Optare
Driving our future

ASHOK LEYLAND

Optare plc Annual report and accounts 2014

Advanced passenger vehicles designed for a global market.

We design, manufacture and sell single deck and double deck buses, and offer a comprehensive after sales service.

IN THIS REPORT

OUR PRODUCTS

SOLO

Type: **Mini-bus**

Length: 7.2–9.7m

Engine solution: Euro 6, electric, hybrid

METROCITY

Type: **Midi-bus**

Length: 9.9–10.6m

Engine solution: Euro 6, electric

VERSA

Type: **Midi-bus**

Length: 9.7–11.7m

Engine solution: Euro 6, electric, hybrid

OPERATIONAL HIGHLIGHTS

- New export distributor appointed in Australia to take advantage of increased market demand
- Completion of the new double-decker product, which was launched to the market in May 2014. This will increase the Company's product offering in the UK market
- Continued leadership in low-carbon products through investments, recognised by winning the National Transport Award 2013 for the Versa Electric Bus that incorporated fast charging technology
- Successful accreditation for passing the low-carbon emission bus benchmark. The Solo, Versa and MetroCity now meet this accreditation requirement to produce 30% less emissions of greenhouse gases than a normal diesel bus
- MetroCity electric vehicle launched into the key target market of London
- Continued integration with Ashok Leyland to deliver key business objectives

FINANCIAL HIGHLIGHTS

- Revenue for the period was £56.9m, a reduction of 25% over prior year due to reduced kit revenues
- There were no exceptional costs in this year's accounts as the site closure and restructuring phase of Optare's turnaround has now been completed (2013: £1.8m)
- Gross profit was £6.1m (representing 10.7% of turnover) over the twelve month period (2013: £5.2m (pre-exceptional items), representing 6.9% of turnover)
- Administration expenses for the period fell to £8.0m (2013: £8.8m (pre-exceptional items))
- EBITDA losses reduced to £1.9m (2013: £3.6m)
- Operating cash outflows before working capital changes were £1.9m (2013: £5.3m)
- Loss per share reduced from 0.3p per share to 0.2p per share

Bus sales volume
(single deck)

351
(2013: 389)

Turnover

£56.9m
(2013: £75.9m)

EBITDA pre-exceptional loss

£1.9m
(2013: £3.6m)

Read our key performance indicators on page 8

TEMPO

Type: **Full size single deck**

Length: 12.5m

Engine solution: Euro 5

METRODECKER

Type: **Double-decker**

Length: 10.5–11.1m

Engine solution: Euro 6

Read our Chief Executive Officer's report on pages 3 and 4

CHAIRMAN'S STATEMENT

I am pleased with the progress we have made to improve efficiency and reduce fixed costs. The Company is now well positioned for sales growth.

John Fickling Non-executive Chairman

Introduction

2013/14 has been a year of evolution and I am pleased with the progress we have made to improve efficiency and reduce fixed costs. Some of the major achievements for the year include:

- New export distributor appointed in Australia to take advantage of increased market demand.
- Completion of the new double-decker product, which was launched to the market in May 2014. This will increase the Company's product offering in the UK market.
- Continued leadership in low-carbon products through investments, recognised by winning the National Transport Award 2013 for the Versa Electric Bus that incorporated fast charging technology.
- Successful accreditation for passing the low-carbon emission bus benchmark. The Solo, Versa and MetroCity now meet this accreditation requirement to produce 30% less emissions of greenhouse gases than a normal diesel bus.
- MetroCity electric vehicle launched into the key target market of London.
- 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:

- Being a European leader in green bus technologies through the development of the full range of options from fuel-efficient diesels to dual fuel, hybrid and electric vehicles.
- Consolidating and maintaining leadership in the UK midi-bus market.
- Offering a product portfolio with the full range of buses that is demanded by the UK bus market.
- Becoming a significant exporter of buses.
- Expanding market share in the UK and Europe by selling buses made to global standards at competitive prices.

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 this relationship and partnership 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.

Summary for 2014/15

In summary 2014/15 will focus on:

- Increasing volume in the UK by the MetroCity and MetroDecker products, with customer focus, collaboration and added value strategy.
- Developing products and commercial relationships for export markets and driving international expansion.
- Continuing to deliver environmentally friendly product technology.
- Continuing to drive cost reduction and improve quality.

John Fickling
Non-executive Chairman
8 July 2014

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report that we are now seeing the positive signs of increased sales activities in our key market of the UK.

Enrico Vassallo Chief Executive Officer

Despite challenging market conditions over the last twelve months, I am pleased to report that we are now seeing the positive signs of increased sales activities in our key market of the UK.

This has resulted in a 30% growth in orders in 2013/14. We believe that the launch of the new Metro range of vehicles will serve to strengthen our market position. We have made considerable progress in supply chain cost reduction, implementing manufacturing efficiencies and further improving the quality of our products, and we continue to focus on our processes to drive continual improvement. With the business break-even point lowered we are confident that we have built solid foundations for the Group to grow the top line and return to profitability.

Business and financial performance

2013/14 represented an important step forward for Optare in terms of business growth through the recovery of sales in our major market, the UK, and the consolidation of international sales, mainly in Australia and South Africa. Order intake grew by 30% in 2013/14 compared to the previous financial year, reaching a total number of 372 units.

The Company posted overall sales of 351 single deck vehicles, a slight decrease on the previous year. Further to our traditional sales, we also exported 31 kits to South Africa and the first 15 units of the Australian order.

Group turnover decreased from £75.9m to £56.9m, mainly due to the completion of deliveries of the kits for the Cape Town tender, which generated significant revenues in 2012/13. Profit after tax was a net loss of £4.1m, a reduction of £3.3m on the prior year, principally due to continued progress on driving cost reductions and increased process efficiencies.

Total registrations in our core market, the UK bus market, totalled 2,494 units in 2013/14, showing a contraction of 347 units against the previous year, but representing an increase in its market share in the UK bus market from 11.5% to 14.1%. Optare continues to be strong in the less than twelve tonne market (Solo), where we achieved 100% share of the UK market, and saw growth in the twelve to sixteen tonne market (Versa).

The majority of the bus market consists of twelve to sixteen tonne range (42%) and double-decker range (38%). In the period under review, Optare launched the MetroCity to compete in the twelve to sixteen tonne market and completed the development of the MetroDecker (double-decker) for commercial launch in the third quarter of 2014/15.

The business completed the MetroCity range with the addition of the electric option, gaining the first vehicle orders in October 2013. Paybacks on Electric Vehicle ("EV") products are now well within the lifetime of the vehicle, with technological developments in fast charging and inductive charging EVs now commercially viable across cities in the UK and Europe and we expect demand to increase as tighter controls on emissions are introduced across the world.

To reduce dependency on one market and to improve top line growth, the Group will continue to diversify the product range and participate in various bus segments outside the UK through the dealer distribution network. The Company continues to invest in new products to secure the long-term growth of the Company with a pipeline of new products to meet our growth strategy.

2013/14 was a year of continuing focus and improvement on operational and fixed costs to return to profitability and minimise cash outflow. This delivered net savings of £1.8m in cost of sales and £0.8m in administration expenses. The business remains focused on reducing operational costs and this will gain momentum in 2014/15 through lean manufacturing, with the likely associated cost savings expected to deliver a further £2.0m in the next twelve months, while maintaining a long-term view of having the right quality product to grow and deliver sustainable profits.

The integration with our parent company, Ashok Leyland, continues to grow in a number of key areas through synergies with its international operations for export opportunities and product cost reduction within the Ashok Global business. We are confident that this will result in an increased presence in new markets and lead to the conversion of major contracts into future sizeable orders through the Ashok Group's extensive global sales network. Furthermore, we have exchanged key personnel in critical areas to focus on continual improvement of engineering, quality and efficiency to transfer synergies between the organisations. We have also been successfully working with Ashok Leyland's supply chain to benefit from its critical mass and purchasing leverage to source materials from lower cost countries to deliver material cost reductions.

Financial performance

The financial results for the year show a net loss of £4.1m compared to a loss of £7.4m (post exceptional items) in the previous period, which represents an improvement of 45%.

The Group's financial performance for the period ended 31 March 2014 is reported in the final statements; however, key highlights for the period ended are:

- Revenue for the period was £56.9m, a reduction of 25% over prior year due to reduced kit revenues.
- There were no exceptional costs in this year's accounts as the site closure and restructuring phase of Optare's turnaround has now been completed (2013: £1.8m).
- Gross profit was £6.1m (representing 10.7% of turnover) over the twelve month period (2013: £5.2m (pre-exceptional items), representing 6.9% of turnover).
- Administration expenses for the period fell to £8.0m (2013: £8.8m (pre-exceptional items)).
- EBITDA losses reduced to £1.9m (2013: £3.6m).
- Operating cash outflows before working capital changes were £1.9m (2013: £5.3m).
- Loss per share reduced from 0.3p per share to 0.2p per share.

Current trading

On 31 March 2014, the current order book stood at £28.4m compared to £12.3m in the previous year. This reflects our substantial investment in market leading low-carbon vehicles and our planned export expansions. Additionally, as announced in May, we successfully launched our new MetroDecker product that completes our product offering to the market.

We are the industry leaders in electric vehicles in the UK market. Winning the National Transport award is a testament to our market leading technology, with increasing pressure on fuel cost and environmentally conscious customers. This provides the Company with an avenue to differentiate and grow in a mature market.

Board and management changes

Following the initial strategic integration of Optare into Ashok Leyland, PG Nilsson, Interim Chief Executive Officer, elected to retire and leave the organisation and step down from the Board of Directors. We thank PG Nilsson for his contribution and wish him the very best.

Following my appointment as CEO of the Optare Board on 7 October 2013, the senior management team has been strengthened further to create an organisation that is customer focused to underpin our top line growth expansion plans.

Outlook

With the business break-even point lowered we now believe it is time for the Group to deliver profitability by increased top line sales growth. We believe that this will be driven by the product pipeline including the MetroCity and MetroDecker and other new products for the export market in 2014/15 and beyond.

The Board anticipates that the UK market will be flat but the Company will continue to gain market share with the introduction of the MetroCity and MetroDecker. In addition, the Company is making solid progress to qualify to tender for substantial export contracts to take advantage of opportunities that exist in Europe, the Middle East and South East Asia.

Overall the Board expects progress to be accelerated in 2014/15 with the successful introduction of the new products and with increased demand for our low-carbon products, especially in Europe.

Enrico Vassallo
Chief Executive Officer
8 July 2014

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

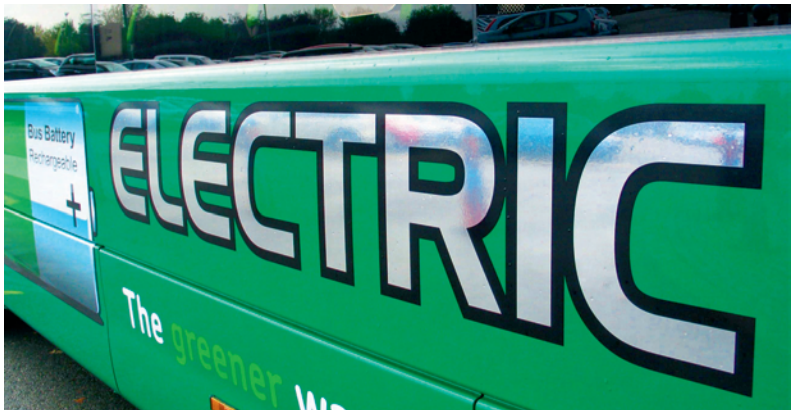
Building and maintaining the management system through regular reviews to continuously improve.

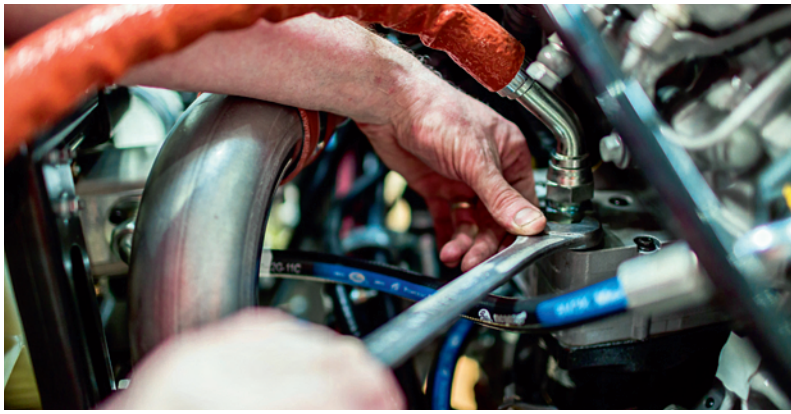
We aim to build on our history of innovation and develop our presence in the UK and globally.

SUSTAINABILITY

Minimising our impact on the environment.

Building on a history of innovation, we have developed a range of low-carbon buses using enhanced diesel technology, hybrid systems and full electric drivelines, which are available across our product range. We set the benchmark for fuel economy and CO_2 reduction with reduced weight designs and optimised drive systems.





HOW WE'RE ACHIEVING OUR GREEN CREDENTIALS:

- Zero emission electric vehicles
- Euro 6 diesel technology
- Hybrid fuel systems
- Reduced weight designs

Optare's signature fully integral lightweight design and demountable power pack for easy maintenance make our vehicles cost competitive over their life cycle.

Our Manufacturing Excellence programme is driving efficiency improvements and innovation through our UK facility.

MANUFACTURE

One of the global leaders in zero emission vehicles.

Optare is one of the market leaders in electric vehicles, with 59 now in service in the UK and Europe and orders for another 34 received to date. With a manufacturing plant in Sherburn in Elmet and an advanced engineering team based in Chorley, Optare believes it is well placed to improve its market share through stylish designs and key features, such as integral stainless steel structures, class leading unladen weight designs and removable power packs. The MetroCity, with the lightest unladen weight in its class, is already proving to be a strong contender in the greater than twelve tonne market in the UK and has already been launched into the key target market of London. The MetroDecker, the lightest double-decker in its class, will also be available in the UK market by the fourth quarter of 2014.

Our Australian and South African markets continue to grow. In addition, we are establishing growth markets in Europe and the Middle East.

SPONSOR

Official Year of the Bus sponsor.

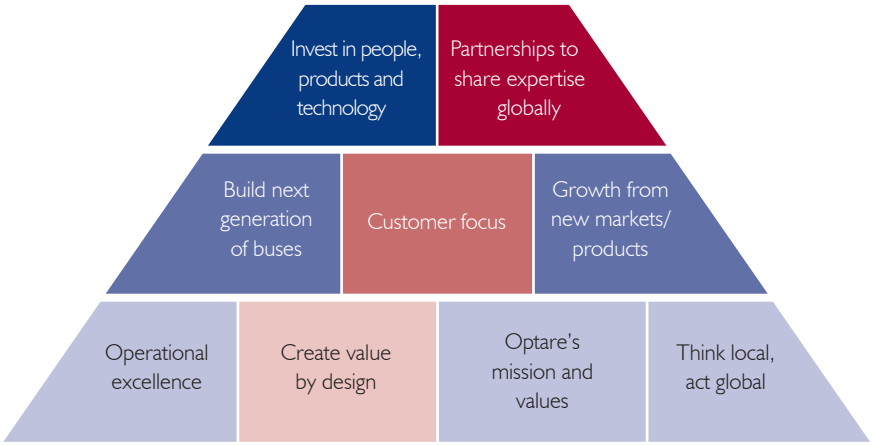
Optare has partnered with Transport for London and the London Transport Museum as an official sponsor of the Year of the Bus 2014. We look forward to working together to celebrate the vital role the bus plays in providing people with access to employment, education and services through the high profile activities of the Year of the Bus, and to demonstrating Optare's latest technology to reduce the environmental impact of buses.

YEAR OF THE BUS 2014

It's been 60 years since the creation of the iconic Routemaster, 75 years since the launch of the RT-type bus and 100 years since B-type buses carried soldiers to the frontline during the First World War.

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

STRATEGIC FOCUS



Focus on rear engine integral solutions for urban applications.

Growth in the midi-bus and double-decker markets.

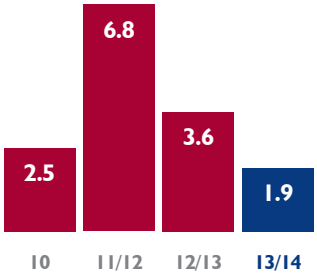
Optare is the hub of Ashok Leyland's global expansion into Europe and worldwide.

Expansion of the market share globally by selling buses to global standards at competitive prices.

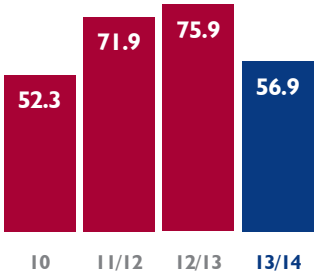
Consolidating and maintaining UK leadership in the mini-bus market.

KEY PERFORMANCE INDICATORS

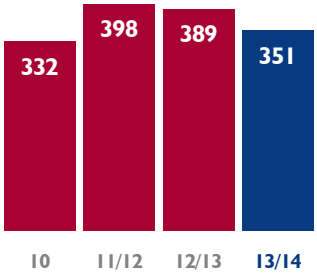
EBITDA pre-exceptional loss (£m)



Turnover (£m)



Bus sales volume (single deck)



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

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

KEY RISK	MITIGATING ACTIVITIES
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.

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.

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.

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 its 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.

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.

Venkatesan Venkataraman
(Non-executive Director)
Venkatesan is currently president of business development and strategy for Hinduja Automotive Limited, responsible for strategy, mergers and acquisitions 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.

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 operating 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.

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 four 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 meeting 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. The next annual general meeting will be held on 10 September 2014. The notice of the annual general meeting can be found at the end of this document.

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
8 July 2014

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 2014 totalled £nil (2013: £223,023).

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 2014, 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* £	**2013/14 Total £**	2012/13 Total £
Executive Directors						
Enrico Vassallo	87,804	13,775	—	7,000	**108,579**	—
Jim Sumner	—	—	—	—	**—**	413,053**
Non-executive Directors						
John Fickling	63,795	—	—	—	**63,795**	74,250
Jorma Halonen	7,500	—	—	—	**7,500**	10,000
Anuj Kathuria	—	—	—	—	**—**	—
Gopal Mahadevan	—	—	—	—	**—**	—
Per Gustav Nilsson	—	—	—	—	**—**	—
Kesavan Sridharan	—	—	—	—	**—**	—
Venkatesan Venkataraman	—	—	—	—	**—**	—
Total	159,099	13,775	—	7,000	**179,874**	497,303

Notes

* Other principally includes employer pension contribution.
** Includes compensation for loss of office.

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

Director's share options

	Options at 31 March 2013	Options granted in year	Forfeited in year	**Options at 31 March 2014**	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 2014 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 2014.

The market price of shares at 31 March 2014 (being the last trading day in the year) was 0.28p and the range during the year was 0.21p to 0.42p.

Approval

This report was approved by the Board of Directors and authorised for issue on 8 July 2014 and signed on its behalf by:

John Fickling
Chairman of the Remuneration Committee
8 July 2014

DIRECTORS' REPORT

The Directors submit their report and the financial statements of Optare plc for the year ended 31 March 2014.

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.

Political and charitable contributions

There were no political contributions during the period. Charitable contributions were £nil in the period (2013: £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-decker market in 2014, with EV and hybrid variants to be made available. In 2015 the product offering will be increased further by the launch of a twelve metre vehicle for the European market.

Events since the end of the year

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

Directors

Directors who served in the year are as follows:

John Fickling
Jorma Halonen (resigned 1 January 2014)
Anuj Kathuria
Per Gustav Nilsson (resigned 7 October 2013)
Kesavan Sridharan (resigned 23 September 2013)
Venkatesan Venkataraman
Gopal Mahadevan (appointed 18 February 2014)
Enrico Vassallo (appointed 7 October 2013)

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 2014 were 101 days (2013: 96 days).

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 owns 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 24 September 2013 shareholders' general meeting to issue warrants to maintain this percentage on the exercise of share options or other outstanding warrants.

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 (2013: £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 8 July 2014 and signed on its behalf by:

John Fickling
Non-executive Chairman
8 July 2014

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. As required by the AIM Rules of the London Stock Exchange they are required 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

We have audited the financial statements of Optare Plc for the year ended 31 March 2014 set out on pages 18 to 45. 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 2014 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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
8 July 2014

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2014

	Notes	**Total** **Year ended 31 March 2014 £'000**	Before exceptional items Year ended 31 March 2013 £'000	Exceptional items Year ended 31 March 2013 £'000	Total Year ended 31 March 2013 £'000
Revenue		**56,947**	75,938	—	75,938
Cost of sales		**(50,826)**	(70,695)	(1,483)	(72,178)
Gross profit/(loss)		**6,121**	5,243	(1,483)	3,760
Administrative expenses		**(8,039)**	(8,839)	(328)	(9,167)
Distribution costs		**(499)**	(512)	—	(512)
Amortisation of intangible assets	11	**(624)**	(643)	—	(643)
Loss from operations	3	**(3,041)**	(4,751)	(1,811)	(6,562)
Finance costs	5	**(1,020)**	(788)	—	(788)
Loss on ordinary activities before taxation		**(4,061)**	(5,539)	(1,811)	(7,350)
Taxation	6	**—**	—	—	—
Loss attributable to the equity holders of the parent company		**(4,061)**	(5,539)	(1,811)	(7,350)

	Year ended 31 March 2014	Year ended 31 March 2013
Loss per share (note 8):		
From continuing operations (basic and diluted)	**(0.2)p**	(0.3)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 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained loss £'000	Share-based payment reserve £'000	Total £'000
Balance at 1 April 2012	9,005	32,936	5,542	(44,529)	198	2,612
Loss for the year	—	—	—	(7,350)	—	(7,350)
Total comprehensive income for the period	—	—	—	(7,350)	—	(7,350)
Transactions with owners in their capacity as owners:						
Transfer between reserves on forfeiture of options	—	—	—	156	(156)	—
Total transactions with owners in their capacity as owners	—	—	—	156	(156)	—
Balance at 31 March 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 year	—	—	—	(4,061)	—	(4,061)
Transactions with owners in their capacity as owners:						
Transfer between reserves on forfeiture of options	—	—	—	—	—	—
Total transactions with owners in their capacity as owners	—	—	—	—	—	—
Balance at 31 March 2014	**9,005**	**32,396**	**5,542**	**(55,784)**	**42**	**(8,799)**

CONSOLIDATED BALANCE SHEET
At 31 March 2014
Company number: 06481690

	Notes	**31 March 2014 £'000**	31 March 2013 £'000
Non-current assets			
Goodwill	10	**8,574**	8,574
Other intangible assets	11	**8,324**	8,271
Property, plant and equipment	12	**3,300**	3,356
		20,198	20,201
Current assets			
Inventories	13	**12,423**	10,338
Trade and other receivables	14	**7,998**	7,720
		20,421	18,058
Total assets		**40,619**	38,259
Current liabilities			
Trade and other payables	15	**18,632**	20,466
Loans and overdrafts	26	**10,092**	18,652
Provisions	16	**1,589**	2,217
Obligations under finance leases	17	**64**	79
		30,377	41,414
Non-current liabilities			
Bank loans	26	**15,000**	—
Provisions	16	**3,940**	1,394
Obligations under finance leases	17	**101**	189
		19,041	1,583
Total liabilities		**49,418**	42,997
Net liabilities		**(8,799)**	(4,738)
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		**(55,784)**	(51,723)
Total equity attributable to equity holders of the parent		**(8,799)**	(4,738)

The financial statements on pages 18 to 40 were approved by the Board of Directors and authorised for issue on 8 July 2014 and are signed on its behalf by:

Enrico Vassallo
Chief Executive Officer
8 July 2014

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2014

	Notes	**Year ended 31 March 2014 £'000**	Year ended 31 March 2013 £'000
Operating activities			
Cash absorbed by operations	23	**(4,166)**	(2,537)
Interest paid	5	**(1,020)**	(788)
Net cash used in operating activities		**(5,186)**	(3,325)
Investing activities			
Disposal of assets held for sale		**—**	1,000
Purchase of property, plant and equipment		**(543)**	(800)
Internal capitalised costs	11	**(677)**	(882)
Interest received		**—**	—
Net cash used in investing activities		**(1,220)**	(682)
Financing activities			
Finance lease repayments		**(69)**	(60)
Loans		**7,476**	2,023
Net cash generated from financing activities		**7,407**	1,963
Net increase/(decrease) in cash and cash equivalents		**1,001**	(2,044)
Cash and cash equivalents at start of year		**(5,445)**	(3,401)
Cash and cash equivalents at end of period		**(4,444)**	(5,445)

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 £4.1m in the year ended 31 March 2014 (2013: £7.4m), which has resulted in the Group now having net liabilities of £8.8m (2013: £4.7m).

The Group has conducted a thorough review of its strategy for the next three years and put forward updated trading forecasts through to March 2017, which include detailed cash flow calculations. The Group is forecast to be cash generative in 2014/15. The Group continues to have facilities in place to meet its funding requirements. The forecasts are based on detailed assumptions as to sales performance, variable and fixed costs. The forecasts reflect the introduction of recently launched products from 2014/15 (MetroCity and MetroDecker), the strength of the current order book and prospects. This includes an increased level of exports through direct and distributor channels and continued sales of Green Bus vehicles – both electric vehicles and hybrids. Details of sales performance in 2013/14 and the increased order book are included in the Chief Executive Officer's report on pages 3 and 4.

The forecast assumes 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 Leyland. Improvement in labour productivity is factored in and further expected gains from process improvements and 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 savings 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.

Against these uncertainties, there are upside opportunities which are not reflected in the forecast but which would offset or mitigate the impact of downside risks which might occur. These include achieving a) higher than forecast sales volumes, b) an improved sales mix, c) material savings, arising from joint initiatives with Ashok Leyland, and d) productivity savings. Further significant high volume sales opportunities exist in Europe, Southern Africa, the Middle East, Asia and Australia, in excess of the forecast volumes. Further fixed cost base synergies to integrate the business further with Ashok Leyland also exist.

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 a corporate guarantee provided by Ashok Leyland and an overdraft element of £8.0m, which has been renewed and now falls due for review in June 2015. 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 £5.1m short-term loan facility from Ashok Leyland as at 31 March 2014, with a 30 day notice repayment subject to banking covenants. These facilities have been rolled forward until 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 Leyland. 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 being 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.

New IFRS and amendments to IAS and interpretations not applied

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

IFRS 7	Financial Instruments: Disclosures	13 December 2012
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 19	Defined Benefit Plans	5 June 2012
IAS 28	Investments in Associates and Joint Ventures	1 January 2014

The application of these standards and interpretations is not anticipated to have a material effect on 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 15 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 ten 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, 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 £504,000.

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.

1. Business and geographical segments and customer concentration

	Year ended 31 March 2014 £'000	Period ended 31 March 2013 £'000
Geographical analysis of revenue is as follows:		
UK	**52,041**	60,762
Non-EU	**4,906**	15,176
Total revenue	**56,947**	75,938

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 to an overseas bus-builder in South Africa and a distributor in Australia.

During the period two customers accounted for more than 16% of revenue. One customer is a large UK bus operating group and comprised 8.8% of revenue and the other is a large UK city council that represented 8.0% of revenue (2013: two large bus operating groups (22.6% of revenue) and one overseas bus-builder (21.8% 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 2014 £'000	Period ended 31 March 2013 £'000
Blackburn site clean-up costs	**—**	398
IDD double-decker material write off	**—**	385
Others	**—**	363
Redundancy costs	**—**	337
Cost of sales	**—**	1,483
Blackburn and Rotherham site closure costs	**—**	288
Redundancy costs	**—**	40
Administration	**—**	328

The Group completed a three-year turnaround by the end of 2013. With these objectives complete, no further exceptional costs occurred in the year ended March 2014.

3. Loss from operations

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Net foreign exchange (gains)/loss	**(13)**	70
Cost of inventories recognised in cost of sales	**36,263**	55,809
Write down inventories recognised as an expense	**686**	385
Depreciation:		
– owned assets	**497**	499
– leased assets	**28**	51
Loss on disposal of fixed assets	**—**	4,134
Amortisation of intangible assets		
Acquired	**143**	120
Internally generated	**481**	523
Rental under operating leases	**901**	928
Staff costs	**11,493**	14,963
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	**44**	75
Non-audit services:		
– services relating to tax services – compliance	**10**	15
	54	90

The following table analyses the nature of expenses:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Cost of inventories recognised in cost of sales	**36,263**	55,809
Staff costs (see note 4)	**11,493**	14,963
Warranty	**3,339**	2,884
Logistics partners	**1,980**	1,267
Premises costs	**1,294**	683
Depreciation, amortisation and impairments (see notes 11 and 12)	**1,149**	1,194
Write down inventories recognised as an expense	**686**	385
Transport costs	**633**	512
Marketing expenses	**522**	442
Insurance	**403**	118
Motor expenses	**370**	439
Professional fees	**318**	431
Travel and subsistence	**274**	645
Training, recruitment and relocation	**125**	171
Bank charges	**82**	126
Other expenses	**1,057**	619
Total cost of sales, distribution, admin and other operating expenses	**59,988**	80,688

There were no exceptional costs during the period.

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 2014 Number	Year ended 31 March 2013 Number
Production	**239**	272
Head office and administration	**164**	171
	403	443

The aggregate remuneration for the above persons comprised:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Wages and salaries	**10,268**	13,507
Social security costs	**1,001**	1,232
Other pension costs	**224**	224
	11,493	14,963

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Short-term employee benefits	**654**	737
Pension and other post-employment costs	**33**	32
	687	769

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 2014 £'000	Year ended 31 March 2013 £'000
Interest on bank overdrafts	**556**	405
Interest on loans from Ashok Leyland Ltd	**441**	353
Interest on obligations under finance leases	**23**	30
Total borrowing costs	**1,020**	788

6. Taxation

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Adjustments in respect of prior periods	**—**	—
Total current tax	**—**	—
Tax attributable to the Company and its subsidiaries	**—**	—

Domestic income tax is calculated at 24% in 2012/13 and 23% of the estimated assessable profit for the period in 2013/14.

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Loss on ordinary activities before tax	**(4,061)**	(7,350)
Tax at the domestic income tax rate	**(934)**	(1,764)
Tax effect of expenses that are not deductible in determining taxable profit	**176**	224
Tax losses not utilised	**758**	1,540
Tax credit for the period	**—**	—

7. Dividends

The Directors do not propose the payment of a dividend in respect of the current period (2013: £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 2014 £'000	Year ended 31 March 2013 £'000
Loss:		
Loss for the purposes of basic loss per share (net loss for the period attributable to equity holders of the parent)	**(4,061)**	(7,350)

	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**	(0.3)p

Excluding exceptional items

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Net loss for the period attributable to equity holders of the parent	**(4,061)**	(7,350)
Adjustment to exclude exceptional costs	**—**	1,811
Loss from continuing operations for the purposes of basic earnings per share	**(4,061)**	(5,539)
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 2014 £'000	31 March 2013 £'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 2017 and extrapolation for later periods.

The growth assumptions (28% volume increase on sales of single deck vehicles for the first year) 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 significantly increase by the introduction of new products for the UK and European markets in 2014/15 and 2015/16 and then flatten off until the introduction of further new products.

A risk adjustment is then made using a pre-tax discount rate of 8.5% 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 2014 to March 2017 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	20,321
Value in use	60,847
Headroom	40,526
Headroom after decreasing forecast sales by 5%	30,200
Headroom by increasing discount rate by 2% to 10.5%	34,234

11. Other intangible assets

	Vehicle related intangible assets £'000	Customer related intangible assets £'000	Total £'000
At 1 April 2012	8,460	608	9,068
Additions – internally generated	882	—	882
At 31 March 2013	9,342	608	9,950
Additions – internally generated	677	—	677
At 31 March 2014	**10,019**	**608**	**10,627**
Amortisation			
At 1 April 2012	763	273	1,036
Charge for the period	590	53	643
At 31 March 2013	1,353	326	1,679
Charge for the year	571	53	624
At 31 March 2014	**1,924**	**379**	**2,303**
Carrying amount			
At 31 March 2014	**8,095**	**229**	**8,324**
At 31 March 2013	7,989	282	8,271
At 1 April 2012	7,697	335	8,032

Of the vehicle related intangible assets' carrying amount at the period end, £7,055,000 (2013: £6,819,000) related to internally generated assets and £1,040,000 (2013: £1,170,000) 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 the Versa hybrid school bus, and new product designs, such as the MetroCity and MetroCity EV vehicles intended for the London market, and the MetroDecker, launched in May 2014. 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, machinery and motor vehicles* £'000	Fixtures and fittings £'000	Total £'000
Cost					
As at 1 April 2012	1,565	1,728	1,890	427	5,610
Additions	143	307	349	1	800
Disposals	—	(482)	(968)	(63)	(1,513)
As at 31 March 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**
Depreciation and impairments					
As at 1 April 2012	—	922	983	162	2,067
Charge for the period	45	410	428	64	947
Impairment losses	—	—	(474)	(56)	(530)
As at 31 March 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**
Net book value					
As at 31 March 2014	**1,395**	**493**	**1,156**	**256**	**3,300**
As at 31 March 2013	1,547	497	1,056	256	3,356
As at 1 April 2012	1,520	396	953	257	3,126

* 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 £113,000 (2013: £nil).

The net book value of assets held under finance leases and hire purchase agreements is £226,000 (2013: £319,000).

13. Inventories

	31 March 2014 £'000	31 March 2013 £'000
Raw materials and consumables	**3,467**	4,451
Work in progress	**5,942**	5,168
Finished goods	**3,014**	719
Total	**12,423**	10,338

14. Trade and other receivables

	31 March 2014 £'000	31 March 2013 £'000
Trade receivables	**7,332**	6,858
Allowance for estimated irrecoverable amounts	**(174)**	(160)
Net trade receivables	**7,158**	6,698
Other receivables and prepayments	**840**	1,022
Total	**7,998**	7,720

Trade receivables past due but not impaired at the period end totalled £1,085,000 (2013: £1,045,000). 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 2014 were 26 (2013: 28).

Ageing of past due but not impaired receivables:

	31 March 2014 £'000	31 March 2013 £'000
30–180 days	**873**	968
90–365 days	**106**	233
Greater than one year	**106**	(156)
Total	**1,085**	1,045

15. Trade and other payables

	31 March 2014 £'000	31 March 2013 £'000
Trade payables	**10,533**	14,469
Social security and other taxes	**819**	1,399
Accruals and deferred income	**7,280**	4,598
	18,632	20,466

Creditor days as at 31 March 2014 were 101 days (2013: 96 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 £465,000 (2013: £854,000), principally in Euros.

16. Provisions

	Warranty provision £'000	Building provisions £'000	Other provisions £'000	Total provisions £'000
At 1 April 2013	3,164	288	159	3,611
Additional provision	3,818	—	—	3,818
Utilisation of provision	(1,794)	(81)	(25)	(1,900)
At 31 March 2014	**5,188**	**207**	**134**	**5,529**
Under one year provision	1,248	207	134	1,589
Over one year provision	3,940	—	—	3,940
At 31 March 2014	**5,188**	**207**	**134**	**5,529**

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.

Management has estimated the cost of potential building claims relate to utility separation and dilapidation provisions for sites exited and sold in 2013/14.

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 2014 £'000	**Present value of lease payments 31 March 2014 £'000**	Minimum lease payments 31 March 2013 £'000	Present value of lease payments 31 March 2013 £'000
Amounts payable under finance leases:				
– within one year	**64**	**62**	79	76
– two to five years	**101**	**93**	189	176
	165	**155**	268	252

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 13% in the period (2012/13: 12%).

18. Deferred tax

At the reporting date, the Group has unused tax losses of £51,519,923 (2013: £50,762,000) available for offset against future profits. A deferred tax asset of £10,819,183 at a tax rate of 21% (2013: £11,675,260 at 23%) 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 2013	—	2,235,291,827	752,145,493	9,004,601
Shares issued	—	—	—	—
As at 31 March 2014	**—**	**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 £224,000 (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 2014, 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.

	2014		2013	
	Options Number '000	**Weighted average exercise price Pence**	Options Number '000	Weighted average exercise price Pence
Outstanding at beginning of period	**5,250**	**1.95**	14,250	1.95
Granted during the period	**—**	**—**	—	—
Forfeited during the period	**(3,250)**	**—**	(9,000)	1.95
Outstanding at the end of the period	**2,000**	**1.95**	5,250	1.95
Exercisable at the end of the period	**2,000**	**—**	5,250	—

No options were exercised during the period. The options outstanding at 31 March 2014 had an exercise price between 1.0p and 4.15p (2013: between 1.0p and 4.15p) and a weighted average remaining contractual life of 6.7 years (2013: 7.7 years).

21. Share-based payments *continued*

Equity-settled share option plan *continued*

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 2014 25,105,831 warrants were outstanding.

In 2013/14 fair value warrants were issued to Ashok Leyland companies of £nil (2013: £2,430,785).

22. Operating lease arrangements

The Group as a lessee

Commitments under non-cancellable leases for:

	31 March 2014 £'000	31 March 2013 £'000
Buildings	**8,856**	11,573
Others	**326**	248
	9,182	11,821

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

	31 March 2014 £'000	31 March 2013 £'000
Amounts due within one year	**860**	812
Amounts due between one and five years	**2,776**	2,831
Amounts due after more than five years	**5,546**	8,178
	9,182	11,821

23. Net cash from operating activities

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Operating activities:		
– loss before tax	**(4,061)**	(7,350)
Adjustments for:		
– depreciation	**525**	551
– amortisation of intangible assets	**624**	643
– net finance expense	**1,020**	788
– loss on disposal of property, plant and equipment	**5**	19
Operating cash flows before movements in working capital	**(1,887)**	(5,349)
Changes in working capital:		
– (increase)/decrease in inventories	**(2,085)**	937
– (increase)/decrease in trade and other receivables	**(278)**	423
– (decrease)/increase in trade and other payables	**(1,834)**	297
– increase/(decrease) in provisions	**1,918**	1,155
Total (decrease)/increase in working capital	**(2,279)**	2,812
Net cash absorbed in operating activities	**(4,166)**	(2,537)

24. Post-period end events

The Company extended its bank overdraft facilities in June 2014 for one year.

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 Deputy Chief Executive 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 had loan agreements in place at the period end with an outstanding amount of £5,648,000 including accrued interest. The loans are interest bearing at 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 (2013: £34,000) for the Group's borrowings of £15,000,000 with Barclays (2013: £15,000,000).

The major shareholder, Ashok Leyland Ltd, is providing key employee resource to support the business. The charge was £103,000 in this year's results (2013: £216,000). The cost of this expense that remains outstanding at the period end was £217,000 (2013: £316,000).

26. Financial instruments

	31 March 2014 £'000	31 March 2013 £'000
Current financial assets		
Cash and cash equivalents	**—**	—
Trade and other receivables	**7,998**	6,698
Total	**7,998**	6,698

	31 March 2014 Financial liabilities at amortised cost £'000	31 March 2013 Financial liabilities at amortised cost £'000
Current financial liabilities		
Trade and other payables	**18,632**	19,067
Bank loans and overdrafts	**4,444**	13,445
Obligations under finance leases	**64**	79
Other current financial liabilities	**5,648**	5,207
	28,788	37,798
Non-current financial liabilities		
Bank loans	**15,000**	—
Obligations under finance leases	**101**	189
Total non-current financial liabilities	**15,101**	189
Total	**43,889**	37,987

26. Financial instruments *continued*

Loans and overdrafts

	31 March 2014 £'000	31 March 2013 £'000
Bank overdrafts	**4,444**	5,445
Bank loans	**15,000**	8,000
Short-term loan	**5,648**	5,207
	25,092	18,652
Analysis of borrowings by currency		
Euro – cash balance	**(73)**	(76)
US Dollar – cash balance	**(5)**	(10)
Sterling – overdraft	**4,931**	5,535
Sterling – loans	**20,240**	13,207
Swiss Francs – cash balance	**(1)**	(4)
	25,092	18,652

The Company had a short-term loan in place at 31 March 2014 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 2.60% over Bank of England base rate; the bank overdrafts are at a floating rate of 2.60% and 2.35% over the Bank of England base rate. The short-term loan from the parent company is at a rate of 8.00% 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 £0.3m.

Foreign currency risk

Management's primary foreign currency risk arises from suppliers who invoice in Euros, US Dollars and Indian Rupees. 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.

26. Financial instruments *continued*

Financial instruments – risk management *continued*

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 2014 the Group had net liabilities of £8.8m, compared to net liabilities of £4.7m at 31 March 2013. The net debt of the Group was £25.1m at 31 March 2014 compared to £18.7m at 31 March 2013.

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

£'m	**2014**	2013
Debt	**25.1**	18.7
Cash and cash equivalents	**—**	—
Net debt	**25.1**	18.7
Capital	**16.3**	14.0
Net debt to capital ratio	**154%**	134%

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 Indian Rupee 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
At 31 March 2014

	Notes	**31 March 2014 £'000**	31 March 2013 £'000
Fixed assets			
Investments	28	**63,772**	59,076
		63,772	59,076
Current assets			
Debtors due within one year	30	**561**	401
		561	401
Creditors: amounts falling due within one year	32	**24,148**	34,106
Net current liabilities		**(23,587)**	(33,705)
Non-current liabilities			
Bank loans		**15,000**	—
		15,000	—
Net assets		**25,185**	25,371
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	**(20,694)**	(20,508)
Total equity		**25,185**	25,371

The Company's loss after tax for the period was £185,515 (2013: £258,714).

The financial statements on pages 41 to 45 were approved by the Board of Directors and authorised for issue on 8 July 2014 and are signed on its behalf by:

Enrico Vassallo
Chief Executive Officer
8 July 2014

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.

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 2013	39,923	35,282	75,205
Addition	—	4,696	4,696
At 31 March 2014	**39,923**	**39,978**	**79,901**
Impairment			
At 1 April 2013	16,129	—	16,129
Charge for the period	—	—	—
At 31 March 2014	**16,129**	**—**	**16,129**
Carrying amount			
At 1 April 2013	23,794	39,978	63,772
At 31 March 2014	**23,794**	**39,978**	**63,772**

Details of the Company's subsidiaries at 31 March 2014 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.

29. Fixed assets

	Fixtures and fittings £'000
Cost	
At 1 April 2013	16
Additions	—
At 31 March 2014	**16**
Depreciation	
At 1 April 2013	16
Charged during period	—
At 31 March 2014	**16**
Net book value as at 31 March 2014	**—**
Net book value as at 31 March 2013	—

30. Debtors due within one year

	31 March 2014 £'000	31 March 2013 £'000
Prepayments	**398**	201
Other debtors	**163**	200
Amounts due from subsidiary undertakings	**—**	—
Total	**561**	401

Other debtors refers to a refund of VAT due.

31. Operating lease arrangements

Annual commitments under non-cancellable leases for:

	31 March 2014 £'000	31 March 2013 £'000
Buildings – expiring after five years	**542**	542

32. Creditors: amounts falling due within one year

	31 March 2014 £'000	31 March 2013 £'000
Overdraft	**4,931**	6,923
Bank loan	**—**	8,000
Loans from parent undertaking	**5,649**	5,207
Trade creditors	**149**	218
Amounts payable to subsidiary undertakings	**13,307**	13,307
Social security and other taxes	**—**	271
Accruals and deferred income	**112**	180
	24,148	34,106

33. Share capital

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

34. Capital reserves

	Share premium £'000	Merger reserve £'000	Total £'000
As at 1 April 2013	32,396	4,436	36,832
Issue of ordinary share capital (net of expenses)	—	—	—
As at 31 March 2014	**32,396**	**4,436**	**36,832**

35. Share-based payment reserve

	31 March 2014 £'000	31 March 2013 £'000
As at start of period	**42**	198
Charge for period	**—**	—
Forfeited during period	**—**	(156)
As at end of period	**42**	42

36. Retained loss

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
As at start of period	**(20,508)**	(20,405)
Net loss for period	**(186)**	(259)
Share-based forfeited/payment during period	**—**	156
Balance as at end of period	**(20,694)**	(20,508)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, solicitor or accountant or other professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Optare plc, please hand this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice of Annual General Meeting

Optare plc (the "Company")

(Incorporated and registered in England and Wales
with registered number 06481690)

Directors:
John Matthew Fickling (Non-executive Chairman)
Enrico Vassallo (Chief Executive Officer)
Gopal Mahadevan (Non-executive Director)
Anuj Kathuria (Non-executive Director)
Venkatesan Venkataraman (Non-executive Director)

Registered office:
Unit 3
Hurricane Way South
Sherburn in Elmet
North Yorkshire
LS25 6PT

8 July 2014

To holders of ordinary shares of 0.1p each in the capital of the Company ("Ordinary Shares")

Dear shareholder

2014 Annual General Meeting of Optare plc (the "Company")

1. Introduction

I am pleased to be writing to you with details of the Company's 2014 annual general meeting ("Annual General Meeting"/"AGM") which we are holding at the Company's registered office, Unit 3, Hurricane Way South, Sherburn in Elmet, North Yorkshire LS25 6PT on 10 September 2014 at 10.30am. The formal notice of the Annual General Meeting is set out at the end of this document.

2. Business to be transacted at the AGM

Details of the resolutions which are to be proposed at the Annual General Meeting are set out below.

Ordinary resolution 1 – Reports and accounts

The Directors of the Company are required under the Companies Act 2006 to lay the audited annual accounts and reports for each financial year before the Company in general meeting.

Ordinary resolution 2 – Re-appointment and remuneration of auditor

The auditor of the Company must be re-appointed at each meeting at which the Company's annual accounts are presented. Resolution 2 proposes the re-appointment of KPMG LLP. The resolution also follows past practice in giving the Directors authority to determine the remuneration to be paid to the auditor.

2014 Annual General Meeting of Optare plc (the "Company") *continued*

2. Business to be transacted at the AGM *continued*

Special resolution 3 – Authority to allot shares and disapplication of pre-emption rights

A special resolution is proposed which will allow the Directors of the Company to issue shares or grant options over shares and/or other rights to subscribe for, or convert any security into, shares in the Company to Directors or employees (including Non-executive Directors) of the Company and its subsidiaries, without first offering them to existing shareholders in proportion to their existing holdings, up to a maximum nominal value of £44,706 (44,706,000 shares). This represents approximately 2% of the Company's issued ordinary share capital as at the date of this letter. In addition, this resolution will give the Directors power to allot sufficient shares, or issue sufficient warrants to subscribe for ordinary shares, to Ashok Leyland Ltd and its associated companies, to maintain their aggregate holding at 75.1% of the Company's then-issued ordinary share capital (as enlarged by the issue of further shares pursuant to the power and authority conferred by this resolution).

This means that up to 134,837,000 shares could be issued to Ashok Leyland Ltd and its associated companies if the full amount of 44,706,000 new shares were issued to Directors and employees. The Board's intention is that any shares issued to Ashok Leyland Ltd and its associated companies will (to the extent practicable) be at the same issue price as those issued pursuant to this power and authority to Directors and employees.

3. Action to be taken

You are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting on your behalf. You will find enclosed with this document a Form of Proxy for use in connection with the Annual General Meeting. Whether or not you propose to attend the Annual General Meeting in person, you are requested to complete and return the Form of Proxy to the Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU, as soon as possible and, in any event, so as to be received no later than 10.30am on 8 September 2014. Completion and return of a Form of Proxy will not stop you from attending the Annual General Meeting and voting in person should you so wish.

4. Recommendation

The Directors consider that all of the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommend that shareholders vote in favour of all of the resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Yours faithfully

John Fickling
Non-executive Chairman
8 July 2014

NOTICE OF ANNUAL GENERAL MEETING
Optare plc

Notice is given that the Annual General Meeting of the Company will be held at the Company's registered office, Unit 3, Hurricane Way South, Sherburn in Elmet, North Yorkshire LS25 6PT, on 10 September 2014 at 10.30am for the following purposes:

Ordinary business
To consider and, if thought fit, to pass resolutions in respect of the following matters as ordinary resolutions of the Company:

1. To receive the Directors' Report and annual accounts for the year ended 31 March 2014 together with the reports of the Directors and auditor thereon.
2. To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

Special business
To consider and, if thought fit, to pass the following resolution as a special resolution of the Company:

3. That the Directors of the Company be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, and they be given power pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash as if Section 561 of the Act did not apply to any such allotment, provided that such authority and power shall be limited to:

   3.1 the allotment of equity securities to Directors and employees of the Company and its subsidiaries (on and subject to such terms and conditions as the Directors may see fit) up to an aggregate nominal amount of £44,706; and

   3.2 the allotment to Ashok Leyland Ltd and its associated companies for cash of such number of equity securities as is necessary to maintain the percentage holding of Ashok Leyland Ltd and its associated companies of shares in the issued ordinary share capital of the Company at 75.1%, up to an aggregate nominal amount of £134,837,

   and further provided that such authority and power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement as if the authority and power conferred by this resolution had not expired.

By order of the Board

Abhijit Mukhopadhyay
Company Secretary

Registered office:
Unit 3
Hurricane Way South
Sherburn in Elmet
North Yorkshire
LS25 6PT
8 July 2014

Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those holders of ordinary shares of 0.1p each in the capital of the Company registered in the Company's register of members at:

   1.1 6.00pm on 8 September 2014; or

   1.2 if this meeting is adjourned, at 6.00pm two working days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of 0.1p each in the capital of the Company registered in their name at that time. Subsequent changes to entries in the register of members shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Members may appoint a proxy or proxies:

   2.1 by completing and returning a Form of Proxy by post or by hand to the offices of the Company's registrar, Capita Asset Services, in accordance with note 5 below; or

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

3. A Form of Proxy which may be used to make such an appointment and give proxy instructions accompanies this notice of meeting. If you do not have a Form of Proxy and believe that you should have one, please contact Capita Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras from within the UK) or from overseas on +44 (0)20 8639 3399 (in either case lines are open 9.00am to 5.30pm (UK time) Monday to Friday).

4. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to different shares held by a member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the Form of Proxy or request additional forms from Capita Asset Services as set out in note 3 above. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

5. The notes to the Form of Proxy explain how to direct your proxy to vote on each resolution or withhold their vote. To appoint a proxy using the Form of Proxy, the form must be:

   5.1 completed and signed;

   5.2 sent or delivered to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU; and

   5.3 received by Capita Asset Services no later than 10.30am on 8 September 2014 or two working days prior to any adjourned meeting or, in the case of a poll taken more than 48 hours before the time appointed for the taking of the poll.

   In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

6. The sending of a completed Form of Proxy to the Company's registrar will not preclude members from attending and voting at the meeting, or any adjournment of it, in person, should they so wish.

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

Notes *continued*

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI")'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30am on 8 September 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages.

   Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to every other matter which is put before the Annual General Meeting.

12. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

13. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions: any amended proxy appointment received after the relevant cut-off time will be disregarded.

14. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

15. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

16. Copies of the Directors' service contracts and letters of appointment of the Non-executive Directors with the Company or any of its subsidiary undertakings will be available:

    16.1 for at least 15 minutes prior to the meeting; and

    16.2 during the meeting.

17. You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the Chairman's letter and Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY
Optare plc

I/We .....

of.....

being a member of the Company, appoint the Chairman of the meeting or

.....

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10.30am on 10 September 2014 and at any adjournment of it.

I have indicated with a "**X**" how I/we wish my/our votes to be cast on the following resolutions which are referred to in the notice convening the meeting (see note 1 below).

Resolutions	For	Against	Withheld
Ordinary resolutions			
1. To receive the Directors' Report and accounts for the year ended 31 March 2014 together with the reports of the Directors and auditor thereon.			
2. To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to determine its remuneration.			
Special resolution			
3. To authorise the Directors to allot shares and dis-apply statutory pre-emption rights.			

Signature..... Date .....

Please tick here if you are appointing more than one proxy: ☐

Number of shares proxy appointed over: ☐

Notes

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see over). If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Form of Proxy has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The "Vote Withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
4. Entitlement to attend and vote at the meeting and the number of votes which may be cast at the meeting will be determined by reference to the Register of Members of the Company at 6.00pm on 8 September 2014. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
6. The Form of Proxy must arrive at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU during usual business hours accompanied by any power of attorney under which it is executed (if applicable) no later than 10.30am on 8 September 2014.
7. If you prefer, you may return this Form of Proxy to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU.
8. Please indicate with a cross in the appropriate box how you wish the proxy to vote. In the absence of any indication, the proxy will exercise his/her discretion as to whether and how he/she votes.

ADVISERS

Registered office
Unit 3
Hurricane Way South
Sherburn in Elmet
North Yorkshire LS25 6PT

Company secretary
Abhijit Mukhopadhyay

Nominated adviser and broker
Cenkos Securities plc
6.7.8. Tokenhouse Yard
London EC2R 7AS

Solicitors to the Company
Pinsent Masons
1 Park Row
Leeds LS1 5AB

Auditor
KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

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