

Optare PLC

Annual Report

Registered number 06481690

31 March 2015

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Contents

Strategic report

02	Review of the year
03	Chairman's statement
05	Chief Executive Officer's report
07	Missions and values
08	Our strategy and KPIs
09	Key risks

Corporate Governance

10	Board of directors
11	Corporate governance
12	Directors' remuneration report
14	Directors' report
16	Directors' responsibilities in respect of the preparation of financial statements

Financial Statements

17	Independent auditor's report
18	Consolidated income statement
19	Consolidated statement of changes in equity
20	Consolidated balance sheet
21	Consolidated cash flow statement
22	Summary of significant accounting policies
27	Notes to the consolidated financial statements
41	Company balance sheet
42	Summary of significant accounting policies
43	Notes to the company financial statements
45	Advisers

REVIEW OF THE YEAR

Operational Highlights

- Introduction of New Euro 6 range
- Introduction of MetroCity Single Door and New Tempo for Australia
- Low carbon certification achieved for MetroCity and Solo

Financial Highlights

- Revenue for the period was £57.8m, an improvement of 1% over prior year.
- There were exceptional costs of £0.5m in this year accounts (2013/14: nil).
- Gross profit was £7.5m (representing 13.0% of turnover) over the 12 month period (2013/14: £6.1m representing 10.7% of turnover).
- Pre-exceptional EBITDA losses reduced to £1.6m (2013/14: £1.9m).
- Operating cash outflow before working capital changes was £2.0m (2013/14: £1.9m)
- Loss per share remained constant at 0.2p per share.

Enrico Vassallo, CEO, commented: "2014/15 represented an important step forward for Optare in terms of long-term growth through investment in product development and the recovery of group sales in our major market - the UK. I am pleased to report that Optare has maintained its market share in the domestic market and has increased international sales by 5%.

We are already seeing signs that the launch of the new Metro range of vehicles is serving to strengthen our market position in the UK. We continue to focus on cost reduction and our business processes to drive continuous improvement and the highest quality product. Overall we anticipate progress in 2015/16 towards a satisfactory performance, with increased sales of Electric Vehicles and growth in Australia, Europe and the Middle East."

Strategic Report

Chairman's Statement

Introduction

2014/15 has been a year of focus on long-term growth for Optare, with investment in product development, recovery of group sales in the UK and growth of international sales in Australia and the Middle East.

Highlights include:

- MetroCity Single door vehicle launched to increase the Company's product offering in the UK Market.
- New Tempo developed and launched for the Australian market
- Successful low carbon accreditation. Euro 6 Solo and MetroCity now meet this accreditation requirement to produce 30% less emissions of greenhouse gases than a normal diesel bus
- Optare continued to 'embrace the environment' with sales of green technology increasing by 10%
- First non-Government funded order of MetroCity Electric vehicles
- Recognised for excellence in environment and green technology by the Indo European Business Forum.
- Continued integration with Ashok Leyland to deliver key business objectives

Strategic development

Our strategy is consistent with what we stated last year which is outlined below:

- Focus on rear-engine integral solutions for urban applications
- Consolidating and maintaining UK leadership in the mini-bus market
- Growth in the midi-bus and Double Deck markets
- Entry into the Double Deck market
- Expansion of the market share globally by selling buses to global standards at competitive prices
- Optare is the hub of Ashok Leyland's global expansion into Europe and worldwide
- Reinforce customer focus through new aftermarket structure

I am pleased to report during the year we have made progress on all these key strategic objectives.

Our customers

Our customers remain key to our business and they continue to provide excellent support to the Group.

We continue to strengthen our business relationships with the major bus groups. We are confident that these relationships and partnerships will continue to grow and we remain committed to delivering high quality, innovative and value for money products on time.

Our people

I would like to thank our workforce for their dedication, commitment and focus on delivering high quality products. They have also been critical in continuing to work with us to deliver the strategic objectives of the company. Lastly, I would like to thank the shareholders for their continuing support.

Chairman's statement *(continued)*

Summary for 2015-16

In summary 2015-16 will focus on:

- Increasing volume in the UK through sales of the Metrocity and MetroDecker products
- Continued development of products and commercial relationships for export markets to drive further international expansion
- Continuing to 'embrace the environment' by developing and delivering green product technology
- Continuing to drive cost reduction and integrate business processes to deliver quality products
- Focus on the 'aftermarket'

John Fickling
Non-executive Chairman
25 June 2015



Chief Executive Officer's Report

Business and financial report

2014/15 represented an important step forward for Optare in terms of long-term growth through investment in product development, the recovery of group sales in our major market, the UK, and International sales, mainly in Australia and the Middle East.

Optare posted overall sales of 360 single deck vehicles in 2014/15 maintaining market share in the domestic market and growing international sales by 5% from 2013/14.

The global turnover increased from £56.9m to £57.8m. Profit after tax was a net loss of £4.8m, mainly due to investment in product development including the introduction of the new Euro 6 product range, MetroCity single door, the new Tempo for Australia and Low Carbon Certification for the Euro 6 MetroCity and Solo ranges.

The overall UK bus market grew 12% compared to the previous year; this growth was primarily driven by the double deck segment (22% increase from 2013/14), while the single deck segment only grew marginally in comparison (6% increase from 2013/14). Optare was only present in the single deck segment in 2014/15 and grew 5% in line with the market.

In the single deck market, Optare continues to lead in the less than 12t segment (Solo) where Optare achieves 100% of market share. Optare launched the MetroCity single door in Q3 to be more competitive in the 12-16t market, the results of which will not be apparent until next year and explain the slight reduction in market share in this segment in 2014/15.

Optare continues to 'embrace the environment' with sales of green technology increasing by 10% in 2014/15. The Company's green vehicle strategy is further supported by the announcement of the world's first Ultra Low Emission Zone in London and Optare's first Electric Vehicle order solely funded by a commercial operator.

The Company's integration with our parent company, Ashok Leyland, continues to deliver sales opportunities in international markets and continued product development and cost control.

The company delisted from the AIM market on 1 June 2015.

Financial performance

The financial results for the year show a net loss of £4.8m compared to a loss of £4.1m in the previous period, which represents a detraction of 17%, in the main due to considerable investment in new products.

The key highlights for the period ending are:

- Revenue for the period is £57.8m; an improvement of 1% over prior year.
- Pre-exceptional gross profit was 13% of turnover over the 12 month period (11% for 2013/14).
- Pre-exceptional administrative expenses for the period were £9.5m (£8.0m for 2013/14).
- Pre-exceptional EBITDA losses were £1.6m (£1.9m for 2013/14).
- Operating cash out flow before working capital changes were £2.0m (£1.9m for 2013/14).
- There were exceptional costs of £0.5m in this year's accounts (£nil for 2013/14).
- Loss per share was unchanged at 0.2p per share.
- Further investment of £1.5m loan was received from parent company

Current trading

On the 31 March 2015, the current order book stood at £22.2m compared to £28.4m in the previous year. Although the order book value appears to have decreased, this is, in part, due to a smaller number of orders for electric vehicles because of reduced government funding for these vehicles. However, we are starting to see the first fully commercially funded orders for Electric Vehicles with an order for 7 units placed in March 2015.

Additionally, we have successfully launched our new MetroCity product that completes our product offering in the market.

We are the industry leaders in Electric Vehicles in the UK market with 80 in service across the UK and Europe. Increasing pressure on fuel cost, low emissions regulations and increasingly environmentally conscious customers, provides the company with an avenue to differentiate and grow in a mature market.

In September 2014, Optare was recognised for its excellence in environment and green technology by the Indo European Business Forum at an awards ceremony at the House of Lords, Westminster, London.

Board and management changes

In October 2014, Steven Norris was appointed by Optare as an Independent Non-Executive Director. Mr Norris simultaneously took on the role of Deputy Chairman of the Board and is assisting Optare in working with the UK bus industry to achieve greener bus travel and improved air quality in the UK.

The senior management team has been strengthened further to create an organisation that is customer focused to underpin our top line growth expansion.

Delisting


The Company delisted from the AIM market on 1 June 2015, after following the required shareholder consultation process. The delisting was undertaken as the Company was no longer receiving any benefits from its listed status.

Outlook

The Company will focus on developing the next generation of electric vehicles focusing on increased operation range and introducing the MetroDecker to the market. A transformation programme to deliver business process excellence will be launched in Q1 designed to integrate business processes and to deliver the highest quality products and service.

The UK market is showing signs of growth and the Board anticipates Optare will be part of this growth through its complete product offering. The company is making solid progress to qualify to tender for substantial export contracts to take advantage of opportunities that exist in Europe, Middle East and South East Asia.

Overall the Board expect progress in 2015/16 towards a satisfactory performance, with increased sales of Electric Vehicles driven by the London market, growth in Australia, Europe and a complete product offering.



Enrico Vassallo
Chief Executive Officer

25 June 2015

MISSION AND VALUES

Our mission is to drive the future of our business and that of our customers

We continually assess the quality of our business model through measuring its effectiveness and searching for opportunities for improvements.

Our business model is based around our core values of customer focus, innovation, team spirit and excellence.

CUSTOMER FOCUS

Developing partnerships with our suppliers and customers.

INNOVATION

Continuously improving product designs, performance, reliability and after-market services.

TEAM SPIRIT

The training and development of employees. We recognise that quality is the responsibility of every employee, extending from the Board of Directors and it is the duty of all employees to ensure that these commitments are fulfilled.

EXCELLENCE

Building and maintaining the management system through regular reviews to continuously improve.

OUR STRATEGY AND KPIS

Our strategy is in place to help ensure the Group reaches its key growth targets

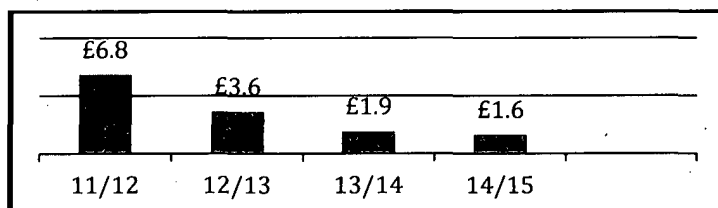
STRATEGIC FOCUS

Our strategic focus includes:

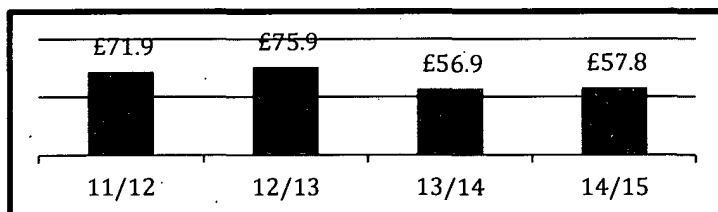
- Focus on rear engine integral solutions for urban applications
- Consolidating and maintaining UK leadership in the mini-bus market
- Growth in the midi-bus market
- Entry into the Double Deck market
- Expansion of market share globally by selling buses to global standards at competitive prices
- Optare is the hub of Ashok Leyland's global expansion into Europe and worldwide
- Reinforce customer focus through new aftermarket structure

KEY PERFORMANCE INDICATORS

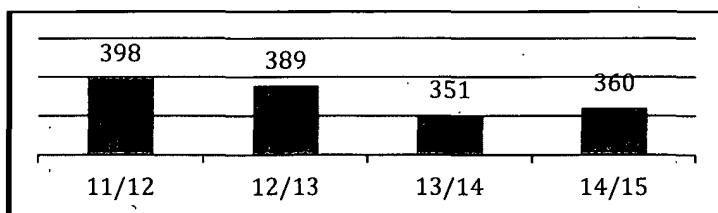
EBITDA pre-exceptional loss (£m):



TURNOVER (£m):



BUS SALES VOLUME (single deck):



OUR STRATEGY: DELIVER WHAT WE PROMISE

KEY RISKS

We have a robust management system in place to monitor and assess the Group risks.

The Audit committee is responsible for reviewing the Group's internal financial controls and risk management systems and processes to limit the exposure to the above key risks.

The key risks that might materially affect the financial performance of the Group are:

KEY RISK

MITIGATING ACTIVITIES

Financial Statements Summary of Significant Accounting Policies.

Changes in legislation

Legislative changes may require investment in new product developments or adaptations which will incur cost. Design changes are regularly made to address legislative changes well ahead of their legal introduction

Decrease in market demand

The Group operates in a market where there are a number of competitors whose actions may affect the level of turnover of the Group. Market demand, whilst underpinned by strong long-term drivers, may fluctuate over the short to medium term. The Board is actively pursuing a policy to decrease the dependency on the UK market by increasing focus on export markets.

Introduction and production of new technologies

The introduction and start-up of production of new technologies, such as EV and hybrid technology, carries a technical and execution risk. The Group continually works with major global suppliers to evaluate new technological developments and how best to improve designs, introduce them into products and incorporate them into assembly production.

Supply chain

The Group is currently dependent upon key suppliers to ensure continuity of production. Interruption of such supply may have a detrimental effect on the Group's revenue stream and resultant operating results. Common sourcing strategies are being pursued with Ashok Leyland to reduce the dependency on any one supplier.

Customer relationships

The Group continues to trade with a number of customers, the future business of which cannot be guaranteed beyond the terms and conditions of existing contracts as referred to by separate disclosure. Significant effort is put into maintaining and developing Optare's long-term reputation with both existing customers and new customers.

Credit, liquidity, foreign currency and cash flow risks are discussed within the Consolidated Financial Statements Summary of Significant Accounting Policies.

Board of Directors

Enrico Vassallo

(Chief Executive Officer)

Holding a degree in mechanical engineering, Enrico brings a wealth of international experience and market knowledge. He spent 15 years working in the global bus and truck industry with the Iveco Group; latterly, as the general manager of Irisbus Italy; Enrico was Sales and Marketing Director for Africa and the Middle East. In 2011 he moved to Brazil to take up a post as president of FPT Industrial, a division of Fiat Industrial, responsible for the group's operations in Latin America. He became Optare's CEO and an independent executive director in October 2013.

Anuj Kathuria

(Non-executive Director)

An engineering graduate from BITS and an MBA from XLRI, Jamshedpur, Anuj brings a wealth of experience across multiple functions including manufacturing, sourcing, mergers and acquisitions and programme management. He also undertook a two-year overseas assignment as head of global sourcing. With Ashok Leyland since 2010, he heads the strategic sourcing and supply chain and is responsible for all supply chain activities, including bringing synergistic benefits to Optare's material sourcing and cost.

John Fickling

(Independent Non-executive Chairman)

John is a qualified engineer. He has over 25 years' experience in the transport industry as a former major shareholder and executive director of Northumbria Buses and Kentish Bus, developing the latter into one of the largest privately owned London bus companies for Transport for London. He was chief executive of Sunderland AFC for eleven years, where he oversaw the building of the Stadium of Light and the new training academy and had significant involvement in its full stock market listing in the late 1990s. John is very well known across the industry and has a keen interest in green issues in public transport. He is Chairman of the Remuneration Committee.

Gopal Mahadevan

(Non-executive Director)

Gopal is currently CFO for Ashok Leyland Ltd. Gopal is a chartered accountant and a company secretary with 25 years' experience in finance functions across a variety of industries. He started his career with the TTK Group and then moved to Sanmar Group where he progressed to head of finance for their PVC business. He later joined Sify Limited to head mergers and acquisitions, legal and Nasdaq compliances, following which he joined Amara Raja Batteries as group CFO. Prior to his appointment to Ashok Leyland, Gopal was CFO of engineering company Thermax Limited. On his appointment as a Non-executive Director, Gopal became Chairman of the Audit Committee.

Venkatesan Venkataraman

(Non-executive Director)

Venkatesan is currently president of business development and strategy for Hinduja Automotive Limited, responsible for strategy, M&A and business development activities of the Hinduja Group's automotive interests based in the UK. Starting as a graduate engineer in Ashok Leyland, he has over 30 years' experience in industrial engineering, business and corporate planning functions. He led the Ashok Leyland negotiations for its initial stake and, subsequently, its increased stake in Optare.

Venkataraman Thyagarajan

(Non-executive Director)

Mr. Venkataraman Thyagarajan, 54, is currently the Head of Global Bus Business of Ashok Leyland Ltd, Optare's parent company. Mr. Venkataraman is a Mechanical Engineer and holds a Master's Degree in Industrial Management. Mr. Venkataraman has 33 years' experience in the automotive industry and started his career in 1981 with various organizations such as Suhail Bahwan & Saud Bahwan Group, Amalgamations Group, McNeil & Magon and Enfield Motors. Mr. Venkataraman was a Professor at NITIE, Mumbai for three years and has four publications to his credit. Mr. Venkataraman joined Ashok Leyland Ltd in April 2010 and is responsible for the Global Bus Business. He is a Director of the Ashok Leyland (UAE) LLC and Irizar TVS Ltd.

Steven Norris

(Non-executive Director)

Steven John Norris, 69, started his career in the engineering and motor industries, entering into politics in 1977 when he was elected to Berkshire County Council. In 1983 he became the Member of Parliament for Oxford East and subsequently held various parliamentary positions until 1992 when he became the Parliamentary Under-Secretary of State for Transport and Minister for Transport in London. Mr Norris was responsible for the Jubilee line extension, the largest extension of the London Underground network to date. Mr Norris is widely known for his interest in public transport. He possesses a wealth of experience and is either currently or has previously held roles as Chairman of the National Cycling Strategy Board, Director General of the Road Haulage Association and President of the Motor Cycle Industry Association, a Commissioner with the Independent Transport Commission, and a patron of the cyclists charity, Sustrans and of the Campaign for Better Transport (UK) Trust. Mr Norris holds an MA in Jurisprudence from the University of Oxford.

Corporate governance

The Board is accountable to the Company's shareholders for good corporate governance. The Company has partially complied throughout the period with the main principles of the UK Corporate Governance Code 2012.

Principles of corporate governance

The Company is committed to high standards of corporate governance. The Company has regard to the main principles of the Financial Reporting Council's UK Corporate Governance Code 2012.

The role of the Board is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management's performance. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Board structure

Following Ashok Leyland and its associated companies' increase to 75.1% of the shares in the Company in January 2012, the Board has evolved to a structure with the independent Non-executive Chairman, one independent executive Director (the CEO) and three Ashok Leyland nominated Non-executive Directors.

Directors' dates of appointment and resignation are detailed in the Directors' Report.

Board role

The Board is responsible to shareholders for the proper management of the Group. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it. It is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters. The Board met on nine separate occasions in the year.

Appointment and Induction of Directors

The composition of the Board is kept under review with the aim of ensuring that the Directors collectively possess the necessary skills and experience to direct the Group's business activities.

Board committees

The Board delegates certain matters to its two principal committees, which deal with remuneration and audit.

Remuneration Committee

The Remuneration Committee comprises the Non-executive Directors John Fickling and Venkatesan Venkataraman. The Remuneration Committee determines and agrees with the Board the framework of remuneration for the Executive Director. The Board itself determines the remuneration of the Non-executive Directors. There was one Remuneration Committee meetings in the year which was attended. The report on Directors' remuneration is set out on pages 12 and 13.

Audit Committee

The Audit Committee comprises the Non-executive Directors Gopal Mahadevan (Chairman) and John Fickling.

Meetings are also attended, by invitation, by the Chief Financial Officer.

The Audit Committee is responsible for:

- reviewing the scope of external audit, to receive regular reports from KPMG LLP;
- reviewing the half-year and annual accounts prior to their recommendation to the Board;
- reviewing the Group's internal financial controls and risk management systems and processes;
- making recommendations on the appointment, re-appointment and removal of the external auditor and approving the terms of engagement;
- reviewing the nature of the work and level of fees for non-audit services provided by the external auditor; and
- assessing the independence, objectivity and effectiveness of the external auditor.

The committee met on two occasions during the year and the meetings were fully attended.

Internal control

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board is of the view that due to the current size and composition of the Group it is not necessary to establish an internal audit function.

Relations with shareholders

The Company values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. Private investors are encouraged to participate in the annual general meeting at which the Non-executive Chairman presents a review of the results and comments on current business activity. Members of the Audit and Remuneration Committees will be available at the annual general meeting to answer any shareholder questions.

Going concern

The Directors confirm that they are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further disclosures are made on page 22.

John Fickling
Non-executive Chairman
25 June 2015

Directors' remuneration report

Remuneration policy

The policy of the Committee is to reward Executive Directors in order to recruit, motivate and retain high quality executives within a competitive marketplace.

There are four main elements of the remuneration packages for Executive Directors and senior management:

- basic annual salary (including Directors' fees) and benefits;
- annual bonus payments which cannot exceed 100% of salary;
- share option incentives; and
- pension arrangements.

Basic salary

Basic salary is reviewed annually in March with increases taking effect from 1 April. In addition to basic salary, the Executive Director also receives certain benefits in kind, principally private medical insurance and a car. No pay rises were awarded during the year.

Annual bonus

The purpose of the annual bonus is to reward the Executive Director and other senior management for achieving above average performance compared to appropriate industry targets, which would also benefit shareholders. Incentive payments for the year ended 31 March 2015 totalled £nil (2013: £nil).

Share option incentives

The Group offers share options to the Executive Director and other senior employees to facilitate the recruitment of candidates of appropriate experience and qualification. In the year ended 31 March 2015, no share options were issued (2013: nil). The exercise of the outstanding options is not dependent on performance criteria, but options are subject to a two-year lock-in period from the date of issue. The Company is reviewing its policy in respect of future tranches of share options or whether a long-term incentive plan will be put in place.

Pension arrangements

The Executive Director is a member of a money purchase pension scheme to which the Group contributed at 10% of salary. No other payments to Directors are pensionable.

Directors' contracts

It is the Company's policy that the Executive Director should have a contract with an indefinite term providing for a maximum of one year's notice. In the event of early termination, the Director's contract provides for compensation up to a maximum of basic salary for the notice period.

Non-executive Directors

The fees of independent Non-executive Directors are determined by the Board as a whole, having regard to the commitment of time required and the level of fees in similar companies. Non-executive Directors are employed by letter of appointment. Non-executive Directors are not entitled to participate in the Company's pension scheme.

Directors' emoluments and compensation

	Salary £	Benefits £	Bonuses £	Other* £	2014/15 Total £	2013/14 Total £
Executive Directors						
Enrico Vassallo	154,383	13,775	—	17,640	185,798	108,579
Non-executive Directors						
John Fickling	55,803	—	—	—	55,803	63,795
Jorma Halonen	—	—	—	—	—	7,500
Anuj Kathuria	—	—	—	—	—	—
Gopal Mahadevan	—	—	—	—	—	—
Venkatesan Venkataraman	—	—	—	—	—	—
Venkataraman Thyagarajan	—	—	—	—	—	—
Steven Norris	12,446	—	—	—	12,446	—
Total	222,632	13,775	—	17,640	254,047	179,874

Notes

* Other principally includes employer pension contribution.

Director's share options

	Options at 31 March 2014	Options granted in year	Forfeited in year	Options at 31 March 2015	Exercise price (pence)	Exercise period	Expiry date
John Fickling	250,000	—	—	250,000	1.00p	10 years	03/07/2019
John Fickling	250,000	—	—	250,000	4.15p	10 years	03/07/2019

Director's interests in shares

Director's interests in the shares of Optare plc as at 31 March 2015 were:

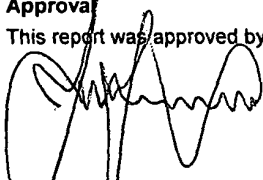
	Number
John Fickling	3,588,355
Total	3,588,355

No other Director had any interest in the shares of Optare plc as at 31 March 2015.

The market price of shares at 31 March 2015 (being the last trading day in the year) was 0.18p and the range during the year was 0.12p to 0.33p. The company delisted on 1 June 2015.

Approval

This report was approved by the Board of Directors and authorised for issue on 25 June 2015 and signed on its behalf by:



John Fickling

Chairman of the Remuneration Committee

DIRECTORS REPORT

The Directors submit their report and the financial statements of Optare plc for the year ended 31 March 2015.

Principal activities

The Group is engaged in bus design, manufacture, sales, coach sales, after-market support and bus refurbishment.

Financial instruments

The Group's financial instruments comprise cash, borrowings and finance leases, and various items such as trade debtors and trade creditors arising from its operations. The Group has not established a formal policy on the use of financial instruments but assesses the risks faced by the Group as economic conditions and the Group's operations develop. Further disclosures relating to financial instruments are included in the Summary of Significant Accounting Policies.

In January 2015 the company entered into a forward contract for the value of \$2.2m USD to manage its exposure to foreign currency movements on a \$2.3m loan received from the Ashok Leyland Group. Value date of this contract is July 2015.

Political and charitable contributions

There were no political contributions during the period. Charitable contributions were £ nil in the period (2014: £nil).

Research and development

The Group does not carry out research, all efforts being focused on development. The Group has one of the strongest product development teams in the industry, generating advanced product designs in accordance with customer needs, legislative requirements and market trends, integrated with market leading technology suppliers.

The Company plans to break into the double deck market in 2015, with EV and hybrid variants to be made available.

Events since the end of the year

After careful consideration of the long term growth plans for Optare the Board have taken the decision to delist from the Alternative Investment Market (AIM). Delisting from AIM is seen as a positive step towards increasing Optare's competitive advantage. There are significant costs associated with maintaining a quotation on AIM, the Board of Directors believes these costs outweigh the benefits and that these funds would be better deployed to support Optare's investment in product support and future technology as part of its growth strategy. Ashok Leyland, part of the Hinduja Group, will remain the major shareholder and continue to support the Company in its growth strategy. Optare remain committed to delivering the latest environmental and technological advancements in passenger transport to our customers.

See note 24, Post-period events, for further detail.

Directors

Directors who served in the year are as follows:

John Fickling

Anuj Kathuria

Venkatesan Venkataraman

Gopal Mahadevan

Enrico Vassallo

Venkataraman Thyagarajan (Appointed 28 July 2014)

Steven Norris (Appointed 10 October 2014)

During the year the Group maintained insurance policies providing liability cover to its Directors.

Disabled persons

It is the policy of the Group that disabled people should have the same consideration as others for all job vacancies for which they apply as suitable candidates.

It is Group policy to ensure that equal opportunity is given for the employment, training and career development of disabled persons, including persons who become disabled whilst in the Group's employment.

Employee involvement

The Group encourages the involvement of its employees through regular dissemination of information of particular concern to employees, including a regular newsletter.

Environmental policy

The Group environmental policy is to meet the statutory requirements placed upon it and to apply good environmental practice in its operations.

Policy on payment of creditors

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice.

Trade creditor days based on creditors at 31 March 2015 were 70 days (2014: 101 days).

Directors' report (continued)

Substantial shareholdings

Information on substantial shareholdings and shares not in public hands is reported on our website www.optare.com in accordance with Rule 26 of the AIM Rules (February 2010). Ashok Leyland Ltd own 75.1% of the share capital of the business. Ashok Leyland Ltd is classified as the immediate parent of the Company as it maintains the controlling interest and exercises control through its employees, who sit on the board of Optare plc. The Board has authorisation from the 10 September 2014 shareholders' general meeting to issue warrants to maintain this percentage on the exercise of share options or other outstanding warrants.

The company delisted on 1 June 2015.

Related party transactions

Details of transactions with Ashok Leyland Ltd and associated companies can be found in note 25, Related party transactions.

Directors' interest in contracts

No Director had a material interest at any time during the period in any contract of significance, other than a service contract, with the Company or any of its subsidiary undertakings.

Dividends

The Directors do not propose the payment of a dividend in respect of the current period (2014: £nil).

Going concern

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the current financial projections, which includes capital expenditure plans and cash flow forecasts and the funding facilities available. Accordingly, the Directors have satisfied themselves that the Group will continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the Group's financial statements. Further disclosures are made on the matters considered by the Directors and related uncertainties in the Summary of Significant Accounting Policies in the financial statements.

Auditor

KPMG LLP has indicated its willingness to continue in office and a resolution that it be re-appointed as auditor will be proposed at the annual general meeting.

Statement as to disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' indemnity

Every Director shall be indemnified by the Company out of its own funds. An appropriate insurance policy is in place.

This report was approved by the Board of Directors and authorised for issue on 25 June 2015 and signed on its behalf by:



Enrico Vassallo
Chief Executive Officer
25 June 2015

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Optare plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTARE PLC

We have audited the financial statements of Optare Plc for the year ended 31 March 2015 set out on pages 18 to 44. 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 EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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 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/auditscopeukprivate.

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 31 March 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

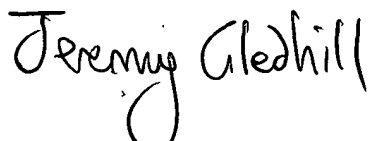
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the 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.



Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

25 June 2015

Consolidated income statement

For the year ended 31 March 2015

		Total	Total
		Year ended	Year ended
		31 March	31 March
		2015	2014
	Notes	£'000	£'000
Revenue		57,762	56,947
Cost of sales		(50,228)	(50,826)
Gross profit		7,534	6,121
Administrative expenses		(10,000)	(8,039)
Distribution costs		(498)	(499)
Amortisation of intangible assets	11	(668)	(624)
Loss from operations	3	(3,632)	(3,041)
Finance costs	5	(1,133)	(1,020)
Loss on ordinary activities before taxation		(4,765)	(4,061)
Taxation	6	-	-
Loss attributable to the equity holders of the parent company		(4,765)	(4,061)
Year ended 31 March 2015		Year ended 31 March 2014	
Loss per share (note 8):			
From continuing operations (basic and diluted)		(0.2)p	(0.2)p

There are no other recognised items of income and expense other than those presented above.

Consolidated statement of changes in equity

For the year ended 31 March 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained loss £'000	Share- based payment reserve £'000	Total £'000
Balance at 1 April 2013	9,005	32,396	5,542	(51,723)	42	(4,738)
Loss for the year	-	-	-	(4,061)	-	(4,061)
Total comprehensive income for the period	-	-	-	(4,061)	-	(4,061)
Balance at 31 March 2014	9,005	32,396	5,542	(55,784)	42	(8,799)
Loss for the year	-	-	-	(4,765)	-	(4,765)
Total comprehensive income for the year	-	-	-	(4,765)	-	(4,765)
Balance at 31 March 2015	9,005	32,396	5,542	(60,549)	42	(13,564)

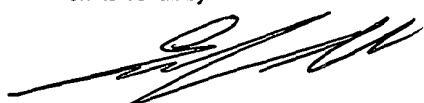
Consolidated balance sheet

At 31 March 2015

Company number: 06481690

	Notes	31 March 2015 £'000	31 March 2014 £'000
Non-current assets			
Goodwill	10	8,574	8,574
Other intangible assets	11	8,526	8,324
Property, plant and equipment	12	3,198	3,300
		20,298	20,198
Current assets			
Inventories	13	6,841	12,423
Trade and other receivables	14	7,439	7,998
		14,280	20,421
Total assets		34,578	40,619
Current liabilities			
Trade and other payables	15	13,947	18,632
Loans and overdrafts	26	9,000	10,092
Provisions	16	1,662	1,589
Obligations under finance leases	17	72	64
		24,681	30,377
Non-current liabilities			
Bank and other Loans	26	20,100	15,000
Provisions	16	3,263	3,940
Obligations under finance leases	17	98	101
		23,461	19,041
Total liabilities		48,142	49,418
Net (liabilities)		(13,564)	(8,799)
Equity			
Share capital	19	9,005	9,005
Share premium		32,396	32,396
Share-based payment reserve		42	42
Merger reserve		5,542	5,542
Retained loss		(60,549)	(55,784)
Total equity attributable to equity holders of the parent		(13,564)	(8,799)

The financial statements on pages 18 to 40 were approved by the Board of Directors and authorised for issue on 25 June 2015 and are signed on its behalf by:



Enrico Vassallo
Chief Executive Officer
25 June 2015

Consolidated cash flow statement

For the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Operating activities			
Cash absorbed by operations	23	(1,106)	(4,166)
Interest paid	5	(1,133)	(1,020)
Net cash used in operating activities		(2,239)	(5,186)
Investing activities			
Purchase of property, plant and equipment		(674)	(543)
Purchases of HP Assets		(100)	-
Internal capitalised costs	11	(1000)	(677)
Net cash used in investing activities		(1,774)	(1,220)
Financing activities			
Finance lease repayments		(95)	(69)
Loans		3,551	7,476
Net cash generated from financing activities		3,456	7,407
Net (decrease)/increase in cash and cash equivalents		(557)	1,001
Cash and cash equivalents at start of year		(4,444)	(5,445)
Cash and cash equivalents at end of period		(5,001)	(4,444)

Summary of significant accounting policies

In respect of the consolidated financial statements

Basis of preparation

Optare plc is a company incorporated and domiciled in the UK.

The financial statements have been prepared on a historical cost basis. The historical financial statements consolidate those of Optare plc and its subsidiaries.

The historical financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("Endorsed IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under Endorsed IFRS.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The Group made a net loss of £4.8m in the year ended 31 March 2015 (2014: £4.1m loss), which has resulted in the Group now having net liabilities of £13.6m (2014: £8.8m).

The Group has conducted a thorough review of its strategy for the next three years and put forward updated trading forecasts through to March 2018, which include detailed cash flow calculations. The Group is forecast to be cash generative in 2017/18. The Group continues to have facilities and parental support in place to meet its funding requirements. The forecasts are based on detailed assumptions as to sales performance, variable and fixed costs.

The forecasts assume a gradual increase in the level of savings in material costs over the forecast period, achieved both through the Company's own efforts and through joint initiatives with Ashok. Improvement in labour productivity is factored in and further expected gains from process improvement and redesigns of the buses for efficient manufacturing.

There is inherent uncertainty in any forecast. In assessing such forecasts the Directors have considered the impact of such uncertainties, including the financial strength of customers, any lack of visibility regarding sales beyond the current order book, the ability of suppliers to meet demand, the achievability of material and labour and the possibility that the external economic environment might worsen. The Directors feel that a reasonably conservative approach has been taken in the forecasts and that the facilities in place have adequate headroom to allow for these uncertainties. The company has also received a formal letter of support from Ashok Leyland, the parent company. Ashok Leyland has indicated that it will provide such financial and other support as is required to support the business plan of the company.

The Company was successful in restructuring its debt in June 2013 to provide total bank facilities of £23m. These are structured into a term loan for three years for £15.0m backed by corporate guarantee provided by Ashok and an overdraft element of £8.0m which has been renewed and now falls due for review in July 2016. There is a fixed charge on the assets of the Company following the re-negotiation of facilities in June 2013. Both of these facilities are placed with Barclays Plc. Due to the corporate guarantee, no financial performance covenants attach to these facilities.

The Group also has a £6.6m short-term loan facility from Ashok as at 31 March 2015, with a 30 day notice repayment notice subject to banking covenants. £5.1m of these facilities have been rolled forward for repayment in July 2016. The remaining £1.5m is repayable in December 2015.

The Directors are confident that the assumptions underlying their forecast are reasonable and that the Group will be able to operate within its current funding limits arranged with support from Ashok. The Directors believe that the Group is well placed to manage its business risk successfully.

On the above basis the Board believes that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustment to the value of the balance sheet assets or provisions for further liabilities, which would result should the going concern concept not be valid.

Basis of consolidation

Subsidiaries are entities controlled by Optare plc. Control exists when Optare plc has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

The following new IFRS and amendments to IAS and interpretations are not applied

International Financial Reporting Standards effective for accounting periods starting on or after:

IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 13	Fair Value Measurement	11 December 2012
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 19	Defined Benefit Plans	5 June 2012
IFRS 7	Financial Instruments: Disclosures	13 December 2012

These standards and interpretations are not considered applicable to Optare plc's financial statements.

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

Revenue

The Group's revenue arises from the sale of vehicles and parts and the provision of repairs and is stated at the invoiced amount net of VAT. No separate revenues are generated from development and design. Revenue is recognised upon the transfer of all risks and rewards in relation to the Group's products. For the sale of vehicles revenue is recognised on delivery of the goods, for parts it is recognised on despatch of the goods and for repairs it is recognised on completion of the relevant repair.

Foreign currency

Transactions entered into in a currency other than the currency of the primary economic environment (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

Functional and presentation currency

The functional and presentation currency for Optare plc is Sterling.

Goodwill

Goodwill, being the difference between the fair value of the assets acquired and the fair value of the consideration paid, arising on business combinations is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement. The asset is reviewed for impairment at least annually.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives.

Intangible assets are recognised on business combinations if they are identifiable and their fair value can be reliably measured. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

1. Acquired vehicle design

Vehicle design acquired is amortised on a straight line basis up to 10 years.

2. Internal vehicle design

Vehicle designs are valued at the estimated cost of generating vehicle designs including internal and external engineering and testing costs. The amortisation period and charge is recognised on a systematic basis over the anticipated useful economic life of the design of up to 10 years. Amortisation is charged over the life of the design apportioned based on the number of actual and projected vehicles to be sold of that design during its life.

3. Customer relationships

Customer relationships are valued using the multi-period excess earnings model. The customer relationships are amortised over ten years using a straight line basis.

Research and development

No research activities have been undertaken within the period. If any are undertaken then research activities are recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generated intangible assets are amortised over the number of actual and projected vehicles over their useful lives.

Intangible assets amortisation charges are included as a separate line item in the income statement.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets including property, plant and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included as a separate line item in the income statement, except to the extent they reverse gains previously recognised directly in equity.

Financial assets and liabilities

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary asset. They are recorded at fair value, subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand less bank overdrafts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the income statement over the term of the instrument using an effective rate of interest.

Trade and other payables

Other financial liabilities comprise trade payables and other short-term monetary liabilities, which are recorded at fair value then measured at amortised cost.

Retirement benefits: defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the period to which they relate. The Group has no further payment obligations once the contributions have been paid. No defined benefits schemes exist within the Group.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright.

The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight line basis over the lease term.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible; and
- initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities (assets) are settled (recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Leasehold property improvements	– 10% over the life of the lease
Plant and machinery and motor vehicles	– 10% to 25% per annum straight line
Fixtures, fittings and equipment	– 10% to 33% per annum straight line
Production tooling	– 15% to 20% per annum straight line

Exceptional items

Exceptional items are costs and income that should not be expected to recur in the normal course of business.

Demonstration fleet

Vehicles manufactured and held principally for customer demonstrations which are intended at the date of entering service to remain in such use for twelve months or more are capitalised at cost as part of our demonstration fleet. When no longer required as a sales aid they are transferred to inventory at net book value. When sold the proceeds are treated as revenue. Demonstration fleet vehicles are depreciated at 17% per annum straight line.

Inventories

Inventories are initially recognised at a weighted average value method ("WAV") and are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Work in progress and finished goods include labour and attributable variable overheads.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and a reliable estimate can be made of a probable adverse outcome, for example warranties. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefit is remote.

Share-based payment transactions

The Group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date.

Non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Cancelled options are accounted for as an acceleration of vesting. When a share-based payment is cancelled an amount is recognised in the profit and loss account that would otherwise have been recognised over the remainder of the vesting period if the cancellation had not occurred.

Critical judgements and estimates

The preparation of historical financial information in conformity with Endorsed IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below.

Provision for warranty claims

Management has estimated the cost of potential warranty claims arising on acquisition of the various businesses and on new bus sales. This requires an element of judgement about the likely level of claims and their financial impact upon the business. The factors affecting the level of warranty cost are: the number of buses sold; the length in periods and the breadth in cover of the terms of the warranty given with the bus; the ability of the Company to obtain suitable back-to-back warranties from its suppliers; the efficiency of the quality processes applied in designing and building the buses; the strictness with which warranty claims from customers are vetted; and the extent to which goodwill claims are allowed. Judgements on the level of warranty provision that is required are based on the number of buses in service and their remaining warranty life, with the key estimation being the likely warranty cost per bus. This is based on historical data, with estimates where necessary for new vehicle designs. If the assumption for likely warranty cost per vehicle was adjusted by 10% this would equate to an under or over provision of £347,000.

Impairment reviews

Management performs impairment reviews annually on goodwill, other intangible assets and tangible assets. These involve comparing the estimated future cash flows of the business, using a discounted rate, to the carrying value of the Group's non-current assets. Where the net present value of the forecast cash flows exceeds the carrying value, no impairment is required. As required by IFRS, no assumption is made that profits growth can exceed national, market or product averages without justification.

Clearly, there is an element of judgement required in assessing the potential future benefits to be derived from these assets. When completing the impairment review the Directors considered the same factors as outlined for the going concern review; critical judgements are the discount rate used and the growth in turnover in the next three years' business plan by the introduction of new products.

Notes to the consolidated financial statements

For the year ended 31 March 2015

1. Business and geographical segments and customer concentration

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Geographical analysis of revenue is as follows:		
UK	51,142	52,041
Other European	1,809	1,388
Non-EU	4,811	3,518
Total revenue	57,762	56,947

The Group operates one business segment – the internal design and subsequent sale of single and double deck buses and parts. No separate revenues are generated from design activities.

Non-EU revenue relates, in the main, to an overseas bus-builder in South Africa and a distributor in Australia.

During the period two customers accounted for more than 11% of revenue. One customer is the aforementioned Australian Distributor and comprised 6.3% of revenue and the other is a large UK bus rental company that represented 5.2% of revenue. (2014: 17% comprised of one large bus operating group (8.8% of revenue) and one UK city council (8.0% of revenue).

2. Exceptional items

Exceptional items are costs and income that are not expected to recur in the normal course of business.

	Year ended 31 March 2015 £'000	Period ended 31 March 2014 £'000
Onerous contract costs	264	-
Restructuring costs	223	-
Administration	487	-

3. Loss from operations

Loss from operations has been arrived at after charging/(crediting):

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Net foreign exchange loss/(gains)	9	(13)
Cost of inventories recognised in cost of sales	36,235	36,263
Write down inventories recognised as an expense	236	686
Depreciation:		
– owned assets	834	497
– leased assets	38	28
Loss on disposal of fixed assets	134	-
Amortisation of intangible assets:		
Acquired	173	143
Internally generated	495	481
Rental under operating leases	883	901
Staff costs	11,889	11,493
Amounts payable to KPMG LLP and its associates in respect of both audit and non-audit services:		
Audit services:		
– statutory audit including audit of subsidiary companies	52	44
Non-audit services:		
– services relating to tax services – compliance	6	10
	58	54

The following table analyses the nature of expenses:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Cost of inventories recognised in cost of sales	36,235	36,263
Staff costs (see note 4)	11,889	11,493
Warranty	1,764	3,339
Logistics partners	1,893	1,980
Premises costs	1,251	1,294
Depreciation, amortisation and impairments (see notes 11 and 12)	1,540	1,149
Write down of inventories recognised as an expense	236	686
Transport costs	625	633
Marketing expenses	595	522
Insurance	381	403
Motor expenses	342	370
Professional fees	231	318
Travel and subsistence	341	274
Training, recruitment and relocation	118	125
Bank charges	104	82
Other expenses	451	1,057
Total cost of sales, distribution, admin and other operating expenses	57,996	59,988

4. Staff costs

The average monthly number of persons (including Directors) employed by the Group's total operations was as follows:

	Year ended 31 March 2015 Number	Year ended 31 March 2014 Number
Production	228	239
Head office and administration	170	164
	398	403

The aggregate remuneration for the above persons comprised:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Wages and salaries	10,424	10,268
Social security costs	982	1,001
Other pension costs	483	224
	11,889	11,493

The compensation of the key management personnel on the Steering Committee (note 25) was:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Short-term employee benefits	686	654
Pension and other post-employment costs	69	33
	755	687

Details of Directors' fees and salaries, bonuses, pensions, benefits in kind and other benefit schemes are given in the Directors' Remuneration Report on pages 12 to 13.

5. Finance costs and income

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Interest on bank overdrafts and loans	583	556
Interest on loans from Ashok Leyland Ltd and related companies	498	441
Interest on obligations under finance leases	23	23
Other interest	29	-
Total borrowing costs	1,133	1,020

6. Taxation

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Tax attributable to the Company and its subsidiaries	-	-

Domestic income tax is calculated at 23% in 2013/14 and 21% of the estimated assessable profit for the period in 2014/15.

The charge for the period can be reconciled to the loss per the income statement as follows:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Loss on ordinary activities before tax	(4,765)	(4,061)
Tax at the domestic income tax rate	(1,001)	(934)
Tax effect of expenses that are not deductible in determining taxable profit	162	176
Tax losses not utilised	839	758
Tax credit for the period	—	—

7. Dividends

The Directors do not propose the payment of a dividend in respect of the current period (2014: £nil).

8. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Loss:		
Loss for the purposes of basic loss per share (net loss for the period attributable to equity holders of the parent)	(4,765)	(4,061)

	Number	Number
Weighted average number of ordinary share for the purposes of basic earnings per share	2,235,291,827	2,235,291,827
Basic and fully diluted loss per share	(0.2)p	(0.2)p

Excluding exceptional items

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Net loss for the period attributable to equity holders of the parent	(4,765)	(4,061)
Adjustment to exclude exceptional costs	487	-
Loss from continuing operations for the purposes of basic earnings per share	(4,278)	(4,061)
Basic and fully diluted loss per share	(0.2)p	(0.2)p

There are no dilutive potential ordinary shares in issue.

9. Subsidiaries

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Optare UK Ltd	UK	100%	100%	Supplying kits of passenger vehicles
Optare Group Ltd	UK	100%	100%	Manufacturer of passenger vehicles
Jamesstan Investments Ltd	UK	100%	100%	Holding company
Optare Holdings Ltd	UK	100%	100%	Holding company
Optare (Leeds) Ltd	UK	100%	100%	Dormant
East Lancashire Busbuilders Ltd	UK	100%	100%	Dormant

10. Goodwill

	31 March 2015 £'000	31 March 2014 £'000
Cost		
Balance at start of the period	8,700	8,700
At end of the period	8,700	8,700
Impairment		
Balance at start of the period	126	126
At end of the period	126	126
Carrying amount at the end of the period	8,574	8,574

Goodwill arose on the 2008 purchase of Jamesstan Investments Ltd. The Directors consider there is only one cash-generating unit ("CGU").

The recoverable amount of the CGU has been determined by "value in use" calculations. The calculations used pre-tax cash flow projections over the next five years based on current management forecasts to March 2018 and extrapolation for later periods.

The growth assumptions (6% volume increase on sales of single deck vehicles for the first year, plus re-entry into the UK Double Deck market) used in these forecast are the same as those used in the forecasts referred to in the basis of preparation and are based on a combination of market trends and new product opportunities. Thereafter they reflect an assumption that sales volumes will increase by the introduction of new products for the UK and European markets in 2015/16, 2016/17 and 2017/18 and then flatten off until the introduction of further new products.

A risk adjustment is then made using a pre-tax discount rate of 6.0% to arrive at the value in use. The discount rate used is based on the weighted average cost of capital for both debt and equity of the Company as a starting point.

Sensitivity analyses have been performed which assume that sales for the remainder of 2015 to March 2018 are at a lower level than assumed in the base case forecast and that margin improvements may not happen.

The headroom by the principal CGU and sensitivities thereon, which are shown on a mutually exclusive basis, are shown below:

	£'000
Carrying value	20,285
Value in use	25,880
Headroom	5,595
Headroom after decreasing forecast sales by 4%	776
Headroom by increasing discount rate by 2% to 8.0%	2,561

11. Other intangible assets

	Vehicle related intangible assets £'000	Customer related intangible assets £'000	Total £'000
At 1 April 2013	9,342	608	9,950
Additions – internally generated	677	-	677
At 31 March 2014	10,019	608	10,627
Additions – internally generated	1,000	-	1,000
Disposals	(239)	-	(239)
At 31 March 2015	10,780	608	11,388
Amortisation			
At 1 April 2013	1,353	326	1,679
Charge for the period	571	53	624
At 31 March 2014	1,924	379	2,303

Charge for the year	615	53	668
Disposals	(109)	-	(109)
At 31 March 2015	2,430	432	2,862
Carrying amount			
At 31 March 2015	8,350	176	8,526
At 31 March 2014	8,095	229	8,324
At 1 April 2013	7,989	282	8,271

Of the vehicle related intangible assets' carrying amount at the period end, £7,629,000 (2014: £7,055,000) related to internally-generated assets and £897,000 (2014: £1,040,000) related to assets recognised on acquisition.

The vehicle related intangible assets include internally-generated new product developments in the period, which includes the Solo and Versa EVs, and new product designs, such as the MetroCity and MetroCity EV vehicles intended for the London market, New Tempo destined for the Australian market and the MetroDecker. Also included are vehicle designs included in the acquisition of Jamesstan Investments Ltd.

12. Property, plant and equipment

	Leasehold property improvements £'000	Production tooling £'000	Plant and equipment and motor vehicles* £'000	Fixtures and fittings £'000	Total £'000
Cost					
As at 1 April 2013	1,708	1,553	1,271	365	4,897
Additions	(1)	108	360	1	468
As at 31 March 2014	1,707	1,661	1,631	366	5,365
Additions	10	58	705	-	773
Disposals	(26)	(31)	(578)	(23)	(658)
As at 31 March 2015	1,691	1,688	1,758	343	5,480
Depreciation and impairments					
As at 1 April 2013	161	1,056	215	109	1,541
Charge for the period	151	112	260	1	524
As at 31 March 2014	312	1,168	475	110	2,065
Charge for the period	188	304	378	2	872
Disposals	(27)	(31)	(574)	(23)	(655)
As at 31 March 2015	473	1,441	279	89	2,282
Net book value					
As at 31 March 2015	1,214	247	1,483	254	3,198
As at 31 March 2014	1,395	493	1,156	256	3,300
As at 1 April 2013	1,547	497	1,056	256	3,356

*Customer demonstration vehicles that are intended to be used in this capacity for twelve months or more are capitalised at cost as part of our demonstration fleet. When no longer required as a sales aid they are transferred to inventory at net book value. Customer demonstration stock is £567,000 (2014: £113,000).

The net book value of assets held under finance leases and hire purchase agreements is £263,000 (2014: £226,000).

13. Inventories

	31 March 2015 £'000	31 March 2014 £'000
Raw materials and consumables	2,626	3,467
Work in progress	2,643	5,942
Finished goods	1,572	3,014
Total	6,841	12,423

14. Trade and other receivables

	31 March 2015 £'000	31 March 2014 £'000
Trade receivables	7,366	7,332
Allowance for estimated irrecoverable amounts	(335)	(174)
Net trade receivables	7,031	7,158
Other receivables and prepayments	408	840
Total	7,439	7,998

Trade receivables past due but not impaired at the period end totalled £817,000 (2014: £1,085,000). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group has recognised an allowance for doubtful debt of 100% for parts debtors over 360 days. Allowances against doubtful debts are recognised against trade receivables between 30 days and 360 days based on estimated recoverable amounts based on past experience. The Group's credit risk relates primarily to its trade receivables. The debtor days as at 31 March 2015 were 42 days (2014: 26).

Aging of past due but not impaired receivables:

	31 March 2015 £'000	31 March 2014 £'000
30 – 90 days	477	873
90 – 365 days	340	106
Greater than 1 year	-	106
Total	817	1,085

15. Trade and other payables

	31 March 2015 £'000	31 March 2014 £'000
Trade payables	8,499	10,533
Social security and other taxes	1,094	819
Accruals and deferred income	4,354	7,280
	13,947	18,632

Creditor days as at 31 March 2015 were 70 days (2014: 101 days). The Directors consider that the carrying amount of trade payables approximates to their fair value. Of the trade payables outstanding at the period end those that were denominated in foreign currencies was £(40,000) (2014: £465,000), principally in Euros and Indian Rupees.

16. Provisions

	Warranty Provision £'000	Building provisions £'000	Other provisions £'000	Total provisions £'000
At 1 April 2014	5,188	207	134	5,529
Additional provision	2,526	-	-	2,526
Utilisation of provision	(3,121)	(9)	-	(3,130)
At 31 March 2015	4,593	198	134	4,925
Under one year provision	1,330	198	134	1,662
Over one year provision	3,263	-	-	3,263
At 31 March 2015	4,593	198	134	4,925

The warranty provision represents management's best estimate of the Group's liability under warranties granted on passenger vehicles manufactured, based on past experience for defective products. Warranty offered to customers is currently between two and five years.

The Other provisions relates to the costs of a leased premises that is unused and that expires in 2015.

17. Obligations under finance leases

	Minimum lease payments 31 March 2015 £'000	Present value of lease payments 31 March 2015 £'000	Minimum lease payments 31 March 2014 £'000	Present value of lease payments 31 March 2014 £'000
Amounts payable under finance leases:				
- within one year	72	82	64	62
- two to five years	98	90	101	93
	170	172	165	155

It is the Group's policy to lease certain equipment under finance leases. Obligations under finance leases are secured on the assets to which they relate.

The average rate of interest charged on the finance leases outstanding was 29% in the period (2013/14: 13%).

18. Deferred tax

At the reporting date, the Group has unused tax losses of £57,078,677 (2014: £53,019,317) available for offset against future profits. A deferred tax asset of £11,986,522 at a tax rate of 21% (2013: £11,134,057 at 21%) has not been recognised in respect of these losses due to the unpredictability of future profit streams.

19. Share capital

	Ordinary shares of 1p each Number	Ordinary shares of 0.1p each Number	Deferred shares of 0.9p each Number	£
At 1 April 2014	-	2,235,291,827	752,145,493	9,004,601
Shares issued	-	-	-	-
As at 31 March 2015	-	2,235,291,827	752,145,493	9,004,601

The Company has two classes of share which carry no right of fixed income.

The premium net of related charges on the issue of shares has been credited to the share premium account.

A summary of the rights which will attach to the deferred shares, which render them effectively worthless, is as follows:

- they will not entitle holders to receive any dividend or other distribution or to receive notice or, speak or vote at general meetings of the Company;
- on a return of assets on a winding up, they will only entitle the holder to the amounts paid up on such shares after the repayment of £10m per new ordinary share;
- they will not be freely transferable;

- the creation and issue of further shares which rank equally or in priority to the deferred shares or the passing of a resolution of the Company to cancel the deferred shares or to effect a reduction of capital shall not constitute a modification or abrogation of their rights; and
- the Company shall have the right at any time to purchase all of the deferred shares in issue for an aggregate consideration of £1.00.

The number of authorised ordinary shares is 2,235,291,827. The number of authorised deferred shares is 752,145,493.

20. Retirement benefits

Defined contribution plans

The Group operates defined contribution retirement benefit plans for employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £469,000. (2013: £224,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2015, contributions of £34,000 (2013: £54,000) due in respect of the current reporting period had not been paid over to the schemes.

21. Share-based payments

Equity-settled share option plan

The Group plan provides for a grant price equal to the average quoted market price of the Group shares in the five days prior to the date of grant. Options vest immediately on the date of issue; if options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options may be forfeited if the employee leaves the Group before the options vest, depending on the circumstances.

	2015		2014	
	Options Number '000	Weighted average exercise price Pence	Options Number '000	Weighted average exercise price Pence
Outstanding at beginning of period	2,000	1.84	5,250	2.39
Granted during the period	-	-	-	-
Forfeited during the period	(1,500)	1.60	(3,250)	2.73
Outstanding at the end of the period	500	2.58	2,000	1.84
Exercisable at the end of the period	500	-	2,000	-

No options were exercised during the period. The options outstanding at 31 March 2015 had an exercise price between 1.0p and 4.15p (2014: between 1.0p and 4.15p) and a weighted average remaining contractual life of 4.3 years (2014: 6.7 years).

On 25 June 2012 128,739,439 warrants were issued to Ashok Leyland Ltd and its associated companies Ashley Holdings Ltd and Ashley Investments Ltd. On 10 August 2013 a number of these warrants lapsed. These warrants give Ashok Leyland Ltd and its associated companies the right to subscribe for additional shares to maintain their 75.1% shareholding in the event that any non-Ashok Leyland warrants or share options are exercised. At 31 March 2015 23,605,831 warrants were outstanding.

In 2014/15 fair value warrants were issued to Ashok Leyland companies of £nil (2014: £nil).

22. Operating lease arrangements

The Group as a lessee

Commitments under non-cancellable leases for:

	31 March 2015 £'000	31 March 2014 £'000
Buildings	8,888	8,856
Others	178	326
	9,066	9,182

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

	31 March 2015 £'000	31 March 2014 £'000
Amounts due within one year	639	860
Amounts due between one and five years	1,933	2,776

Amounts due after more than five years	6,494	5,546
	9,066	9,182

23. Net cash from operating activities

Reconciliation of loss from operations to net cash absorbed in operating activities is:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Operating activities:		
– loss before tax	(4,765)	(4,061)
Adjustments for:		
– depreciation	872	525
– amortisation of intangible assets	668	624
– net finance expense	1,133	1,020
– loss on disposal of property, plant and equipment	134	5
Operating cash flows before movements in working capital	(1,958)	(1,887)
Changes in working capital:		
– (increase)/decrease in inventories	5,582	(2,085)
– (increase)/decrease in trade and other receivables	559	(278)
– (decrease)/increase in trade and other payables	(4,685)	(1,834)
– increase/(decrease) in provisions	(604)	1,918
Total increase/(decrease) in working capital	852	(2,279)
Net cash absorbed in operating activities	(1,106)	(4,166)

24. Post-period end events

The Company extended its bank overdraft facilities in June 2015 for one year.

After careful consideration of the long term growth plans for Optare the Board have taken the decision to delist from the Alternative Investment Market (AIM). Trading in ordinary shares on AIM ended at 07.00am on 02 June 2015.

25. Related party transactions

Key management is considered to be Board Directors and members of the Steering Committee ("SC") which includes the Chief Financial Officer and the Chief Finance Officer. The transactions with key management are described in note 4.

Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation.

Ashok Leyland Group had loan agreements in place at the period end with an outstanding amount of £9,116,675 including accrued interest. The loans are interest-bearing at between 4% and 8% above the Bank of England base rate with interest accrued at the period end. The loans are unsecured and repayable within two years, but with 30 days' notice if requested by the lender.

During the period the Group has been charged a £30,000 fee by Ashok Leyland Ltd in return for providing a guarantee (2014: £30,000) for the Group's borrowings of £15,000,000 with Barclays (2014: £15,000,000).

The major shareholder, Ashok Leyland Ltd, is providing key employee resource to support the business. The charge was £108,000 in this year's results (2014: £103,000). The cost of this expense that remains outstanding at the period end was £303,000 (2014: £217,000).

During the year the company sold a development vehicle to Ashok Leyland for £221,000.

26. Financial instruments

	Year ended 31 March 2015 £'000	£ Year ended 31 March 2014 £'000
Current financial assets		
Cash and cash equivalents	—	—
Trade and other receivables	7,439	6,698
Total	7,439	6,698

	31 March 2015 Financial liabilities at amortised cost £'000	31 March 2014 Financial liabilities at amortised cost £'000
Current financial liabilities		
Trade and other payables	13,947	18,632
Bank loans and overdrafts	5,001	4,444
Obligations under finance leases	72	64
Other current financial liabilities	3,999	5,648
	23,019	28,788
Non-current financial liabilities		
Bank Loans	20,100	15,000
Obligations under finance leases	98	101
Total non-current financial liabilities	20,198	15,101
Total	43,217	43,888

Loans and overdrafts	31 March 2015 £'000	31 March 2014 £'000
Bank overdrafts	5,001	4,444
Bank loans	15,000	15,000
Short-term loan	9,099	5,648
	29,100	25,092

Analysis of borrowings by currency		
Euro – cash balance	(126)	(73)
US Dollar – cash balance	(6)	(5)
Sterling – overdraft	6,438	4,931
Sterling – loans	22,795	20,240
Swiss Francs – cash balance	(1)	(1)
	29,100	25,092

The Company had a short-term loan in place at 31 March 2015 with Ashok Leyland Ltd.

The fair value of borrowings is not significantly different to carrying value. The bank loans borrowings are at a floating rate of 2.6% over Bank of England base rate; the bank overdrafts are at a floating rate of 2.6% and 2.35% over the Bank of England base rate. The short-term loans from the parent company are at rates of 3.5% and 8% over Bank of England base rate.

Financial instruments – risk management

The Company is exposed through its operations to one or more of the following financial risks:

- liquidity risk;
- interest rate risk;
- foreign currency risk; and
- credit risk.

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. The policy for each of the above risks is described in more detail below.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal payments on debt financing. It is the risk that the Company will have difficulty in meeting its financial obligations as they fall due. The Company currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans. The Board monitors the cash flow forecasts on a regular basis through detailed short-term cash flow forecasts over the following three months.

Interest rate risk

Management has a policy to obtain long-term debt at fixed rates and short-term debt at flexible rates. It also benefits from access to Ashok Leyland Treasury resources and skills to give strategic guidance.

Although the Board accepts that this policy neither protects the Company entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks. A one percentage point change in interest rates would result in a change in retained profit of approximately £0.6m.

Foreign currency risk

Management's primary foreign currency risk arises from suppliers who invoice in Euros, US Dollars and Swiss Francs. The Company monitors exchange rate movements and considers the utilisation of purchasing currency in advance to manage this risk. The Company's bulk purchases of stock enable management of the overall pricing of materials, and monitoring of exchange rates ensures that the Company makes payments against trade payables at an appropriate time to reduce the effect of exchange rate fluctuations.

Expected foreign currency receipts from export sales are taken into consideration in assessing the net foreign currency exposure.

Credit risk

Credit risk is managed on a Group basis. Optare plc's credit risk is primarily derived from its trade receivables. This risk is managed daily by the Company's credit control functions that monitor payment trends and ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the amounts outstanding.

Optare plc's customers are also the main major bus operators who have significant resources and facilities in place to fund their vehicle acquisitions, thus limiting Optare plc's exposure to credit risk. Credit checks are also made for new customers and appropriate credit limits are set from this information. Orders for new bus sales are rarely accepted without proof of funding in place. Credit limits may only be exceeded with the express authorisation of the Directors.

Capital

Optare plc's main objective when managing capital is to protect returns to shareholders by ensuring the Group has sufficient liquidity in the business and will trade profitably in the foreseeable future. The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing. The Group also aims to maximise its capital structure of debt and equity so as to control its cost of capital.

The Group considers its capital to include share capital, share premium, merger reserve, retained earnings, share-based earnings reserve and net debt.

At 31 March 2015 the Group had net liabilities of £13.6m, compared to net liabilities of £8.8m at 31 March 2014. The net debt of the Group was £29.1m at 31 March 2015 compared to £25.1m at 31 March 2014.

Gearing ratio at the year/period end is as follows:

£'m	2015	2014
Debt	29.1	25.1
Cash and cash equivalents	-	-
Net debt	29.1	25.1
Capital	15.5	16.3
Net debt to capital ratio	188%	154%

Sensitivity analysis

Whilst Optare plc takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates may have an impact on profit and cash flow. Optare plc's foreign exchange risk is dependent on the movement in the Euro, US Dollar and Swiss Franc to Sterling exchange rates. Any significant foreign currency denominated assets or liabilities at the period end are translated using exchange rates applicable at

the time with any exchange rate difference being realised in the income statement. It is estimated that a one percentage point increase/decrease in interest rates would increase/reduce losses and reduce/increase equity by approximately £242,000.

27. Parent company and ultimate controlling party

The Directors consider Ashok Leyland Ltd to be the Group's parent undertaking and Amas Holding SA, a company incorporated in Luxembourg, to be the Group's ultimate parent company.

Company balance sheet

As at 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
Fixed assets			
Investments	28	69,249	63,772
		69,249	63,772
Current assets			
Debtors due within one year	30	379	561
		379	561
Creditors: amounts falling due within one year	32	29,212	24,148
Net current liabilities		(28,833)	(23,587)
Non-Current Liabilities			
Bank Loans		15,000	15,000
		15,000	15,000
Net assets		25,416	25,185
Capital and reserves			
Share capital	33	9,005	9,005
Capital reserves	34	36,832	36,832
Share-based payment reserve	35	42	42
Retained loss	36	(20,463)	(20,694)
Total equity		25,416	25,185

The Company's profit after tax for the period was £230,896 (2014: loss £185,515).

The financial statements on pages 41 to 44 were approved by the Board of Directors and authorised for issue on 25 June 2015 and are signed on its behalf by:


Enrico Vassallo
Chief Executive Officer
 25 June 2015

Summary of significant accounting policies

In respect of the company financial statements

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under UK GAAP and under the historical cost accounting rules.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented the profit and loss account of the Company.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Investments

Investments are carried at historical cost less provision for impairments in carrying value; loans to subsidiaries are treated as part of its net investment in subsidiaries. Impairments are calculated by reference to the expected recoverable amount.

Notes to the company financial statements

For the year ended 31 March 2015

28. Investments

Details of investments held in the Company accounts are as follows:

	Share in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
At 1 April 2014	39,923	39,978	79,901
Addition	-	5,477	5,477
At 31 March 2015	39,923	45,455	85,378
Impairment			
At 1 April 2014	16,129	-	16,129
Charge for the period	-	-	-
At 31 March 2015	16,129	-	16,129
Carrying amount			
At 1 April 2014	23,794	39,978	63,772
At 31 March 2015	23,794	45,455	69,249

Details of the Company's subsidiaries at 31 March 2015 are shown in note 9.

The Directors have carried out an impairment review of the net investments in subsidiaries, using the same forecasts and assumptions used in the impairment review of the goodwill included in note 10 of the consolidated financial statements. Based on this review the Directors have concluded that no further impairment is required.

30. Fixed assets

	Fixtures and fittings £'000
Cost	
At 1 April 2014	16
Additions	-
At 31 March 2015	16
At 1 April 2014	16
Charged during period	-
At 31 March 2015	16
Net book value as at 31 March 2015	-
Net book value as at 31 March 2014	-

31. Debtors due within one year

	31 March 2015 £'000	31 March 2014 £'000
Prepayments	379	398
Other debtors	-	163
Amounts due from subsidiary undertakings	-	-
Total	379	561

Other debtors in 2014 refers to a refund of VAT due.

32. Operating lease arrangements

Annual commitments under non-cancellable leases for:

	31 March 2015 £'000	31 March 2014 £'000
Buildings – expiring after five years	542	542

33. Creditors: amounts falling due within one year

	31 March 2015 £'000	31 March 2014 £'000
Overdraft	6,438	4,931
Loans from parent undertaking	9,099	5,649
Trade creditors	142	149
Amounts payable to subsidiary undertakings	13,307	13,307
Social security and other taxes	86	-
Accruals and deferred income	140	112
	29,212	24,148

34. Share capital

Details of the Company's share capital are disclosed in note 19.

35. Capital reserves

	Share premium £'000	Merger reserve £'000	Total £'000
As at 1 April 2014	32,396	4,436	36,832
Issue of ordinary share capital (net of expenses)	-	-	-
As at 31 March 2015	32,396	4,436	36,832

36. Share-based payment reserve

	31 March 2015 £'000	31 March 2014 £'000
As at start of period	42	42
Charge for period	-	-
Forfeited during period	-	-
At end of period	42	42

37. Retained loss

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
As at start of period	(20,694)	(20,508)
Net profit for the period	231	(186)
Share-based forfeited/payment during period	-	-
Balance as at end of period	(20,463)	(20,694)

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Company secretary

Abhijit Mukhopadhyay

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