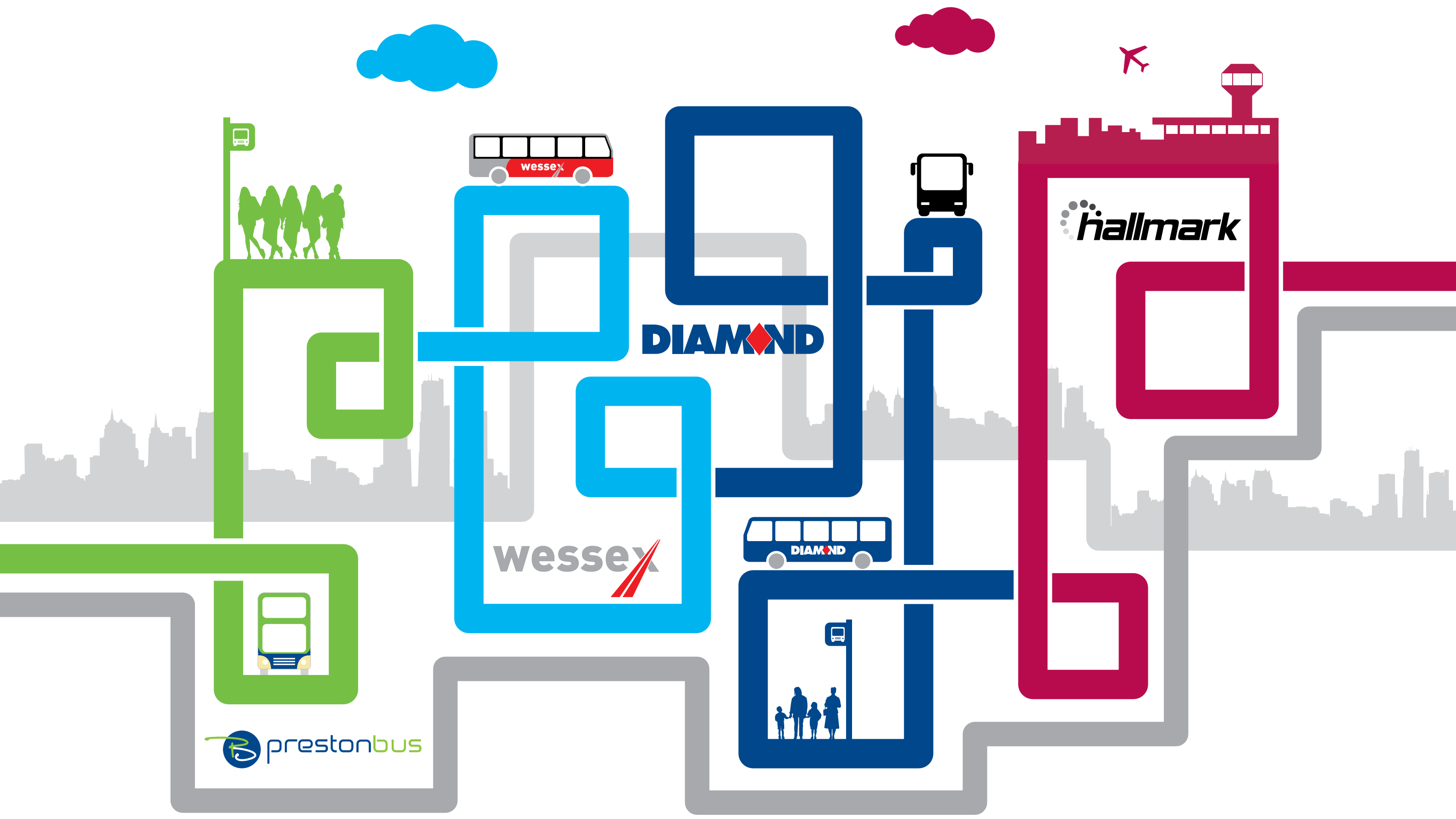
ROTALA

connecting people to places



Annual Report

For year ended 30 November 2013

Rotala Plc
Beacon House, Long Acre, Birmingham B7 5JJ
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Website: www.rotalaplc.com

This document was designed by Alison Webber, Graphic Designer for the Rotala Group.

Contents

Rotala at a Glance

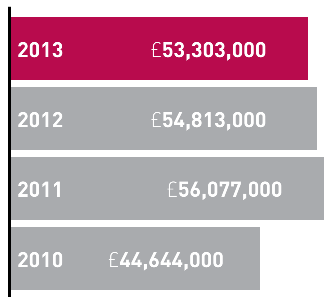
Directors, Secretary & Advisers

Country of incorporation of parent company	England and Wales
Company registration number	5338907
Legal form	Public Limited Company
Directors	John Gunn (Non-Executive Chairman) Simon Dunn (Chief Executive) Robert Dunn (Executive Director) Geoffrey Flight (Non-Executive Director) Kim Taylor (Group Finance Director)
Registered Office	Beacon House, Long Acre, Birmingham B7 5JJ Telephone: 0121 322 2222 Fax: 0121 322 2718
Company Secretary	Kim Taylor
Nominated Adviser and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Colmore Plaza 20 Colmore Circus Birmingham B4 6AT
Solicitors	Massers Solicitors Rossell House Tudor Square West Bridgford Nottingham NG2 6BT
Registrars	Capita Asset Services 34 Beckenham Road Beckenham BR3 4TU
Bankers	RBS/Natwest 1 St. Philips Place Birmingham B3 2PP

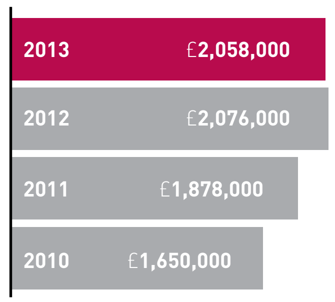
Financial Highlights

A glance at the highlights of the financial year ended 30 November 2013.

Revenue
£53,303,000
↓ 2.8%



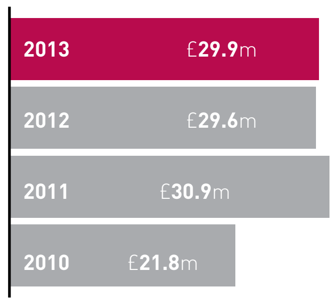
Profit before Taxation
£2,058,000
↓ 0.9%



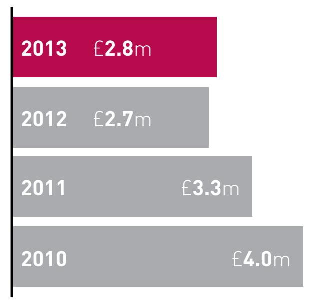
Dividend
1.60p
↑ 14.3%

Contracted Revenue
£20.6m
↓ 8.5%

Commercial Revenue
£29.9m
↑ 1.0%



Charter Revenue
£2.8m
↑ 4%



Review of Operations & Statutory Reports

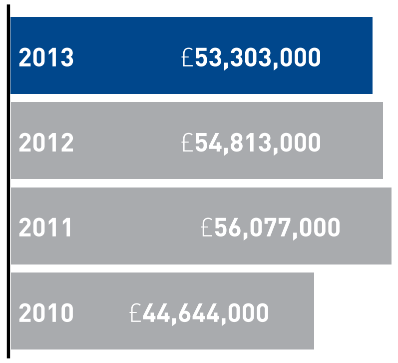
Chairman's Statement and Review of Operations

I am pleased to be able to make this report to the shareholders of Rotala Plc for the year ended 30 November 2013.

Revenue

£**53,303,000**

↓ 2.8%

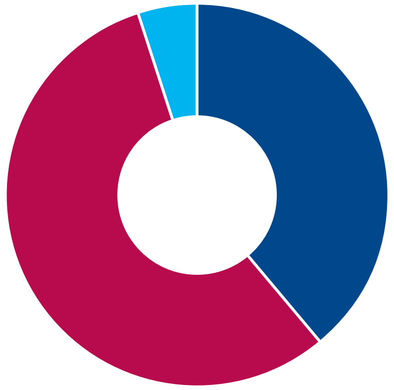


Revenue by Stream

39% Contracted

56% Commercial

5% Charter



Review of trading

Rotala continues to hold a leading market position in Preston and be the number two bus operator in Bristol and Bath. In the West Midlands (the second largest bus market in the country after London), where we are also the number two bus operator, the addition of depots in Kidderminster and Redditch, acquired from First Group Plc ("First") in the year, undoubtedly strengthened our position in the region. We are furthermore one of the leading providers of private bus networks in the country, especially to the aviation industry around Heathrow.

Contracted Services

Revenues in Contracted Services overall fell by 8.5% to £20.6 million (2012: £22.5million). The cause of almost all of this reduction in revenue was the loss in April 2013 of the two route diagrams we operated up to that time for National Express Limited ("NEL"). In our view NEL breached their contract with us by their actions. Therefore we have commenced legal proceedings against NEL to recover our losses. This case is expected to come to trial in the last quarter of 2014. In these accounts we have written off as an exceptional item £364,000 of our losses, which form part of our claim against NEL. Looking beyond this exceptional event, we experienced continuing strong growth in our private bus networks business. Revenues from these contracts have increased by some 50% over the last two years and we remain positive about this part of our activities. As might be expected from the drive of government policy, local authority transport budgets have continued to be under pressure. Revenues from the local authorities we deal with in the South West and West Midlands have therefore declined when compared to those of 2012, though we have not yet seen any similar pattern in Preston. The overall effect of these market changes over the last few years has been to re-position our Contracted Services business away from such a considerable exposure to the ebbs and flows of local government finance to be more focused on privately contracted bus services with major corporate customers.

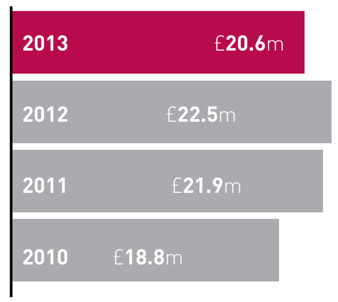
Commercial Services

Revenues in Commercial Services rose by 1.2% to £29.9 million (2012: £29.6million). Part of the reason for this rise is the contribution of the Redditch and Kidderminster depots which we acquired from First on 3 March 2013. It is however impossible to say what exactly that contribution has been in 2013, because the acquired businesses were immediately folded into our existing operations in those localities and so ceased to have a separate existence. I would estimate however that the acquired revenue was between £1 million and £2 million. Thus the acquisition of this business from First masked to some degree the full effect of the actions we took in 2012 to cut route mileage and pull out of services which we felt were unlikely to be economic in the longer term. The reduction in the reimbursement rates for concessionary fares is also a significant contributory factor in this area of business. Against that we continue to experience strong growth from the continuing wider introduction of our own network cards. Revenues from this source have increased by 70% in the last two years. Revenues from Centro's own Network Card also made an increased contribution to our revenues. During the year Centro introduced an updated multi-operator card with a lower fare premium relative to single operator tickets and better zonal coverage. We believe that this new card is slowly having an effect on our business and opens out, both to ourselves and other competing smaller operators in the West Midlands, the opportunity to achieve better penetration of the available market share.

Contracted Revenue

£**20.6**m

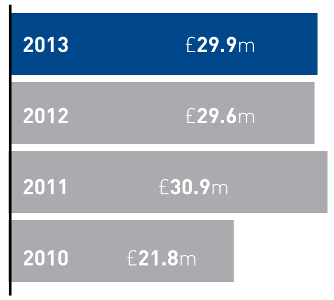
↓ 8.5%



Commercial Revenue

£**29.9**m

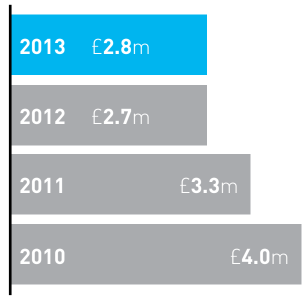
↑ 1.2%



Charter Revenue

£**2.8**m

↑ 4%



Charter Services

Revenues in Charter Services were much the same as they were in 2012 at £2.8 million. In line with group policy we have progressively reduced the exposure of the group to this area of business in recent years. Airline related chauffeur car services (which we sub-contract in their entirety) saw some increase in movements and revenues when compared to those of 2012 but revenues from private hire work were very little different from those of the previous year.

Strategy and acquisitions

At the beginning of March 2013 we acquired from First certain of their bus operations in Worcestershire. For a cash consideration of £1.6 million, we bought two freehold depots, one in Kidderminster and the other in Redditch, 36 vehicles, and various items of plant and equipment. These depot acquisitions added about 100 staff to our workforce. Initially the Office of Fair Trading opened an enquiry into the acquisition but finally announced on 23 August 2013 that this enquiry was at an end and that there would be no reference of the acquisition to the Competition Commission.

The Kidderminster depot comprises a site of some two acres and was purpose built in 2001. It can accommodate up to 60 vehicles. The Redditch depot, built about 35 years ago, has a slightly smaller useable area and can accommodate about 50 vehicles. The two depots enable us to extend our existing route networks on the western side of the Birmingham conurbation.

The integration of these depots into our current depot network was quickly completed and some benefits were felt in 2013. I am sure that in 2014 the positive impact of the acquisition will become fully visible. Since making the acquisition we have in Redditch deployed 20 replacement vehicles, some brand new, some from our existing fleet, in order to be able to take out of service the non-low floor and step entrance vehicles which not only did not comply with the provisions of the Disability Discrimination Act which begin to come into force in 2014, but also produced, in our view, unacceptably high emission levels for a town service. A certain amount of further investment will be required in replacement vehicles and depot resources to complete the work that is required.

Fuel prices and fuel usage

Fuel cost remains a significant factor to the business. The policy of the board is to take out fuel hedges or obtain fuel fixes whenever it seems prudent to do so. At the current time, using that combination of fuel fixes and fuel hedges via derivative instruments, we have covered all of the fuel requirements of the group for the whole of 2014 and 2015 at a combined rate of about 110p per litre. This control over the remaining variable cost in the business gives considerable certainty to the board when it considers its budgets and forecasts over the foreseeable future.

Chairman's Statement and Review of Operations

(continued)

Fuel prices and fuel usage (continued)

At the same time board policies in other areas have aided the reduction in overall levels of fuel consumption. Over the last two years I have drawn your attention to two areas of policy in this regard. First we have taken advantage of government initiatives under the heading of the Green Bus Fund to acquire a total of 23 hybrid diesel-electric vehicles. These have certainly performed well in service and have all achieved or exceeded the targeted 30% fuel saving, when compared to a similar diesel bus. Second we are steadily deploying throughout the fleet the "EcoManager" fuel saving software which I described to you in detail last year. The roll-out of this system is further helping to reduce the fuel demands of the existing fleet, and so reduce costs. Finally, when acquiring any vehicle new to the fleet we are acutely conscious of its relative fuel consumption and certainly favour those marques which have demonstrable advantages in this regard. Whilst this is not a completely like for like statistic the board has noted that, where once our annualised consumption of diesel reached a maximum of about 12 million litres, this figure has now fallen to about 10 million litres.

Fleet management

Over the year we have replaced vehicles in the operating fleet as and when we thought appropriate so that by the end of the year the average age of the fleet stood at 7.64 years, slightly below the average fleet age at the end of 2012. This figure is low in industry terms. In the current year we foresee very little need to replace vehicles unless specific requirements are issued by new contract customers or existing customers request upgrades, which would of course carry with them the requisite price increases. We believe that having a modern and efficient bus fleet is a key aspect of customer service. Older vehicles also emit a greater level of emissions and we are keen to minimise this aspect of bus operation.

The board monitors each vehicle in the fleet for relative fuel consumption, reliability and maintenance cost. Those vehicles that fall outside of acceptable parameters are designated for disposal. As a result of this policy about 10% of the vehicle fleet was replaced in the year. These replacements are a judicious mix of the new and the second hand, chosen so as to meet the criteria which we have set. The objective, to possess an efficient and effective fleet of the right age profile, continues to be met.

Banking facilities and finance

No new banking facilities were arranged in the year. The existing facilities of the group were used to finance both the acquisition of the freehold of the depot at Avonmouth, Bristol in January 2013 and the acquisition of the Redditch and Kidderminster depots of First in March 2013. At 30 November 2013 we have undrawn about £2.5 million of our available £11million facility with our principal bankers, RBS/NatWest. In addition we possess unused vehicle financing facilities totalling approximately £10 million. In the opinion of the board these facilities are ample for the current needs of the group.

Financial review

The Consolidated Income Statement is set out on page 27. This section of the review addresses the results before the gain on acquisition, acquisition expenses and exceptional items. I have already highlighted the 3% decrease in revenues year on year and the reasons for this variance. Cost of Sales also fell by 3%; the principal business reasons for this have been described above. Gross Profits were almost exactly the same when compared to the previous year, but the gross profit margin improved somewhat to 17.1% from the 16.5% of 2012, as gross profits increased but revenues declined slightly. Administrative Expenses were a little lower than those of the previous year, mostly because the Avonmouth property moved from being rented to owned. The Profit from Operations at £3.56 million was therefore some 5% higher than that seen in 2012. Finance expense was overall much the same as in the previous year. Hire purchase debt fell by some 16% year on year and so did the associated interest expense. But, since the acquisitions of freeholds and of the business from First were financed by debt, debt levels overall rose by some 9%, and interest on bank borrowings rose commensurately. Profit before taxation therefore rose by 5% when compared to the previous year to £2.19 million (2012: £2.09 million).

Basic earnings per share in 2013, after taking into account the gain on acquisition, acquisition expenses and exceptional items, at 5.42p benefited from a low tax charge, as in 2012. The low tax charge resulted from a number of prior year adjustments, just as in the previous year. Basic earnings for 2012 were 5.29p per share. The gross assets of the group stood at £50.8 million at 30 November 2013 (2012: £48.2 million). Holdings of Property, Plant and Equipment rose largely as a result of the business acquisition from First and the acquisition of the freehold of the Avonmouth depot. Trade Debtors fell in the year as management focused on this aspect of working capital but there was a compensating rise in Other Receivables. The movement in the Green Bus Grant debtor and creditor affected both receivables and payables in equal measure. The increase in Trade Payables explains the rest of the movement in Trade and Other Payables overall.

Financial review (continued)

The gross loans and borrowings of the group increased by £1.7 million largely because of acquisitions described above; HP obligations fell by £1.8 million year on year to £9.1 million (2012: £10.9 million). Finally there was a positive movement in the Preston pension fund as at 30 November 2013 as the funding outlook for the Scheme improved on an accounting basis. The gross liabilities of the group therefore stood slightly higher than the previous year at £27.3 million at 30 November 2013 (2012: £26.3 million). Net assets reached £23.6 million at the year end (2012: £21.9million).

Cash flows from operating activities before changes in working capital, at £5.8 million (2012: £6.3 million), were a little down on those generated in the previous year. However, instead of the heavy absorption of working capital seen in 2012, there was a small release, and so Cash Generated from Operations was greatly improved, at £6.0 million (2012: £2.3 million). Investment in property, plant and equipment rose this year to £2.6 million (2012: £1.6 million), but the bulk of this (£2.0 million) was represented by the freehold of the Avonmouth depot. Sale of vehicles, after taking account of the related hire purchase settlements, produced £1.2 million for the group (2012: £3.1 million). The acquisition of the business from First (£1.7 million) and the Avonmouth purchase accounted for almost all of the draw downs in bank loans. In addition the capital element of payments on hire purchase agreements was somewhat lower in 2013 at £4.5 million (2012: £5.0 million). After taking account of rising dividends and bank interest payments, the group benefited from a positive cash inflow of £196,000 for the year, and so a closing overdraft net of cash and cash equivalents of £1,214,000 at the end of 2013, in line with management's plans and expectations.

Dividend

The company paid an interim dividend of 0.55 pence per share in December 2012. At the forthcoming Annual General Meeting the board will recommend a final dividend in respect of 2013 of 1.05p per share, making 1.60p for the year as a whole.

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

Outlook

The acquisition of the Redditch and Kidderminster depots from First has expanded the commercial bus revenues of the group in line with our stated strategy. But, as I remarked last year, the bus industry is still going through a period of considerable change. The reduction of government financial support for transportation by bus over the last four years is a continuing issue. The government, whether at local or national level, has reduced the funding for subsidised services, reimbursements for concessionary fares and the levels of rebate available to bus operators on fuel taxes. At the same time more onerous mandatory specifications for new buses continue to be introduced and are the cause of the increasing cost of new vehicles. These policies, unless halted or reversed, will lead inevitably to a steep drop in the provision of bus services in many of the less populated areas of the country away from the major urban conurbations. This is in turn putting a great deal of pressure on all bus service providers but particularly on the operators rather smaller than ourselves, who are finding continued existence a considerable struggle.

For all operators the discontinuities and inconsistencies in government transport policy make long term planning difficult, but the main effect on our business is that the great technological improvements being made in reducing costs or improving operating efficiencies (for example with vehicle tracking and mobile phone apps) are not flowing through to you as shareholders. Instead these gains are in effect being used in their totality to plug the financial gaps created by the changes in the government's transport policy. Despite these, and other, headwinds, we have continued to improve our services, our vehicle fleet and our financial results. Thus we remain confident that our strong management team will continue to increase the value of the business, albeit at a slower pace than we would have wished. Our dividend policy reflects this confidence and will enable shareholders to share in our financial success as we move forward.

John Gunn

Non-Executive Chairman

Date: 24 April 2014

Strategic Report

For the year ended 30 November 2013

Rotala Plc is an AIM listed company operating commercial and subsidised bus routes for businesses, local authorities, the public and private individuals.

Rotala was formed in 2005 and has grown through the acquisition and amalgamation of local coach and bus operations and is now one of the largest operators in its chosen geographical locations.

Rotala aims to develop 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. Our transport management expertise has taken us throughout the country, organising and delivering turn-key solutions to events and areas requiring many different types and capacities of transport.

Areas of Operation

Our Goals

Rotala Plc pursues three key strategic goals:

- To achieve sustainable growth in shareholder value;
- 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;
- the level of new investment in infrastructure, technology and training;
- continually monitoring the timeliness and completeness of service delivery and levels of customer complaint.

Our Core Values

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

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

Our brands signify consistency, reliability and employee commitment.

Our Mission

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

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

Rotala is committed to providing service excellence to stakeholders, by offering value for money and continuous improvement without compromising on the quality of service. By working closely with other businesses, councils and educational institutions, we ensure that flexibility and proactive management are key strengths in which Rotala invests. Our commitment to all stakeholders makes it possible to offer value to all sizes of organisation from the largest corporate to the smallest individual daily user.
The focus of the business is to build profitable and sustainable revenue. The business is composed largely of contracted or predictable commercial revenue streams which equate to more than 90% of current revenue levels.

To achieve this level of predictability the business focuses on the development of its three principal revenue streams: contract, commercial and charter.

Strategic Report

For the year ended 30 November 2013

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. We have contracts of this type with British Airways and National Grid. One of the key factors which drives this customer need comes from the increasing prevalence of planning restrictions on new developments. These restrict car usage and available car parking facilities. There has been much growth in this area of business in recent years and government policy continues to drive change.

2. Local authorities:

   Since bus denationalisation in 1986 the bus market has evolved and the dominant operators are now more focused on creating profitable route networks, in contrast to the pre-1986 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 Centro, Bristol City Council, Worcestershire County Council, South Gloucestershire County Council, and Bath and North East Somerset Council together with many smaller entities.

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 operates in the West Midlands and South West. Furthermore early in 2011 the group acquired Preston Bus Limited, setting up a new hub of commercial bus operations in the North West.

Charter

Besides the main business streams above, Rotala also provides a transport management service to a variety of customers. Typically this covers business or service disruption and bespoke large event management.

Key performance indicators (KPIs)

The key performance indicators of the group (before gains on acquisition, acquisition expenses and exceptional items) are considered to be:

	2013	2012
Gross profit margin	17.1%	16.5%
Profit from operations before exceptional items	£3,557,000	£3,392,000
Profit before taxation	£2,190,000	£2,086,000

These key performance indicators are used as follows:

1. Gross profit margin:

   It is fundamental to the longer term sustainability of the group that it attains a suitable level of gross profit in all of its activities. In any contracted business the gross profit margin is computed as part of the pricing process. Actual margin is then monitored in relation to the contract and service delivery targets. Gross profit margin will vary depending on the type, location and duration of the contract. Where the revenue is variable and derived from passengers, routes are constantly monitored for gross profit margin. Passenger loadings are also analysed and, in concert with margin analysis, frequencies and routes adjusted to maximise revenue yields. In these instances margins will vary in acceptability depending upon the length, locality and maturity of the route and the extent of competition;

2. Profit from operations before exceptional items:

   Profit from operations before 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;

3. Profit before taxation:

   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 8 to 11.

The group's results for the year are set out on page 27. The results of the year and the financial position as at 30 November 2013 are considered by the directors to be satisfactory.

Strategic Report
For the year ended 30 November 2013

Principal risks and uncertainties

The Directors consider that the following factors may be considered to be material risks and uncertainties facing the group:

Risk	Potential impact	Management or mitigation
Variations in the price of fuel.	Fuel is a significant cost to the business. If fuel increases in price in circumstances where sales prices cannot be increased, then profitability will be affected.	Management monitors fuel prices closely, negotiates fuel escalator clauses where possible and increases fares if input costs rise in a sustained pattern. Management enters into fuel price fixing arrangements as described in the Chairman's Statement. Management also monitors fleet fuel efficiency and uses technological aids to optimise fuel usage.
The availability of sufficient capital and leasing facilities to finance the growth in the group's businesses.	The group may miss growth opportunities.	Management maintains close contact with actual and potential shareholders. Relationships with the providers of the group's asset financing and banking facilities are dealt with centrally in order to keep them fully briefed about the progress of the group. All bank account and treasury management is conducted at group level.
Repayment of the group's convertible debt.	The group may not be able to meet its debt repayment obligations.	The debt is due for conversion or repayment on 31 December 2014. Management forecasts encompass the need to repay this debt, if not converted into ordinary shares by that date.
New government legislation 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. (See Accounting Policy on page 38). 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.

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 29.

Going concern

The board has examined its strategy and considered its profit and loss and cash flow projections over the two years to 30 November 2015. It has also evaluated the hire purchase, loan and overdraft facilities available to the group in connection with that period. After due enquiry, the board has judged the cash flow forecasts, asset financing and banking resources of the group to be adequate to support its continued operations for the foreseeable future and has adopted the going concern basis in preparing the financial statements.

Corporate governance

As the company's shares are traded on AIM, the company is not required to comply with the UK Corporate Governance Code ('the Code') nor has it done so. However, the company is committed to high standards of corporate governance and draws upon best practice available, including those aspects of the Code considered appropriate. The directors support the recommendations of the UK Corporate Governance Code. The board is responsible for the management and successful development of the group by:

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

The composition of the board provides a blend of skills and experience that ensures it operates as a balanced team.

The board 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. As the group continues to grow, the directors will review their compliance with the Code from time to time and will adopt such of the provisions as they consider to be appropriate.

Relationships with shareholders

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

By order of the Board

Kim Taylor
Secretary

Date: 24 April 2014

Directors' Report

For the year ended 30 November 2013

The directors present their statutory report for the group for the year ended 30 November 2013.

Directors

The following Directors have held office during the year:

- J H Gunn
- R A Dunn
- S L Dunn
- F G Flight
- K M Taylor

Directors' interests

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

		2013 Ordinary shares of 25p each	2013 Options over ordinary shares of 25p each	2012 Ordinary shares of 25p each	2012 Options over ordinary shares of 25p each
J H Gunn	Beneficial	5,526,616	400,000	5,526,616	400,000
R A Dunn	Beneficial	909,454	422,471	909,454	422,471
S L Dunn	Beneficial	686,880	467,471	686,880	467,471
F G Flight	Beneficial	1,325,055	220,000	1,325,055	220,000
K M Taylor	Beneficial	357,500	565,000	357,500	565,000

J H Gunn is also a director of and shareholder in The 181 Fund Limited: see note 30 – Related Parties and Transactions.

		2013 Convertible Unsecured Loan Stock	2012 Convertible Unsecured Loan Stock
S L Dunn	Beneficial	£260,000	£260,000
K M Taylor	Beneficial	£25,000	£25,000

The terms of the Convertible Unsecured Loan Stock are described in note 22.

Directors' interests (Continued)

	At 1 December 2012	Price	At 30 November 2013	Date Exercisable	Date of Expiry
J H GUNN	80,000	125p	80,000	29/03/2008	28/03/2015
	120,000	37.5p	120,000	30/03/2009	29/03/2016
	200,000	62.5p	200,000	06/09/2010	05/09/2017
	400,000		**400,000**		
R A DUNN	400,000	50.0p	400,000	05/09/2011	04/09/2018
	22,471	40.05p	22,471	24/09/2015	24/03/2016
	422,471		**422,471**		
S L DUNN	80,000	162.5p	80,000	30/08/2008	29/08/2015
	80,000	37.5p	80,000	30/03/2009	29/03/2016
	200,000	62.5p	200,000	06/09/2010	05/09/2017
	85,000	50.0p	85,000	05/09/2011	04/09/2018
	22,471	40.05p	22,471	24/09/2015	24/03/2016
	467,471		**467,471**		
F G FLIGHT	80,000	37.5p	80,000	30/03/2009	29/03/2016
	140,000	62.5p	140,000	06/09/2010	05/09/2017
	220,000		**220,000**		
K M TAYLOR	80,000	125p	80,000	29/03/2008	28/03/2015
	160,000	37.5p	160,000	30/03/2009	29/03/2016
	240,000	62.5p	240,000	06/09/2010	05/09/2017
	85,000	50.0p	85,000	05/09/2011	04/09/2018
	565,000		**565,000**		

The remuneration of the directors is set out in note 7 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 30 – Related Parties and Transactions.

The company's share price at 30 November 2013 was 56.5p. The high and low prices in the year were 58.5p and 42.5p respectively.

Dividends

The directors will propose to the Annual General Meeting a distribution, by way of a final dividend, of 1.05p per share for the year ended 30 November 2013 (2012: 0.9p per share). An interim dividend of 0.55p per share (2012: 0.5p per share) was paid on 9 December 2013.

Directors' Report

For the year ended 30 November 2013

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 29.

Future developments

Likely future developments in the business of the group are dealt with in the Chairman's Statement and Review of Operations set out on pages 8 to 11.

Employment policies and employee involvement and communication

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

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

Training is also a priority task and is a focus of considerable effort, especially in the field of dealing with passengers. All drivers are issued with a handbook at the commencement of their employment which sets out in detail the standards which they are expected to meet.

Employees are briefed regularly about the performance and prospects of the group and their individual depots; they are also consulted about and involved in the development of the group in a number of ways, which include regular briefings, team updates and announcements.

An SAYE scheme exists for the benefit of all employees. The details of the scheme are set out in note 27 to these financial statements.

Political contributions

No political contributions were made by the group during the year ended 30 November 2013 (2012: £Nil).

Substantial shareholdings

As at 24 April 2014 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 J H Gunn	5,526,616	15.67
Mr Nigel Wray	5,339,400	15.14
The 181 Fund Limited	1,980,221	5.61
Mr F G Flight	1,325,055	3.76
Link Traders (Aust) Pty Limited	1,300,000	3.69
Mr Graham Peacock	1,075,000	3.05
Mrs Susan Tobbell	1,075,000	3.05

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). 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.

Auditors

Grant Thornton UK LLP were re-appointed as auditors at the last Annual General Meeting and 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 2013, the group has taken advantage of the exemption offered in sections 479A – 479C of the Companies Act 2006 and certain 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: 24 April 2014

Independent Auditor's Report

To the members of Rotala Plc

We have audited the financial statements of Rotala Plc for the year ended 30 November 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David P. White
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

Date: 24 April 2014

Financial Statements

Consolidated Income Statement

For the year ended 30 November 2013

	Note	2013 £'000 Results before gain on acquisition, acquisition expenses and exceptional items £'000	2013 £'000 Gain on acquisition, acquisition expenses and exceptional items (note 11) £'000	2013 £'000 Results for the year £'000	2012 £'000 Results before gain on acquisition, acquisition expenses and exceptional items £'000	2012 £'000 Gain on acquisition, acquisition expenses and exceptional items (note 11) £'000	2012 £'000 Results for the year £'000
Revenue	4	**53,303**	**-**	**53,303**	**54,813**	**-**	**54,813**
Cost of sales		(44,210)	-	(44,210)	(45,790)	-	(45,790)
Gross profit		**9,093**	**-**	**9,093**	**9,023**	**-**	**9,023**
Administrative expenses		(5,536)	(132)	(5,668)	(5,631)	-	(5,631)
Profit from operations	8	**3,557**	**(132)**	**3,425**	**3,392**	**-**	**3,392**
Finance income	9	44	-	44	15	-	15
Finance expense	10	(1,411)	-	(1,411)	(1,321)	(10)	(1,331)
Profit before taxation	11	**2,190**	**(132)**	**2,058**	**2,086**	**(10)**	**2,076**
Tax expense	12	(264)	119	(145)	(210)	-	(210)
Profit for the year attributable to the equity holders of the parent		**1,926**	**(13)**	**1,913**	**1,876**	**(10)**	**1,866**
Earnings per share for profit attributable to the equity holders of the parent during the year:							
Basic (pence)	13			5.42			5.29
Diluted (pence)	13			5.17			5.18

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

Consolidated Statement of Comprehensive Income

For the year ended 30 November 2013

	Note	2013 £'000	2012 £'000
Profit for the year		**1,913**	**1,866**
Other comprehensive income:			
Items that will not subsequently be reclassified to profit & loss:			
Actuarial gain / (loss) on defined benefit pension scheme	25	355	(1,009)
Deferred tax on actuarial gain/(loss) on defined benefit pension scheme	24	(75)	242
Other comprehensive income for the year (net of tax)		**280**	**(767)**
Total comprehensive income for the year attributable to the equity holders of the parent		**2,193**	**1,099**

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

Consolidated Statement of Changes in Equity

For the year ended 30 November 2013

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total £'000
At 1 December 2011	**8,818**	**7,828**	**2,567**	**245**	**1,600**	**21,058**
Profit for the year	-	-	-	-	1,866	1,866
Other comprehensive income	-	-	-	-	(767)	(767)
Total comprehensive income	**-**	**-**	**-**	**-**	**1,099**	**1,099**
Transactions with owners:						
Dividends paid or declared	-	-	-	-	(283)	(283)
Share based payment	-	-	-	-	2	2
Release of warrant reserve to retained earnings	-	-	-	(245)	245	-
Transactions with owners	**-**	**-**	**-**	**(245)**	**(36)**	**(281)**
At 30 November 2012	**8,818**	**7,828**	**2,567**	**-**	**2,663**	**21,876**
Profit for the year	-	-	-	-	1,913	1,913
Other comprehensive income	-	-	-	-	280	280
Total comprehensive income	**-**	**-**	**-**	**-**	**2,193**	**2,193**
Transactions with owners:						
Dividends paid or declared	-	-	-	-	(494)	(494)
Share based payment	-	-	-	-	9	9
Transactions with owners	**-**	**-**	**-**	**-**	**(485)**	**(485)**
At 30 November 2013	**8,818**	**7,828**	**2,567**	**-**	**4,371**	**23,584**

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

Consolidated Statement of Financial Position

As at 30 November 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	30,930	27,509
Goodwill and other intangible assets	15	9,482	9,482
Deferred taxation	24	424	521
Total non-current assets		**40,836**	**37,512**
Current assets			
Inventories	17	1,826	1,892
Trade and other receivables	18	7,863	8,454
Derivative financial instruments	19	3	-
Cash and cash equivalents	20	317	351
Total current assets		**10,009**	**10,697**
Total assets		**50,845**	**48,209**
Liabilities			
Current liabilities			
Trade and other payables	21	6,304	6,228
Loans and borrowings	22	5,462	3,550
Obligations under hire purchase contracts	23	3,318	3,931
Total current liabilities		**15,084**	**13,709**
Non-current liabilities			
Loans and borrowings	22	5,712	4,216
Obligations under hire purchase contracts	23	5,793	6,945
Defined benefit pension obligation	25	672	1,463
Total non-current liabilities		**12,177**	**12,624**
Total liabilities		**27,261**	**26,333**
TOTAL NET ASSETS		**23,584**	**21,876**

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

	Note	2013 £'000	2012 £'000
Shareholders' funds			
Share capital	26	8,818	8,818
Share premium reserve		7,828	7,828
Merger reserve		2,567	2,567
Retained earnings		4,371	2,663
TOTAL EQUITY		**23,584**	**21,876**

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2014

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

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

Consolidated Statement of Cash Flows

For the year ended 30 November 2013

	2013 £'000	2012 £'000
Cash flows from operating activities		
Profit before taxation	2,058	2,076
Adjustments for:		
Depreciation	3,253	3,742
Gain on acquisition	(387)	-
Acquisition expenses	155	-
Finance expense	1,367	1,316
Gain on sale of property, plant and equipment	(283)	(417)
Contribution to defined benefit pension scheme	(333)	(400)
Equity settled share-based payment expense	9	2
Cash flows from operating activities before changes in working capital and provisions	**5,839**	**6,319**
Increase in trade and other receivables	(95)	(2,663)
Decrease/(increase) in inventories	66	(620)
Increase/(decrease) in trade and other payables	147	(721)
	118	**(4,004)**
Cash generated from operations	**5,957**	**2,315**
Interest paid on hire purchase agreements	(671)	(862)
Net cash flows from operating activities carried forward	**5,286**	**1,453**

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

	2013 £'000	2012 £'000
Cash flows from operating activities brought forward	**5,286**	**1,453**
Investing activities		
Purchases of property, plant and equipment	(2,564)	(1,562)
Acquisition of business	(1,714)	-
Sale of public service vehicles	1,941	5,656
Net cash (used in) / from investing activities	**(2,337)**	**4,094**
Financing activities		
Dividends paid	(494)	(423)
Proceeds of mortgage and other loans	3,927	3,735
Loan stock repaid	-	(1,337)
Repayment of bank and other borrowings	(289)	(1,756)
Loan stock and bank loan interest paid	(706)	(501)
Capital settlement payments on vehicles sold	(702)	(2,535)
Capital element of lease payments	(4,489)	(5,009)
Net cash used in financing activities	**(2,753)**	**(7,826)**
Net increase / (decrease) in cash and cash equivalents	**196**	**(2,279)**
Cash and cash equivalents at beginning of year	**(1,410)**	**869**
Cash and cash equivalents at end of year	**(1,214)**	**(1,410)**

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

Notes to the Consolidated Financial Statements

For the year ended 30 November 2013

1. General information

Rotala Plc is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 30 November 2013 (including the comparatives for the year ended 30 November 2012) were approved by the Board of Directors on 24 April 2014. Amendments to the financial statements are not permitted after they have been approved.

2. Accounting policies

Basis of preparation

The group's financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRS as issued by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis as described on page 16.

Overall considerations

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

Critical accounting estimates and judgements

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

Estimates

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

(a) Impairment of goodwill

The group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information about the impairment review is included in note 16.

(b) Share based payment

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

(c) Pension scheme valuation

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

2. Accounting policies (continued)

(d) Self insurance

The estimation of insurance costs, under the group's self insurance scheme, is based on premiums paid and cash paid into the scheme's bank account. 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 be considered inadequate in the light of claims, appropriate provision would be made.

(e) Fixed price diesel contracts

The fair value of the fixed price diesel contracts is based on the future cash flows arising under the contract, compared to the expected cash flows that would have arisen had the contract not been in place. No discounting is applied as none of the contracts are for a period greater than 12 months and therefore any impact of discount rates is not considered material. More details in respect of these contracts are included in note 29.

Judgements

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

(a) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its useful life. Useful lives are based on the management's estimates of the periods within which the assets will generate revenue and which are periodically reviewed for continued appropriateness. Changes to judgements can result in significant variations in the carrying value and amounts charged to the Consolidated Income Statement in specific periods. More details about carrying values are included in note 14.

(b) Deferred tax assets

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

Basis of consolidation

The group financial statements consolidate the results of the company and all its subsidiary undertakings at 30 November 2013. The results of subsidiary undertakings acquired are included from the date on which control 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 cost of the business combination over the 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. Goodwill impairment charges cannot be reversed. 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 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.

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
Short leasehold property	-Over the period of the lease
Plant and machinery	-Between ten and four years straight line
Public Service Vehicles ("PSVs")	-Between 10% and 25% per annum on a reducing balance basis
Fixtures and fittings	-Three years straight line

2. Accounting policies (continued)

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 no 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 profit or loss. A gain or loss incurred at the point of derecognition is also included in profit or loss 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.

Grants
Grants relating to property, plant and equipment are netted off the assets to which they relate and the net investment in the asset is depreciated as set out above. Other grants are held in trade and other payables until credited to the income statement as the related expenditure is expensed.

Revenue
Revenue represents sales to external customers excluding value added tax. Passenger revenue is recognised when payment is received in cash. Subsidy revenue from local authorities is recognised on an accruals basis, based on actual passenger numbers. Contracted and charter services revenues are recognised when services are delivered, based on agreed contract rates.

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.

Exceptional Costs
Exceptional costs are items which the directors consider to be outside of the normal trading transactions of the group. They are highlighted separately on the Consolidated Income Statement to enable the underlying trading results of the group to be identifiable.

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.

2. Accounting policies (continued)

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

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

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

Convertible debt

The proceeds (which equate to fair value) received on issue of the group's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet. The equity component is included in the warrant reserve.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity through the warrant reserve and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Where there is an exchange of debt instruments with different terms, the group considers whether the discounted cash flows differ from those of the original liability by more than 10%. Where the difference is more than 10%, then the modification of the terms is accounted for as an extinguishment. Where the difference is less than 10%, then it is not accounted for as an extinguishment.

Self insurance

The group's policy is to self-insure high frequency claims such as those for traffic accidents. Under this scheme, premiums are paid to QBE Insurance Limited ("QBE") in respect of each accounting period. Premiums paid are held in a fund by QBE in a trust separate from the assets of the company in order to meet claims as and when they are settled. The company has no control over the assets of this trust. 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 immediately. Any provision made is discounted to take account of the expected timing of future payments.

Diesel pricing contracts

The group has entered into agreements to purchase agreed quantities of diesel over a period of time at a fixed price. Fixed price agreements with suppliers do not meet the definitions of a financial instrument under IAS 39 'Financial Instruments: Recognition and Measurement' as the contracts represent executory contracts to buy a non-financial asset for the use of the group. Therefore no financial asset or liability is recognised in respect of these contracts.

The group has entered into a diesel commodity forward contract with a bank. The agreement does not meet the definitions of hedging transactions under IAS 39 'Financial Instruments: Recognition and Measurement', but is accounted for as a derivative and is recorded at fair value through profit and loss.

2. Accounting policies (continued)

Pension costs

Defined contribution scheme

Contributions to the group's defined contribution pension scheme 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 the Consolidated Statement of 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 into one of the categories discussed below, depending on the purpose for which the asset was acquired. The group has not classified any of its financial assets as held to maturity or available for sale.

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

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

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

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial assets include derivative financial instruments held at fair value through profit and loss ("FVTPL"). These assets 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 in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial liabilities

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

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. 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.

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

2. Accounting policies (continued)

Equity

Share capital is determined using the nominal value of shares that have been issued. Premiums received on the initial issuing of share capital are credited to the share premium reserve. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Retained earnings include all current and prior period results.

The merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of a subsidiary undertaking.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged in profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market 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.

Segmental reporting

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

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

3. Standards and interpretations not yet applied by Rotala Plc

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued, the impact of which has yet to be established by the directors.

- IFRS 9 Financial Instruments (no mandatory effective date)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)

Based on the group's current business model and accounting policies, management does not expect a material impact on the group financial statements when these standards and interpretations become effective.

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:

	2013 £'000	2012 £'000
Contracted	20,602	22,513
Commercial	29,937	29,569
Charter	2,764	2,731
Total Revenue	**53,303**	**54,813**

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 every depot in the group delivers services in each of the three sub-headings set out above. Furthermore, as a matter of management practice, the business of the group is managed by contract (for Contracted Revenue) or by route (for Commercial Revenue) or in certain circumstances by both contract and route, depending on the type of business. Charter business is typically delivered by short term contracts.

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.

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 2013 and 2012 no customer constituted more than 10% of Revenues.

5. Other gains

	2013 £'000	2012 £'000
Financial assets at fair value through profit or loss (note 29)	3	-

6. Staff costs

	2013 £'000	2012 £'000
Staff costs (including directors) comprise:		
Wages and salaries	24,139	24,776
Employer's national insurance contributions	2,072	2,309
Defined contribution pension costs	158	156
	26,369	**27,241**
Share-based payment expense	9	2
	26,378	**27,243**

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

	2013 £'000	2012 £'000
Management and administrative	92	86
Direct	981	1,003
	1,073	**1,089**

7. Directors' and key management personnel remuneration

	2013 £'000	2012 £'000
Salaries and other short term employee benefits	433	446
Social security costs	32	36
Contribution to defined contribution pension scheme	8	6
Share based payment expense	2	-
	475	**488**

One director (2012: 1) is a member of the group's defined contribution pension scheme.

Emoluments of the highest paid director were £149,160 (2012: £149,160). Pension contributions of £8,400 (2012: £5,600) were made on his behalf.

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

The directors' remuneration was as follows:

	2013 £'000			2012 £'000		
	Remuneration	Share based payment expense	Total	Remuneration	Share based payment expense	Total
Executive						
S L Dunn	149	1	150	149	-	149
R A Dunn	103	1	104	112	-	112
K M Taylor	81	-	81	85	-	85
Non- Executive						
J H Gunn	75	-	75	75	-	75
F G Flight	25	-	25	25	-	25
	433	**2**	**435**	**446**	**-**	**446**

The services of John Gunn, Geoffrey Flight and Robert Dunn are provided respectively by Wengen Limited, Central Coachways 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.

8. Profit from operations

	2013 £'000	2012 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	3,253	3,742
Operating lease expense:		
- property	299	474
- plant and machinery	1,941	1,602
Profit on disposal of property, plant and equipment	(283)	(417)
Auditor's fees:		
- parent company	52	43
- subsidiaries	3	3

9. Finance income

	2013 £'000	2012 £'000
Interest receivable on bank deposits	8	15
Net finance gain on pension scheme (note 25)	36	-
	44	**15**

10. Finance expense

	2013 £'000	2012 £'000
Bank borrowings and overdraft interest	521	272
Interest payable on loan notes	185	229
Hire purchase contracts	699	825
Other interest	6	5
	1,411	**1,331**

11. Profit before taxation

Profit before taxation includes the following:

	2013 £'000	2012 £'000
	Gain arising on acquisition, acquisition expenses and exceptional items	**Gain arising on acquisition, acquisition expenses and exceptional items**
Acquisition costs (note 31)	(155)	-
Gain arising on acquisition (note 31)	387	-
Contract exit costs	(364)	-
Loss within profit from operations	(132)	-
Finance expense - amortisation of debt component of convertible debt	-	(10)
Loss within profit before taxation	**(132)**	**(10)**

12. Tax expense

	2013 £'000	2012 £'000
Current tax		
Current tax on profits for the year	-	-
Total current tax	**-**	**-**
Deferred tax		
Origination and reversal of temporary differences	448	451
Change in rate of tax	22	26
Adjustments in respect of prior periods	(325)	(267)
Total deferred tax (note 24)	**145**	**210**
Income tax expense	**145**	**210**

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

	2013 £'000	2012 £'000
Profit before taxation	2,058	2,076
Profit at the standard rate of corporation tax in the UK of 23%	473	498
Expenses not taxable	(25)	(47)
Adjustments in respect of prior periods	(303)	(241)
Total tax expense	**145**	**210**

13. Earnings per share

	2013 £'000	2012 £'000
Basic		
Profit attributable to ordinary shareholders	1,913	1,866
Weighted average number of ordinary shares in issue	35,270,888	35,270.888
Basic earnings per share	5.42p	5.29p

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

	2013 £'000	2012 £'000
	Diluted	Diluted
Profit attributable to ordinary share holders	1,913	1,866
Interest expense of convertible loan notes	185	229
Profit for the purposes of diluted earnings per share	**2,098**	**2,095**
Weighted average number of shares in issue	35,270,888	35,270,888
Adjustments for:		
- assumed conversion of convertible loan notes	5,146,333	5,146,333
- exercise of options	162,362	49,331
Weighted average number of ordinary shares for the purpose of diluted earnings per share	40,579,583	40,466,552
Basic diluted earnings per share	**5.17p**	**5.18p**

In order to arrive at the diluted earnings per share, the weighted average number of ordinary shares has been adjusted on the assumption of conversion of all dilutive potential ordinary shares. The company has in issue two sources of potential ordinary shares: convertible loan notes and share options. The convertible loan notes are assumed to have been converted into ordinary shares (where dilutive), but the associated interest expense has been added back to the profit attributable to shareholders. In respect of the options a calculation has been carried out to determine the number of shares, at the average annual market price of the company's shares, which could have been acquired, based on the monetary value of the rights attached to those shares. This number has then been subtracted from the number of shares that could be issued on the assumption of full exercise of the outstanding options, in order to compute the necessary adjustments in the above table.

14. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold property £'000	Plant and machinery £'000	Public service vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 December 2011	5,046	1,087	1,727	36,717	784	45,361
Additions	43	-	946	5,779	32	6,800
Acquisition	185	(185)	-	-	-	-
Disposals	-	-	(17)	(8,929)	-	(8,946)
At 30 November 2012	**5,274**	**902**	**2,656**	**33,567**	**816**	**43,215**
Acquisition	1,939	-	61	342	-	2,342
Additions	1,996	-	463	3,474	56	5,989
Transfers	(283)	(2)	285	-	-	-
Disposals	-	-	(1,336)	(3,765)	(582)	(5,683)
At 30 November 2013	**8,926**	**900**	**2,129**	**33,618**	**290**	**45,863**
Depreciation						
At 1 December 2011	245	147	1,196	13,544	539	15,671
Charge for the year	132	13	273	3,225	99	3,742
Transfers	54	(54)	-	-	-	-
Disposals	-	-	-	(3,707)	-	(3,707)
At 30 November 2012	**431**	**106**	**1,469**	**13,062**	**638**	**15,706**
Charge for the year	95	21	316	2,726	95	3,253
Transfers	(107)	-	107	-	-	-
Disposals	-	-	(1,336)	(2,108)	(582)	(4,026)
At 30 November 2013	**419**	**127**	**556**	**13,680**	**151**	**14,933**
Net book value						
At 30 November 2013	**8,507**	**773**	**1,573**	**19,938**	**139**	**30,930**
At 30 November 2012	**4,843**	**796**	**1,187**	**20,505**	**178**	**27,509**

The net book value of public service vehicles at 30 November 2013 held under hire purchase agreements was £13,998,000 (2012: £20,177,000). Depreciation of £1,649,000 (2012: £3,138,000) was charged against assets falling into this category in the year.

15. Goodwill and other intangible assets

	Purchased brands £'000	Contracts £'000	Goodwill £'000	Total £'000
Cost				
At 1 December 2011 and 2012 and at 30 November 2012 and 2013	250	312	9,482	10,044
Amortisation				
At 1 December 2011	250	197	-	447
Charge for the year	-	115	-	115
At 30 November 2012	**250**	**312**	**-**	**562**
Charge for the year	-	-	-	-
At 30 November 2013	**250**	**312**	**-**	**562**
Net book value				
At 30 November 2013	**-**	**-**	**9,482**	**9,482**
At 30 November 2012	**-**	**-**	**9,482**	**9,482**

16. Goodwill and impairment

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

16. Goodwill and impairment (continued)

The recoverable amount of the goodwill of the business has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a two year period to 30 November 2015. Other major assumptions are as follows:

	CGU 2013 %	CGU 2012 %
Discount rate	12	12
Operating margin	8	8
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 two years, are based on management estimates and on the historic achievements of the group. This rate does not exceed the average long term growth rate for the relevant markets. Inflation has been based on management's expectation given historic trends. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management is satisfied that it is highly improbable that there would be such change in a key assumption that it would reduce recoverable amount to below book value.

17. Inventories

	2013 £'000	2012 £'000
Fuel and spares	1,826	1,892

There is no material difference between the replacement cost of stocks and the amounts stated above.

The amount of inventories recognised as an expense during the year was £14,622,000 (2012: £15,488,000). No inventory has been written down to fair value in 2013 or 2012 and therefore no associated expense was incurred.

18. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	2,948	3,660
Tax and social security	337	371
Prepayments and accrued income	4,578	3,740
Vehicle order deposit placed	-	683
	7,863	**8,454**

18. 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.

All trade and other receivables have been reviewed for indicators of impairment. During the year no trade receivables were found to be impaired and no provision was created (2012: provision of £33,000 was released).

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:

	2013 £'000	2012 £'000
Not more than 3 months overdue	24	45
More than 3 months but not more than 1 year	121	189
	145	**234**

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

	2013 £'000	2012 £'000
Balance brought forward at 1 December	-	33
Released	-	(33)
Balance carried forward at 30 November	**-**	**-**

19. Derivative Financial Instruments

	2013 £'000	2012 £'000
Fuel commodity forward contract (note 29)	3	-

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

Changes in fair values of financial assets at fair value through profit or loss are recorded within Other Gains in the income statement.

The fair value of the commodity forward contract is determined in accordance with the procedure described in note 29.

20. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank	317	351
Bank overdraft	(1,531)	(1,761)
	(1,214)	(1,410)

21. Trade and other payables - current

	2013 £'000	2012 £'000
Trade payables	4,592	3,720
Taxation and social security	475	536
Other creditors	281	261
Accruals and deferred income	956	1,028
Grant payable	-	683
	6,304	**6,228**

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.

During 2012 the group had placed an order for 8 hybrid diesel electric buses. The group received from the Government's Green Bus Fund a related grant for the acquisition of these vehicles. As a condition of its receipt, the grant had to be passed immediately to the manufacturer and the vehicles had to be in operation by 31 March 2013. As at 30 November 2012 none of the vehicles had been delivered and therefore the grant was treated as a payable in those accounts as not all of the criteria were met, with the related deposit placed with the manufacturer treated as a receivable. There were no such amounts received in the year ended 30 November 2013.

22. Loans and borrowings

	2013 £'000	2012 £'000
Current:		
Overdrafts	1,531	1,761
Bank loans	3,931	1,789
	5,462	**3,550**
Non-current		
Convertible loan stock	2,316	2,316
Bank loans	3,396	1,900
	5,712	**4,216**

22. Loans and borrowings (continued)

Analysis of maturity

	2013 £'000 Convertible debt	2013 £'000 Bank loans and overdrafts	2013 £'000 Obligations under hire purchase	2013 £'000 Trade and other payables	2013 £'000 Total
In one year or less or on demand	185	5,632	3,776	4,873	14,466
In more than one year but not more than two years	2,331	3,132	3,420	-	8,883
In more than two years but not more than five years	-	406	2,614	-	3,020
Later than five years	-	-	125	-	125
	2,516	**9,170**	**9,935**	**4,873**	**26,494**

	2012 £'000 Convertible debt	2012 £'000 Bank loans and overdrafts	2012 £'000 Obligations under hire purchase	2012 £'000 Trade and other payables	2012 £'000 Total
In one year or less or on demand	185	3,678	4,525	4,664	13,052
In more than one year but not more than two years	2,330	384	3,373	-	6,087
In more than two years but not more than five years	-	1,711	4,100	-	5,811
	2,515	**5,773**	**11,998**	**4,664**	**24,950**

Convertible debt

A convertible unsecured loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock was originally redeemable at par on 31 December 2011 or convertible into 25p ordinary shares of the company at a price of 67.5p per share. However, with effect from 31 August 2011, holders of £2,315,850 of the stock agreed to defer the redemption date to 31 December 2014. For these holders conversion may take place on or before 31 December 2014 at a price of 45p per share. The loan stock continues to bear a coupon of 8%.

Bank borrowings

The group entered into a Senior Term and Revolving Facilities Agreement with its bankers on 20 November 2012. This agreement provides a revolving £5m facility combined with a mortgage facility of up to £3.4m. It is for an initial three year term, renewable at 20 November 2015. There is a separate mortgage facility with the same bank, which expires on 20 December 2016, for a sum of £620,000. The group entered into a cross-guarantee and floating charge agreement on 27 May 2010 covering its overdraft facilities.

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 15 years which is considered to give a reasonable approximation to the effective interest rate.

23. Obligations under hire purchase contracts

Future lease payments are due as follows:

	2013 £'000 Minimum lease payments	2013 £'000 Interest	2013 £'000 Present value
Not later than one year	3,776	458	3,318
More than one but less than two years	3,420	231	3,189
More than two but less than five years	2,614	132	2,482
Later than 5 years	125	3	122
	9,935	**824**	**9,111**

	2012 £'000 Minimum lease payments	2012 £'000 Interest	2012 £'000 Present value
Not later than one year	4,525	594	3,931
More than one but less than two years	3,373	342	3,031
More than two but less than five years	4,100	186	3,914
Later than 5 years	-	-	-
	11,998	**1,122**	**10,876**

The present values of future lease payments are analysed as:

	2013 £'000	2012 £'000
Current liabilities	3,318	3,931
Non-current liabilities	5,793	6,945
	9,111	**10,876**

Obligations under hire purchase contracts are secured on the assets to which they relate.

24. Deferred taxation

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

	2013 £'000	2012 £'000
Accelerated capital allowances	(275)	(396)
Arising on fair value adjustments on acquisition	173	(302)
Arising on defined benefit pension scheme	170	351
Losses	356	868
Asset	**424**	**521**

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

	2013 £'000	2012 £'000
Balance brought forward at 1 December	521	489
Recognised in business combination	123	-
Recognised in profit or loss	(145)	(210)
Recognised in other comprehensive income	(75)	242
Balance carried forward at 30 November	**424**	**521**

At 30 November 2013 there were no (2012: £nil) temporary differences or unused tax losses for which deferred tax has not been provided.

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 £158,000 (2012: £156,000). Contributions amounting to £22,789 (2012: £22,841) were payable to the funds at the balance sheet date.

Another group company operates a defined benefit pension scheme within the West Midlands Integrated Transport Authority Pension Fund ("WMITAPF"), governed by the Local Government Superannuation Regulations 1986. The group accounts for pensions in accordance with IAS 19 "Employee Benefits". Contributions amounting to £66,667 (2012: £nil) were payable to the fund at the balance sheet date.

25. Pensions (continued)

WMITAPF defined benefit pension scheme

The calculations of the IAS 19 disclosures for the WMITAPF have been based on the most recent actuarial valuations, which have been updated to 30 November 2013 by an independent professionally qualified actuary to take account of the requirements of IAS 19.

The principal actuarial assumptions used were as follows:

	30 November 2013 %	30 November 2012 %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.2	2.0
Discount rate	4.3	4.0
Inflation	2.2	2.0
Expected long-term rate of return		
- Equities	7.0	7.0
- Government bonds	3.4	2.7
- Other bonds	4.4	3.6
- Cash	0.5	0.5
- Property	n/a	n/a

The expected return on plan assets is based on expectations at the beginning of the period for returns over the entire life of the benefit obligation. The expected returns are set in conjunction with external actuaries and take account of market factors, fund managers views and targets for future returns and where appropriate historical returns.

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

	30 November 2013 Years	30 November 2012 Years
Current pensioner aged 65 - male	21.8	20.9
Current pensioner aged 65 - female	24.6	23.7
Future pensioners at aged 65 (aged 45 now) - male	23.9	22.3
Future pensioners at aged 65 (aged 45 now) - female	27.0	25.2

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 1.25%
Inflation	Increase/decrease by 0.1%	Increase/decrease of 1.27%
Life expectancy	Increase by 1 year	Increase of 2.1%

25. Pensions (continued)

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

	2013 £'000	2012 £'000
Equities	7,248	6,959
Bonds	8,858	8,506
Total market value of assets	16,106	15,465
Present value of scheme liabilities	(16,778)	(16,928)
Pension liability before tax	(672)	(1,463)
Related deferred tax asset	141	351
Net pension liability	**(531)**	**(1,112)**

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

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

	2013 £'000	2012 £'000
Finance cost		
- expected return on assets	693	734
- interest cost on pension liabilities	(657)	(734)
Net finance gain	**36**	**-**
Total defined benefit gain	36	-
Defined contribution costs	(158)	(156)
Total profit and loss charge	**(122)**	**(156)**

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

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	510	638
Changes in assumptions underlying the present value of the scheme liabilities	(155)	(1,647)
	355	**(1,009)**

25. Pensions (continued)

Actuarial (losses)/gains as a percentage of scheme assets and liabilities at 30 November 2013 were as follows:

	2013	2012	2011
Actual return less expected return on pension scheme assets as a percentage of scheme assets	3.2	4.2	(0.7)
Total actuarial gain/(loss) recognised in statement of total comprehensive income as a percentage of the present value of scheme liabilities	2.1	(5.9)	(3.6)

The cumulative amount of actuarial gains and losses on defined benefit schemes recognised in the statement of total comprehensive income since 25 January 2011 (the date at which the pension scheme entered the group) is a loss of £1,302,000.

The amount of contribution to be paid by the group to the scheme during the next financial year is £350,000. The actual return on plan assets was £1,327,000 (2012: £1,372,000).

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

	2013 £'000	2012 £'000
Deficit in scheme at 30 November	(1,463)	(854)
Movement in period		
- Contributions	400	400
- Actuarial gain/(loss)	355	(1,009)
- Expected return on assets	693	734
- Interest cost	(657)	(734)
Deficit in scheme at the end of the year	**(672)**	**(1,463)**

25. Pensions (continued)

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

	2013 £'000	2012 £'000
At 30 November	15,465	14,557
Expected return on plan assets	693	734
Actuarial gains	510	638
Employer contributions	400	400
Benefits paid	(962)	(864)
At end of year	**16,106**	**15,465**

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

	2013 £'000	2012 £'000
At 30 November	(16,928)	(15,411)
Interest cost	(657)	(734)
Actuarial loss - changes in assumptions	(155)	(1,647)
Benefits paid	962	864
At end of year	**(16,778)**	**(16,928)**

26. Share capital

	Authorised and called up and fully paid			
	2013 Number	2013 £'000	2012 Number	2012 £'000
Ordinary shares of 25p each	35,270,888	8,818	35,270,888	8,818

	Number	Nominal Value £'000
As at 1 December 2011 and 2012 and 30 November 2012 and 2013	**35,270,888**	**8,818**

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.

27. Share options and warrants

As at 30 November 2013 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
29 March 2005	240,000	29 March 2008	28 March 2015	125.0p
30 August 2005	93,333	30 August 2008	29 August 2015	162.5p
30 March 2006	520,000	30 March 2009	29 March 2016	37.5p
24 July 2007	208,000	24 July 2010	23 July 2017	62.5p
6 September 2007	880,000	6 September 2010	5 September 2017	62.5p
5 September 2008	695,000	5 September 2011	4 September 2018	50.0p
24 September 2012	319,165	24 September 2015	24 March 2016	40.05p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is an HM Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. The issue of share options of 24 September 2012 is at present the only issue in relation to this Scheme. The Scheme runs for an initial three year period. Employees will subscribe, through payroll deductions, a monthly sum which will accumulate in their individual savings accounts at YBS. At the end of the three year period the employee will have the option to purchase ordinary shares of 25 pence in the company ("Ordinary Shares") at a price fixed at the start of each three year period. Under the rules of the Scheme, the board is free to price the share option at a discount to the market price of the Ordinary Shares, at the time the option is granted. Opportunities to subscribe for further options under the Scheme will arise every six months, within a period of approximately 42 days after the announcement of the Interim and Annual Results of the company. In the initial phase of the Scheme the board has decided that it is prepared to allocate up to 1 million options over Ordinary Shares of the company for this purpose.

The company also operates an unapproved equity-settled share based remuneration scheme for group executive directors and senior management. The only vesting condition is that the individual remains an employee of the group until the option is exercised.

	2013		2012	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at the beginning of the year	60.21	3,067,399	63.34	2,714,333
Forfeited during the year	(40.05)	(111,901)	(58.00)	(78,000)
Issued during the year	-	-	40.05	431,066
Outstanding at the end of the year	**60.97**	**2,955,498**	**60.21**	**3,067,399**

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2012: 37.5p and 162.5p) and their weighted average remaining contractual life was 3.28 years (2012: 4.23 years).

Of the outstanding options at the reporting date 2,636,333 (2012: 2,636,333) were exercisable. The weighted average exercise price was 63.50p (2012: 63.50p).

28. Commitments under operating leases

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

	2013 £'000		2012 £'000	
	Land and buildings	Other	Land and buildings	Other
Operating lease commitments payable:				
Within one year	282	1,924	337	1,833
In two to five years	532	5,463	565	5,113
In more than five years	1,441	875	1,488	587
	2,255	**8,262**	**2,390**	**7,533**

29. Financial instruments - risk management

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

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

	2013 £'000	2012 £'000
	Carrying value	Carrying value
Financial assets - loans and receivables		
Trade and other receivables	2,948	4,343
Cash and cash equivalents	317	351
	3,265	**4,694**
Financial assets - FVTPL		
Fuel commodity forward derivative contract	3	-
Financial liabilities - at amortised cost		
Trade and other payables	4,873	4,664
Loans and borrowings	11,174	7,766
	16,047	**12,430**

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 which, taken together with diesel fixed price contracts give the group certainty on a substantial proportion of its projected diesel expenditure up to November 2015.

29. Financial instruments - risk management (continued)

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 fair values of the group's financial assets are classified as Level 2.

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 bank using inputs obtained from forward pricing curves corresponding to the maturity of the contract.

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

	2013 £'000
Balance at 1 December 2012	-
Gain recognised in operating profit	3
	3

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 held at 30 November 2013.

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 on page 16.

Interest rate risk

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

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

	2013 £'000		2012 £'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	8,346	11,938	4,444	13,766

In the year the group paid interest at a rate of between 3.5% and 4% (2012: between 3% and 4.5%) 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 4.4% and 8% (2012: between 5% and 11%) in the year. If floating rates of interest changed by 1%, the group's interest expense would not change by a material sum.

29. Financial instruments - risk management (continued)

Credit risk

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

Commodity risk

The group is exposed to risk in the fluctuating price of diesel. It mitigates this risk 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. For example, in the past two years the board has undertaken refinancing of debt to optimise the position. 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:

	2013 £'000	2012 £'000
Share capital	8,818	8,818
Share premium reserve	7,828	7,828
Merger reserve	2,567	2,567
Retained earnings	4,371	2,663
At end of year	**23,584**	**21,876**

30. Related parties and transactions

1. 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 7. At the year end £nil (2012: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £77,373 (2012: £66,669) in dividends on ordinary shares.

2. The services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to a subsidiary undertaking of Rotala, as set out in note 7. At the year end £8,466 (2012: £10,570) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £12,732 (2012: £10,913) in dividends on ordinary shares.

3. The services of F G Flight were provided by Central Coachways Limited, a company controlled by F G Flight, and invoiced by that company to Rotala, as set out in note 7. At the year end £7,500 (2012: £7,891) of the amount charged was unpaid and included within creditors. During the year F G Flight received from Rotala a total of £18,551 (2012: £15,901) in dividends on ordinary shares and £nil (2012: £2,000) in interest on convertible unsecured loan stock.

4. During the year S L Dunn received from Rotala a total of £9,616 (2012: £8,083) in dividends on ordinary shares and £20,800 (2012: £20,800) in interest on convertible unsecured loan stock.

5. During the year K M Taylor received from Rotala a total of £5,005 (2012: £4,290) in dividends on ordinary shares and £2,000 (2012: £2,000) in interest on convertible unsecured loan stock.

6. J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,980,221 ordinary shares of Rotala as at 30 November 2013 (2012: 1,730,221 ordinary shares). The Fund also held £55,000 of the convertible loan stock of Rotala as at that date (2012: £400,000). 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 2013 Mr. Gunn and his beneficial interests held 28.2% (2012: 25.02%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £26,473 (2012: £20,763) in dividends on ordinary shares and £18,200 (2012: £40,234) in interest on convertible unsecured loan stock.

31. Acquisition

As set out in the Chairman's Statement, on 3 March 2013 the group acquired certain businesses and assets in Kidderminster and Redditch from First Group plc. The Chairman's Statement describes the reasons for the acquisition and should be consulted for a detailed description of all the relevant factors. The consideration for the acquisition was £1.559 million in cash. The book value and fair value of the assets acquired are set out below.

	Book value £'000	Fair value adjustment £'000	Fair value on acquisition £'000
Fixed assets			
Vehicles	250	92	342
Freehold land and buildings	1,248	691	1,939
Other fixed assets	61	-	61
Total fixed assets	**1,559**	**783**	**2,342**
Current assets			
Deferred taxation	-	123	123
Current liabilities			
Creditors due within one year	-	(519)	(519)
	-	**(396)**	**(396)**
Gain on acquisition (note 11)			(387)
Acquisition costs (note 11)			155
			1,714
Total cash consideration paid			**1,714**

Because the acquired business was immediately folded in to the existing operations of the group in the same localities, it is not possible to distinguish revenues and profits for the acquired business in the period to 30 November 2013.

The fair value adjustments relate to the buses and freehold properties acquired, together with the liabilities assumed with the business purchase. The deferred taxation asset arises from the purchased goodwill, emanating from the acquisition of the business, recorded in the subsidiary undertaking which acquired that business.

Pre-acquisition book values were determined based on applicable IFRS, immediately prior to the acquisition. The values of assets recognised on acquisition are their estimated fair values. For the buses acquired this is based on the directors' assessment of the age and condition of each of the vehicles and their knowledge of disposal values for equivalent vehicles. The buildings were valued by professional valuers on an existing use basis. The fair value of liabilities brings the accounting policies in line with those of the group for items such as claims.

The acquisition expenses incurred by the group amounted to £155,000 and have been expensed in the Consolidated Income Statement in Administrative Expenses.

32. Capital commitments

As at 30 November 2013 the group had placed orders for undelivered vehicles with a capital value of £602,000 (2012: £1,677,000).

33. Contingent liabilities

The group in 2011 and 2012 received grants totalling of £2,347,000 from the Government's Green Bus Fund for the acquisition of 23 hybrid diesel electric vehicles. The principal condition of the grants is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grants become repayable. The group has no intention of not meeting this condition of the grants.

34. Audit exemption for subsidiary undertakings

For the year ended 30 November 2013, 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
Flights Hallmark Limited	4327651
Central Connect Limited	3506681
The Diamond Bus Company Limited	2531054
Flights Corporate Transfers Limited	4390228
Hallbridge Way Property Limited	6504654
Diamond Bus Company Holding Limited	6504657

Company Balance Sheet

As at 30 November 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	3	25,539	25,539
Current assets			
Debtors	4	5,001	1,870
		5,001	**1,870**
Creditors: amounts falling due within one year	5	**(5,573)**	**(5,148)**
Net current (liabilities)		**(572)**	**(3,278)**
Total assets less current liabilities		**24,967**	**22,261**
Creditors: amounts falling due after more than one year	6	(5,712)	(4,216)
Net assets		**19,255**	**18,045**
Capital and reserves			
Called up share capital	8	8,818	8,818
Share premium account	10	7,828	7,828
Profit and loss account	10	2,609	1,399
Shareholders' funds	11	**19,255**	**18,045**

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2014

Simon Dunn
Chief Executive

Kim Taylor
Group Finance Director

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

Notes to the Company Financial Statements

For the year ended 30 November 2013

1. Accounting policies

The following principal accounting policies have been applied in the preparation of the financial statements:

Basis of preparation
The financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom applicable accounting standards.

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.

Deferred taxation
Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are measured on an undiscounted basis at tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Convertible debt
The proceeds received on issue of the company's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium account, as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Share based payments
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account 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 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 to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Related party disclosures
The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with members of the group headed by Rotala Plc on the grounds that 100% of the voting rights in the company are controlled within that group and that the company is included in the consolidated financial statements.

2. Profit/(loss) 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 group's profit for the year includes a profit after taxation of £1,695,000 (2012: loss £149,000) which is dealt with in these parent company financial statements.

3. Investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 December 2012 & 30 November 2013	25,539

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
Flights Hallmark Limited	England	100%	Transport
Hallbridge Way Property Limited	England	100%	Property holding
Central Connect Limited	England	100%	Transport
The Diamond Bus Company Limited*	England	100%	Transport
Preston Bus Limited	England	100%	Transport

* Held indirectly

4. Debtors

	2013 £'000	2012 £'000
Prepayments and accrued income	166	79
Vehicle order deposit place (see note 5)	-	683
Amounts due from subsidiary undertakings	4,835	1,108
	5,001	**1,870**

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

5. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loans and overdrafts (note 6)	5,076	2,401
Amounts due to subsidiary undertakings	-	1,635
Grant payable	-	683
Trade creditors	90	57
Other creditors	407	372
	5,573	**5,148**

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

	2013 £'000	2012 £'000
Convertible loan stock	2,316	2,316
Bank loan	3,396	1,900
	5,712	**4,216**

Convertible debt

A convertible unsecured loan stock was issued on 3 March 2008 in connection with the acquisition of The Diamond Bus Company Limited. The convertible loan stock was originally redeemable at par on 31 December 2011 or convertible into 25p ordinary shares of the company at a price of 67.5p per share. However, with effect from 31 August 2011, holders of £2,315,850 of the stock agreed to defer the redemption date to 31 December 2014. For these holders conversion may take place on or before 31 December 2014 at a price of 45p per share. The loan stock continues to bear a coupon of 8%.

Bank loan

This loan is secured upon three freehold properties held by subsidiary undertakings of the company, Flights Hallmark Limited, Preston Bus Limited and Hallbridge Way Property Limited.

The company entered into a Senior Term and Revolving Facilities Agreement with its bankers on 20 November 2012. This agreement provides a revolving £5m facility combined with a mortgage facility of up to £3.4m. It is for an initial three year term, renewable at 20 November 2015. There is a separate mortgage facility with the same bank, which expires on 20 December 2016, for a sum of £620,000.

The company entered into a cross-guarantee and floating charge agreement on 27 May 2010 covering its overdraft facilities.

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 15 years.

6. Creditors: amounts falling due after more than one year (continued)

Analysis of maturity

	Convertible debt 2013 £'000	Bank loan 2013 £'000	Total 2013 £'000
In one year or less, or on demand	-	5,076	5,076
In more than one year but not more than two years	2,316	3,008	5,324
In more than two years but not more than five years	-	388	388
	2,316	**8,472**	**10,788**

	Convertible debt 2012 £'000	Bank loan 2012 £'000	Total 2012 £'000
In one year or less, or on demand	-	2,401	2,401
In more than one year but not more than two years	2,316	289	2,605
In more than two years but not more than five years	-	1,611	1,611
	2,316	**4,301**	**6,617**

7. Deferred tax

No closing deferred tax provision is required for the company for 2013. The potential deferred taxation assets not provided are:

	2013 £'000	2012 £'000
Losses	-	16
	-	**16**

The deferred tax asset above was not recognised in accordance with the company's accounting policies.

8. Share capital

	Allotted and called up and fully paid			
	2013 Number	2013 £'000	2012 Number	2012 £'000
Ordinary shares of 25p each	35,270,888	8,818	35,270,888	8,818

Issued Share Capital	Number	Value
As at 1 December 2011 and 2012 and 30 November 2012 and 2013	**35,270,888**	**8,818**

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.

9. Share options and warrants

As at 30 November 2013 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
29 March 2005	240,000	29 March 2008	28 March 2015	125.0p
30 August 2005	93,333	30 August 2008	29 August 2015	162.5p
30 March 2006	520,000	30 March 2009	29 March 2016	37.5p
24 July 2007	208,000	24 July 2010	23 July 2017	62.5p
6 September 2007	880,000	6 September 2010	5 September 2017	62.5p
5 September 2008	695,000	5 September 2011	4 September 2018	50.0p
24 September 2012	319,165	24 September 2015	24 March 2016	40.05p

The Rotala Plc SAYE Share Option Scheme (the "Scheme") is an HM Revenue & Customs approved share option scheme, administered by the Yorkshire Building Society ("YBS"), open to all employees. The issue of share options of 24 September 2012 is at present the only issue in relation to this Scheme. The Scheme runs for an initial three year period. Employees will subscribe, through payroll deductions, a monthly sum which will accumulate in their individual savings accounts at YBS. At the end of the three year period the employee will have the option to purchase ordinary shares of 25 pence in the company ("Ordinary Shares") at a price fixed at the start of each three year period. Under the rules of the Scheme, the board is free to price the share option at a discount to the market price of the Ordinary Shares, at the time the option is granted. Opportunities to subscribe for further options under the Scheme will arise every six months, within a period of approximately 42 days after the announcement of the Interim and Annual Results of the company. In the initial phase of the Scheme the board has decided that it is prepared to allocate up to 1 million options over Ordinary Shares of the company for this purpose.

The company also operates an unapproved equity-settled share based remuneration scheme for group executive directors and senior management. The only vesting condition is that the individual remains an employee of the group until the option is exercised.

	2013 Weighted average exercise price (p)	2013 Number	2012 Weighted average exercise price (p)	2012 Number
Outstanding at beginning of the year	60.21	3,067,399	63.34	2,714,333
Forfeited during the year	(40.05)	(111,901)	(58.00)	(78,000)
Issued during the year	-	-	40.05	431,066
Outstanding at the end of the year	**60.97**	**2,955,498**	**60,21**	**3,067,399**

The exercise price of options outstanding at the end of the year ranged between 37.5p and 162.5p (2012: 37.5p and 162.5p) and their weighted average remaining contractual life was 3.28 years (2012: 4.23 years).

Of the outstanding options at the balance sheet date 2,636,333 (2012: 2,636,333) were exercisable. The weighted average exercise price was 63.50p (2012: 63.50p).

10. Reserves

	Share premium account 2013 £'000	Profit and loss account 2013 £'000
At 1 December 2012	7,828	1,399
Profit for the year	-	1,695
Employee share schemes	-	9
Dividends paid	-	(494)
At 30 November 2013	**7,828**	**2,609**

11. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit/(loss) for the year	1,695	(149)
Share based payment charge credited to reserves	9	2
Dividends paid	(494)	(283)
Net addition to shareholders' funds	1,210	(430)
Opening shareholders' funds	18,045	18,475
Closing shareholders' funds	**19,255**	**18,045**

12. Pensions

The company does not have a pension scheme of any nature.

13. Capital commitments

As at 30 November 2013 the company had placed orders for undelivered vehicles with a capital value of £602,000 (2012: £1,677,000).

14. Commitments under operating leases

The company had the following operating lease commitments:

	Other 2013 £'000	Other 2012 £'000
Expiry date		
- up to one year	22	-
- between two and five years	45	31

15. Contingent liabilities

The company has entered into a cross-guarantee and floating charge agreement with its subsidiaries. At 30 November 2013 the contingent liability amounted to £387,000 (2012: £717,000).

The company has guaranteed the hire purchase obligations of its subsidiaries. At 30 November 2013 the contingent liability amounted to £9,111,000 (2012: £10,876,000).

The company in 2011 and 2012 received grants totalling of £2,347,000 from the Government's Green Bus Fund for the acquisition of 23 hybrid diesel electric vehicles. The principal condition of the grants is that the vehicles should be retained by the group for at least three years. If this condition is not observed the grants become repayable. The company has no intention of not meeting this condition of the grants.

16. Related parties and transactions

1. 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. At the year end £nil (2012: £nil) of the amount charged was unpaid and included within creditors. During the year J H Gunn received from Rotala a total of £77,373 (2012: £66,669) in dividends on ordinary shares.

2. The services of R A Dunn were provided by motorBus Limited, a company controlled by R A Dunn, and invoiced by that company to a subsidiary undertaking of Rotala. At the year end £8,466 (2012: £10,570) of the amount charged was unpaid and included within creditors. During the year R A Dunn received from Rotala a total of £12,732 (2012: £10,913) in dividends on ordinary shares.

3. The services of F G Flight were provided by Central Coachways Limited, a company controlled by F G Flight, and invoiced by that company to Rotala. At the year end £7,500 (2012: £7,891) of the amount charged was unpaid and included within creditors. During the year F G Flight received from Rotala a total of £18,551 (2012: £15,901) in dividends on ordinary shares and £nil (2012: £2,000) in interest on convertible unsecured loan stock.

4. During the year S L Dunn received from Rotala a total of £9,616 (2012: £8,083) in dividends on ordinary shares and £20,800 (2012: £20,800) in interest on convertible unsecured loan stock.

5. During the year K M Taylor received from Rotala a total of £5,005 (2012: £4,290) in dividends on ordinary shares and £2,000 (2012: £2,000) in interest on convertible unsecured loan stock.

6. J H Gunn is a director of The 181 Fund Limited ("The Fund"), a company incorporated in Jersey. The Fund held an interest in 1,980,221 ordinary shares of Rotala as at 30 November 2013 (2012: 1,730,221 ordinary shares). The Fund also held £55,000 of the convertible loan stock of Rotala as at that date (2012: £400,000). 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 2013 Mr. Gunn and his beneficial interests held 28.2% (2012: 25.02%) of the ordinary share capital of The Fund. During the year The Fund received from Rotala a total of £26,473 (2012: £20,763) in dividends on ordinary shares and £18,200 (2012: £40,234) in interest on convertible unsecured loan stock.

Shareholder Information

Notice of Annual General Meeting

NOTICE IS HEREBY given that the Annual General Meeting ("AGM") of Rotala plc (the "Company") will be held at 12 pm on 29 May 2014 at the offices of the Company at Beacon House, Long Acre, Birmingham, B7 5JJ for the purpose of considering, and if thought fit, passing the following Resolutions with or without modifications and of which Resolutions 1 to 7 (inclusive) will be proposed as ordinary resolutions and Resolutions 8 to 9 will be proposed as special resolutions.

Ordinary Resolutions

1. THAT, the accounts of the Company for the financial period ended 30 November 2013, together with the directors' report and the auditor's report on those accounts, be received and considered.

2. THAT, upon recommendation of the directors, a dividend of 1.05p per ordinary share be declared as a final dividend in respect of the financial year ended 30 November 2013.

3. THAT, Grant Thornton UK LLP be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting of the Company before which statutory accounts are laid and that the directors of the Company be and are hereby authorised to fix the auditors' remuneration from time to time.

4. THAT, John Gunn who is retiring by rotation in accordance with the Company's articles of association and, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.

5. THAT, Robert Dunn who is retiring by rotation in accordance with the Company's articles of association and, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.

Special Business

6. THAT, in accordance with section 366 of the Companies Act 2006 ("CA 2006"), the Company and its subsidiaries are hereby authorised to:-

    6.1 make political donations to political organisations or independent election candidates, as defined in sections 363 and 364 of CA 2006, not exceeding £25,000 in total; and

    6.2 incur political expenditure, as defined in section 365 of CA 2006, not exceeding £25,000 in total, during the period commencing on the date of this Resolution and ending on the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2015.

7. THAT, in substitution for all existing such authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of CA 2006 to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into shares in the Company up to an aggregate nominal amount of £2,939,240 (being approximately one-third of the issued ordinary share capital of the Company as at 24 April 2014 being the last working day prior to the publication of the notice convening the meeting) provided that such authority, unless renewed or revoked by the Company in general meeting, shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2015 but the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares or grant rights in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired.

Special Resolutions

8. THAT, in substitution for all existing such authorities and subject to the passing of Resolution 7, the directors be generally empowered pursuant to section 570 of CA 2006 to allot equity securities (within the meaning of section 560 of CA 2006) for cash pursuant to the authority conferred by Resolution 7 or by way of sale of treasury shares as if section 561 of CA 2006 did not apply to the allotment or sale provided that this power:-

    8.1 is limited to the allotment of equity securities:-

        8.1.1 where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be) to their existing holdings of Ordinary Shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or to deal with legal and/or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

        8.1.2 otherwise than pursuant to paragraph 8.1.1 up to an aggregate nominal value of £881,772 (representing approximately 10 per cent. of the issued ordinary share capital of the Company as at 24 April 2014);

    8.2 shall expire at the earlier of the conclusion of the next annual general meeting of the Company and 31 May 2015, but such authority shall extend to the making of an offer or agreement which would or might require equity securities to be allotted after such expiry date and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this Resolution had not expired;

9. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of CA 2006 to make market purchases (within the meaning of section 693(4) of CA 2006) of Ordinary Shares provided that:-

    9.1 the maximum number of Ordinary Shares which may be purchased is 3,527,088 (representing ten per cent of the Company's issued ordinary share capital as at 24 April 2014);

    9.2 the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is 25 pence;

    9.3 the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations of an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased;

    9.4 this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company after the passing of this Resolution and 31 May 2015 (unless previously renewed, varied or revoked by the Company in general meeting); and

    9.5 the Company may, before such expiry, enter into one or more contracts to purchase Ordinary Shares under which such purchases may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By Order of the Board

Kim Taylor

Company Secretary

Date: 24 April 2014

Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).

2. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified Resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to Resolutions) which may properly come before the meeting.

3. Shareholders may appoint a proxy or proxies:-

    3.1 by completing and returning a form of proxy by post or by hand to the offices of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

    3.2 in the case of CREST members, through the CREST electronic proxy appointment service.

4. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by one of the methods in note 3 above not less than 48 hours before the time for holding the meeting. In addition, any power of attorney or other authority under which the proxy is appointed (or a notarially certified copy of such power or authority) must be deposited at the offices of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. Any such power of attorney or other authority cannot be submitted electronically.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear UK & Ireland") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting.

10. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

12. Copies of the directors' service contracts and the terms and conditions of appointment of non-executive directors will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the meeting and at the venue of the meeting for at least 30 minutes prior to and at the meeting.

13. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at the close of business on 27 May 2014 shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, the close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.

Explanatory Notes to Notice of Annual General Meeting

At the Annual General Meeting the following will be proposed as explained below:

Resolution 2 – Declaration of a final dividend

Shareholder approval is required for the payment of a final dividend as recommended by the board of directors. Subject to shareholder approval this dividend will be paid on 27 June 2014 to those shareholders on the Company's register of members as at close of business on 6 June 2014.

Resolution 6 – Authority to make donations to political organisations and to incur political expenditure

Part 14 of the Companies Act 2006 ("CA 2006"), amongst other things, prohibits the Company and its subsidiaries from making donations of more than £5,000 to an EU political party or other EU political organisation or to an independent election candidate in the EU in any 12 month period unless they have been authorised to make donations by the Company's shareholders.

CA 2006 defines 'political organisations', 'political donations' and 'political expenditure' widely. It includes organisations which carry on activities which are capable of being reasonably regarded as intended to affect public support for a political party or an independent election candidate in any EU Member State or to influence voters in relation to any referendum in any EU Member State. As a result, it is possible that the definition may include bodies, such as those concerned with policy review and law reform, which the Company and/or its subsidiaries may see benefit in supporting.

Accordingly, and as proposed to Shareholders at the Company's annual general meeting in 2013, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of CA 2006 through the undertaking of routine activities, which would not normally be considered to result in making political donations or incurring political expenditure. Neither the Company nor any of its subsidiaries has any intention of making any particular political donations under the terms of this Resolution.

Resolution 7 – Authority to allot relevant securities

Under section 549 of CA 2006, the directors of a company may not allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company unless authorised to do so. This resolution, if passed, will continue the directors' flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares, and renews the authority given at the last AGM.

This authority will allow the directors to allot new shares and to grant rights in respect of shares up to a nominal value of £2,939,240 which is equivalent to one third of the total issued ordinary share capital as at 24 April 2014. The directors have no current intention of exercising this authority.

This authority will expire at the conclusion of the next AGM, or 31 May 2015, whichever is the earlier.

Resolution 8 – Authority to disapply pre-emption rights

If equity securities (within the meaning of section 560 of CA 2006) are to be allotted for cash, section 561 of CA 2006 requires that those equity securities are offered first to existing shareholders in proportion to the number held by them at the time of the offer and otherwise in compliance with the technical requirements of CA 2006. However, it may be in the interests of the Company for the directors to allot shares and/or sell treasury shares other than to shareholders in proportion to their existing holdings or otherwise than strictly in compliance with those requirements.

A special resolution will be proposed to renew the authority of the directors to allot equity securities for cash without first being required to offer such securities to existing shareholders. This authority is limited to the allotment of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £881,772 which is equivalent to 10 per cent of the total issued ordinary share capital of the Company as at 24 April 2014 and allotments of equity securities and/or sale of treasury shares in connection with a rights issue or other offer to shareholders, subject to the directors ability to make arrangements to deal with certain legal or practical problems arising in connection with such offer. This power will expire at the conclusion of the next AGM, or 31 May 2015, whichever is the earlier.

Resolution 9 – Authority to purchase own shares

The directors believe that it is in the interests of the Company and its members to continue to have the flexibility granted to the directors at the last AGM to purchase its own shares and this resolution seeks continued authority from members to do so. The directors intend only to exercise this authority where, after considering market conditions prevailing at the time, they believe that the effect of such exercise would be to increase the earnings per share and be in the best interests of shareholders generally.

The outcome of such purchases would either be to cancel that number of shares or the directors may elect to hold them in treasury pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations").

This resolution would be limited to 3,527,088 ordinary shares, representing approximately 10 per cent of the issued share capital as at 24 April 2014. The directors intend to seek renewal of this power at each Annual General Meeting.

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