at 31 March 2016 the actuarial deficit of the scheme was £1,000,000. However the actuary regularly rolls forward the actuarial position and, as at the latest available date of 31 March 2019, the actuary estimated that the actuarial surplus was £909,000, equivalent to a funding level of 105% of estimated actuarial liabilities.

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

	2019 £'000	2018 £'000
Administration expense	(5)	(5)
Finance cost		
- interest return on plan assets	531	439
- interest cost on pension liabilities	(478)	(445)
Net finance income/(loss)	53	(6)
Total defined benefit profit/(loss)	48	(11)
Defined contribution costs	(836)	(522)
Total profit and loss charge	(788)	(533)

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

	2019 £'000	2018 £'000
Return on assets (in excess of interest)	1,086	(525)
Changes in assumptions underlying the present value of the scheme liabilities	(742)	1,081
Actuarial gain before asset ceiling restriction	344	556
Reversal of asset ceiling restriction	-	1,321
Provision for remaining certified pension contributions	-	(129)
Reversal of provision for remaining certified pension contributions	129	-
Pension contributions accrued in prior year but not dealt with in Other Comprehensive Income	54	-
Adjusted actuarial gain	527	1,748



25. Pensions (continued)

Actuarial gains/(losses) as a percentage of scheme assets and liabilities at 30 November 2019 were as follows:

	2019	2018	2017
Return on assets as a percentage of scheme assets	5.6	(2.8)	4.3
Total actuarial gain recognised in statement of total comprehensive income as a percentage of the present value of scheme liabilities	3.1	10.3	0.3

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 gain of £246,000 (2018: loss £281,000). The actual return on plan assets was a gain of £1,617,000 (2018: a loss of £86,000).

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

	2019 £'000	2018 £'000
Surplus in scheme at 30 November	1,737	894
Movement in period		
- Contributions	190	298
- Administrative expenses	(5)	(5)
- Actuarial gain due to changes in financial assumptions	344	556
- Interest on plan assets	531	439
- Interest cost	(478)	(445)
Surplus in scheme at the end of the year	2,319	1,737

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

	2019 £'000	2018 £'000
At 30 November	18,689	19,421
Interest return on plan assets	531	439
Return on plan assets	1,086	(525)
Employer contributions	190	298
Administrative expenses	(5)	(5)
Benefits paid	(954)	(939)
At end of year	19,537	18,689

25. Pensions (continued)

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

	2019 £'000	2018 £'000
At 30 November	(16,952)	(18,527)
Interest cost	(478)	(445)
Actuarial (loss)/gain - changes in assumptions	(742)	1,081
Benefits paid	954	939
At end of year	(17,218)	(16,952)

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 2017	(845)	46	77	(81)	121	(682)
Dealt with in the profit and loss account	(815)	(11)	(56)	87	108	(687)
Dealt with in other comprehensive income	-	-	(315)	-	-	(315)
Dealt with in business combinations	-	-	-	-	(73)	(73)
At 30 November 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)

At 30 November 2019 there were £nil (2018: £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			
	2019 Number	2019 £'000	2018 Number	2018 £'000
Ordinary shares of 25p each	50,924,918	12,731	48,880,918	12,220

Issued Share Capital	Number	Nominal Value £'000
As at 30 November 2017 and 2018	48,880,918	12,220
1 August 2019	1,865,500	466
21 October 2019	178,500	45
As at 30 November 2019	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 2019 833,809 ordinary shares were held in treasury (2018: 854,338).

28. Share options and warrants

As at 30 November 2019 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	2,585,000	24 November 2017	23 November 2024	54.00p
17 October 2016	140,263	1 December 2019	1 June 2020	58.05p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is an HM Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. The issue of share options on 17 October 2016 is at present the only issue in relation to this Scheme. The Scheme runs for a three year period. Employees will subscribe, through payroll deductions, a monthly sum which will accumulate in their individual savings accounts at YBS. At the end of the three year period the employee will have 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.

	2019		2018	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at beginning of the year	54.43	2,888,851	53.76	3,669,903
Forfeited during the year	58.05	(163,588)	58.05	(126,052)
Lapsed during the year	-	-	50.00	(655,000)
Outstanding at the end of the year	54.21	2,725,263	54.43	2,888,851

The exercise price of options outstanding at the end of the year ranged between 54.0p and 58.05p (2018: 54.0p and 58.05p) and their weighted average remaining contractual life was 4.77 years (2018: 5.53 years).

Of the outstanding options at the reporting date 861,667 (2018: 861,667) were exercisable. The weighted average exercise price of these options was 54.0p (2018: 54.0p).



29. Dividends paid and proposed

	2019 £'000	2018 £'000
Declared and paid in the year		
Ordinary interim dividend for 2018 of 0.92 pence per share (2018: 0.85 pence)	442	408
Final dividend for 2018 of 1.78 pence per share (2018: 1.65 pence)	855	793
	1,297	1,201
Recognised as a liability at 30 November		
Ordinary interim dividend for 2019 of 0.95 pence per share (2018: 0.92 pence)	476	-
	476	-
Proposed for approval (not recognised as a liability at 30 November)		
Ordinary interim dividend for 2019 of 0.95 pence per share (2018: 0.92 pence)	-	442
Ordinary final dividend for 2018 of 1.78 pence per share	-	855
	-	1,297

30. Commitments under operating leases

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

	2019 £'000		2018 £'000	
	Land and buildings	Other assets	Land and buildings	Other assets
Operating lease commitments payable:				
Within one year	495	2,285	532	1,227
In two to five years	405	1,743	776	987
In more than five years	3,712	-	3,803	-
	4,612	4,028	5,111	2,214

Operating lease payments for land and buildings represent principally rentals payable by the group for certain of its depots. Short leases are negotiated for an average term of five years, where rentals are either fixed or increase in line with RPI. There were no lease incentives. Longer term leases range in length from 29 to 98 years. In these cases there are periodic rent reviews at the prevailing market rents.

Operating lease payments for other assets principally represent rentals payable by the group for a part of its vehicle fleet. Leases are negotiated for an average term of five years and rentals are fixed for those years with an option to extend for a further two years at an agreed continuation rate.

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 loans and receivables or designated at fair value through profit and loss ("FVTPL"); financial liabilities are measured at amortised cost or FVTPL.

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

	2019	2018
	£'000	£'000
	Carrying value	Carrying value
Financial assets - loans and receivables		
Trade and other receivables	8,798	7,800
Cash and cash equivalents	746	446
	9,544	8,246
Financial asset or liability - FVTPL		
Fuel commodity forward derivative contracts - asset	36	95
Fuel commodity forward derivative contracts - liability	3	132
Financial liabilities - at amortised cost		
Trade and other payables	6,069	5,385
Loans and borrowings	25,392	17,898
	31,461	23,283

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 November 2021.

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:

	2019 £'000
Balance (liability) at 1 December 2018	(37)
Released to exceptional items within operating profit	58
Payments on matured instruments	12
Balance (net asset) at 30 November 2019	33

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 2019.

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:

	2019 £'000			2018 £'000		
	< 6 months	6-12 months	> 12 months	< 6 months	6-12 months	> 12 months
Cash inflow/(outflow)	(1)	34	-	29	(66)	-

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:

	2019		2018	
	£'000		£'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	25,693	19,928	18,547	13,353

In the year the group paid interest at a rate of between 2.80% and 3.20% (2018: between 2.50% 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 2.11% and 7.89% (2018: between 2.12% and 8.11%) in the year. If 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 it is deemed 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 a combination of additional draw downs on existing facilities, the issue of new shares and new mortgage finance, 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:

	2019	2018
	£'000	£'000
Share capital	12,731	12,220
Share premium reserve	12,369	11,779
Merger reserve	2,567	2,567
Shares in treasury	(806)	(817)
Retained earnings	9,749	9,146
At end of year	36,610	34,895



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 (2018: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £144,841 (2018: £134,112) 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 £11,000 (2018: £18,000) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £30,035 (2018: £26,276) in dividends on ordinary shares.
- During the year S L Dunn received from Rotala a total of £43,202 (2018: £38,997) in dividends on ordinary shares.
- During the year K M Taylor received from Rotala a total of £15,473 (2018: £14,326) in dividends on ordinary shares.
- During the year G M Spooner received from Rotala a total of £6,750 (2018: £4,550) in dividends on ordinary shares.
- During the year G F Peacock received from Rotala a total of £78,750 (2018: £69,367) 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 2019 (2018: 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 2019 Mr. Gunn and his beneficial interests held 32.8% (2018: 30%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £45,966 (2018: £43,411) in dividends on ordinary shares.

33. Acquisition

Bolton Depot of First Manchester Limited

As set out in the Chairman's Statement, in August 2019 the group acquired the majority of the bus business of First Manchester Limited based at its Bolton bus depot, together with the freehold of the depot itself and the plant and machinery located at the depot. No vehicles were acquired with this acquisition. The Chairman's Statement describes the details of and the reasons for the acquisition, and should be consulted for a detailed description of all the relevant factors. The consideration for the acquisition (excluding acquisition costs) was £5,414,000 in cash. The book values of the assets acquired are set out below.

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Fixed assets			
Freehold property	4,800	(108)	4,692
Plant and equipment	500	-	500
Total fixed assets	5,300	(108)	5,192
Current assets			
Stock	195	-	195
	195	-	195
Current liabilities			
Other payables and accruals	(844)	-	(844)
	(844)	-	(844)
Net assets			4,543
Goodwill			871
Acquisition costs (note 10)			578
Total cash consideration paid			5,992

Because the acquired business was immediately folded into the existing operations of the group in the relevant localities, it is not possible to distinguish revenues and profits for the acquired business in the period to 30 November 2019. Pre-acquisition book values were determined based on applicable IFRS, immediately prior to the acquisition. The values of assets recognised on acquisition are their estimated fair values.

No licenses were acquired with the business. The sale and purchase agreement included standard non-compete clauses; however, the seller has no intention of re-entering the respective markets at the acquisition date and so there could be no value attributable to these clauses. The goodwill generated by the acquisition arose from the benefit of synergies with the existing businesses of the group in their respective locations. The acquisition expenses incurred by the group amounted to £578,000 and have been expensed in the Consolidated Income Statement in Administrative Expenses.



34. Capital commitments

As at 30 November 2019 the group had capital commitments for vehicles on order over the two accounting periods up to 30 November 2021 amounting to £30,800,000 (2018: £2,283,000).

35. Post balance sheet events

The UK Government has designated bus operation to be an essential service in the Coronavirus crisis prevalent at the date of these accounts. Passenger numbers had fallen steeply even before the very severe restrictions on travel for all but key workers introduced on 23 March 2020. In this light Government has taken steps, through specific direction provided by the Cabinet Office to all arms of the State at both national and local level, to ensure that bus companies have sufficient cash flow to support the operations that they are running. These measures cover the maintenance of Bus Services Operator's Grant, concessionary fares re-imbursements and payments for contracted bus services broadly at their pre-crisis levels.

Internally the Board has taken a number of steps to align the bus services being operated with local requirements, reduce commensurately the costs of operation and conserve cash. These measures include the rescheduling of services to run an enhanced Sunday-level timetable; reduction in driver rosters; suspension of discretionary capital expenditure; termination of vehicle operating leases where possible; and placing a significant proportion of the workforce into the Coronavirus Job Retention Scheme.

Given the early stage of this crisis and its unknown duration it is impossible to quantify at the current time what effect the crisis will have on the business of the group or its assets, liabilities, shareholders and employees. Potential effects might include write downs in now redundant property, plant, equipment and inventory; write off of trade and other receivables; re-evaluation of the pension scheme asset; mark to market losses on fuel derivative contracts given current oil prices and associated tax effects.

The board has concluded that the Coronavirus pandemic is a non-adjusting post balance sheet event.

36. Audit exemption for subsidiary undertakings

For the year ended 30 November 2019, 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



Company Statement of Financial Position

As at 30 November 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	4	42,126	32,126
Tangible assets	5	219	198
		42,345	32,324
Current assets			
Debtors	6	20,152	20,486
Creditors: amounts falling due within one year	7	(20,577)	(14,782)
Net current (liabilities)/assets		(425)	5,704
Total assets less current liabilities		41,920	38,028
Creditors: amounts falling due after more than one year	8	(6,124)	(4,068)
Provisions for liabilities	10	(233)	(740)
Net assets		35,563	33,220
Capital and reserves			
Share capital	11	12,731	12,220
Share premium account	13	12,369	11,779
Shares in treasury	13	(806)	(817)
Retained earnings	13	11,269	10,038
Shareholders' equity		35,563	33,220

The parent company profit for the year after taxation was £3,003,000 (2018: £3,394,000).

The parent company financial statements were approved by the Board of Directors and authorised for issue on 21 April 2020.

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 2019

	Share Capital £'000	Share Premium Reserve £'000	Shares in Treasury £'000	Retained Earnings £'000	Total £'000
At 1 December 2017	12,220	11,779	(817)	7,842	31,024
Profit for the year	-	-	-	3,394	3,394
Dividends paid	-	-	-	(1,201)	(1,201)
Share based payment	-	-	-	3	3
At 30 November 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

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



Notes to the Company Financial Statements

For the year ended 30 November 2019

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 requirement of IFRS 7 Financial Instruments Disclosure;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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;
 - paragraph 76 and 79(d) of IAS 40 Investment Property;
- 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.

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.

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

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

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.

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
Amendments to IAS 40 Investment Property: Transfer of Investment Property	1 January 2018
Amendments to IFRS 2 Share-based Payment: Classification and measurement of Share-based payment transactions	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRSs (2014 - 2016)	1 January 2018

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 company is continuing to assess the impact that adopting IFRS 16 will have on future financial statements, and therefore the full effect is yet to be determined.

	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
IFRS 16 Leases	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
IFRS 9, IAS 39, IFRS 7 Amendment: Interest Rate Benchmark Reform	1 January 2020	1 January 2020
Amendment to IFRS 3 Business Combinations	1 January 2020†	1 January 2020
IAS 1 Presentation of Financial Instruments: Classification of Liabilities as Current or Non Current	1 January 2022†	1 January 2022
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.

‡ In March 2020 the IASB announced deferral of the effective date to 1 January 2023.



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 profit for the year includes a profit after taxation of £3,003,000 (2018: £3,394,000 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

	2019	2018
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	1,148	1,162
Employer's national insurance contributions	123	122
Defined contribution pension costs	43	39
	1,314	1,323
Share-based payment expense	1	-
	1,315	1,323

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

	2019	2018
	Number	Number
Management and administrative	26	24

4. Investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 December 2018	32,126
Additions	
At cost	10,000
Net book value	
At 30 November 2019	42,126
Net book value	
At 30 November 2018	32,126

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 2018	87	331	418
Additions	15	60	75
Disposals	-	(66)	(66)
At 30 November 2019	102	325	427
Depreciation:			
At 1 December 2018	39	181	220
Charge for the year	17	37	54
Disposals	-	(66)	(66)
At 30 November 2019	56	152	208
Net book value:			
At 30 November 2019	46	173	219
At 30 November 2018	48	150	198

6. Debtors

	2019 £'000	2018 £'000
Prepayments and accrued income	607	759
Trade debtors	36	17
Taxation	55	43
Deferred tax (note 9)	25	24
Financial instruments	36	95
Amounts due from subsidiary undertakings	19,393	19,548
	20,152	20,486

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

7. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts (note 8)	19,262	13,829
Trade creditors	224	272
Interim dividend payable	476	-
Taxation and social security	38	29
Accruals and deferred income	311	298
Other creditors	263	222
Fuel commodity forward contracts liability	3	132
	20,577	14,782

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

	2019	2018
	£'000	£'000
Bank loan	6,124	4,068
	6,124	4,068

Bank borrowings

In late 2017 HSBC Bank plc became the principal bankers to the group. The Senior Facilities Agreement now provides 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 £3.5 million. The group entered into a cross-guarantee and floating charge agreement on that same date covering these facilities. The facilities expire on 5 December 2021 but are renewable at that date.

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

	2019	2018
	Bank loans and overdrafts £'000	Bank loans and overdrafts £'000
In one year or less, or on demand	19,262	13,829
In more than one year but not more than two years	388	278
In more than two years but not more than five years	5,736	3,790
	25,386	17,897



9. Deferred tax

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

	2019	2018
	£'000	£'000
Accelerated capital allowances	11	12
Arising on derivative financial instruments	(7)	7
Losses	21	5
Net asset	25	24

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/(liability) in the year are as follows:

	2019	2018
	£'000	£'000
Balance brought forward at 1 December	24	(49)
Recognised in profit or loss	1	73
Balance carried forward at 30 November	25	24

At 30 November 2019 there were £nil (2018: £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

	2019	2018
	£'000	£'000
Insurance claims provision	233	740
	233	740

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. At the end of the 2016 accounting period responsibility for the administration of new claims passed to a third party claims handling specialist and QBE retained responsibility for settling all claims made up to 30 November 2016. At the same time QBE returned £1.3 million in cash to the company out of the trust fund which it held to settle claims made against the group, but the company assumed responsibility for funding those claims when they were settled.

As at 30 November 2019 and 2018 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. Although the form of the manner in which insurance claims are made against the company and settled by the company has therefore changed, the substance has not changed and the accounting policy remains the same as in previous accounting periods.

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			
	2019	2019	2018	2018
	Number	£'000	Number	£'000
Ordinary shares of 25p each	50,924,918	12,731	48,880,918	12,220
Issued Share Capital			Number	Nominal Value
				£'000
As at 30 November 2017 and 2018			48,880,918	12,220
1 August 2019			1,865,500	466
21 October 2019			178,500	45
As at 30 November 2019			50,924,918	12,731



11. Share capital (continued)

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 2019 833,809 ordinary shares were held in treasury (2018: 854,338).

12. Share options and warrants

As at 30 November 2019 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	2,585,000	24 November 2017	23 November 2024	54.00p
17 October 2016	140,263	1 December 2019	1 June 2020	58.05p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is an HM Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. The issue of share options on 17 October 2016 is at present the only issue in relation to this Scheme. The Scheme runs for a three year period. Employees will subscribe, through payroll deductions, a monthly sum which will accumulate in their individual savings accounts at YBS. At the end of the three year period the employee will have 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 only vesting condition is that the individual remains an employee of the group until the option is exercised, except for the issue of 24 November 2014. Here 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.

	2019 Weighted average exercise price (p)	2019 Number	2018 Weighted average exercise price (p)	2018 Number
Outstanding at beginning of the year	54.43	2,888,851	53.76	3,669,903
Forfeited during the year	58.05	(163,588)	58.05	(126,052)
Lapsed during the year	-	-	50.00	(655,000)
Outstanding at the end of the year	54.21	2,725,263	54.43	2,888,851

The exercise price of options outstanding at the end of the year ranged between 54.0p and 58.05p (2018: 54.0p and 58.05p) and their weighted average remaining contractual life was 4.77 years (2018: 5.53 years).

Of the outstanding options at the reporting date 861,667 (2018: 861,667) were exercisable. The weighted average exercise price of these options was 54.0p (2018: 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 £43,000 (2018: £39,000). Contributions amounting to £3,707 (2018: £nil) were payable to the scheme at the balance sheet date.

15. Capital commitments

As at 30 November 2019 and 2018 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 2019 £'000	Other Assets 2018 £'000
Operating lease commitments payable:		
- Within one year	8	-
- In two to five years	14	-
	22	-

17. Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2019 the contingent liability amounted to £5,770 (2018: £110).

The company has guaranteed the hire purchase obligations of its subsidiaries. At 30 November 2019 the contingent liability amounted to £20,229,000 (2018: £14,002,000).



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 (2018: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £144,841 (2018: £134,112) 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 £11,000 (2018: £18,000) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £30,035 (2018: £26,276) in dividends on ordinary shares.
- During the year S L Dunn received from Rotala a total of £43,202 (2018: £38,997) in dividends on ordinary shares.
- During the year K M Taylor received from Rotala a total of £15,473 (2018: £14,326) in dividends on ordinary shares.
- During the year G M Spooner received from Rotala a total of £6,750 (2018: £4,550) in dividends on ordinary shares.
- During the year G F Peacock received from Rotala a total of £78,750 (2018: £69,367) 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 2019 (2018: 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 2019 Mr. Gunn and his beneficial interests held 32.8% (2018: 30%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £45,966 (2018: £43,411) in dividends on ordinary shares.

19. Post balance sheet events

For disclosure of post balance sheet events reference should be made to note 35 to the consolidated financial statements.



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