Annual Report

for year ended 30 November 2021

ROTALA
passenger transport

Rotala Plc

Hallbridge Way, Tipton Road, Tividale, West Midlands B69 3HW

Telephone: 0121 322 2222

Website: www.rotalaplc.com

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PROVIDING TRANSPORT SOLUTIONS

...

TAKING PEOPLE TO PLACES IS AT THE HEART OF OUR BUSINESS

...

SUPPORTING REGIONS WITH SUSTAINABLE TRAVEL

...

IMPROVING JOURNEY INFORMATION & TICKETING

Directors, Secretary & Advisers

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

Rotala at a Glance

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

Areas of Operation

Our Operating Companies:

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

Rotala Highlights

Rotala Plc continues to develop across our businesses nationwide.

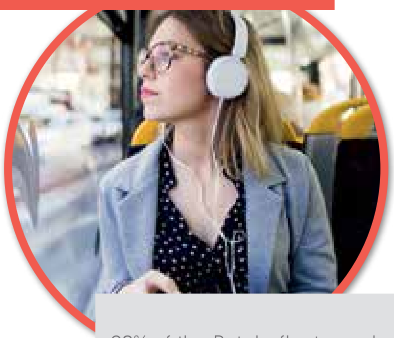
Investing in training and employment

Our Driver Training Programme has inducted workers from other industries affected by the pandemic and re-trained them into employment with Rotala operating companies

Reducing our Carbon Footprint

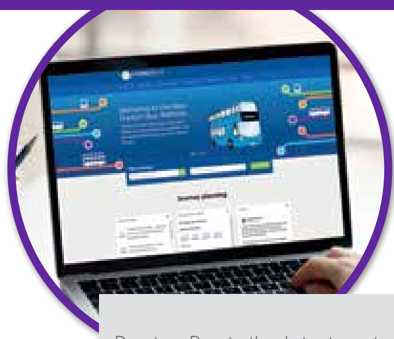
Fully electric Diamond buses took to the road in 2021, sustainably converted from existing diesel-powered vehicles to minimise their environmental impact

Improving onboard safety



90% of the Rotala fleet now benefits from onboard CCTV, to improve passenger safety

Expanding enhanced digital services



Preston Bus is the latest part of the Rotala business to launch a new improved customer-focussed website and app

Working within the community

Our subsidiaries have worked with local charities to both raise money for good causes and offer our services to assist their ongoing charitable work

Introducing flexible fare solutions

In 2021, Tap&Go launched across the Midlands based Diamond Bus fleet - a flexible fare capping system, meeting the needs of changing travel patterns


DIAMOND

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passenger transport

Statutory Reports

CLEANER, GREENER TRANSPORT SOLUTIONS

...

ADOPTING BETTER WORKING PRACTICES

...

DELIVERING QUALITY SERVICES FOR LOCAL COMMUNITIES

...

REDUCING OUR IMPACT ON THE ENVIRONMENT

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 2021.

The COVID-19 pandemic began in March 2020, about one third of the way through the accounting period prior to the one upon which I am now reporting to you. Thus, during the whole of the year ended 30 November 2021, the operation of bus services was conducted under a variety of restrictions imposed by the Government to combat the COVID-19 pandemic. These restrictions, as they were tightened or relaxed during the year under report, to a greater or lesser degree affected the normal commercial operation of bus services, but the financial effects of these steps were counterbalanced throughout the year by the package of grants and subsidies provided by the Department for Transport ("DfT") and Local Authorities. In return for this support we were required by the DfT to work closely with those Local Authorities in whose areas we operate. Bus service levels have thus varied considerably in the year in response to changes in Government policy and to the resultant requirements of Local Authorities.

These are the key factors to be borne in mind when considering the trading performance of the group in 2021, the comparison with the previous year, and the overall position of the group at the balance sheet date.

Passenger numbers

In the lockdown phase at the very beginning of the financial year passenger numbers fell to about 25% of those seen in the period of normal bus operation before the COVID-19 pandemic commenced in March 2020. Subsequently passenger numbers rose steadily through the spring and summer of 2021 and stabilised at about 60% to 65% of normal levels. The relaxation of the remaining COVID – 19 related restrictions in the late summer, combined with the beginning of the new school year in September 2021, saw passenger numbers resume their upward ascent and by the end of the year they stood at about 80% of the levels seen in the pre-pandemic era. After dipping sharply in the lockdown period in December 2021, passenger numbers rebounded strongly and remain at approximately the same 80% level.

Operational conditions

As a consequence of the variability of passenger numbers in response to Government policy, but in accordance with its desire to see bus service provision maintained at pre-pandemic levels, the Government throughout the year sought to support the financial and operational performance of the bus industry with a variety of financial measures at local and national level. Initially the Government grant package was delivered principally through a specific grant ("CBSSG"), combined with the maintenance of the Bus Services Operator's Grant, concessionary fares re-imbursements and payments for contracted bus services broadly at their pre-COVID-19 levels. CBSSG was a grant which was designed to offset any losses incurred by a bus operator in running the services desired by central and local government. The effect of these measures was that bus operators were guaranteed to make neither a profit nor a loss at the normalised statutory pre-tax profit line for as long as the support package was in place.

CBSSG ended on 31 August 2021 and was replaced by a fresh support package called Bus Recovery Grant ("BRG"). In contrast to CBSSG, BRG is designed to compensate bus operators for the absence of revenue whilst passenger numbers continue their recovery back to pre-pandemic levels. BRG was initially planned to cover the period from 1 September 2021 to the end of the Government financial year in early April 2022 but has recently been extended by a further six months to October 2022. In addition from April 2022 the new investment contained within the Government's National Bus Strategy will begin to flow. Under this strategy all local authorities have been required to write Bus Service Improvement Plans ("BSIPs") and submit them to the DfT. In essence BSIPs are bids for allocations of the new investment presently available under the National Bus Strategy. At the current time the allocation of the new investment money has yet to be announced. However from the beginning of April 2022 concessionary fares re-imbursement levels will slowly be adjusted to reflect actual travel patterns such that by the end of 2022 the re-imbursements received should represent actual concessionary passenger usage.

Financial results

	2021	2020	2019
Revenue	£96.5 million	£78.1 million	£67.5 million
Operating profit/(loss)	£3.4 million	(£2.6 million)	£4.2 million
Profit/(loss) before tax	£0.3 million	(£4.8 million)	£2.6 million

For the year ended 30 November 2021 group revenues were £96.5 million (2020: £78.1 million). As already stated actual bus service volumes varied considerably during 2021 and 2020, in accordance with the directions received from Government and in response to varying passenger numbers. Consequently the revenues set out above reflect the various packages of grants and subsidies put in place by the DfT and Local Authorities to ensure that bus service provision continued at the levels desired by these two arms of Government. Grants and subsidies totalled £47.9 million in 2021 and £29.4 million in 2020. In addition, as part of its response to the COVID-19 pandemic, the Department for Education at a number of points in the year contracted for specific home-to-school transportation. Furthermore the changes in market conditions brought on by the pandemic caused some smaller operators to withdraw from the market and larger operators to reshape their service coverage. These developments gave us the opportunity to expand our presence in the local authority tendered market and in services for other governmental institutions. Finally one of the new initiatives under the Government's National Bus Strategy, further details of which are set out below, is for Demand Responsive Transport. This is not a new idea but modern technology has transformed the feasibility of such services and trial contracts, in which we are participating, have commenced in several of the local authority areas in which we operate.

In summary then the group, before exceptional items, recorded an overall Operating Profit of £1.78 million for the year to 30 November 2021 (2020: £1.42 million). For the same period the group made an exceptional profit of £1.6 million (2020: loss of £4.0 million). This exceptional profit resulted largely from the marking to market price of the group's fuel derivative position; in 2020 the majority of the exceptional loss also came from the same source. The result for the year, after exceptional items, was a profit before tax of £295,000 (2020: loss of £4.8 million). In contrast to the loss after tax sustained in 2020 of £4.05 million, a small profit after tax of £66,000 was achieved.

Net debt (excluding hire purchase debt)

Net debt	2021	2020	2019
Revolving commercial facility drawn	£7.6 million	£16.2 million	£16.2 million
Mortgage debt	£5.9 million	£6.3 million	£6.5 million
Overdraft (net of cash)	£3.2 million	£3.3 million	£2.0 million
Total net debt	£16.7 million	£25.8 million	£24.7 million

From the commencement of the COVID-19 pandemic the company has concentrated on the conservation and management of the group's cashflow. As a consequence cash flow, both at EBITDA level and net of all debt, interest and other payments, has been positive since very shortly after the pandemic began. Net debt (excluding hire purchase debt) therefore declined gradually over the year and, as at 30 November 2021, stood at £16.7 million (30 November 2020: £25.8 million), down 35% during the year. The amounts drawn on the company's revolving commercial facility at 30 November 2021 amounted to £7.6 million (30 November 2020: £16.2 million); mortgage debt at 30 November 2021 was £5.9 million (30 November 2020: £6.3 million); and drawings on the company's £4.5 million overdraft facility were £3.16 million (30 November 2020: £3.3 million). As a consequence of the close management of its cashflow the company has not at any stage of the COVID-19 crisis needed to avail itself of a loan under the various Government-backed loan schemes that were available.

Chairman’s Statement and Review of Operations
(continued)

New banking facilities

On 14 March 2022 the company signed a new banking facilities agreement with its principal bankers, HSBC Bank plc. These facilities comprise a Revolving Commercial Facility (“RCF”) of up to £17 million and a Mortgage Facility of £5.8 million. The RCF has an initial term of three years, expiring on 13 March 2025, with the option to extend it for up to a further two years. It is completely undrawn at this time. The Mortgage Facility commenced in 2017 and was originally of £8.0 million. Since that time repayments have reduced the amounts outstanding to £5.8 million. It remains on a term of up to twenty years expiring in December 2037. In addition, the company has an Overdraft Facility of up to £3 million with the same bank, renewed annually.

The board took the decision to refresh its banking facilities at this time in order to equip the company with the resources necessary to take advantage of any opportunities that arise out of continuing bus industry developments. Since the Revolving Commercial Facility is currently completely undrawn the board believes that the company possesses ample unused facilities to further its ambitions.

Working capital

Working capital	2021	2020	2019
Inventories	£1.1 million	£3.5 million	£4.3 million
Trade and other receivables	£21.8 million	£22.3 million	£18.3 million
Trade and other payables	£6.2 million	£8.3 million	£7.6 million
Total working capital	£16.7 million	£17.5 million	£15.0 million

Before the advent of the COVID-19 pandemic, new systems to control parts stocks and digitalise engineering and maintenance spend had begun to be implemented. These new systems are now in full use and have made a major contribution to the reduction of £2.4 million in the working capital invested in inventories. The group’s trade and other receivables of approximately £21.8 million at 30 November 2021 (30 November 2020: £22.3 million) were, as at the end of the previous year, inflated by the amounts receivable from the DfT under the CBSSG and BRG programmes set out above, which are the subject of lengthy reconciliation exercises. Since the year end the majority of the receipts due from these exercises have been received. This has enabled the company to be in a position at the time of writing where the Revolving Commercial Facility is completely undrawn.

This release of working capital, combined with disposals of surplus property and other asset realisations, should ensure that net debt (including hire purchase debt, details of which are set out in the table below) is under £40 million by 30 November 2022 (2021: £57 million), in line with the board’s plans and expectations.

> “we have continued to be active in reshaping the group’s bus fleet to match changing needs”

Hire purchase debt and fleet management

	2021	2020	2019
Hire purchase debt	£39.9 million	£37.1 million	£20.2 million
Average fleet age	7.56 years	7.95 years	8.65 years

The COVID-19 pandemic delayed the delivery of the replacement buses ordered in August 2019 as part of the plan drawn up at the time of the acquisition of the Bolton depot from First Group plc. The remainder of the vehicles ordered were delivered during the financial year. Following the completion of this planned re-equipment the board does not foresee any requirement, unless for specific new business, to acquire any further vehicles until the year ending 30 November 2023. Therefore hire purchase debt, totalling £39.9 million at 30 November 2021 (30 November 2020: £37.1 million), stood at its peak at that date and will reduce substantially over the next year such that, by 30 November 2022, hire purchase debt levels are forecast to be approximately £34.0 million.

When acquiring any vehicle new to the fleet, the board is always acutely conscious of its emission standards. At the same time the capability of buses driven by non-diesel propulsion systems has continued to improve and their operating costs to become increasingly attractive when compared to their diesel predecessors. Part of the Government's National Bus Strategy includes the subsidised introduction of 4,000 new zero-emission vehicles. Consequently the board believes that it is unlikely that the group will buy new full-size diesel buses in preference to battery-electric buses or buses propelled by other fuels. Diesel driven vehicles will therefore gradually disappear from the fleet such that, in a decade or so, none of the buses in service will possess diesel engines.

Aside from the action taken on the fleet inherited with the Bolton acquisition, we have continued to be active in reshaping the group's bus fleet to match changing needs. In the last year we have sold more than 120 vehicles. Consequently the average age of the fleet has fallen to approximately 7.56 years (2020: 7.95 years) and more than half of the bus fleet is now at EURO 6 emissions standard or better.

Group Strategy

Before the COVID-19 crisis took hold in March 2020, the Government had announced an ambitious package of new funding to overhaul bus provision in every English region outside London. In March 2021, it published a detailed National Bus Strategy paper, "Bus Back Better", which lays out a comprehensive plan of reform and promises up to £3 billion of new Government investment. New Enhanced Partnerships, combined with subsidies for 4,000 zero emission vehicles, are designed to re-invigorate the bus market all over England and increase bus usage. The group already has extensive experience of operating routes in statutory partnerships in the West Midlands. We welcome this policy change and look forward to working closely with local and national Government in making a success of these new initiatives.

At a more detailed level the National Bus Strategy paper also sets out targets for next stop information, on bus CCTV, and cross-operator fare capping. A significant number of the group's buses are equipped with next stop systems and 90% of our bus fleet has on-board CCTV which can be remotely accessed from the depot. The group already has fare-capping architecture installed which can be used to deliver "Tap on/Tap off" cross-operator capping, which is a desired feature of the National Bus Strategy. Therefore the board believes that the group already has extensive experience of implementing and using these advanced systems which underlie the targets the Government has set and which are designed to smooth the travel experience of customers and enhance their perception of safety and security.

Franchising in Greater Manchester

In late March 2021 the Mayor of Greater Manchester made the formal decision to franchise the bus market in the Greater Manchester region. The company made an immediate court claim to subject to judicial review the process by which the franchising consultation was continued by Greater Manchester Combined Authority ("GMCA") whilst the COVID-19 pandemic persisted, and the decision of the Mayor. Judgement in this claim was announced on 9 March 2022, when the judge in the case dismissed our claim.

Throughout the company's court claim, the board has remained confident that both these decisions were irrational and/or unlawful. The board still believes these decisions to be irrational and/or unlawful and is in the process of applying for permission to appeal the decision to the Court of Appeal.

As an operator in Greater Manchester, the Company has acted to attempt to protect its business from a decision that is not only detrimental to Rotala's future prospects, but also potentially detrimental to the citizens of Greater Manchester in imposing upon them the financial burden of a franchising scheme that the board believes has not been properly assessed in line with the relevant legislation.

Chairman's Statement and Review of Operations

(continued)

The company remains committed to providing a high level of service to bus users in Greater Manchester and remains willing to enter into a statutory partnership with Transport for Greater Manchester and the other bus operators in Greater Manchester. The board is still of the view that the partnership approach would not only be just as effective as a franchising scheme, and be done at less risk to the public purse, but also could be implemented far more quickly than the full franchising scheme.

However, should the company be unsuccessful in its legal case and the franchising scheme is implemented, it will potentially be required to sell its Bolton depot and the bus assets based there to GMCA. The Board believes that the Bolton depot has first class facilities and is the most modern and up-to-date bus depot operating in Greater Manchester. The bus fleet based there is also the most modern of any of the large operators in that region. The board is therefore confident that the values which might potentially be realised from the sale of these assets under the mechanisms which the GMCA has already announced will at a minimum realise their book values and be more than sufficient to pay off the mortgage on the Bolton depot and the hire purchase debt associated with the bus assets based there. As a result, any sale of this nature would have no negative effect on the group's balance sheet and its leverage would fall to very low levels. In this scenario, the capital which the group currently has invested in its Bolton operation would be realised into cash and be available for re-investment or redeployment elsewhere in the group.

Dividend

The company last paid a dividend in December 2019 in relation to the six-month period ended 31 May 2019. One of the terms of CBSSG was that bus companies were not permitted to pay dividends for as long as the grant regime was in place. As set out above CBSSG was replaced by BRG from 1 September 2021. BRG contains no such stipulation about restriction of dividend payments. Since therefore there is no longer any bar to dividends the board will pay on 29 April 2022 a special interim dividend of 1.0p per share to shareholders on the register on 1 April 2022. Thereafter the company will return to its former policy of maintaining 2.5 times cover for any future dividend payments. Dividends will therefore be reset to reflect current profitability but it is the board's intention to adopt a progressive approach to dividends, as before the onset of the COVID-19 crisis, recognising the importance of dividend flows to shareholders. It is anticipated that future dividends will be paid in the pattern of September (interim) and June (final), in the proportion of one third at the interim dividend stage and two thirds for the final.

Issue of share options

In order to incentivise management as the group recovers from COVID-19, the Remuneration Committee of the board has decided to issue a fresh package of share options to the executive directors to match those issued to senior management during 2021. Under the company's long-established share option scheme, share options may be issued up to 13.47% of the current number of issued ordinary shares. The share options now to be issued will take the share options in issue up to 11.95% of the current number of issued ordinary shares. The existing share options, which were issued more than seven years ago, have hurdle rates of up to 95 pence per share. The new share options, exercisable at par or the current market price, if higher, have hurdle rates of between 56 pence and 62 pence per share and contain a stipulation that the hurdle share price must be maintained for at least 20 consecutive trading days in order that the share options may become exercisable.

The executive directors have been awarded the following share options:

- Simon Dunn (Chief Executive) 2,000,000 share options;
- Robert Dunn (Managing Director North West) 800,000 share options;
- Kim Taylor (Group Finance Director) 400,000 share options.

Share buyback

In connection with the issue of share options set out above the company also intends to institute a share buy-back programme with the aim of covering the share options which have been awarded . At the current time the company holds 800,000 ordinary shares in treasury. Therefore the company will seek to acquire up to a further 4.25 million ordinary shares for treasury, provided that such shares are available at suitable market prices and within the mandate given to the board by the relevant AGM resolution. This programme will potentially take the number of shares in treasury up to the statutory maximum of ordinary shares held in treasury of 10% of the company's issued share capital.

Fuel hedging

When opportunities arose before the pandemic to hedge the fuel requirements of the group the board in accordance with its usual practice took out fuel hedges, using diesel derivatives. The group's forecasts anticipate fuel usage of about 14 million litres in 2022. Approximately 54% of this fuel usage is covered by hedging contracts, at an average price of 87p per litre. For reference the market price of fuel at the date of this report (excluding VAT) is 142.5p per litre.

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

Financial review

Income statement

The Consolidated Income Statement is set out on page 43. As set out above in the section headed Financial Results, national and local Government continued throughout the year to provide a grant and subsidy support package to the bus industry in response to the prolongation of the COVID-19 pandemic. Note 4 of these financial statements should be consulted for the breakdown of group revenues. The support package in turn enabled the group to provide the service levels requested by the DfT and those Local Authorities in whose areas the group operates. As stated above these service levels varied, and passenger volumes increased and decreased, in response to the changes in restrictions brought in by the Government in its own response to the path of the pandemic. Therefore, given the variability of operations in both 2021 and 2020, there is no useful comparison or comment to be made about the levels of Revenue, Cost of Sales, Gross Profit, Gross Profit Margin, Profit or Loss from Operations and Profit or Loss before Taxation except to highlight that the broad intention of the Government in providing its package of grants and subsidies was that a group such as Rotala should make neither a profit nor a loss while the grant and subsidy package was in place, and that this was more or less the outcome for the year.

Administrative expenses before exceptional items increased from £10.7 million in 2020 to £12.3 million in 2021. This increase largely reflected the needs of the business for the continuing much enhanced level of legal and specific technical advice in the complex and challenging operating environment which resulted from the existence of the COVID-19 pandemic throughout the whole year.

Finance expense rose to £3.1 million (2020: £2.2 million). This increase was caused by the interest arising on the new hire purchase agreements which have been entered into in the last two years to finance the replacement of the bus fleet at the Bolton depot acquired in August 2019. See note 9 to these financial statements for the full analysis.

The analysis of the exceptional items is set out in note 10 to these financial statements. In 2021 a profit of £1.6 million was recorded in this caption, compared to the loss of £4.0 million suffered in 2020. As in 2020 the principal component of this line was the marking to market of the group's fuel derivative position. However in 2021 the outcome was a profit of £1.8 million, compared to a loss of £2.5 million in 2020, as diesel prices rebounded strongly. The other exceptional cost in 2021 resulted from the fire at the group's Heathrow depot in February 2021, which was announced at the time.

There were no share issues in the year. As a result of all the factors set out above basic earnings per share in 2021, after all exceptional items, were 0.13p (2020: loss per share of 8.08p).

Balance sheet

The gross assets of the group fell slightly from £108.7 million in 2020 to £104.5 million as at 30 November 2021. The book value of property, plant and equipment declined by £4.3 million as depreciation in the year exceeded additions to the same caption. Almost all the additions were to passenger carrying vehicles and comprised the remaining third of the vehicles ordered to replace those leased from First Group plc when the Bolton depot was acquired in 2019. The net asset represented by the defined benefit pension scheme grew considerably to reach £4.25 million by the end of the year (2020: £1.44 million). The value of the scheme's investments rose by 9% to stand at £21.5 million (2020: £19.7 million). At the same time the present value of the scheme's defined benefit obligation fell by 6%. These changes produced the strong position of the scheme as at 30 November 2021. Note 25 to these accounts sets out the full detail.

Group stocks of parts, tyres and fuel fell further in 2021 as the new systems to control parts stocks and purchasing had their full effect. Trade and Other Receivables, although slightly down on the total seen in 2020, continue at a high level. This results from the nature of the grants provided by the DfT to support the bus industry during the COVID-19 pandemic. The grants are subject to a complex series of submissions and reconciliations which inevitably considerably elongate the timing of the actual receipt of the income in cash. Since the year end the majority of the outstanding reconciliations have been agreed and the related receipts received in cash. Finally, as has been pointed out under exceptional items, the fuel derivative swung from a net liability in 2020 to an asset in 2021.

One of the avenues of business support devised by the Government early in the pandemic was a delay to the payment of PAYE and NHI liabilities; the group took advantage of this facility in 2020 but brought all such payments up to date during 2021. This caused trade and other payables to fall year on year. The loans and borrowings of the group shown under Current Liabilities also fell from £20.8 million in 2020 to £11.6 million in 2021. The principal cause of this fall was the reduction in drawings under the group's Revolving Commercial Facility, which fell from £16.2 million in 2020 to £7.6 million at the balance sheet date. Obligations under hire purchase contracts under both Current Liabilities and Non-Current Liabilities increased as a result of the remaining new vehicle deliveries for the Bolton fleet already mentioned above. The item for deferred income arose from the receipt in the year of a grant of £690,000 for the conversion from diesel to electric propulsion of five vehicles; this grant is being amortised to the profit and loss account over the remaining lives of these assets. Provisions for liabilities increased as a result of the prudent view taken by the board of insurance incidents occurring during 2021. The gross liabilities of the group therefore fell to £71.5 million (2020: £78.1 million), a decrease of 8%.

Overall the net assets of the group increased to £33.03 million at 30 November 2021, compared to £30.67 million at 30 November 2020.

Cash flow statement

Cash flows from operating activities (before changes in working capital and provisions) recovered sharply in 2021 to reach £18.3 million (2020: £6.35 million), as a result both of the swing to a small profit from the considerable loss incurred in 2020 and of the increased depreciation charge occurring in the year when compared to the year before. Overall in 2021 working capital was released rather than absorbed, as it was in 2020. The decrease in inventories was more or less matched by the decrease in trade and other payables and the increase in provisions was only a little greater than the movement on derivative financial instruments. The outcome of these various factors was that cash generated from operations, at £19.7 million (2020: £5.59 million), more than tripled. Interest paid on lease liabilities increased because of the new hire purchase agreements entered into over the last two years to give effect to the Bolton fleet renewal. Cash flows from operating activities therefore increased to £17.8 million (2020: £4.6 million). The sale of surplus vehicles served to offset to a great extent the cash expended on the purchase of property, plant and equipment this year, which also benefited from the receipt of the grant already referred to. Thus a small amount of cash was generated in 2021 in this caption, compared to the sum of £292,000 used in 2020.

Financing activities reflect the changes to loans and borrowings already described. Drawings on the group's revolving commercial facility fell by £8.6 million in the year and so bank interest paid was little changed from the previous year overall. In 2020, as with other borrowings of a similar nature, the capital paid on lease liabilities benefited for a substantial part of the year from a moratorium instituted by finance providers as a response to the COVID-19 pandemic; no such moratorium prevailed in 2021 and thus, combined with the increased size of hire purchase repayments resulting from the Bolton fleet re-equipment, capital paid on lease liabilities rose to £6.9 million (2020: £3.8 million). Overall £17.8 million was used in financing activities in 2021 compared to £5.6 million in 2020.

Cash and cash equivalents therefore increased by £84,000, net of all the movements set out above but in particular the reduction of £8.6 million in the drawings on the group's Revolving Commercial Facility, compared to a decrease of £1.29 million in cash and cash equivalents in the previous year. The board regards this outcome for the year as very satisfactory and in line with its plans and expectations.

> "I continue to believe that the company is very well placed, with excellent prospects in a bus industry which will see extensive and exciting changes in the foreseeable future"

Outlook

In making its forecasts for going concern testing purposes the board has assumed that passenger volumes will continue to be negatively affected throughout 2022 and that true recovery will not occur until the 2023 financial year. However the board does expect passenger numbers to continue to rise as 2022 progresses. As this happens, and the new Government investment initiatives start to have effect, the company expects to return to commercial profitability, albeit initially at lower than pre-pandemic levels. The company intends to use the same assumptions in giving guidance to the market about its forecast future performance.

The Government's new National Bus Strategy promises new investment in bus transport on a large scale. The shape and scope of this investment will become clearer in the next few months when the DfT announces the outcome of its review of the BSIP's submitted by every local authority in the latter part of 2021. The Government is promising to provide up to £3 billion in new investment over the next few years. This must be beneficial for the bus industry as a whole and Rotala in particular. At the same time, I believe that, as the bus industry emerges from the protection afforded by the CBSSG regime and commercial reality returns, opportunities for organic growth and acquisitions are likely to arise once more. Already one of the largest UK bus operators, Stagecoach Group plc, has attracted considerable bid interest. I believe that this transaction could be a pre-cursor of many others in the bus industry, at both large and small levels, in the short to medium term.

During the COVID-19 pandemic Rotala deliberately concentrated on improving its business efficiency, software systems and use of working capital and on reducing its unsecured debt. If acquisition opportunities do arise, we will therefore be able to draw on large unused facilities to support our ambitions. Accordingly, I continue to believe that the company is very well placed, with excellent prospects in a bus industry which will see extensive and exciting changes in the foreseeable future.

John Gunn
Non-Executive Chairman

Date: 14 March 2022

Strategic Report

For the year ended 30 November 2021

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 and business units disposed of by larger operators (such as Rotala's operations in Preston and Bolton).

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

Rotala's strategy is therefore to:

- Take advantage of the opportunities being created by the Bus Services Act 2017 and the National Bus Strategy;
- 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;
- 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;
- 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.

> "Our brands signify consistency, reliability and employee commitment"

Rotala's Core Values

Our commitment is to conduct business in an ethical manner;

Rotala's core values convey our organisational beliefs:

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

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. With substantial operations in the North West, the West Midlands and Heathrow areas the company is well positioned for future contract wins and organic commercial growth.

Rotala is committed to providing service excellence to stakeholders, by offering value for money and continuous improvement without compromising on the quality of service. By working closely with other businesses, councils and educational institutions, we ensure that flexibility and proactive management are key strengths in which Rotala invests. Our commitment to all stakeholders makes it possible to offer value to all sizes of organisation from the largest corporate to the smallest individual daily user.

Corporate governance

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

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

- setting its strategic direction;
- monitoring and guiding operational performance;
- establishing polices and internal controls to safeguard the group's assets.

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

Strategic Report
(continued)

Departure from QCA Code

There is at present no formal performance review of individual directors or a formal review process of overall board effectiveness in accordance with Principle 7 of the QCA Code. In this respect only the company departs from the Code. The reason for this departure from the Code is that the Chairman considers that the company still retains the characteristics of its starting point: it began as a family company and in the main still is one. Given these attributes the Chairman takes the view that the formal review of the performance of each director is not appropriate. The board supports the Chairman in this approach. The board as a whole also believes that, at the current time, to review in any formal sense the effectiveness or the performance of the board would not serve any purpose. This does not mean that the board tolerates under-performance or lacks self-criticism.

The Chairman has constructed a board in which he expects to see very robust, full and frank views delivered on the performance of the company and all other items on the agenda. This expectation is met at all board meetings. The board believes that it operates effectively at the current time in serving the strategic objectives of the company.

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

Board activity

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

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

The attendance record of the board in the last year is as follows. All the meetings were held virtually:

Name	Number of board meetings in the last year	Number attended
John Gunn (Non-executive Chairman)	17	17
Graham Spooner (Non-executive Deputy Chairman and Senior Independent Director)	17	17
Simon Dunn (Chief Executive)	17	17
Robert Dunn (Executive director and Managing Director of all Rotala businesses in the North West)	17	17
Graham Peacock (Non-executive and Independent Director)	17	17
Kim Taylor (Group Finance Director)	17	17

Board Structures

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

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

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

The functions of these committees are as follows:

1. Nominations Committee

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

2. Audit Committee

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

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

The Committee's primary duties and responsibilities are to:

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

3. Remuneration Committee

The Committee's primary duties and responsibilities are to:

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

Strategic Report
(continued)

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

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

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

Relationships with stakeholders

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

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

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

Other stakeholders include:

Employees

The group's employment policies are regularly reviewed to ensure they remain effective. These policies promote a working environment which underpins the recruitment and retention of professional and conscientious employees, and which improves productivity in an atmosphere free of discrimination. The group is committed to giving full and fair consideration to all applications for employment from those who are disabled, to their training, career development and promotion, where employed, and to continuing the employment and training of those who become disabled while employed.

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

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

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

Managers pride themselves on being approachable and ready to listen to employee suggestions and comments about operating difficulties.

An SAYE scheme exists for the benefit of all employees. The details of the scheme are set out in note 28 to these financial statements. The board has judged that it is not appropriate to offer further tranches under this scheme until normal trading conditions in the bus industry resume.

Key suppliers and corporate customers

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

Relationships with shareholders

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

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

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

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

Strategic Report
(continued)

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

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

Streamlined energy and carbon reporting

Rotala, being an unquoted large company as defined by the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', is required to disclose its annual energy use and greenhouse gas emissions, and related information, as follows:

Fuel	2021 Millions of KWH	2021 Emissions – tonnes gross CO2e	2020 Millions of KWH	2020 Emissions – tonnes gross CO2e
Diesel	116.76	27,657	116.13	27,820
Gas	2.24	392	2.53	456
Electricity	1.28	273	1.36	316
Total	120.28	28,322	120.02	28,592
Intensity ratio per £'million of revenue		293		366

Methodology

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

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

The above table sets out an Intensity Ratio for the year of 293 tonnes (2020: 366 tonnes) of CO2e per £'million of revenue. However, given that service levels in both 2021 and 2020 took place under COVID-19 conditions and that total revenues were not representative of normal commercial operations, it is unlikely that these statistics form suitable base years against which to judge future performance in this area. Therefore the Intensity Ratio will take several years to settle down to a consistent data series which can be usefully compared and interrogated.

Statement in relation to Section 172 of the Companies Act

The board makes the following statement for the year ended 30 November 2021 in relation to Section 172 of the Companies Act.

Acting in good faith

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

Reputation

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

Long-term decisions

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

Given that in 2021, as in 2020, the COVID-19 pandemic greatly impacted on the bus industry, the board focused most of its energies on combatting the impact of the pandemic on the company. As described in the Chairman's Statement this involved extensive, and very close, co-operation with relevant Local Authorities, Transport Authorities (particularly in the West Midlands and Greater Manchester) and the Department for Transport throughout the period.

Employees

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

Another key aspect of the operation of a bus company is a healthy and safe working environment, as much for passengers as for employees. Even in normal times the safety and security of passengers and employees is the first priority of the board. Indeed a standing item on the board meeting agenda is the one for "Health and Safety". All material events involving risk to Health & Safety are required to be reported to the board for consideration at every meeting. This subject has of course been of particular relevance during the COVID-19 pandemic, from the perspective both of employees and passengers. In 2021, as Government rules and guidance changed, it was necessary rapidly to change risk assessments, brief drivers and other affected employees regularly on the changes made, reconfigure vehicle seating where required and renew frequently the public information posters carried by all vehicles.

Business relationships

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

Community and the environment

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

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

Strategic Report
(continued)

Principal risks and uncertainties

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

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

Streams of Business

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

Contract

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

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

Commercial

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

Charter

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

Key performance indicators (KPIs)

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

	2021	2020
Revenue	£96,543,000	£78,115,000
Gross profit margin	14.6%	15.5%
Profit from operations before mark to market provisions and other exceptional items	£1,780,000	£1,422,000
(Loss)/profit before taxation and mark to market provisions and other exceptional items	(£1,297,000)	(£782,000)

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

	2021	2020
Revenue	£96,543,000	£78,115,000
Gross profit margin	14.6%	15.5%
(Loss)/profit from operations	£3,372,000	(£2,577,000)
(Loss)/profit before taxation	£295,000	(£4,781,000)

Strategic Report
(continued)

These key performance indicators are used as follows:

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

Trading results and Statement of Financial Position

A review of the group's activities, using its key performance indicators, and a review of its future prospects are contained in the Chairman's Statement and Review of Operations on pages 10 to 17. The group's results for the year are set out on page 43. The results of the year and the financial position as at 30 November 2021 are considered by the directors to be satisfactory.

Going concern

The UK Government from early in the COVID-19 pandemic designated bus operation to be an essential service. Passenger numbers have varied considerably over the last year in response to changes in Government policy. At present Government continues to support the operation of bus services with the BRG grant package. However it is still not clear what effect, if any, the pandemic will have had on living and work patterns in the long term and therefore what the impact of any new trends will be on demand for bus travel.

In the light of this uncertainty the board has examined its strategy and considered its profit and loss and cash flow projections for the accounting periods to 30 November 2024. It has assumed, in its downside scenario, that COVID-19 continues to depress passenger volumes throughout 2022, offset to some degree by BRG and other measures. It has further assumed that passenger volumes will then only recover fully during 2023 and that actual receipts of CBSSG and BRG are considerably delayed by comparison with the stated payment timetables. It has also evaluated the hire purchase, loan and overdraft facilities available to the group in connection with the periods examined. After due enquiry and the modelling of the downside scenario, the board has judged the cash flow forecasts, asset financing and banking resources of the group to be adequate to support its continued operations for the foreseeable future and has adopted the going concern basis in preparing the financial statements.

By order of the Board.

Kim Taylor
Secretary

Date: 14 March 2022

Directors' Report

For the year ended 30 November 2021

The directors present their statutory report for the group for the year ended 30 November 2021.

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 17 for a full description of these matters.

Streamlined energy and carbon reporting

Unquoted 'large' companies (like Rotala) are also required to disclose their annual energy use and greenhouse gas emissions, and related information in the Directors' Report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008'. In these accounts reference should be made to the Strategic Report on page 24 for a full description of these matters.

Financial instruments

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

Dividends and Share Price

No dividends have been paid or are proposed in respect of the year ended 30 November 2021. A special interim dividend of 1.0p per share will be paid on 29 April 2022 to shareholders on the register on 1 April 2022.

The company's share price at 30 November 2021 was 30.00p (2020: 28.00p). The high and low prices in the year were 36.00p and 23.00p respectively.

Directors' Report
(continued)

Effect of the COVID-19 pandemic

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

Directors' interests

The beneficial interests of the directors and their families in the company's shares and share options at 30 November 2021 and 2020 were as follows:

		2021 Ordinary shares of 25p each	**2021** Options over ordinary shares of 25p each	**2020** Ordinary shares of 25p each	**2020** Options over ordinary shares of 25p each
J H Gunn	Beneficial	5,649,987	-	5,649,987	-
R A Dunn	Beneficial	1,999,676	615,000	1,549,676	615,000
S L Dunn	Beneficial	1,773,187	900,000	1,720,187	900,000
G F Peacock	Beneficial	3,184,166	-	3,184,166	-
G M Spooner	Beneficial	746,540	-	696,540	-
K M Taylor	Beneficial	590,556	395,000	590,556	395,000

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

Share options	At 30 November 2020	Exercise Price	At 30 November 2021	Date Exercisable	Date of Expiry
R A Dunn	615,000	54.00p	615,000	24/11/2017	23/11/2024
S L Dunn	900,000	54.00p	900,000	24/11/2017	23/11/2024
K M Taylor	395,000	54.00p	395,000	24/11/2017	23/11/2024

The remuneration of the directors is set out in note 6 of these financial statements. Contracts existing during, or at the end of the year, in which a director was or is materially interested, other than employment contracts, are disclosed in note 32 – Related Parties and Transactions.

Substantial shareholdings

As at 14 March 2022 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	7,662,400	15.29
Close Asset Management Limited	5,986,918	11.94
Mr John Gunn	5,649,987	11.27
Mr Graham Peacock	3,184,166	6.35
Mrs S Tobbell	3,184,166	6.35
Mr Robert Dunn	2,199,676	4.39
Mr Simon Dunn	1,811,696	3.61
The 181 Fund Limited	1,702,443	3.40

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.

	2021	2021	2021	2020	2020	2020
	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	833,809	1.64	805,540	833,809	1.64	805,540
Acquired during the year	-	-	-	-	-	-
Issued for cash in respect of share option exercises	-	-	-	-	-	-
Ordinary shares held in treasury at end of year	833,809	1.64	805,540	833,809	1.64	805,540

The maximum number of ordinary shares held in treasury during the year was 833,809 (2020: 833,809), representing 1.64% of the called up share capital of the company (2020: 1.64%)

A total of 2,515,000 shares were acquired for treasury between 2014 and 2016 at prices between 54p and 75p per ordinary share to meet the share issues which were occasioned by share option exercises and loan stock conversions in those financial years.

Directors' indemnity

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

Directors' responsibilities statement

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

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

The directors are required to:

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

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

The directors confirm that:

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

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

Employment policies and employee involvement and communication

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

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

Auditors

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

For the year ended 30 November 2021, 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: 14 March 2022

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 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2021 and of the group's profit for the year then ended; and
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Engaging in regular discussions with the directors regarding the status of negotiations in respect of new financing options;
- Assessing and challenging key assumptions and mitigating actions put in place in response to Covid-19;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Revenue Recognition The group's accounting policy for revenue recognition is set out in the accounting policy notes on page 52. Revenue is a material balance for Rotala Plc and represents the largest balance in the consolidated statement of comprehensive income. An error in this balance could significantly affect a user's interpretation of the financial statements. Risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. As a result, we identified revenue recognition, and in particular cut-off on both the contracted and commercial revenue streams, to be a key audit matter. For Rotala Plc we identified the risk of fraud in revenue recognition as being principally in relation to cut-off on both the Contracted and Commercial revenue streams. Rotala Plc has benefitted during the year from the receipt of various government grants, so we consider the risk of fraud in revenue recognition also extends to the accounting for income from the following schemes: Covid-19 Bus Service Support Grant (CBSSG) and Bus Recovery Grant (BRG).	Our procedures in respect of revenue recognition include: • Reconciling commercial income receipts in the year through to the Till Receipt system and nominal ledger; and • Detailed testing of a sample from all revenue transactions pre and post year end to ensure they are accounted for in the correct period; and • Detailed walkthrough of revenue controls for each source of income ensuring that controls are working appropriately. In respect of grant income received or receivable, we addressed the risk as follows: • Verifying receipts to bank statements; • Review correspondence with relevant governmental bodies to identify any potential issues regarding the claims made; • Confirming that the grant income is recognised in accordance with the grant rules and conditions; and • Assess the accuracy and completeness of underlying data used within claim submissions and assess the appropriateness of expenses claimed with reference to grant conditions. In respect of contract and commercial revenue, we addressed the risk as follows: • Detailed testing of a sample of accrued and deferred income to ensure that income is accounted for in the correct period; and • Agreeing a sample of contract income transactions through to bank statements. **Our observations:** As a result of the audit procedures performed, we did not identify any material misstatement in both contracted and commercial revenues streams. We also did not identify any material misstatement in respect of government grant receipts.

Our application of materiality

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

Overall materiality	£1,737,851
How we determined it	Materiality has been determined with reference to a benchmark of revenue, of which it represents 1.8%.
Rationale for benchmark applied	We used revenue to calculate our materiality as, in our view, this is the most relevant measure of the underlying financial performance of the group.
Performance materiality	£1,303,388 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% 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 £52,136 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 £204,432.

The Parent company financial statement materiality has been set as 1.8% of Total Assets, namely £663,102. Performance materiality has been set at approximately 75% of our financial statement materiality, namely £497,327.

An overview of the scope of our audit

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

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

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

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

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 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 and the part of the directors' remuneration report to be audited 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 32 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, compliance with AIM rules for companies, health and safety regulation, anti-money laundering regulation and non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Louis Burns

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

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

Date: 14 March 2022

ROTALA
passenger transport

Financial Statements

IMPROVING PERFORMANCE
AND RELIABILITY

INVESTING IN PEOPLE
AND EMPLOYMENT

GROWING OUR BUSINESS
THROUGH ACQUISITION

BUILDING RELATIONSHIPS
AND PARTNERSHIPS

Consolidated Income Statement

For the year ended 30 November 2021

		2021			2020		
	Note	Results before exceptional items £'000	Exceptional items (note 10) £'000	Results for the year £'000	Results before exceptional items £'000	Exceptional items (note 10) £'000	Results for the year £'000
Continuing operations Revenue	4	96,543	-	96,543	78,115	-	78,115
Cost of sales		(82,429)	-	(82,429)	(66,010)	-	(66,010)
Gross profit		14,114		14,114	12,105		12,105
Administrative expenses		(12,334)	1,592	(10,742)	(10,683)	(3,999)	(14,682)
Profit/(loss) from operations	7	1,780	1,592	3,372	1,422	(3,999)	(2,577)
Finance income	8	19	-	19	43	-	43
Finance expense	9	(3,096)	-	(3,096)	(2,247)	-	(2,247)
(Loss)/profit before taxation	10	(1,297)	1,592	295	(782)	(3,999)	(4,781)
Tax credit/(expense)	11	247	(476)	(229)	149	585	734
(Loss)/profit for the year attributable to the equity holders of the parent		(1,050)	1,116	66	(633)	(3,414)	(4,047)
(Loss)/earnings per share for (loss)/ profit attributable to the equity holders of the parent during the year:							
Basic (pence)	12	(2.10)		0.13	(1.26)		(8.08)
Diluted (pence)	12	(2.10)		0.13	(1.26)		(8.08)

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2021

	Note	2021 £'000	2020 £'000
Profit/(loss) for the year		66	(4,047)
Other comprehensive income:			
Items that will not subsequently be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	25	2,821	(890)
Deferred tax on actuarial gain/(loss) on defined benefit pension scheme	26	(536)	169
Other comprehensive profit/(loss) for the year (net of tax)		2,285	(721)
Total comprehensive income/(loss) for the year attributable to the equity holders of the parent		2,351	(4,768)

Consolidated Statement of Financial Position

As at 30 November 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	61,091	65,392
Defined benefit pension asset	25	4,253	1,441
Goodwill and other intangible assets	14	14,907	14,907
Total non-current assets		80,251	81,740
Current assets			
Inventories	16	1,090	3,489
Trade and other receivables	17	21,796	22,299
Derivative financial instruments	23	958	165
Cash and cash equivalents	18	442	1,035
Total current assets		24,286	26,988
Total assets		104,537	108,728
Liabilities			
Current liabilities			
Trade and other payables	19	6,217	8,338
Loans and borrowings	20	11,615	20,842
Lease liabilities	21	7,319	6,340
Derivative financial instruments	23	-	1,267
Total current liabilities		25,151	36,787
Non-current liabilities			
Deferred income	19	640	-
Loans and borrowings	20	5,445	5,881
Lease liabilities	21	34,485	33,195
Provision for liabilities	24	3,414	579
Net deferred taxation	26	2,377	1,612
Total non-current liabilities		46,361	41,267
Total liabilities		71,512	78,054
TOTAL NET ASSETS		33,025	30,674

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

	Note	2021 £'000	2020 £'000
Shareholders' funds			
Share capital	27	12,731	12,731
Share premium reserve		12,369	12,369
Merger reserve		2,567	2,567
Shares in treasury		(806)	(806)
Retained earnings		6,164	3,813
TOTAL EQUITY		33,025	30,674

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 March 2022.

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 30 November 2021

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Shares in treasury £'000	Retained earnings £'000	Total £'000
At 1 December 2019	12,731	12,369	2,567	(806)	9,749	36,610
Change in accounting policy – IFRS 16 leases	-	-	-	-	(1,168)	(1,168)
Loss for the year	-	-	-	-	(4,047)	(4,047)
Other comprehensive loss	-	-	-	-	(721)	(721)
Total comprehensive loss	-	-	-	-	(5,936)	(5,936)
Transactions with owners:						
Dividends paid and accrued	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
At 30 November 2020	12,731	12,369	2,567	(806)	3,813	30,674
Profit for the year	-	-	-	-	66	66
Other comprehensive income	-	-	-	-	2,285	2,285
Total comprehensive income	-	-	-	-	2,351	2,351
Transactions with owners:						
Dividends paid	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
At 30 November 2021	12,731	12,369	2,567	(806)	6,164	33,025

- 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 and to pay bonuses in lieu of cash;
- Retained earnings include all current and prior period retained profits and losses.

Consolidated Statement of Cash Flows

For the year ended 30 November 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit/(loss) before taxation		295	(4,781)
Adjustments for:			
Depreciation	13	14,906	7,765
Finance expense (net)	8,9	3,077	2,204
Loss on sale of property, plant and equipment	7	3	793
Contribution to defined benefit pension scheme		-	-
Intangible asset amortisation		-	339
Amortisation of grants received		(50)	-
Notional expense of defined benefit pension scheme		28	31
Cash flows from operating activities before changes in working capital and provisions		18,259	6,351
Decrease in inventories		2,398	821
Decrease/(increase) in trade and other receivables		503	(4,024)
(Decrease)/increase in trade and other payables		(2,232)	962
Movement in deferred income and provisions		2,834	345
Movement on derivative financial instruments		(2,060)	1,135
		1,443	(761)
Cash generated from operations		19,702	5,590
Interest paid on lease liabilities		(1,920)	(1,000)
Net cash flows from operating activities carried forward		17,782	4,590

	Note	2021 £'000	2020 £'000
Cash flows from operating activities brought forward		17,782	4,590
Investing activities			
Purchases of property, plant and equipment		(1,883)	(878)
Grants received thereon		690	-
Sale of property, plant and equipment		1,268	586
Net cash from/(used in) investing activities		75	(292)
Financing activities			
Dividends paid	29	-	(476)
Repayment of bank and other borrowings		(8,987)	(243)
Bank and other interest paid	9	(1,124)	(1,069)
Hire purchase refinancing receipts		-	185
Capital settlement payments on vehicles sold		(719)	(228)
Capital paid on lease liabilities		(6,943)	(3,753)
Net cash used in financing activities		(17,773)	(5,584)
Net increase/(decrease) in cash and cash equivalents		84	(1,286)
Cash and cash equivalents at beginning of year	18	(3,245)	(1,959)
Cash and cash equivalents at end of year	18	(3,161)	(3,245)

Notes to the Consolidated Financial Statements

For the year ended 30 November 2021

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 2021 (including the comparatives for the year ended 30 November 2020) were approved by the Board of Directors on 14 March 2022. Amendments to the financial statements are not permitted after they have been approved.

2. Accounting policies

Basis of preparation
The group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"") in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis as described on page 28.

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. No significant judgements were made by the directors during the current year.

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

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

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

2. Accounting policies (continued)

(c) Self-insurance

The estimation of insurance costs, under the group's self-insurance scheme, is based on premiums paid and claims experience. The actual outcome of claims made is determined over the five years following each period end; no rebate of premium is accounted for until each insurance period is closed. The directors regularly review claims made and, should insurance premiums paid to date and the insurance claims provision be considered inadequate in the light of claims experience, further appropriate provision would be made. The carrying amount at the period end amounted to £3,414,000 (2020: £579,000).

(d) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its useful life. Useful lives are based on the management's estimates of the periods within which the assets will generate revenue; the useful lives of passenger carrying vehicles in particular are regularly reviewed, and depreciation rates correspondingly adjusted, to reflect management's estimates of their remaining service lives within the bus fleet. Changes to judgements can result in significant variations in the carrying value and amounts charged to the Consolidated Income Statement in specific periods. More details about carrying values are included in note 13.

Basis of consolidation

The group financial statements consolidate the results of the company and all its subsidiary undertakings as at 30 November 2021. The results of subsidiary undertakings acquired are included from the date on which control over the acquisition, the right to exercise that control, and exposure to variable returns from the acquisition passed to the group. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

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

Goodwill

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

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

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

2. Accounting policies (continued)

Other intangible assets - brands

Purchased brands, which are controlled through custody or legal rights and which could be sold separately from the rest of the business, are capitalised, where fair value can be reliably measured. Where intangible assets are regarded as having a limited useful economic life, the cost is amortised on a straight-line basis over that life. Currently these intangibles are amortised over a period of 3 years in administrative expenses in the Consolidated Income Statement.

Other intangible assets - contracts

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

Impairment

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

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

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

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

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

Revenue

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

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

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

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

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

These types of service are managed by individual contract and route and so require a combination of management techniques and analyses to ensure that loadings and revenues are maximised whilst delivery to the service agreement is maintained.

Grants and subsidies provided by the Department for Transport and Local Authorities (see note 4) to support bus services run at their behest under COVID-19 conditions have been taken directly to income. Grant income is recognised on submission of a claim as there are no unfulfilled conditions at this point in time.

2. Accounting policies (continued)

Government grant receipts

Government revenue grants are recognised as income when there is a reasonable assurance that the business will comply with the attached conditions and that the grant will be receivable. Revenue grant income is recognised as income over the relevant period and deducted against the related cost. Government capital grants are initially recognised as a liability and amortised to the profit and loss account over the relevant period stated by the grant.

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
Leasehold property	- Shorter of the lease term or fifty years straight line
Plant and machinery	- Between ten and four years straight line
Passenger Carrying Vehicles (PCVs)	- On a reducing balance basis over the remaining useful economic life
Fixtures and fittings	- Three years straight line
Right of use asset	- Straight line over the period of the lease

Cash and cash equivalents

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

Inventories

Inventories are initially recognised at cost on a first in first out basis, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Mark to market provision and other exceptional costs

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

2. Accounting policies (continued)

Taxation

The charge for current taxation is provided at rates of corporation tax that have been enacted or substantively enacted by the reporting date. Current tax is based on taxable profits for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the balance sheet method, on all temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The exceptions, where deferred tax assets are not recognised nor deferred tax liabilities provided, are:

- On initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Taxable temporary differences associated with investments in subsidiary undertakings where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Leased assets

From 1 December 2019, under IFRS 16, assets leased under arrangements formerly termed to be operating leases are recognised as right-of-use assets with a corresponding liability at the date at which the leased asset is available for use by the company.

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

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

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

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 (c) 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.

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

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

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

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

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.

Aside from the grant and subsidy regime provided by the DfT and Local Authorities, which is described in the Chairman's Statement, the group has three main commercial 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 Strategic Report.

3. Changes in accounting standards and interpretations

The group has, in its annual reporting period commencing on 1 December 2020, applied for the first time the following accounting standards and amendments, none of which have had a material impact on the group's financial statements for the year ended 30 November 2021:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts;
- IFRS 16 Leases (Amendments): Interest Rate Benchmark Reform – Phase 2.

The following new accounting standards, amendments to accounting standards and interpretations, which are relevant to the group, have been published but are not yet effective; they have not been adopted early by the group. These standards, amendments or interpretations are not expected to have a material impact on the group in the current or future reporting periods:

	IASB effective date: Periods beginning on or after
IAS 16 Property, Plant and Equipment (Amendment): Proceeds Before Intended Use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	1 January 2022
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2023
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendment): Disclosure of Accounting Policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Accounting Estimates	1 January 2023
IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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.

	2021 £'000	2020 £'000
Commercial	31,684	31,596
Contracted	16,179	16,501
Charter	734	665
Grants and subsidies	47,946	29,353
Total Revenue	96,543	78,115

As set out in the Chairman's Statement the group has been the beneficiary of extensive support in the current accounting period from the Department for Transport and Local Authorities.

The 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 first 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 2021 and 2020 no service customer constituted more than 10% of Revenues.

5. Staff costs

	2021 £'000	2020 £'000
Staff costs (including directors) comprise:		
Wages and salaries	40,784	38,092
Employer's national insurance contributions	4,305	4,357
Defined contribution pension costs	1,110	1,141
	46,199	43,590
Share-based payment expense	1	-
	46,200	43,590

Staff costs are stated after grant income received or receivable in respect of the Coronavirus Job Retention Scheme totalling £751,000 (2020: £4,262,000).

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

	2021 Number	2020 Number
Management and administrative	82	86
Direct	1,438	1,599
	1,520	1,685

6. Directors' and key management personnel remuneration

	2021 £'000	2020 £'000
Salaries and other short term employee benefits	787	734
Contribution to defined contribution pension scheme (note 25)	16	15
	803	749

One director (2020: one) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £294,000 (2020: £284,000). Pension contributions of £15,500 (2020: £15,000) were made on his behalf.

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

The directors' remuneration was as follows:

	2021 £'000			2020 £'000		
	Remuneration	Pension	Total	Remuneration	Pension	Total
Executive						
S L Dunn	294	16	310	284	15	299
R A Dunn	225	-	225	187	-	187
K M Taylor	116	-	116	111	-	111
Non- Executive						
J H Gunn	80	-	80	80	-	80
G M Spooner	40	-	40	40	-	40
G F Peacock	32	-	32	32	-	32
	787	16	803	734	15	749

Certain of the services of John Gunn and Robert Dunn were 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/(loss) from operations

	2021 £'000	2020 £'000
This is arrived at after charging:		
Depreciation of property, plant and equipment	14,425	6,975
Depreciation of right of use assets	481	790
Amortisation of contract intangibles	-	339
Short term or low value asset lease expense:		
- property	349	545
- plant and machinery	389	955
Loss on disposal of property, plant and equipment	3	793
Auditor's fees:		
- audit of the parent company and the group	52	52
- audit of the accounts of subsidiaries	11	11
- other non-audit services	-	-

8. Finance income

	2021 £'000	2020 £'000
Net finance income on pension scheme (note 25)	19	43

9. Finance expense

	2021 £'000	2020 £'000
Bank borrowings and overdraft interest	1,069	1,069
Lease liabilities	1,972	1,178
Other interest	55	-
	3,096	2,247

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

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

	2021 £'000	2020 £'000
Mark to market profit/(loss) on fuel derivatives (note 31)	1,779	(2,511)
Loss resulting from Heathrow depot fire	(187)	-
Loss on disposal of vehicles scrapped	-	(913)
Amortisation of intangible assets (note 14)	-	(339)
Redundancy and reorganisation costs and costs of integration of acquisitions	-	(236)
Loss within profit before taxation	1,592	(3,999)

11. Tax expense

	2021 £'000	2020 £'000
Current tax		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	(150)	871
Prior year adjustments	(79)	(137)
Change in rate of tax	-	-
Total deferred tax	(229)	734
Income tax credit/(expense)	(229)	734

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

	2021 £'000	2020 £'000
Profit/(loss) before taxation	295	(4,781)
Profit/(loss) at the standard rate of corporation tax in the UK of 19% (2020: 19%)	(56)	908
Non-taxable items	(94)	(37)
Adjustments in respect of prior periods	(79)	(137)
Impact of changes in tax rates	-	-
Total tax expense	(229)	734

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.

On 24 May 2021 the Finance Bill 2021 was substantively enacted with the consequence that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023, with a corresponding effect on deferred tax balances arising after that date.

12. Earnings per share

(a) Basic earnings per share

	2021 £'000	2020 £'000
Profit/(loss) attributable to ordinary share holders	66	(4,047)
Weighted average number of ordinary shares	50,091,109	50,091,109
Basic earnings/(loss) per share	0.13p	(8.08p)

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

(b) Basic diluted earnings per share

	2021 Diluted £'000	2020 Diluted £'000
Profit/(loss) attributable to ordinary share holders	66	(4,047)
Profit/(loss) for the purposes of diluted earnings per share	66	(4,047)
Weighted average number of shares in issue	50,091,109	50,091,109
Adjustment for exercise of options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	50,091,109	50,091,109
Diluted earnings/(loss) per share	0.13p	(8.08p)

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

12. Earnings per share (continued)

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

	2021 £'000	2020 £'000
(Loss)/profit attributable to ordinary share holders	(1,050)	(633)
Weighted average number of shares in issue	50,091,109	50,091,109
Adjusted basic (loss)/earnings per share	(2.10p)	(1.26p)

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

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

	2021 Diluted £'000	2020 Diluted £'000
(Loss)/profit attributable to ordinary share holders	(1,050)	(633)
(Loss)/profit for the purposes of diluted earnings per share	(1,050)	(633)
Weighted average number of shares in issue	50,091,109	50,091,109
Adjustment for exercise of options	-	-
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	50,091,109	50,091,109
Adjusted diluted (loss)/earnings per share	(2.10p)	(1.26p)

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

13. Property, plant and equipment

	Freehold and leasehold land and buildings £'000	Right of use assets under IFRS16 £'000	Plant and machinery £'000	Passenger carrying vehicles £'000	Total £'000
Cost:					
At 30 November 2019	11,970	-	6,310	58,668	76,948
Right of use assets recognised under IFRS 16	-	4,159	-	-	4,159
Reclassifications	(904)	904	17	(17)	-
Additions	10	259	281	20,454	21,004
Disposals	(169)	(508)	(341)	(7,713)	(8,731)
At 30 November 2020	10,907	4,814	6,267	71,392	93,380
Additions	-	-	-	11,905	11,905
Disposals	-	(1,751)	(239)	(15,115)	(17,105)
At 30 November 2021	10,907	3,063	6,028	68,182	88,180
Depreciation:					
At 1 December 2019	567	-	1,769	22,914	25,250
Depreciation on right of use assets recognised under IFRS 16	-	2,293	-	-	2,293
Reclassification	(254)	254	9	(9)	-
Charge for the year	47	790	598	6,330	7,765
Disposals	(16)	(478)	(183)	(6,643)	(7,320)
At 30 November 2020	344	2,859	2,193	22,592	27,988
Charge for the year	512	481	2,210	11,703	14,906
Disposals	-	(1,722)	(103)	(13,980)	(15,805)
At 30 November 2021	856	1,618	4,300	20,315	27,089
Net book value:					
At 30 November 2021	10,051	1,445	1,728	47,867	61,091
At 30 November 2020	10,563	1,955	4,074	48,800	65,392

The group's freehold property provides security for the bank loans – see note 20.

13. Property, plant and equipment (continued)

	Freehold and leasehold land and buildings £'000	Right of use assets under IFRS16 £'000	Plant and machinery £'000	Passenger carrying vehicles £'000	Total £'000
Net book value held under leases:					
At 30 November 2021	-	1,445	968	36,816	39,229
At 30 November 2020	-	1,955	1,449	33,228	36,632
Depreciation charged thereon :					
In 2021	-	481	426	3,583	4,490
In 2020	-	790	94	2,590	3,474

	2021 At 30 November £'000	**2020** At 30 November £'000
Net book value of right of use assets:		
Passenger carrying vehicles	842	1,329
Leasehold land and buildings	603	626
Depreciation charged thereon :		
Passenger carrying vehicles	458	767
Leasehold land and buildings	23	23

14. Goodwill and other intangible assets

	Purchased brands £'000	Contracts £'000	Goodwill £'000	Total £'000
Cost:				
At 1 December 2019	250	1,621	14,036	15,907
Additions	-	-	871	871
At 30 November 2020	250	1,621	14,907	16,778
Additions	-	-	-	-
At 30 November 2021	250	1,621	14,907	16,778
Amortisation:				
At 1 December 2019	250	1,282	-	1,532
Charge for the year	-	339	-	339
At 30 November 2020	250	1,621	-	1,871
Charge for the year	-	-	-	-
At 30 November 2021	250	1,621	-	1,871
Net book value				
At 30 November 2021	-	-	14,907	14,907
At 30 November 2020	-	-	14,907	14,907

15. Goodwill and impairment

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

15. Goodwill and impairment (continued)

The recoverable amount of the goodwill of the business has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a three year period to 30 November 2024. Major assumptions are as follows:

	CGU 2021 %	CGU 2020 %
Discount rate	10	10
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. Based on the above assumptions, the value in use calculated for the business is £51m (2020: £41m). After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that there would be such change in a key assumption that it would reduce recoverable amount to below book value.

16. Inventories

	2021 £'000	2020 £'000
Fuel, tyres and spares	1,090	3,489

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 £21,175,000 (2020: £17,936,000). No inventory has been written down to fair value in 2021 or 2020 and therefore no associated expense was incurred.

17. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	825	2,104
Tax and social security	546	889
Prepayments and accrued income	20,425	19,306
	21,796	22,299

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 2021 and 2020 all trade and other receivables have been reviewed for indicators of impairment. A provision of £453,000 (2020: £141,000) has been 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:

	2021 £'000	2020 £'000
Not more than 3 months overdue	-	14
More than 3 months but not more than 1 year	-	293
	-	307

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

	2021 £'000	2020 £'000
Balance brought forward at 1 December	-	-
Provided	453	141
Used	-	(141)
Balance carried forward at 30 November	453	-

18. Cash and cash equivalents

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

	2021 £'000	2020 £'000
Cash at bank	442	1,035
Bank Overdraft (note 20)	(3,603)	(4,280)
	(3,161)	(3,245)

19. Trade and other payables

Trade and other payables - current	2021 £'000	2020 £'000
Trade payables	2,747	3,505
Taxation and social security	519	2,594
Other creditors	1,037	425
Accruals and deferred income	1,914	1,814
	6,217	8,338

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.

Trade and other payables - non-current	2021 £'000	2020 £'000
Deferred income	640	-
	640	-

During the year the group received a capital grant of £690,000 in order to facilitate the conversion of five diesel PCV's to all-electric operation. This grant is being amortised to the profit and loss account over the life of the grant, which is five years.

20. Loans and borrowings

	2021 £'000	2020 £'000
Current:		
Overdrafts	3,603	4,280
Bank loans	8,012	16,562
	11,615	20,842
Non-current		
Bank loans	5,445	5,881
	17,060	26,723

IIn 2017 HSBC Bank plc became the principal bankers to the group. The Senior Facilities Agreement as at 30 November 2021 provided for a revolving facility of up to £15.4 million and a mortgage facility, originally of £8.0 million but, after repayments since its inception, standing at £5.8 million with a corresponding overdraft facility of up to £4.5 million. The group has entered into a cross-guarantee and floating charge agreement covering these facilities. At the balance sheet date these facilities were scheduled to expire on 5 December 2022, by which time the revolving facility would have amortised down to £13.2 million by equal quarterly rests. Subsequent to the balance sheet date these facilities were revised and renewed. See further note 34.

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

20. Loans and borrowings (continued)

Analysis of maturity

	2021 £'000 Bank loans and overdrafts	2021 £'000 Obligations under hire purchase agreements (note 22)	2021 £'000 Other lease liabilities (note 22)	2021 £'000 Trade and other payables	2021 £'000 Total
In one year or less or on demand	12,003	8,426	561	2,747	23,737
In more than one year but not more than two years	684	9,718	523	-	10,925
In more than two years but not more than five years	1,991	17,954	364	-	20,309
Later than five years	5,696	8,800	1,514	-	16,010
	20,374	44,898	2,962	2,747	70,981

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

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

The analysis above represents minimum payments on an undiscounted basis.

On transition to IFRS 16 at 1 December 2019, the company adopted the modified retrospective approach in which the net present value of the remaining lease payments at the transition date was recognised as the opening liability with a right of use asset to be depreciated over the remaining lease period.

21. Lease liabilities

	2021 £'000	2020 £'000
Current liabilities:		
Obligations under hire purchase agreements (see note 22)	6,897	5,788
Other lease liabilities (see note 22)	422	552
Total current liabilities	7,319	6,340
Non-current liabilities:		
Obligations under hire purchase agreements (see note 22)	33,025	31,309
Other lease liabilities (see note 22)	1,460	1,886
Total non-current liabilities	34,485	33,195

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

22. Obligations under hire purchase agreements and other lease liabilities

(a) Obligations under hire purchase agreements:

Future lease payments are due as follows:

	2021 £'000 Minimum lease payments	2021 £'000 Interest	2021 £'000 Present value
Not later than one year	8,426	1,529	6,897
More than one but less than two years	9,718	1,657	8,061
More than two but less than five years	17,954	1,518	16,436
Later than five years	8,800	272	8,528
	44,898	4,976	39,922

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

22. Obligations under hire purchase agreements and other lease liabilities (continued)

The present values of future lease payments are analysed as:

	2021 £'000	2020 £'000
Current liabilities	6,897	5,788
Non-current liabilities	33,025	31,309
	39,922	37,097

It is the group's policy to lease certain of its plant and equipment and the majority of its vehicles under finance leases. The average lease term is 5.8 years (2020: 5.5 years). For the year ended 30 November 2021, the average effective borrowing rate was 4.24 per cent (2020: 2.70 per cent). All leases are on a fixed repayment basis, but interest rates are variable on some leases and fixed on others (see note 31). No arrangements have been entered into for contingent rental payments. All lease obligations are denominated in UK sterling.

(b) Other lease liabilities:

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

	2021 £'000 Minimum lease payments	2021 £'000 Interest	2021 £'000 Present value
Not later than one year	561	139	422
More than one but less than two years	523	91	432
More than two but less than five years	364	163	201
Later than five years	1,514	687	827
	2,962	1,080	1,882

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

22. Obligations under hire purchase agreements and other lease liabilities (continued)

The present values of future lease payments are analysed as:

	2021 £'000	2020 £'000
Current liabilities	422	552
Non-current liabilities	1,460	1,886
	1,882	2,438

On transition to IFRS 16 at 1 December 2019, the company adopted the modified retrospective approach in which the net present value of the remaining lease payments at the transition date was recognised as the opening liability with a right of use asset to be depreciated over the remaining lease period.

23. Derivative financial instruments

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

	2021 £'000	2020 £'000
Current assets	958	165
Current liabilities	-	(1,267)
Asset/(liability)	958	(1,102)

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 2020	579
Net amount provided	2,835
Balance at 30 November 2021	3,414

Insurance claims provision

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

As at 30 November 2021 and 2020 it is considered by the company that the provision held is sufficient to meet the settlement responsibility which falls on the company at those dates.

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

25. Pensions

Group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge amounted to £1,110,000 (2020: £1,141,000). Contributions amounting to £113,000 (2020: £142,000) were payable to the funds at the balance sheet date.

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

The group accounts for pensions in accordance with IAS 19 "Employee Benefits". No contributions were paid in the year and none were payable to the fund at the balance sheet dates. Expected contributions for the year ending 30 November 2022 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 UK 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 2021 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 2021 is 12 years (2020: 12 years).

WMPF defined benefit pension scheme

The calculations of the IAS 19 disclosures for the WMPF have been based on the most recent actuarial valuation, which have been updated to 30 November 2021 to take account of the requirements of IAS 19. The calculations and disclosures have been made by the actuary to the WMPF, who is an independent professionally qualified actuary.

The principal actuarial assumptions used were as follows:

	30 November **2021** %	30 November **2020** %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	3.15	2.55
Discount rate	1.60	1.30
Inflation	3.15	2.55

25. Pensions (continued)

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

	30 November 2021 Years	30 November 2020 Years
Current pensioner aged 65 - male	20.6	20.9
Current pensioner aged 65 - female	23.8	24.0
Future pensioners at aged 65 (aged 45 now) - male	22.4	22.8
Future pensioners at aged 65 (aged 45 now) - female	25.7	25.9

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 7%

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

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

	30 November 2021 £'000	30 November 2020 £'000
Equities	3,068	3,231
Bonds	11,686	10,986
Other	6,637	5,404
Cash	142	110
Total market value of assets	21,533	19,731
Present value of scheme liabilities	(17,280)	(18,290)
Gross pension asset before tax	4,253	1,441
Related deferred tax liability	(808)	(274)
Net pension asset	3,445	1,167

25. Pensions (continued)

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

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

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

	2021 £'000	**2020** £'000
Administration expense	(28)	(31)
Finance cost		
- interest return on plan assets	251	353
- interest cost on pension liabilities	(232)	(310)
Net finance income	19	43
Total defined benefit (loss)/profit	(9)	12
Defined contribution costs	(1,110)	(1,141)
Total profit and loss charge	(1,119)	(1,129)

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

	2021 £'000	**2020** £'000
Return on assets (in excess of interest)	2,406	811
Changes in demographic assumptions	293	-
Experience gain on defined benefit obligation	498	-
Changes in assumptions underlying the present value of the scheme liabilities	(376)	(1,701)
Actuarial (loss)/gain	2,821	(890)

Actuarial gains/(losses) as a percentage of scheme assets and liabilities at 30 November 2021 were as follows:

	2021	**2020**	**2019**
Return on assets as a percentage of scheme assets	11.2	4.1	5.6
Total actuarial gain/(loss) recognised in statement of total comprehensive income as a percentage of the present value of scheme liabilities	16.3	(4.9)	3.1

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 £2,177,000 (2020: loss of £644,000). The actual return on plan assets was a gain of £2,657,000 (2020: £1,164,000).

25. Pensions (continued)

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

	2021 £'000	2020 £'000
Surplus in scheme at 30 November	1,441	2,319
Movement in period		
- Contributions	-	-
- Administrative expenses	(28)	(31)
- Actuarial gain/(loss) due to changes in financial assumptions	2,821	(890)
- Interest on plan assets	251	353
- Interest cost	(232)	(310)
Surplus in scheme at the end of the year	4,253	1,441

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

	2021 £'000	2020 £'000
At 30 November	19,731	19,537
Interest return on plan assets	251	353
Return on plan assets	2,406	811
Employer contributions	-	-
Administrative expenses	(28)	(31)
Benefits paid	(827)	(939)
At end of year	21,533	19,731

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

	2021 £'000	2020 £'000
At 30 November	(18,290)	(17,218)
Interest cost	(232)	(310)
Actuarial (loss)/gain – changes in assumptions	(376)	(1,701)
Change in demographic assumptions	293	-
Experience gain on defined benefit obligation	498	-
Benefits paid	827	939
At end of year	(17,280)	(18,290)

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 provisions £'000	Losses £'000	Total £'000
At 1 December 2019	(2,308)	25	(441)	(7)	216	(2,515)
Dealt with in the profit and loss account	670	(11)	(2)	216	(139)	734
Dealt with in other comprehensive income	-	-	169	-	-	169
At 30 November 2020	(1,638)	14	(274)	209	77	(1,612)
Dealt with in the profit and loss account	(56)	(11)	2	(87)	(77)	(229)
Dealt with in other comprehensive income	-	-	(536)	-	-	(536)
At 30 November 2021	(1,694)	3	(808)	122	-	(2,377)

At 30 November 2021 there were £nil (2020: £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			
	2021 Number	**2021** £'000	**2020** Number	**2020** £'000
Ordinary shares of 25p each	50,924,918	12,731	50,924,918	12,731

Issued Share Capital	Number	Nominal Value £'000
As at 1 December 2019 and 2020, and 30 November 2021 and 2020	50,924,918	12,731

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 2021 833,809 ordinary shares were held in treasury (2020: 833,809).

28. Share options

As at 30 November 2021 the following share options had been issued and were outstanding under the company's employee share option schemes:

Date of grant	Number of options granted	Earliest exercise date	Date of expiry	Exercise price
24 November 2014	1,910,000	24 November 2017	23 November 2024	54.00p
15 October 2021	800,000	15 October 2021	23 November 2024	29.00p

The company 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 relevant market price vesting condition must have been met.

In respect of issue of 24 November 2014 the options are 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.

In respect of the issue of 15 October 2021 for the options to be exercisable the share price of the company must have reached 75p. At the balance sheet date the market price vesting condition had not been met.

In addition the company possesses a Her Majesty's Revenue & Customs approved share option scheme, open to all employees, called "The Rotala Plc SAYE Share Option Scheme" (the "Scheme"), but there are at present no issues outstanding in relation to this Scheme because of the difficulties caused by COVID-19. Nominally a Scheme runs for a three year period. Employees subscribe, through payroll deductions, a monthly sum which accumulates in their individual savings accounts at a chosen institution. At the end of the three year period the employee has then 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.

	2021		2020	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at beginning of the year	54.21	1,910,000	54.21	2,725,263
Forfeited during the year	-	-	54.00	(675,000)
Lapsed during the year	-	-	58.05	(140,263)
Granted during the year	29.00	800,000	-	-
Outstanding at the end of the year	**46.62**	**2,710,000**	**54.21**	**1,910,000**

The exercise price of options outstanding at the end of the year ranged between 29.0p and 54.0p (2020: 54.0p) and their weighted average remaining contractual life was 3 years (2020: 4 years).

Of the outstanding options at the reporting date 636,667 (2020: 861,667) were exercisable. The weighted average exercise price of these options was 54.0p (2020: 54.0p).

29. Dividends paid and proposed

No dividends were paid or proposed in respect of 2021 or 2020.

30. Commitments under operating leases

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

	2021 £'000		2020 £'000	
	Land and buildings	Other assets	Land and buildings	Other assets
Operating lease commitments payable:				
Within one year	231	6	327	277
In two to five years	38	1	-	6
In more than five years	-	-	-	-
	269	7	327	283

Operating lease payments for land and buildings in 2021 and 2020 consist principally of rentals payable by the group on short term leases for a depot and for facilities at bus stations.

Operating lease payments for other assets in 2020 consisted principally of rentals payable for the vehicle fleet leased from First Group Plc as part of the deal for the acquisition of the Bolton business in 2019. These vehicles were returned to the lessor during 2021.

31. Financial instruments - risk management

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

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

	2021 £'000 Carrying value	2020 £'000 Carrying value
Financial assets		
Trade and other receivables	19,981	15,849
Cash and cash equivalents	442	1,035
	20,423	16,884
Financial asset or liability – FVTPL		
Fuel commodity forward derivative contracts - asset	958	165
Fuel commodity forward derivative contracts – liability	-	1,267
Financial liabilities - at amortised cost		
Trade and other payables	5,698	5,741
Loans and borrowings	17,060	26,723
	22,758	32,464

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

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

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

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

31. Financial instruments - risk management (continued)

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

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

	2021 £'000
Balance (liability) at 1 December 2020	(1,102)
Taken to exceptional items within operating profit	1,779
Payments on matured instruments	281
Balance (asset) at 30 November 2021	958

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 2021.

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:

	2021 £'000			2020 £'000		
	‹ 6 months	6-12 months	› 12 months	‹ 6 months	6-12 months	› 12 months
Cash inflow/(outflow)	520	438	-	(664)	(603)	165

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 UK sterling, was as follows:

	2021 £'000		2020 £'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	28,136	30,728	35,522	28,298

In the year the group paid interest at a rate of between 2.59% and 3.65% (2020: between 1.54% and 3.30%) 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 2.09% and 11.52% (2020: between 1.07% and 5.11%) in the year. If floating rates of interest changed by 1%, the group's interest expense would not change by a material sum.

Credit risk

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

Commodity risk

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

Capital risk

The group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. The group manages its capital to ensure that entities in the group will be able to continue as going concerns, while maximising the return to shareholders. The board closely monitors current and forecast cash balances to allow the group to maximise returns to shareholders by way of dividends, whilst maintaining suitable amounts of liquid funds to allow continued investment in the group. The group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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:

	2021 £'000	2020 £'000
Share capital	12,731	12,731
Share premium reserve	12,369	12,369
Merger reserve	2,567	2,567
Shares in treasury	(806)	(806)
Retained earnings	6,164	3,813
At end of year	33,025	30,674

32. Related parties and transactions

- Certain of 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 (2020: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £nil (2020: £53,675) 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 £nil (2020: £8,395) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £nil (2020: £11,756) in dividends on ordinary shares.
- During the year S L Dunn received from Rotala a total of £nil (2020: £15,739) in dividends on ordinary shares.
- During the year K M Taylor received from Rotala a total of £nil (2020: £5,610) in dividends on ordinary shares.
- During the year G M Spooner received from Rotala a total of £nil (2020: £4,921) in dividends on ordinary shares.
- During the year G F Peacock received from Rotala a total of £nil (2020: £30,250) 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 2021 (2020: 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 2021 Mr. Gunn and his beneficial interests held 35.14% (2020: 32.8%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £nil (2020: £16,173) in dividends on ordinary shares.

33. Capital commitments

As at 30 November 2021 the group no capital commitments outstanding (2020: £9,887,000).

34. Post balance sheet events

As set out in the Chairman's Statement, subsequent to the balance sheet date new banking facilities were on 14 March 2022 agreed with the group's principal bankers, HSBC Bank plc. These replaced the bank facilities set out in note 20. These facilities comprise a Revolving Commercial Facility ("RCF") of up to £17 million and a Mortgage Facility of £5.8 million. The RCF has an initial term of three years, expiring on 14 March 2025, with the option to extend it for up to a further two years. It is completely undrawn at this time. The Mortgage Facility commenced in 2017 and was originally of £8.0 million. Since that time repayments have reduced the amounts outstanding to £5.8 million. It remains on a term of up to twenty years expiring in December 2037. In addition, the Company has an Overdraft Facility of up to £3 million with the same bank, renewed annually.

On 31 January 2022 the company, through a subsidiary undertaking, agreed to acquire the bus business of Claribel Coaches Limited, an operator in the eastern area of Birmingham, and its 18 related vehicles, for a total consideration of £339,000 payable in cash. This transaction will complete on 22 April 2022.

35. Audit exemption for subsidiary undertakings

For the year ended 30 November 2021, 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 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	4	42,626	42,626
Tangible assets	5	64	177
		42,690	42,803
Current assets			
Debtors	6	15,544	22,209
Creditors: amounts falling due within one year	7	(12,157)	(23,299)
Net current liabilities		3,387	(1,090)
Total assets less current liabilities		46,077	41,713
Creditors: amounts falling due after more than one year	8	(5,445)	(5,881)
Provisions for liabilities	10	(3,414)	(579)
Net assets		37,218	35,253
Capital and reserves			
Share capital	11	12,731	12,731
Share premium account	13	12,369	12,369
Shares in treasury	13	(806)	(806)
Retained earnings	13	12,924	10,959
Shareholders' funds - equity		37,218	35,253

The parent company profit for the year after taxation was £1,965,000 (2020: loss £310,000).

The parent company financial statements were approved by the Board of Directors and authorised for issue on 14 March 2022.

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

Company Statement of Changes in Equity

For the year ended 30 November 2021

	Share Capital £'000	Share Premium Reserve £'000	Shares in Treasury £'000	Retained Earnings £'000	Total £'000
At 30 November 2019	12,731	12,369	(806)	11,269	35,563
Loss for the year	-	-	-	(310)	(310)
Dividends paid	-	-	-	-	-
Shares issued	-	-	-	-	-
At 30 November 2020	12,731	12,369	(806)	10,959	35,253
Profit for the year	-	-	-	1,965	1,965
Dividends paid	-	-	-	-	-
Shares issued	-	-	-	-	-
At 30 November 2021	12,731	12,369	(806)	12,924	37,218

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

Notes to the Company Financial Statements

For the year ended 30 November 2021

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.

Critical accounting estimates and judgements

Certain estimates and judgements need to be made by the directors of the company which affect the results and position of the company as reported in the financial statements. There were no significant judgements made by the directors during the current year.

Estimates

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

(a) Impairment of investments in subsidiary undertakings

The company has carried out an impairment review on its investment in subsidiary undertakings. 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. No impairment loss was identified. At the year end, the carrying value of the investment in subsidiary undertakings subject to this estimation uncertainty is £42.6 million.

(b) Impairment of receivables

The company has carried out an impairment assessment on the amounts due from subsidiary undertakings. This assessment has applied the IFRS 9 simplified approach measuring expected credit losses using a lifetime expected credit loss allowance. In making this assessment, consideration has been given to the ageing of debt amounts, the individual subsidiary's payment history, credit risk and relevant current and forward-looking economic conditions. At the year end the provision held is £nil and the carrying value of the amounts due from subsidiary undertakings subject to this estimation uncertainty is £14.5 million.

Functional and presentation currency

The financial statements are presented in UK sterling

Financial Reporting Standard 101 – reduced disclosure exemptions

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

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- The requirement of IFRS 7 Financial Instruments Disclosure;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16;
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraph 10(d), 10(f), 16, 38A, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;

- the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Where possible, advantage is taken of the merger relief rules and shares issued for acquisitions are accounted for at nominal value.

Fixed assets

Items of property, plant and equipment are initially recognised at cost, which includes both the purchase price and any directly attributable costs. Following initial recognition property, plant and equipment is carried at depreciated cost.

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

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

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

Plant and machinery - 33% per annum straight line

Financial assets

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

Trade and other receivables: these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services , 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 receivables is established based on the expected credit loss ("ECL"). The company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

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

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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 company, in its annual reporting period commencing on 1 December 2020, has for the first time applied the following accounting standards and amendments, none of which have had a material impact on the company's financial statements for the year ended 30 November 2021:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts;
- and IFRS 16 Leases (Amendments): Interest Rate Benchmark Reform – Phase 2

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 £1,965,000 (2020: loss £310,000) 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

	2021 £'000	**2020** £'000
Staff costs (including directors) comprise:		
Wages and salaries	1,361	1,238
Employer's national insurance contributions	151	134
Defined contribution pension costs	43	50
	1,555	1,422
Share-based payment expense	-	-
	1,555	1,422

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

3. Staff costs (continued)

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

	2021 Number	2020 Number
Management and administrative	28	27

4. Investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 December 2020	42,626
Additions	
At cost	-
Net book value	
At 30 November 2021	42,626
Net book value	
At 30 November 2020	42,626

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 2020	115	327	442
Additions	63	-	63
At 30 November 2021	178	327	505
Depreciation:			
At 1 December 2020	72	193	265
Charge for the year	42	134	176
At 30 November 2021	114	327	441
Net book value:			
At 30 November 2021	64	-	64
At 30 November 2020	43	134	177

6. Debtors

	2021 £'000	2020 £'000
Prepayments and accrued income	40	397
Taxation	34	44
Deferred tax (note 9)	45	231
Financial instruments	958	165
Amounts due from subsidiary undertakings	14,467	21,372
	15,544	22,209

All amounts shown under debtors fall due for payment within one year. The company is exposed to credit risk from its amounts due from subsidiary undertakings. Provisions for doubtful debts are established in respect of amounts due from subsidiary undertakings where, based on management's consideration of an individual subsidiary's payment history, credit risk and relevant forward-looking conditions, it is deemed that they are impaired. No such provision was considered to be necessary at 30 November 2021 or 2020.

7. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans and overdrafts (note 8)	11,615	20,842
Trade creditors	103	108
Interim dividend payable	-	-
Taxation and social security	50	152
Accruals and deferred income	150	692
Other creditors	239	238
Fuel commodity forward contracts liability	-	1,267
	12,157	23,299

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

	2021 £'000	2020 £'000
Bank loan	5,445	5,881
	5,445	5,881

Bank borrowings

In 2017 HSBC Bank plc became the principal bankers to the group. The Senior Facilities Agreement as at 30 November 2021 provided for a revolving facility of up to £15.4 million and a mortgage facility of £8.0 million, with a corresponding overdraft facility of up to £4.5 million. The group has entered into a cross-guarantee and floating charge agreement covering these facilities. At the balance sheet date these facilities were scheduled to expire on 5 December 2022, by which time the revolving facility would have amortised down to £13.2 million by equal quarterly rests. As set out in the Chairman's Statement, these facilities were, subsequent to the balance sheet date, revised and renewed. See further note 34 to the consolidated financial statements.

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

	2021 Bank loans and overdrafts £'000	2020 Bank loans and overdrafts £'000
In one year or less, or on demand	11,615	20,842
In more than one year but not more than two years	412	5,881
In more than two years but not more than five years	5,033	-
	17,060	26,723

9. Deferred tax

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

	2021 £'000	2020 £'000
Accelerated capital allowances	45	22
Arising on derivative financial instruments	-	209
Net asset	45	231

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

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

	2021 £'000	2020 £'000
Balance brought forward at 1 December	231	25
Recognised in profit or loss	(186)	206
Balance carried forward at 30 November	45	231

At 30 November 2021 there were £nil (2020: £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

	2021 £'000	2020 £'000
Insurance claims provision	3,414	579
	3,414	579

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

As at 30 November 2021 and 2020 it is considered by the company that the provision held is sufficient to meet the settlement responsibility which falls on the company at those dates.

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

11. Share capital

	Allotted and called up and fully paid			
	2021 Number	2021 £'000	2020 Number	2020 £'000
Ordinary shares of 25p each	50,924,918	12,731	50,924,918	12,731

Issued Share Capital	Number	Nominal Value £'000
As at 1 December 2019 and 2020, and 30 November 2021 and 2020	50,924,918	12,731

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 2021 833,809 ordinary shares were held in treasury (2020: 833,809).

12. Share options

For details of the company's share option schemes see note 28 to the consolidated financial statements.

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 (2020: £50,000). Contributions amounting to £3,520 (2020: £3,358) were payable to the scheme at the balance sheet date.

15. Capital commitments

As at 30 November 2021 and 2020 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 **2021** £'000	Other Assets **2020** £'000
Operating lease commitments payable:		
- Within one year	5	6
- In two to five years	-	5
	5	11

Operating lease payments for other assets in 2021 consist of rentals payable for low value assets.

17. Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2021 the contingent liability amounted to £nil (2020: £nil).

The company has guaranteed the hire purchase obligations of its subsidiaries. At 30 November 2021 the contingent liability amounted to £39,922,000 (2020: £37,097,000).

18. Related parties and transactions

For details of the company's related parties and their transactions see note 32 to the consolidated financial statements.

19. Post balance sheet events

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

ROTALA
passenger transport

Rotala Plc, Hallbridge Way, Tipton Road, Tividale, West Midlands B69 3HW
Telephone: 0121 322 2222 Website: www.rotalaplc.com