



Darwen Holdings plc
Admission to trading on AIM

Nominated adviser and broker
Cenkos Securities plc

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DARWEN HOLDINGS PLC

(incorporated and registered in England and Wales under number 06481690)

Acquisition of the entire issued share capital of Jamesstan Investments Limited

AIM Admission Document

Proposed Placing of 40,000,000 new Ordinary Shares of 1p each at 40p per share,

Notice of General Meeting, Proposed Change of Name to Optare plc and Admission of Enlarged Share Capital to trading on AIM

Nominated Adviser and Broker

Cenkos Securities plc

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Copies of this document shall be available for collection only, free of charge, from the offices of Cenkos, Cobbetts and from the Company at its registered office during normal office hours on any weekday (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2008
Date of publication of this document	20 June
Record date	11 July
Latest time and date for receipt of Forms of Proxy for the General Meeting	11 a.m. on 12 July
General Meeting	14 July
Admission and commencement of dealings in New Ordinary Shares on AIM	15 July
Where applicable, expected dates for CREST accounts to be credited in respect of the New Ordinary Shares	15 July
Where applicable, expected date of dispatch of definitive share certificates for New Ordinary Shares by	22 July

PLACING STATISTICS

Number of Existing Ordinary Shares	49,293,145
Number of Placing Shares	40,000,000
Placing Price Per new Ordinary Share	40p
Number of Consideration Shares	4,375,000
Estimated Gross Proceeds of the Placing receivable by the Company	£16 million
Estimated net proceeds of the Placing receivable by the Company	£14,973,000
Market capitalisation of the Company at the Placing Price at Admission	£37.4 million
Percentage of Enlarged Share Capital represented by the Placing Shares	42.7%
Percentage of Enlarged Share Capital represented by the Consideration Shares	4.7%

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Roy Stanley (<i>Executive Chairman</i>) Andrew Brian (<i>Chief Executive Officer</i>) John Fickling (<i>Non-Executive Director</i>)
Proposed Director	Michael Dunn (<i>Chief Financial Officer</i>)
Registered Office	Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB 1 5UD
Company Secretary	Cobbetts (Secretarial) Limited c/o Cobbetts LLP 58 Mosley Street Manchester M2 3HZ
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Solicitors to the Company	Cobbetts LLP No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN
Solicitors to the Nominated Adviser	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Reporting Accountants	Baker Tilly Corporate Finance LLP 2 Whitehall Quay Leeds LS1 4HG
Auditors	Baker Tilly UK Audit LLP 2 Whitehall Quay Leeds LS1 4HG
Registrar	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

Directors:

Roy Stanley (*Executive Chairman*)
Andrew Brian (*Chief Executive Officer*)
John Fickling (*Non-Executive Director*)

Proposed Director:

Michael Dunn (*Chief Financial Officer*)

Registered Office:

Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

PART I

Letter from the Chief Executive of Darwen Holdings plc
(*incorporated and registered in England and Wales under number 06481690*)

20 June 2008

To the Ordinary Shareholders

Dear Shareholder,

Acquisition of Jamesstan Investments Limited
Proposed Placing of new Ordinary Shares
Notice of General Meeting
Proposed change of name to Optare plc
Admission of Enlarged Share Capital to trading on AIM

1. Introduction

Your Board is pleased to inform you that the Company has today announced that it has conditionally agreed, subject *inter alia* to Existing Shareholder approval at the General Meeting, to acquire the entire issued share capital of Jamesstan. The consideration for the Acquisition is to be satisfied by a cash payment of £5,000,000 and by the issue of 4,375,000 Consideration Shares at the Placing Price to Roy Stanley (a Director and Shareholder of the Company) and the sole shareholder of Jamesstan. Jamesstan was established in January 2008 to acquire Optare Holdings, a leading manufacturer of small buses and coaches. Further details of the Acquisition are set out at paragraph 9.4 of Part VIII of this document.

In conjunction with the Acquisition, and in order to implement the Director's strategy for the Enlarged Group, the Company has also today announced that it intends to raise approximately £16 million, before expenses, through the issue of 40 million Placing Shares at the Placing Price. The proceeds of the Placing will be used partly to fund the cash element of the consideration of the Acquisition and the costs of the Proposals. Further details of the Placing are set out at paragraph 12 of this Part I of this document.

By reason of the size and relative values of Jamesstan in relation to Darwen, the Acquisition will constitute a reverse takeover under Rule 14 of the AIM Rules and will therefore require the approval of Existing Shareholders at the General Meeting. As the Acquisition Agreement is between the Company and Roy Stanley (a Director and Shareholder of the Company) approval of Existing Shareholders at the General Meeting will also be required under section 190 of the 2006 Act. To complete the Acquisition and implement the Placing it will also be necessary to give the Directors the required powers and authorities to issue and allot the Consideration Shares and the Placing Shares.

The Acquisition and the Placing are conditional, *inter alia*, upon the passing of the Resolutions and, save in relation to the VCT Shares, Admission. If all the conditions of the Acquisition and Placing are satisfied, the Enlarged Share Capital will be admitted to trading on AIM.

If the Resolutions are duly passed, trading in the Existing Ordinary Shares will be cancelled and the Company will be obliged to apply for admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM. It is expected that the Enlarged Share Capital will be admitted to trading on AIM on 15 July 2008.

John Fickling has irrevocably undertaken to vote in favour of all the Resolutions, in respect of his beneficial interests amounting, in aggregate, to 884,000 Ordinary Shares, representing approximately 1.79 per cent. of the Existing Ordinary Shares.

The purpose of this document is to provide you with background to, and information regarding, the Proposals. It explains why your Board considers that the Proposals are in the best interests of the Company and its Shareholders as a whole, is seeking your approval for the Proposals at the General Meeting and recommends that you vote in favour of the Resolutions which are necessary to approve and implement the Proposals. The notice of the General Meeting is set out at the end of this document.

2. Benefits of and Reasons for the Acquisition

Darwen was admitted to trading on AIM on 25 February 2008. Its stated strategy was to establish a leading vehicle manufacture business, to develop hybrid vehicles and capitalise on the market opportunities to deliver low emission solutions to the Group's customers in the UK and abroad. At that time the Directors also saw a significant opportunity to improve the operating performance of the business, which had been established in August 2007.

Whilst the Darwen Group continues to make significant progress organically, the Directors' stated intention at that time was to pursue strategic acquisitions when appropriate. The Directors believe that the proposed Acquisition is a compelling strategic fit with the Group for the following reasons:

- *Comprehensive product offering* – the combination of the Jamesstan Group's bus and coach product range, together with the Darwen Group's conventional diesel and new hybrid technology will, in the Directors' opinion, enable the Enlarged Group to significantly increase its product offering and diversify its customer base. The Enlarged Group's product range will include a wider spectrum of vehicles ranging from mini and midi buses through to high capacity double deckers and coaches;
- *In-house design capability* – with the combined skills and experience contained within the two businesses, the Enlarged Group will increase its ability and capacity to implement new hybrid technology and volume production of low emission buses;
- *Improved after sales ability with national reach* – the Jamesstan Group has a dedicated and established after sales business through Unitec, an after sales and parts division. The Enlarged Group will have sites in Essex, Rotherham, Blackburn and Glasgow, enabling full national coverage. The Directors believe this is a key element in growing the business and will give the Enlarged Group a strong competitive advantage;
- *Cost savings and operational synergies* – the combination of economies of scale, together with changes and enhancements to the manufacturing facilities, will streamline the business, thus improving production levels. The Directors believe that cost savings should also be achieved on several levels including management, administration, product development, supply chain and marketing; and
- *Enhanced geographic reach* – the Darwen Group and the Jamesstan Group have a complementary range of international businesses, and the increased scale and expertise of the Enlarged Group will leave it better placed to grow the business outside the UK.

3. Information and background on the Jamesstan Group

Jamesstan was incorporated on 3 January 2008 to acquire the entire issued share capital of Optare Holdings Limited, whose subsidiaries include Optare Group Limited ("Optare").

Optare's history commenced in 1985 following the closure of the former plant which was owned by Leyland Bus. The facility was known as Charles H Roe which had a manufacturing history on the Jamesstan Group's Leeds site stretching back to 1932. Optare was established in 1985 when the management team acquired the land and buildings to begin manufacturing a new range of buses of Optare's own design.

“Optare” is now a leading name in the UK bus and coach industry. The Jamesstan Group now comprises three business operations: bus manufacturing, coach sales and Unitec, an after sales and parts division. The Directors believe that the key strengths of the Jamesstan Group are as follows:

- *Integrated solution* – from the design and manufacture of buses to after sales and support through the Unitec warranty, servicing and parts, Jamesstan has the ability to act as a “one-stop” shop for customers;
- *The distribution and geographical reach of the after sales business* – the Jamesstan Group has sites in Essex, Rotherham and Glasgow, which provide an extensive range of sales opportunities and the ability to provide better quality customer service to customers across the UK;
- *Extensive product range* – with numerous vehicle models, the Jamesstan Group offers a wide variety of products, notably in smaller and single deck vehicles, which complement the Group’s current range. In particular, this range includes the Solo model, which accounts for approximately 65 per cent. of the UK midi bus market; and
- *Extent and quality of customer base* – the Jamesstan Group supplies to a variety of well known national and local bus operators including Stagecoach, Mistral and Arriva and also has strong relationships with a variety of the Darwen Group’s existing customers as well as operators that are new to the Darwen Group.

The manufacturing arm of the Jamesstan Group operates out of sites in Leeds and Rotherham, whilst the after sales function is run from sites in Essex, Rotherham and Glasgow.

The Directors believe that the Jamesstan Group’s products account for approximately 13 per cent. of the UK’s heavy bus market share. The international division of the Jamesstan Group has built a presence in North America, where a large fleet of Solo-based vehicles is operating. Additional sales of the Solo model have also been made in Denmark, the Benelux countries and Germany. The Jamesstan Group has also supplied vehicles to Holland, Norway, Malta, Turkey and Malaysia.

The Jamesstan Group’s product range currently consists of 8 basic models of vehicle:

<i>Model</i>	<i>Details</i>
Solo	<ul style="list-style-type: none"> • Low floor/easy access mid-range bus for small bus sector • Available in 6 lengths and 2 widths • Seats up to 37 plus standing capacity
Solo SR	<ul style="list-style-type: none"> • New low floor midi-bus to enhance Solo range • Available in 2 lengths • Seats up to 33 plus standing capacity
Alero	<ul style="list-style-type: none"> • Small low floor bus used mainly for community transport • Seats up to 16 passengers or 12 with wheelchair bay for rural services • Wide entrance door for convenient and faster boarding, on foot or by wheelchair
Versa	<ul style="list-style-type: none"> • New midi-bus design with extra standing capacity • Low floor, easy access • Seats up to 40 plus standing capacity
Tempo	<ul style="list-style-type: none"> • Low-floor single deck city bus • Available in 4 lengths • Seats up to 46 plus capacity for 26 standing
Soroco	<ul style="list-style-type: none"> • Executive mini coach built for passenger comfort and to high interior specification • Seats up to 19 with seatbelts
Toro	<ul style="list-style-type: none"> • A luxury midi coach • Seats up to 32
Solera	<ul style="list-style-type: none"> • An executive tourer • Seats up to 42 with seatbelts

4. Principal Terms of the Acquisition

On 19 June 2008, the Company entered into the Acquisition Agreement, completion of which is conditional upon the passing of the Resolutions at the General Meeting and Admission.

The aggregate consideration for the Acquisition is £6.75 million, together with the assumption of £9.2 million of term loan facilities within Jamesstan, to be satisfied by the issue of 4,375,000 Consideration Shares and a cash payment of £5.0 million to Roy Stanley (a Director and Shareholder of the Company and the sole shareholder of Jamesstan).

The terms of the acquisition of Optare by Jamesstan in March 2008 are set out in paragraph 9.5 of Part VIII of this Document.

5. Information on the Group

The Darwen Group designs, assembles and supplies single and double deck buses to bus services operators in the UK, through its subsidiary Darwen Ltd. Darwen Ltd was established in August 2007 from the business and assets of East Lancashire Coachbuilders Limited (“ELC”), and in November 2007 acquired certain trade and assets of Leyland Product Developments Limited (“LPD”).

Darwen Holdings plc was admitted to trading on AIM on 25 February 2008, with a market capitalisation of £14.8 million. As at 1 May 2008, the date on which trading in the Ordinary Shares was suspended pending publication of this document, this had risen to £23.4 million.

Since its formation, the Company has been building a strong reputation in the market place for producing top-quality conventional diesel buses whilst developing a line of hybrid vehicles. Significant improvements have already been made in the Group’s operating efficiency, most notably:

- productivity has improved and the head count has reduced by more than 100 workers;
- output has increased from an average of 3.18 buses per week in 2007 to 6 buses per week in 2008;
- new premises have been secured, which it is anticipated will further improve productivity and capacity;
- the order book is strong – at the end of March 2008, it was 50 per cent. ahead of the equivalent period for ELC during 2007;
- improved products and services have been delivered with better quality interaction with customers;
- an integrated chassis has been introduced;
- the successful integration of LPD, bringing additional design and engineering skills; and
- good progress has been made in the planned launch of a hybrid vehicle in November 2008, with positive initial feedback from customers, and design support from Transport for London (“TfL”).

6. Market Overview

According to published statistics and market commentators, the UK market for high capacity city buses is expected to grow significantly from its current level of 1,900 units per year, as a result of the demand for lower emission vehicles and the replacement of ageing fleets.

The UK bus industry’s requirement for new vehicles is estimated to be as follows:

	<i>Single Deck</i>	<i>Double Deck</i>	<i>Total</i>
Overdue	285	2202	2487
Due by 2011	2700	3300	6000
Due by 2016	5000	6000	11000

The Enlarged Group will have relationships with most of the major bus operators in the UK, including Arriva, Stagecoach, Mistral and First Group.

In addition, market commentators forecast that the total global market for buses over eight tons gross vehicle weight will grow from 225,000 in 2006 to more than 270,000 units in 2008.

There are currently about twenty hybrid buses operating in the UK. The majority of these have been supplied to London based operators via TfL, using equipment sourced from the USA, which has the largest fleet of hybrid buses in the world. The hybrid bus first appeared, in volume, in the USA in the late nineties and there are now around 2,000 vehicles of various types in service there. The hybrid vehicles that Darwen is currently developing will use regenerative braking amongst other new technologies, and as a result Darwen vehicles are expected to achieve better levels of energy regeneration, fuel savings and emission reductions than those already in the market.

TfL is also investing heavily in hybrid vehicles in order to reduce the fuel consumption and emissions of the vehicles used by operators on the TfL routes, and is directly subsidising the increase in the purchase price of a hybrid bus over the equivalent conventional bus. TfL is working with the Company in the development of the hybrid product and assisting in providing the Company with input, based on the operational experience it has had with its current fleets. Two further London operators have also agreed to help in the development of the Darwen Group's hybrid product.

7. Opportunities for growth for the Enlarged Group

Historically, the Darwen Group's vehicles have utilised traditional diesel powered technology. The Directors intend to increase the production and sales of its existing product through improved manufacturing processes and the strengthening of the sales team. To support this, the Company intends to move to new custom-designed premises and invest in new plant and equipment, internet and communication infrastructure.

At the same time, the Directors believe that there is a strong desire from bus operators for a more fuel-efficient, affordable, and higher capacity bus, and a lower emission alternative to the traditional diesel powered vehicles.

The combined product suite of the Darwen Group and the Jamesstan Group is expected to deliver a complete vehicle solution to the Enlarged Group's customers and will have at its core a light weight, diesel engine vehicle with a low emission hybrid variant.

In the field of automotive engineering, the hybrid term has become associated with combining electrical energy and mechanical energy to drive a motor vehicle. The electrical energy is used to drive a motor that either replaces the role of the internal combustion engine ("ICE") and gearbox or augments the power available from the ICE. The electrical energy is supplied from an on-board storage device such as a battery, and is provided to the battery by on-vehicle charging, either from a generator driven by an ICE or re-generation during the retardation of the vehicle or, in some instances, opportunistic off-vehicle charging of a vehicle's battery pack. The mechanical energy is generated by burning fuel in an ICE that either drives a generator or drives through a motor/generator machine. The main purpose of using hybrid technology in a vehicle is to optimise the use of both energy forms in order to bring about an overall reduction in fuel consumption and emissions from a vehicle.

The semi-integral double deck body arrangement in the Darwen Group's new product suite will be the first "complete vehicle" product from Darwen. The new products will require significant innovations being made to the manufacturing process, which will materially reduce the number of man hours required for final assembly. The technology required will be supplied from both internal and external sources. With the experience of LPD and the Jamesstan Group, the Directors believe that the Enlarged Group will be well positioned to develop a market leading range of hybrid bus products. The in-house skills within the Enlarged Group include, but are not limited to, complete vehicle engineering and chassis design, together with body and systems design. The Directors believe that these innovation skills will play an integral part in expanding the range of products offered by the Enlarged Group, whilst reducing its dependency on the bus chassis manufacturing companies.

Following the introduction of the base double deck product, a single deck variant will be developed, with both the vehicles providing increased passenger capacity in comparison to the Darwen Group's current vehicle range.

The Directors believe that there are a number of factors influencing the market for new buses and affecting bus operators as they seek a competitive advantage, including:

Fuel Economies

Increasing fuel costs are impacting upon operator profitability. Hybrid systems can provide a fuel cost saving to operators of up to 25 per cent.

Environment /Climate Change

The appetite in the UK to reduce carbon emissions has the potential to lead to an increase in the use of public transport and replacement of the current bus fleet with more environmentally friendly buses.

Introduction of Low Emission Zones (“LEZ”) and Congestion Charging

- The Society of Motor Manufacturer and Traders (“SMMT”) estimates that there are around 22,000 heavy-duty coaches in the UK, of which 8,000 date from the 1980s or earlier. On present replacement cycles, it is believed that, by 2010, only 3,000 coaches would be eligible to enter the LEZ without paying;
- The SMMT also suggests that whatever standards are adopted in London could be copied by other urban areas. Were this to be the case, it is likely that the schemes would affect local buses as well as coaches, due to the older age profile of the bus fleet outside London; and
- Congestion charging, which is currently being considered by a number of cities outside of London, is likely to increase public transport use, encouraging regular travellers to use public transport to avoid the charge and further increasing the operators’ need to provide increased capacity.

Quality incentive contracts

Quality incentive contracts for London’s bus service were introduced in October 2001. Under these contracts, bus operators are given incentives and deductions relating to delivering quality and reliability according to set targets. The performance of each route is monitored by TfL and national and local authorities. Action can be taken at any time if the bus or route is not up to standard. Contracts are awarded in tranches for routes and are for five years with an option for a two-year extension. Around twenty per cent of the market comes up for re-tender in a year and the Directors believe that these quality incentive contracts will underpin the demand for new buses.

Accessibility

Removal of step access buses, to meet requirements of the Disability Discrimination Act by 2014 for single deck and 2017 for double deck, will have an impact on replacement profile.

Responsiveness

Operators are seeking better integration of manufacturing activities that allow a quicker response to their needs. Operators are increasingly looking for a “single source” solution providing the bus, service and maintenance, as well as an appropriate finance package.

In addition to these issues, the Directors believe that there are a number of factors impacting on investment in buses, including:

- TfL has approved the introduction of hybrid buses in London to reduce greenhouse gas emissions, air pollution and noise. Around 60 buses will have been phased into the TfL fleet by March 2009, with a further 500 being phased in by March 2011;
- TfL has indicated that it will require all new buses to be hybrid by 2012; and
- The London Olympics will have an impact on investment. It is estimated that 1,100 additional buses will be required to meet the transport requirements.

8. Addressing the Growth opportunities

The Directors believe that the Enlarged Group would be well placed to capitalise on these opportunities as follows:

Design and new product development

The Darwen Group is designing a new generation of chassis and bodies in order to produce complete buses that carry more passengers and can be manufactured more efficiently. It is expected that this, together with the inclusion in the product range of alternative drive technologies that deliver buses that are less polluting and thus less damaging to the environment, will be attractive to bus operators. Through innovative design, it is expected that the Enlarged Group's buses will be both ergonomically more convenient to use and the cost of operation will be significantly lower than that for the older generation buses. The new product development programme is currently concluding the initial design concept phase, with detailed design commenced in March 2008. A prototype build is scheduled for July 2008.

Joint Ventures

The Directors expect to work in collaboration with global partners in developing technologies that address the issues of fuel economy, environmental controls and passenger access. Darwen Group is currently in dialogue with several vehicle manufacturers/component suppliers in the Far East and has had advanced discussions with suppliers of low emission drive lines in the USA.

Capacity

The Directors expect to increase production capacity by efficiently managing a low cost supply chain and integrating the manufacturing processes.

After sales service

The Directors recognise that in supplying a complete vehicle, the Darwen Groups customer support operation must be capable of supporting the product and not just the body side of the vehicle. In order to facilitate this, key suppliers for the complete vehicle will be selected, taking into consideration their own after sales product support. The Directors believe that the Unitec division of the Jamesstan Group is an important addition, giving the Enlarged Group the in-house ability to have full, national after sales coverage.

Parts supply operation

Both the Darwen Group and the Jamesstan Group have an extensive number of vehicles in the field from their current businesses. All of Darwen Group's vehicles require spare parts, mostly as a result of acts of vandalism and accident damage. Parts supply operation is a significant revenue earner and the Jamesstan Group's dedicated after sales business is expected to significantly enhance the current after sales and part supply operations.

Business development

As well as expecting to deliver strong organic growth, the Directors will consider strategic acquisition opportunities where appropriate.

9. Competition

The Directors are of the opinion that there is no one competitor who offers the same in-house technical capability as the Enlarged Group or that has the flexibility to develop the products required by the market in the same way as the Darwen Group. The Directors recognise that the Group competes generally with UK bus, coach and bodybuilder manufacturers and consider the Group's main competitors to be:

- ***Alexander Dennis (ADL)***

Located in Falkirk and Guildford, this business has both a chassis and body building division. Its body building business currently has around 30 per cent. of the heavy bus market in the UK.

- ***Wrightbus Group***
Located in Ballymena, this business also has around 30 per cent. of the body building business for the UK's heavy bus market. It currently does not supply complete vehicles but has announced its intention to do so in the future.
- ***Plaxton***
Located in Scarborough, this business is now part of the ADL Group and whilst predominantly a supplier of coach bodies it also manufactures single deck bus bodies. Its market share of the bus body business is currently less than 3 per cent.
- ***Others***
The remaining 17 per cent. of the UK's heavy bus business is currently provided by various overseas manufacturers who sell complete vehicles that are manufactured overseas and brought into this country. Such companies include Mercedes Benz (Evo bus) and Scania Omni.

10. Directors of the Enlarged Group

Roy Stanley (aged 56), Executive Chairman

Roy has a strong background in growing businesses. He was responsible for strategic and business development at Express Group from 1996 to 1999 and his experience over the past fifteen years has included managing directorships in a manufacturing business involved in providing capital equipment for the automotive market, a vehicle manufacturing business and as a corporate director of an engineering group. Roy is Chairman of the Tanfield Group plc, a company which manufactures zero emission electric vehicles and aerial work platforms. He also holds directorships at Walkerwalls Limited, Training and Development Resource Limited, Young Enterprise North East Limited and Lovely Bubbly Limited. He has a strong interest in Enterprise Education and is also involved in a number of local charitable activities. He is a graduate with an MBA from the University of Newcastle-upon-Tyne.

Andrew Brian (aged 43), Chief Executive Officer

Andrew Brian led the Darwen Group's acquisition of East Lancashire Coachbuilders in August 2007. Prior to this he held a number of board positions within private and publicly owned businesses, including Global Graphics. A graduate in Industrial Design Transportation, Andrew has knowledge and experience of product innovation, manufacturing, market development and international acquisitions.

John Fickling (aged 57), Non-Executive Director

John Fickling has considerable experience in the transport industry as a former major shareholder in Northumbria Buses and Kentish Bus. He was Chief Executive of Sunderland AFC for seven years and Executive Vice Chairman for four 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 has a keen interest in environmental issues, particularly in relation to public transport. John is the Chairman of the remuneration committee and a member of the audit committee.

Michael Dunn (aged 43), Proposed Chief Financial Officer

Michael Dunn is a chartered accountant with nearly 20 year's experience since qualifying with KPMG. Most of that time has been spent in manufacturing businesses, initially with Boliden Brass. As Finance Director at Hydratight, a 3i-backed engineer, he helped improve performance before the sale of the business to Dover Corp in 1999. He went on to spend five years at Gartland Whalley and Barker plc ("GWB"), a corporate developer, giving him experience in due diligence, acquisitions and operations. During this period he was also Finance Director of AIM-listed Airbath Group plc, a GWB-backed bathroom equipment manufacturer. His most recent role was as Finance Director of Lynx Technology Ltd, an IT services company that was returned to profit before being sold to BT plc in September 2007.

11. Current Trading and Prospects

Since admission in February 2008, the Company has performed well building on its strong reputation in the market and developing a line of hybrid vehicles.

The Company has continued to see more interest in its product offering, enhanced productivity and has strengthened its order book. In addition, the Directors believe that customers have an increased confidence in Darwen's products and delivery times. Most recently, orders have been placed worth in excess of £5 million. The Directors remain confident in the outlook for the business, which will benefit from the increased scale and reputation of the Enlarged Group, and look forward to achieving success in building market share.

12. Details of the Placing

The Placing comprises placing of 40 million Placing Shares at the Placing Price by the Company to raise gross proceeds of £16 million. All Placing Shares will be issued at the Placing Price.

As part of the Placing Roy Stanley has subscribed for 1,500,000 shares, Andrew Brian has subscribed for 125,000 shares and Michael Dunn has subscribed for 25,000 shares.

The Placing Shares will represent approximately 42.7 per cent. of the Enlarged Share Capital immediately following Admission.

Under the Placing Agreement, Cenkos has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The obligations of Cenkos are conditional, inter alia, upon the passing of the Resolutions, Admission taking place by 15 July 2008 (or such later date, being not later than 8 am on 22 July 2008 as the Company and Cenkos may agree in writing), the Acquisition Agreement having become unconditional in all respects (save in respect of the condition that the Placing Agreement has become unconditional in all respects and Admission) and Cenkos not having exercised their rights in certain circumstances to terminate the Placing Agreement at any time prior to Admission. The Placing is not being underwritten. Further details of the Placing Agreement are set out in paragraph 9.2 of Part VIII of this document.

The Placing Shares will, upon issue, rank *pari passu* in all respects with the Existing Ordinary Shares and the Consideration Shares.

On Admission, at the Placing Price, the Company will have a market capitalisation of approximately £37.4 million.

13. Use of Proceeds

The net proceeds of the Placing are expected to amount to approximately £14,973,000 and will be used to fund the cash consideration of the Acquisition, pay down debt in Jamesstan and to provide further working capital for the Company.

14. Lock-in Agreements

Certain of the Directors who hold, or are interested in, an aggregate of 25,884,000 Ordinary Shares representing 52.5 per cent. of the Enlarged Share Capital, have entered into lock-in and orderly market arrangements in respect of all of their shareholdings, the terms of which are described more fully in paragraph 9.3 of Part VIII of this document.

Under the terms of these arrangements, certain of the Directors have, conditional on Admission, agreed (except in certain limited circumstances) not to sell, transfer or otherwise dispose of any Ordinary Shares held by them for a period of 12 months following Admission without the consent of Cenkos.

Certain of the Directors have also agreed that, during the period of 12 to 24 months following Admission, any sale or disposal of their Ordinary Shares will be effected through the Company's broker on a best price and execution basis.

15. Corporate Governance

The Directors recognise the importance of sound corporate governance. The Directors intend, insofar as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code.

The Directors have established an audit committee and a remuneration committee. The remuneration committee will determine the terms and conditions of service, including the remuneration and grant of options to executive Directors. The audit committee has primary responsibility for monitoring the quality of internal financial controls and ensuring that the financial performance of the Company is properly measured and reported on, and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls.

The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees. The Darwen Group has adopted a share dealing code which is on the same terms as the Model Code on share dealings set out in the Listing Rules made under Section 73A of FSMA as in force as at the date hereof and this share dealing code will apply to the Directors and applicable employees of the Enlarged Group.

16. Share Option Scheme

The Company recognises the need to attract, incentivise and retain employees and therefore intends to adopt an appropriate share option scheme following Admission.

17. Dividend Policy

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the years immediately following Admission. The Directors believe that the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

18. Environmental Issues

Darwen Ltd is the holder of two environmental permits for Blackburn with Darwen Borough Council dated 4 January 2008 for coating/re-spraying road vehicles – LA PPC Permit BB60 (Whitebirk Industrial Estate, Blackburn) and LA PPC Permit BB95 (Appleby Business Centre, Blackburn).

19. Related Party Transaction

Roy Stanley (a Director and Shareholder of the Company) is party to the Acquisition Agreement with the Company as the sole shareholder and director of Jamesstan. Details of the Acquisition Agreement are set out at paragraph 9.4 of Part VIII of this document.

20. Admission, Settlement and CREST

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 15 July 2008. No application has been made, or will be made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of the Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

21. General Meeting

You will find set out at the end of this document a notice convening a General Meeting to be held at 11 am on 14 July 2008 at Cobbetts LLP, 70 Grays Inn Rd, London, WC1X 8BT at which the following resolutions will be proposed to:

1. approve the Acquisition;
2. increase the authorised share capital of the Company;
3. authorise the Directors to allot Relevant Securities (as defined in the 1985 Act) for the purposes of Section 80 of the 1985 Act;
4. disapply the statutory pre-emption rights set out in Section 89 of the 1985 Act to enable the Directors, *inter alia*, to allot the Relevant Securities (as defined in the 1985 Act);
5. change the name of the Company to Optare plc; and
6. to approve amendments to the Articles.

John Fickling, a director of the Company, holding 884,000 Ordinary shares in aggregate (representing 1.79 per cent. of the Ordinary Shares in issue) has irrevocably undertaken to vote in favour of the resolutions.

22. Taxation

Information regarding taxation is set out in paragraph 11 of Part VIII of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

23. Risk Factors and Additional Information

The attention of investors is drawn to the risk factors in Part II of this document and the information contained in Part VIII of this document which provides additional information on the Group and the Jamesstan Group.

24. Action to be taken

A Form of Proxy is enclosed for use at the General Meeting. Whether or not you intend to attend the General Meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event to arrive no later than 11 am on 12 July 2008. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person should you subsequently wish to do so.

25. Recommendation

Your Board (with the exclusion of Roy Stanley), having consulted with Cenkos, considers the terms of the Acquisition to be fair and reasonable so far as the Shareholders as a whole are concerned.

Accordingly, the Board (with the exclusion of Roy Stanley) unanimously recommends that Shareholders vote in favour of the Resolutions as John Fickling has irrevocably undertaken to do in respect of his own holding (all of which is beneficial) amounting to 884,000 Ordinary Shares (representing approximately 1.79 per cent. of the existing share capital of the Company as at 19 June 2008).

Yours sincerely

Andrew Brian
Chief Executive Officer

PART II

RISK FACTORS

Potential investors should carefully consider the specific risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group, which are described below and elsewhere in the document. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Enlarged Group's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Enlarged Group and is not set out in any order of priority. In particular, the Enlarged Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or any of its subsidiary companies operate or intend to operate as well as overall global financial conditions.

General

- Whilst the Company is applying for Admission of the whole of the Ordinary Share capital of the Company to trading on AIM, there can be no assurance that an active trading market for Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide liquidity normally associated with the Official List or other Exchanges.
- The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may be, or may become, illiquid (particularly given the lock-in arrangements described in paragraph 14 of Part I) and therefore the Ordinary Shares may be or may become difficult to sell.
- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA which specialises in the acquisition of shares and other securities in the UK before making any decision to invest.
- The market price of the Ordinary Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside of the Enlarged Group's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares.

Forward looking Statements

- This document contains forward-looking statements. These statements relate to the future prospects developments and business strategies of the Company and its subsidiaries (the "Group"). Forward-looking statements are identified by the use of such terms as "believe", "could", "envisage", "estimate", "potential", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. The forward-looking statements contained in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Group are specifically described in Part II of this document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group's actual results

may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements. These forward looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

Share price volatility and liquidity

- The market price of Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Enlarged Group and/or competitors.
- The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

Operating history

- The Company itself has a limited operating history. The Company's management has relevant experience in the management of similar businesses, of early stage businesses, project management and other relevant skills. The success of the Enlarged Group is dependent upon the extent to which it is successful in its expansion programme. There can be no assurance that the Enlarged Group will operate profitably or remain solvent. If Enlarged Group's plans prove unsuccessful, the Shareholders could lose all or part of their investments.
- Whilst the Group and Jamesstan Group has a full order book that extends beyond July 2008 and orders continue to be received, the Directors cannot guarantee receipt of future orders.
- The Company's ability to achieve profitability is dependent on a number of factors and the Enlarged Group may incur operating losses.

Acquisition of assets out of administration

- In acquiring certain trade and assets (including intellectual property) of British City Bus Limited ("BCB"), ELC, North West Bus and Coach Repairs Limited ("NW") and LPD (each when in administration), Darwen Ltd did not receive the benefit of any warranties or indemnities in respect of those assets from BCB, ELC, NW or LPD or from their administrators. It therefore acquired those assets together with any potential risks and liabilities associated with them. Whilst such provisions are not unusual when acquiring assets from companies in administration, there can be no guarantee that liabilities will not be encountered in the future.

Strategy

- There can be no certainty that the Enlarged Group will be able to implement successfully the strategy set out in this document.
- The ability of the Enlarged Group to implement its strategy in a competitive market requires effective planning and management control systems. The Enlarged Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Enlarged Group's growth. Failure to do so could have an adverse effect on the Enlarged Group's business, financial condition and results of operations.
- There may be a change in government regulation or policies that materially and adversely affects the Company's ability to implement successfully the strategy set out in this document.

New vehicle programme

- The growth of the Enlarged Group's business is to a large extent dependent upon the success of its new product development programmes. The Directors cannot guarantee that these programmes can be successfully delivered on time and to budget.

Early stage development of hybrid technology

- The hybrid technology upon which the Enlarged Group intends to rely in the future is at an early stage of development. It may require further investment, research, development, testing and regulatory approval prior to full commercialisation. There can be no assurance as to the extent to which the hybrid technology, or any vehicles developed by the Enlarged Group using the hybrid technology, will be able to penetrate its potential markets or gain market acceptance. There is a risk that the Enlarged Group will be unable to develop the levels of reliability required by bus operators and that vehicles developed by the Enlarged Group using the hybrid technology will not be sufficiently reliable in service.

Loss of key personnel

- Loss of key management could have adverse consequences for the Enlarged Group. While the Group has entered into service agreements with each of the executive directors and intends to enter into a service agreement with the proposed Director on admission and has entered into service agreements with senior management, the retention of their services cannot be guaranteed.
- The Enlarged Group currently depends upon the expertise and continued service of key executives and other personnel. Furthermore, the Enlarged Group's ability to expand its operations to accommodate its anticipated growth will depend on its ability to attract and retain additional qualified managers, finance, marketing, technical and other personnel. Competition for these employees is intense due to the limited number of qualified professionals. The Enlarged Group's ability to compete effectively depends upon its ability to attract new employees and to retain and motivate its existing workforce. If the Group fails to attract and retain such personnel it may be difficult for the Enlarged Group to manage its business and meet its objectives and its operational result or financial condition may be adversely affected.

Competition

- The Enlarged Group operates in a market where there are a number of competitors and it can be expected that competition will continue and/or increase in the future both from established competitors and new entrants to the market. The Enlarged Group's competitors could include companies with greater financial, technical and other resources than the Enlarged Group. Such competitors may compete directly with the Group for clients and industry personnel and may be in a better position than the Enlarged Group to compete for future business opportunities. Competitors may be able to develop products that are more attractive to customers than the Enlarged Group's products. In order to be successful in the future the Enlarged Group will need to continue to respond promptly and effectively to the challenges of changing customer requirements. An inability to devote sufficient resources to the development of its products in order to achieve this, the development of more aggressive competition in the market in which the Group operates and/or the introduction of new entrants into those markets, could lead to a material and adverse effect on the Enlarged Group's business, financial condition and operating results and could negatively affect the price of Ordinary Shares. Further information on the competition faced by the Enlarged Group is set out in Part I of this document under the heading "Competition".

Risk relating to the business of the Enlarged Group

Significance of major customers

- A relatively small number of customers account for a significant proportion of the Enlarged Group's turnover at present. The Directors estimate that a limited number of customers will continue to represent a significant proportion of the Enlarged sales for the foreseeable future. The

loss of one or more key customers, fewer or smaller orders from them or the under-performance of any of key customers could result in lower than expected turnover and could adversely affect Enlarged Group's business, financial condition and operating results.

Supply chain

- The Group's currently dependent upon key suppliers to ensure continuity of production. Interruption of such supply may have a detrimental effect on the Enlarged Group's revenue stream and resultant operating results.

Customer relationships

- Darwen 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.

Health and safety

- Although the Group is covered by insurance policies suitable for a business of its size in the industry in which it operates and has health and safety practices consistent with industry standards, there is no guarantee that a severe accident leading to a litigation claim against the Enlarged Group will not happen. This could impact on the Enlarged Group's reputation for health and safety and have an adverse effect on the Enlarged Group's business, financial condition and operating results.
- Members of the engineering industry engage in operations which are inherently dangerous. The Enlarged Group's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines, penalties, and/or litigation. Employees and former employees may in the future make claims against any member of the Enlarged Group in respect of any injury or illness suffered as a result of their working conditions, which may in the aggregate have an adverse effect on the results of operations or financial condition of the Enlarged Group.

Labour and union relations

- A significant proportion of the Enlarged Group's workforce is governed by the union, UNITE. Whilst relations between the Group and UNITE are reasonable and there has historically been a low level of intervention, such intervention may increase in the future. Were the union to become more active they could organise work stoppages or other activities which may be disruptive to production at the Enlarged Group's manufacturing sites. This could adversely affect the Enlarged Group's business, financial condition and operating results.

Environment

- The Enlarged Group's operations are subject to environmental risks inherent in the engineering industry. Environmental and health & safety regulation may cover a wide variety of matters, including, *inter alia*, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Local, regional and national authorities may adopt stricter environmental standards than those now in effect and may move towards more stringent enforcement of existing laws and regulations. The Enlarged Group may require further approvals before it can undertake activities which may affect the environment. The Enlarged Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations or previous operations at any of its properties. There may be existing or future unforeseen liabilities from the Enlarged Group's activities which could potentially adversely affect the Enlarged Group's future financial condition. The activities of the Enlarged Group may be suspended if it has not complied with environmental laws and regulations.
- New legislation or regulations may also require the Company or its customers to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or financial condition of the Enlarged Group.

- The Company currently holds environmental permits for the site in Blackburn permitting it to coat and re-spray road vehicles. Whilst the Directors are not currently aware of any non compliance issues that may result in the removal of the permits if any such issues were to arise they could result in the revocation or amendment of the permits which could adversely affect the Enlarged Group's business, financial condition and operating results.

Risks associated with the industry

- ***Changes in legislation***

Whilst every effort is made to comply with industry specific legislation, the Directors cannot guarantee that the introduction of new vehicle legislation will not have a detrimental effect on the performance of the business.

- ***Decrease in market demand***

The Directors have endeavoured to appraise themselves with information to assess current and future market demand. However, they cannot guarantee the accuracy of such forecasts and the resultant interpretation placed upon it.

- ***Introduction of new technologies***

It is expected that the introduction of new technologies will play a significant part in the development of the passenger service vehicle sector. The Directors cannot guarantee the delivery of such technologies.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY'S HISTORICAL FINANCIAL INFORMATION

The following is the full text of a report on Darwen Holdings plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



BAKER TILLY

2 Whitehall Quay
Leeds LS1 4HG
www.bakertilly.co.uk

The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 June 2008

Dear Sirs

DARWEN HOLDINGS PLC (“the Company”)

We report on the financial information set out on pages 23 to 24. This financial information has been prepared for inclusion in the Admission Document dated 20 June 2008 (“the Admission Document”) of Darwen Holdings plc on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union (“Endorsed IFRS”).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of

significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1 and in accordance with Endorsed IFRS as described in note 1.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

FINANCIAL INFORMATION ON THE COMPANY

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss and has neither declared nor paid dividends or made any other distributions since the date of incorporation. Accordingly, no income statement information is presented.

The Company was incorporated on 23 January 2008 with an authorised share capital of £600,000 divided into 60,000,000 ordinary shares of 1 pence each, of which 4 shares were issued on incorporation.

Balance Sheet

	<i>As at</i> <i>31 January 2008</i> <i>£'000</i>
Current assets	
Issued share capital unpaid	—
Net assets	—
Equity	
Share capital	—

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the historical financial information are set out below.

The historical financial information has 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 1985 applicable to companies preparing their accounts under Endorsed IFRS.

New IFRS and amendments to IAS and interpretations not applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the Company.

<i>International Financial Reporting Standards</i>	<i>Effective for accounting periods starting on or after</i>
IAS 1 Presentation of financial statements: A revised presentation	1 January 2009
IFRS 2 Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 8* Operating segments	1 January 2009
IAS 23 Borrowing costs	1 January 2009
IAS 27 Consolidated and separate financial statements	1 July 2009
IFRS 3 Business Combinations	1 July 2009
<i>International Financial Reporting Interpretations committee</i>	
IFRIC 11* IFRS 2: Group and Treasury share transactions	1 March 2007
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer loyalty programmes	1 July 2008
IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

* These standards and interpretations have been endorsed by the European Union.

The application of these standards and interpretations are not anticipated to have a material effect on the Company’s historical financial information except for additional disclosure.

2 Share capital

	<i>Authorised</i>		<i>Issued and unpaid</i>	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Ordinary shares of 1p each	60,000,000	600	4	—

The Company was incorporated with 60,000,000 ordinary shares of 1 pence each.

All shares in issue were issued during the period as detailed below:

	<i>Number</i>	<i>Nominal</i>	<i>Premium</i>	<i>Consideration</i>
		<i>£</i>	<i>£</i>	<i>£</i>
23 January 2008 – Subscriber shares	4	0.04	—	—

3 Events after the balance sheet date

On 15 February 2008 the Company acquired the entire shareholding in Darwen Group Limited. The consideration was satisfied by the allotment and issue of 49,293,141 1 pence Ordinary Shares and the transfer of the 4 subscriber shares, each for 10 pence, a premium of 9 pence, credited as fully paid to the existing shareholders of Darwen Group Limited.

On 25 February 2008 the Company was admitted to trading on AIM.

On 19 June 2008 the Company entered into an acquisition agreement between the Company and Roy Stanley pursuant to which the Company acquired the entire issued share capital of Jamesstan. The purchase price of the Acquisition is an aggregate of £6.75 million payable as follows: £5 million in cash; and £1.75 million to be satisfied by the issue of 4,375,000 Consideration Shares at the Placing Price. The agreement is conditional, *inter alia*, upon Admission. The agreement contains standard warranties and indemnities.

PART IV

ACCOUNTANT'S REPORT ON DARWEN GROUP LIMITED'S HISTORICAL FINANCIAL INFORMATION

The following is the full text of a report on Darwen Group Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



BAKER TILLY

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Leeds LS1 4HG
www.bakertilly.co.uk

The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 June 2008

Dear Sirs

DARWEN GROUP LIMITED

We report on the financial information set out on pages 27 to 45. This financial information has been prepared for inclusion in the Admission Document dated 20 June 2008 ("Admission Document") of Darwen Holdings plc on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of Darwen Holdings plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("Endorsed IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Darwen Group Limited as at the date stated and of its loss, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 and in accordance with Endorsed IFRS as described in note 1.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

DARWEN GROUP LIMITED

Consolidated income statement for the 144 day period ended 31 December 2007

	<i>Note</i>	<i>2007 £'000</i>
Revenue	3	4,406
Cost of sales		(4,366)
Gross profit		<u>40</u>
Other administrative expenses		(1,851)
Restructuring expenses	16	(881)
Negative goodwill release	22	119
Amortisation of intangibles	11	(13)
Administrative expenses		<u>(2,626)</u>
Loss from operations	4	(2,586)
Finance costs	6	(114)
Finance income	6	31
Loss before tax		<u>(2,669)</u>
Tax expense	7	89
Loss for the financial period attributable to equity holders of the parent	20	<u><u>(2,580)</u></u>
Loss per share		
Basic and diluted (pence)	8	<u><u>(12.02)p</u></u>

All of the results for the period arise from the acquisitions disclosed in note 22.

Consolidated statement of changes in equity for the 144 day period ended 31 December 2007

		<i>Share capital £'000</i>	<i>Convertible debt option reserve £'000</i>	<i>Share premium £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Changes in equity						
Loss for the period	20	—	—	—	(2,580)	(2,580)
Issue of share capital		2,811	—	110	—	2,921
Convertible loan notes		—	186	—	—	186
Cost of raising equity		—	—	(110)	—	(110)
Balance at 31 December 2007		<u>2,811</u>	<u>186</u>	<u>—</u>	<u>(2,580)</u>	<u>417</u>

Consolidated balance sheet at 31 December 2007

	<i>Note</i>	<i>2007 £'000</i>
Assets		
Non-current assets		
Property, plant and equipment	10	364
Intangible assets	11	110
Total non-current assets		<u>474</u>
Current assets		
Inventories	13	2,856
Trade and other receivables	14	1,228
Cash and cash equivalents		2,535
Total current assets		<u>6,619</u>
Total assets		<u><u>7,093</u></u>
Liabilities		
Current liabilities		
Trade and other payables	15	2,742
Provisions	16	895
Financial liabilities	17	3,039
Total current liabilities		<u>6,676</u>
Non-current liabilities		
Total non-current liabilities		<u>—</u>
Total liabilities		<u>6,676</u>
Capital and reserves		
Share capital	19	2,811
Share premium reserve	20	—
Convertible debt option reserve	20	186
Retained earnings	20	(2,580)
Total equity attributable to equity holders of the company		<u>417</u>
Total equity and liabilities		<u><u>7,093</u></u>

Consolidated cash flow statement for the 144 day period ended 31 December 2007

	2007 £'000
Operating activities	
Loss before tax	(2,669)
Adjustments for:	
Depreciation	27
Amortisation	13
Negative goodwill release	(119)
Interest expense	114
Interest income	(31)
Gain on sale of property, plant and equipment	(39)
Cash flow from operations before changes in working capital	(2,704)
Increase in trade and other receivables	(734)
Increase in inventories	(1,887)
Increase in trade and other payables	2,241
Increase in provisions	141
Total changes in working capital	(239)
Net cash from operating activities	(2,943)
Investing activities	
Acquisition of trade and assets	(2,660)
Purchases of property, plant and equipment	(235)
Sale of property, plant and equipment	2,420
Interest received	31
	(444)
Financing activities	
Issue of ordinary shares	2,811
Issue of convertible debt	3,114
Interest paid	(3)
	5,922
Increase in cash and cash equivalents	2,535

Notes to the Historic Financial Information for the 144 day period ended 31 December 2007

1 Accounting policies

Basis of preparation

Darwen Group Limited is a company incorporated in the UK.

The historical financial information consolidates those of Darwen Group Limited and its subsidiaries (together referred to as the “Darwen Group”).

The historical financial information has 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 1985 applicable to companies preparing their accounts under Endorsed IFRS.

The Directors have prepared the historical financial information on the going concern basis because Darwen Group has sufficient cash resources and available facilities to meet its forecast funding requirements for the foreseeable future.

Basis of consolidation

Subsidiaries are entities controlled by Darwen Group Limited. Control exists when Darwen Group Limited 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.

New IFRS and amendments to IAS and interpretations not applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by Darwen Group.

		<i>Effective for accounting periods starting on or after</i>
<i>International Financial Reporting Standards</i>		
IAS 1	Presentation of financial statements: A revised presentation	1 January 2009
IFRS 2	Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 8*	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IFRS 3	Business Combinations	1 July 2009
<i>International Financial Reporting Interpretations committee</i>		
IFRIC 11*	IFRS 2: Group and Treasury share transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

* These standards and interpretations have been endorsed by the European Union.

The application of these standards and interpretations are not anticipated to have a material effect on Darwen Group’s historical financial information except for additional disclosure.

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

Revenue

The company'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. Revenue is recognised upon the transfer of all risks and rewards in relation to the company's products. For the sale of vehicles and parts revenue is recognised on delivery 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 balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

Goodwill

Goodwill 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.

Where the fair value of identifiable assets, liabilities and contingent liabilities acquired through a business combination exceed the fair value of consideration paid, the excess is credited in full to 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 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 in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised directly in equity.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables, cash and cash equivalents), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Financial liabilities

Convertible debt

The proceeds received on issue of the company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost (see above).

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

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings, certain preference shares and the debt element of convertible debt issued by the company are initially recognised at the fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. “Interest expense” in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the period to which they relate.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the company (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.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. The amortisation expense is included within the administrative expenses line in the income statement.

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 company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

<i>Intangible asset</i>	<i>Useful economic life</i>	<i>Valuation method</i>
Order book	On completion of the relevant orders (within one year)	Multiple of estimated contribution per vehicle in order book

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;
- the 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 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 substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the company 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:

Plant and machinery	—	25% per annum straight line
Fixtures, fittings and equipment	—	10 – 33% per annum straight line
Motor vehicles	—	25% per annum straight line

Inventories

Inventories are initially recognised at cost, and subsequently 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 overheads.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Critical judgements and estimates

The preparation of historic 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:

Valuation of intangibles acquired in business combinations

Determining the fair value of intangibles acquired in business combinations requires estimation of the value of the cashflows related to the identified intangibles and a suitable discount rate in order to calculate the present value.

Determination of equity and liability split on convertible debt

Determining the liability element of convertible debt requires judgement on an appropriate discount rate to be applied to the contracted cash flows inherent within the loan agreement.

Provision for warranty claims

Management has estimated the cost of potential warranty claims arising on acquisition of the various businesses; this requires an element of judgement about the likely level of claims and their financial impact upon the business.

Provision for onerous contracts

Management has recognised the potential cost of onerous sales contracts entered into by the previous company in administration. There is an element of judgement required to estimate the financial impact of these contracts.

Functional and presentation currency

The functional and presentation currency for Darwen Group is sterling.

2 Financial instruments – risk management

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

- Liquidity risk
- Market risk
- Credit risk

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

Principal financial instruments

The principal financial instruments used by the company, from which financial risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Convertible debt

Liquidity risk

The liquidity risk of the company is managed centrally. 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 company is currently negotiating bank facilities to ensure that short term fluctuations are manageable and that it will always have sufficient short, medium and long term funding in place. The Board monitors the cash flow forecast on a regular basis.

The only financial liability at the balance sheet date was the convertible debt, which was converted to equity on 15 February 2008.

Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates, currency rates or other market factors. At the date of approval the company's balance sheet is not exposed to market price risk.

Fair value and cash flow interest rate risk

Management has a policy to obtain long term debt at fixed rates and short term debt at flexible rates. 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.

Foreign currency risk

Management's primary foreign currency risk arises from suppliers who invoice in Swiss Francs. The company does not currently utilise forward contracts to manage the risk but 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.

There were no trade payables denominated in Swiss Francs at the period end.

Credit risk

The Darwen Group's credit risk is primarily derived from its trade receivables. This risk is managed daily by the company's credit control function who monitor recovery and ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the amounts outstanding.

The Darwen Group's customers are also the main major bus operators who have significant resources and facilities in place to fund their vehicle acquisitions thus limiting the Darwen Group's exposure to credit risk.

Credit checks are also made for new customers and appropriate credit limits are set from this information. Credit limits may only be exceeded with the express authorisation of the Directors.

Capital

The Darwen Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings.

It is the Darwen Group's policy to maintain its gearing ratios at a level that balances risks and returns and ensures that the Darwen Group has sufficient liquidity in the business.

Sensitivity analysis

Whilst the Darwen Group 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 will have an impact on profit.

The Darwen Group's foreign exchange risk is dependent on the movement in the Swiss franc to sterling exchange rate. As there are no foreign currency denominated assets or liabilities at the period end, a change in the exchange rate would have no effect on post-tax loss.

3 Revenue

	<i>2007</i> <i>£'000</i>
Revenue arises from:	
Vehicle sales	3,684
Repairs and parts	722
	<hr/> 4,406 <hr/>

Segment information

The Directors consider that the company has only one reportable business segment being bus manufacture. Other income is ancillary and does not constitute a segment in its own right. The Darwen Group currently operates solely in the UK and hence has only one geographical segment.

4 Loss from operations

	<i>2007</i> <i>£'000</i>
This has been arrived at after charging/(crediting):	
Depreciation of property, plant and equipment	27
Negative goodwill release	(119)
Amortisation of intangible fixed assets	13
Restructuring expenses	881
Operating lease expense	
– Plant and machinery	9
– Property	17
Fees paid to the company's auditors and its associates for non-audit services	
– corporate finance services	55
– non-statutory audit fees	68
Profit on disposal of property, plant and equipment	<hr/> (39) <hr/>

The restructuring expenses incurred during the period were redundancy costs.

5 Staff costs

2007
£'000

Staff costs (including directors) comprise:

Wages and salaries	2,093
Employer's national insurance contributions and similar taxes	231
Pension costs	17
	<u>2,341</u>

Directors' remuneration

Key management represents directors. The aggregate remuneration receivable by directors in respect of their services are as follows:

Directors' emoluments	73
Amounts paid to third parties in respect of director's services	2
	<u>75</u>
Remuneration of the highest paid director	<u>44</u>

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

Production	179
Administration	39
Management	7
	<u>225</u>

6 Finance income and expense

2007
£'000

Finance income

Bank interest received	31
------------------------	----

Finance expense

Bank borrowings	(4)
Convertible debt	(110)
	<u>(114)</u>

Net finance expense	<u>(83)</u>
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7 Tax expense

2007
£'000

Current tax expense

UK corporation tax	—
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Deferred tax expense

Origination and reversal of temporary differences	89
Total tax charge	<u>89</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	<i>2007</i> <i>£'000</i>
Loss before tax	2,669
Expected tax charge based on the standard rate of corporation tax in the UK of 30%	(801)
Expenses not deductible for tax purposes	35
Release of negative goodwill	(36)
Deferred tax asset not recognised	720
Difference on capital gains	(7)
Total tax charge	<u>(89)</u>

Darwen Group Limited has estimated tax losses available for offset against future profits of around £2,000,000.

8 Earnings per share

	<i>2007</i> <i>£'000</i>
Loss for the year	(2,580)
Weighted average number of shares	<u>21,472,520</u>
Basic loss per share	<u>(12.02)p</u>

The basic and diluted loss per share are the same as the effect of the convertible debt is anti-dilutive.

9 Dividends

The directors propose no dividend to be paid for the period.

10 Property, plant and equipment

	<i>Land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures, fittings and computer equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>					
Acquired through business combination	2,232	152	24	129	2,537
Additions	144	3	44	44	235
Disposals	(2,376)	—	(5)	—	(2,381)
At 31 December 2007	<u>—</u>	<u>155</u>	<u>63</u>	<u>173</u>	<u>391</u>
<i>Depreciation</i>					
Provided for in the period	—	11	5	11	27
Disposals	—	—	—	—	—
At 31 December 2007	<u>—</u>	<u>11</u>	<u>5</u>	<u>11</u>	<u>27</u>
<i>Net book value</i>					
At 31 December 2007	<u>—</u>	<u>144</u>	<u>58</u>	<u>162</u>	<u>364</u>

11 Intangible assets

	<i>Goodwill £'000</i>	<i>Order book £'000</i>	<i>Total £'000</i>
Acquired through business combination	89	34	123
Amortisation	—	(13)	(13)
Closing net book value	<u>89</u>	<u>21</u>	<u>110</u>

The goodwill relates to the assembled skilled workforce which has been fully integrated within Darwen Group Limited.

12 Investments

The principal wholly owned subsidiaries of Darwen Group Limited are as follows:

<i>Name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>
Chalgrave Limited	Dormant	England and Wales
East Lancashire Busbuilders Limited	Dormant	England and Wales
Darwen LPD Limited	Chassis Design	England and Wales

13 Inventories

	<i>2007 £'000</i>
Parts and consumables	1,609
Work-in-progress	<u>1,247</u>
	<u>2,856</u>

14 Trade and other receivables

	<i>2007 £'000</i>
Trade receivables	920
Other receivables	93
Prepayments	<u>215</u>
	<u>1,228</u>

The fair value of trade and other receivables approximates to book value at 31 December 2007.

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £75,000. This allowance has been based on the knowledge of the financial circumstances of individual debtors at the balance sheet date.

The Darwen Group's debtor profile is such that approximately 90 per cent. of sales are made to 3 key customers. The Board receives management information each month regarding sales and trade receivables and monitors the company's performance. The following table illustrates the concentrations of credit risk within the company as at the balance sheet date:

	<i>Turnover £'000</i>	<i>Total £'000</i>	<i>Current £'000</i>	<i>30 – 60 days overdue £'000</i>	<i>+ 60 days overdue £'000</i>
Key customers	3,631	—	—	—	—
Other customers	<u>682</u>	<u>839</u>	<u>381</u>	<u>303</u>	<u>155</u>
Total	<u>4,313</u>	<u>839</u>	<u>381</u>	<u>303</u>	<u>155</u>

The Darwen Group's maximum credit risk is equal to the carrying value for trade receivables and cash and cash equivalents.

All trade and other receivables are denominated in sterling.

15 Trade and other payables – current

	<i>2007</i> <i>£'000</i>
Trade payables	1,884
Other tax and social security taxes	585
Other payables	8
Accruals	265
	<u>2,742</u>

To the extent trade and other payables are not carried at fair value in the consolidated balance sheet, book value approximates to the fair value at 31 December 2007.

16 Provisions

	<i>Redundancy costs £'000</i>	<i>Onerous contracts £'000</i>	<i>Warranties £'000</i>	<i>Total £'000</i>
On acquisition	—	454	300	754
Charged to income statement	881	—	98	979
Utilised in period	(606)	(134)	(98)	(838)
At 31 December 2007	<u>275</u>	<u>320</u>	<u>300</u>	<u>895</u>

Redundancy Costs

This relates to unpaid redundancy costs incurred in the period of trading, which have been negotiated on deferred terms in accordance with the service agreements of the respective employees.

Onerous Contracts

A provision has been made for loss making contracts to deliver public service vehicles at a fixed price which is less than the expected cost of manufacture.

Warranties

The warranty provision is the estimated liability, based on historical trends, for the cost of the 12 month standard warranty terms on which the vehicles are sold. This relates to remedial labour, replacement parts and temporary vehicle costs.

17 Financial liabilities

	<i>2007</i> <i>£'000</i>
Convertible debt	<u>3,038</u>

Maturity of financial liabilities

The carrying amounts of the convertible debt are repayable as follows:

	<i>2007</i> <i>£'000</i>
In less than one year	3,348
	<u>3,348</u>
less future interest and premium on redemption	(310)
Net amount due	<u>3,038</u>

Premiums on redemption which are contingent upon certain events are not included in the above analysis but the finance charge payable on the convertible loan notes is included.

The convertible loan notes have a carrying value of £2,928,000 plus accrued interest of £110,000 and a face value of £3,114,000. The holders of the convertible debt have the option at any point before maturity to exchange each loan note at face value plus any accrued interest or premium for ordinary shares of the company. In accordance with IAS 32 and the company's accounting policy, the liability and equity element of the loan notes have been split with £186,000 currently being shown in equity and £2,928,000 recognised as a liability.

The convertible loan notes carry a fixed cumulative interest rate of 10 per cent. per annum and are convertible at the option of the note holder or in the event of certain trigger events including a listing of the company. The company has a right to redeem the loan notes at any time by agreement with the note holder. The loan notes are convertible 5 years from the date of issue with a premium arising if a listing has not been achieved by specific dates.

In arriving at the fair value of the liability component a discount rate of 13.5 per cent. was used which reflected the rate that the Directors believe would be applicable on a similar loan without the option to convert to equity based on indicative offers received for a mix of term loan and mezzanine finance.

On 15 February 2008 the Darwen Group was acquired by Darwen Holdings plc triggering conversion of the loan notes. Consequently the net amount due was transferred to equity upon conversion.

18 Deferred tax

Deferred tax is calculated in full on taxable temporary differences under the liability method using a tax rate of 28 per cent. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, amounts charged/(credited) to the income statement and amounts charged/(credited) to reserves are as follows:

	<i>Arising on acquisition £'000</i>	<i>Recognised in income £'000</i>	<i>Asset Not recognised £'000</i>	<i>£'000</i>
Deferred tax assets				
Warranty provision	90	—	—	90
Onerous contracts	136	(55)	—	81
Payables	150	(150)	—	—
Losses	—	(108)	720	612
	<u>376</u>	<u>(313)</u>	<u>720</u>	<u>783</u>
Deferred tax liabilities				
Property, plant and equipment	(199)	142	—	(57)
Intangible assets	(10)	4	—	(6)
Inventory	(202)	202	—	—
Receivables	(54)	54	—	—
	<u>(465)</u>	<u>402</u>	<u>—</u>	<u>(63)</u>
Net	<u>(89)</u>	<u>89</u>	<u>720</u>	<u>720</u>

The net deferred tax asset of £720,000 has not been recognised due to the uncertainty of the timing of recovery.

19 Share capital

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>2007 Number</i>	<i>2007 £'000</i>	<i>2007 Number</i>	<i>2007 £'000</i>
Ordinary shares of 10p each	<u>300,000,000</u>	<u>30,000</u>	<u>28,109,477</u>	<u>2,811</u>

The company was incorporated with 100 ordinary shares of £1 each; these were subsequently divided into 1,000 ordinary shares of 10p each and the authorised share capital was increased to 300,000,000 ordinary shares of 10p each on 12 September 2007.

All shares in issue were issued during the period as detailed below.

	<i>Number</i>	<i>Nominal £'000</i>	<i>Premium £'000</i>	<i>Consideration £'000</i>
9 August 2007 – Subscriber shares	10	—	—	—
12 September 2007 – placing	25,749,990	2,575	—	2,575
12 September 2007 – placing	<u>2,359,477</u>	<u>236</u>	<u>110</u>	<u>346</u>
At end of the year	<u>28,109,477</u>	<u>2,811</u>	<u>110</u>	<u>2,921</u>

On 15 February 2008 21,183,673 shares were issued upon the conversion of the convertible debt.

20 Reserves

	<i>Share capital £'000</i>	<i>Convertible debt option reserve £'000</i>	<i>Share premium £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Loss for period	—	—	—	(2,580)	(2,580)
Issue of share capital	2,811	—	110	—	2,921
Convertible loan notes	—	186	—	—	186
Cost of raising equity	<u>—</u>	<u>—</u>	<u>(110)</u>	<u>—</u>	<u>(110)</u>
Balance at 31 December 2007	<u>2,811</u>	<u>186</u>	<u>—</u>	<u>(2,580)</u>	<u>417</u>

The nature and purpose of each reserve within owners' equity is as follows:

<i>Reserve</i>	<i>Description and purpose</i>
Share premium	Amount subscribed for share capital in excess of nominal value.
Convertible debt option	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).
Retained earnings	Cumulative net recognised gains and losses.

21 Leases

Operating leases

The company leases premises at Whitebirk Industrial Estate. In addition, the company leases a number of items of plant which are generally monthly contracts.

The total future value of minimum lease payments is due as follows:

	<i>2007 £'000</i>
Not later than one year	200
Later than one year and not later than five years	<u>83</u>
	<u>283</u>

22 Acquisitions during the period

On 17 August 2007 Darwen Group Limited acquired, out of administration, the business and certain assets and liabilities of British City Bus Limited (in administration), East Lancashire Coachbuilders Limited (in administration), North West Bus and Coach Repairs Limited (in administration) together with the share capital of two dormant companies, East Lancashire Bus Builders Limited and Chalgrave Limited for a total cash consideration of £2.1m.

The trading activity of these companies has been incorporated into the continuing operations of the business as this acquisition is the cornerstone of the company's existence and represents 100 per cent. of business activity, balance sheet and cash flow in the period.

As these acquisitions related to companies in administration there is insufficient information in relation to prior periods to be able to disclose prior period results. However, the last audited accounts which were at 31 December 2005 show a loss of £42,589 for British City Bus Ltd, and profits of £527,132 for East Lancashire Coachbuilders Ltd and £133,052 for North West Bus and Coach Repairs Ltd.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£'000
Provisional fair value of assets acquired	
Intangibles – order book	34
Property, plant and equipment	2,515
Inventories	952
Receivables	226
Payables	(500)
Provisions	(704)
Deferred tax	(72)
	<hr/> 2,451
Consideration paid	
Cash	(2,100)
Costs of acquisition	(232)
	<hr/> (2,332)
Negative goodwill	<hr/> 119

The fair values of receivables are the same as the IFRS carrying amounts immediately prior to the acquisition. The IFRS carrying amount of identifiable intangibles immediately prior to acquisition would have been zero. It is impracticable to determine the IFRS carrying amounts of the other assets and liabilities immediately prior to acquisition as the companies did not prepare their accounts in accordance with IFRS.

On 23 November 2007 Darwen Group Limited acquired, out of administration, the business and certain assets of Leyland Product Developments Limited (in administration) for a cash consideration of £315,000 via a newly formed and 100 per cent. owned subsidiary Cobco 862 Limited (renamed Darwen LPD Limited).

As this acquisition related to a company in administration there is insufficient information in relation to prior periods to be able to disclose prior period results. However, the last unaudited accounts which were at 31 December 2006 show net liabilities of £1,865,701. Leyland Product Developments Limited filed abbreviated accounts, therefore no historical trading information is available.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£'000
Provisional fair value of assets acquired	
Property, plant and equipment	21
Inventories	17
Receivables	268
Provision	(50)
Deferred tax	(17)
	<hr/> 239
Consideration paid	
Cash	(315)
Costs of acquisition	(13)
	<hr/> (328)
Goodwill	<hr/> <hr/> 89

The fair values of receivables are the same as the IFRS carrying amounts immediately prior to the acquisition. It is impracticable to determine the IFRS carrying amounts of the other assets and liabilities immediately prior to acquisition as the company did not prepare its accounts in accordance with IFRS.

The goodwill relates primarily to the assembled skilled workforce, which does not represent a separately identifiable asset.

23 Related party transactions

A fee of £150,000 was paid in connection with the acquisition on 17 August 2007, disclosed in note 22 to Andrew Brian who subsequently became a Director of the company, for identifying the market opportunity and achieving a successful acquisition. This amount was approved by the Board and is included within the cost of acquisition.

No amounts in respect of the above were outstanding at 31 December 2007.

24 Events after the balance sheet date

On 15 February 2008 3,114,000 £1 10 per cent. convertible loan notes 2012 were converted into 21,183,673 Ordinary Shares of 10 pence each at a conversion price of 14.7 pence each.

On 15 February 2008 the entire shareholding in Darwen Group Limited was acquired by Darwen Holdings plc. The consideration was satisfied by the allotment and issue of 49,293,141 1 pence Ordinary Shares and the transfer of the 4 subscriber shares, each for 10 pence, a premium of 9 pence, credited as fully paid to the existing shareholders of Darwen Group Limited.

By an Agreement dated 25 April 2008 between Darwen Ltd (1) LPD (2) and N W Holdings 2008 Limited (3) ("Buyer")("NW Agreement"), Darwen Ltd and LPD agreed to sell the business and assets of the businesses known as Darwen North West ("NW") and RDT ("RDT") to the Buyer for consideration of £1.00. In consideration of the Buyer assuming all liabilities of the businesses of NW and RDT, and in lieu of the transfer and sale of book debts up to the value of £195,000 to the Buyer (which were excluded from the sale); Darwen Ltd and LPD paid the sum of £45,000 to the Buyer on completion of the NW Agreement and agreed to pay a further £150,000 to the Buyer in three equal instalments from 10 May 2008. The contracting parties to the NW Agreement were stated to be Darwen Ltd, LPD and the Buyer. By a deed of confirmation and rectification dated 19 June 2008, between Darwen Ltd (1) LPD (2) and Sprint 1237 Limited (3) ("Sprint"), Sprint assumed the liabilities and obligations of the Buyer under the NW Agreement.

The HMRC has issued a winding up petition against East Lancashire Busbuilders Limited ("ELB") a dormant subsidiary of Darwen Ltd, based on the assumption, according to their records, that there is a substantial debt on account of unpaid PAYE and NIC that is due from ELB.

The Company and Darwen Ltd have taken advice that pursuant to the Income Tax (Earnings and Pensions) Act 2003 and the Income Tax (PAYE) Regulations 2003, ELB has no liability. There was a transfer of employment from ELB to British City Bus Limited, East Lancashire Coachbuilders Limited (“ELC”) and North West Bus And Coach Repairs Limited (“East Lancs Group”) companies from the point at which ELB became dormant on 31 December 2001. The East Lancs Group assumed responsibility for the deduction of PAYE and NIC in relation to the employees on 1 January 2002. On 17 August 2007 when Darwen Ltd acquired certain business and assets of ELC, East Lancs Group was not part of the Darwen Group. The Company and Darwen Ltd have been advised that the alleged indebtedness on the part of ELB is, in fact, a proper claim against the East Lancs Group which falls to the administrators of East Lancs Group to determine and clarify with HMRC. The Directors have been advised that no liability whatsoever falls on Darwen Ltd or the Company in any event and it is anticipated that the winding up petition issued by HMRC against ELB will be dismissed upon being re-listed for hearing.

PART V

ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF JAMESSTAN INVESTMENTS LIMITED

The following is the full text of a report on Jamesstan Investments Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



BAKER TILLY

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The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 June 2008

Dear Sirs

JAMESSTAN INVESTMENTS LIMITED

We report on the financial information set out on pages 48 to 49. This financial information has been prepared for inclusion in the Admission Document dated 20 June 2008 ("Admission Document") of Darwen Holdings plc on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of Darwen Holdings plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("Endorsed IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Jamesstan Investments Limited as at the dates stated in accordance with the basis of preparation set out in note 1 and in accordance with Endorsed IFRS as described in note 1.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

FINANCIAL INFORMATION ON JAMESSTAN INVESTMENTS LIMITED (FORMERLY KNOWN AS COBCO 871 LIMITED)

Jamesstan Investments Limited (formerly known as Cobco 871 Limited) has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss and has neither declared nor paid dividends or made any other distributions since the date of incorporation. Accordingly, no income statement information is presented.

Cobco 871 Limited was incorporated on 3 January 2008 with an authorised share capital of £5,000,000 divided into 5,000,000 ordinary shares of £1 each, of which 1 share was issued on incorporation. Cobco 871 Limited changed its name by special resolution to Jamesstan Investments Limited on 11 March 2008.

Balance Sheet

	<i>As at 31 January 2008 £'000</i>
Current assets	
Issued share capital unpaid	—
Net assets	—
Equity	
Share capital	—

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the historical financial information are set out below.

The historical financial information has 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 1985 applicable to companies preparing their accounts under Endorsed IFRS.

New IFRS and amendments to IAS and interpretations not applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by Jamesstan Investments Limited.

<i>International Financial Reporting Standards</i>		<i>Effective for accounting periods starting on or after</i>
IAS 1	Presentation of financial statements: A revised presentation	1 January 2009
IFRS 2	Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 8*	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IFRS 3	Business Combinations	1 July 2009
<i>International Financial Reporting Interpretations committee</i>		
IFRIC 11*	IFRS 2: Group and Treasury share transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

* These standards and interpretations have been endorsed by the European Union.

The application of these standards and interpretations are not anticipated to have a material effect on the Jamesstan Investments Limited's historical financial information except for additional disclosure.

2. Share capital

	<i>Authorised</i>		<i>Issued and unpaid</i>	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Ordinary shares of £1 each	5,000,000	5,000	1	—

The company was incorporated with 5,000,000 ordinary shares of £1 each.

All shares in issue were issued during the period as detailed below:

	<i>Number</i>	<i>Nominal £</i>	<i>Premium £</i>	<i>Consideration £</i>
3 January 2008 – Subscriber shares	1	1	—	1

3. Events after the balance sheet date

On 11 March 2008 a further 4,999,999 £1 Ordinary Shares were allotted and issued at par.

On 11 March 2008 Jamesstan Investments Limited entered into new term loan facilities with Bank of Scotland totalling £9,200,000.

On 11 March 2008 Jamesstan Investments Limited acquired the entire shareholding in Optare Holdings Limited. The consideration was satisfied by a total cash payment of £10,457,853.

On 11 March 2008 Jamesstan Investments Limited subscribed for 1,400,000 8 per cent. cumulative redeemable preference shares of £1 each issued by Optare Holdings Limited.

On 11 March 2008, Jamesstan Investments Limited entered into a sale and leaseback agreement with Manston Lane Investments LLP for the land and buildings on the north side of Manston Lane, Crossgates, Leeds occupied by Optare Holdings Limited.

On 19 June 2008 Darwen Holdings plc entered into an acquisition agreement with Roy Stanley pursuant to which Darwen Holdings plc acquired the entire issued share capital of Jamesstan Investments Limited. The purchase price being £5 million in cash plus £1.75 million to be satisfied by the issue of 4,375,000 Consideration Shares at the Placing Price. The agreement is conditional, inter alia, upon Admission.

PART VI

ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF OPTARE HOLDINGS LIMITED

The following is the full text of a report on Optare Holdings Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



BAKER TILLY

2 Whitehall Quay
Leeds
LS1 4HG
www.bakertilly.co.uk

The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 June 2008

Dear Sirs

OPTARE HOLDINGS LIMITED

We report on the financial information set out on pages 52 to 73. This financial information has been prepared for inclusion in the Admission Document dated 20 June 2008 ("Admission Document") of Darwen Holdings plc on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of Darwen Holdings plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("Endorsed IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Optare Holdings Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with Endorsed IFRS as described in note 1.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

OPTARE HOLDINGS LIMITED

Consolidated Income Statement for the year ended 31 December 2007

	<i>Note</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Continuing operations			
Revenue	1,3,4	57,824	54,183
Cost of sales	2	(47,205)	(43,798)
Gross profit		10,619	10,385
Distribution expenses		(653)	(604)
Administrative expenses		(8,012)	(7,988)
Research and development expenses	2	(392)	(366)
Results from operating activities	1-5	1,562	1,427
Finance income	6	28	159
Finance expenses	6	(778)	(569)
Net finance expenses		(750)	(410)
Profit before tax		812	1,017
Income tax expense	7	(228)	(314)
Profit for the year attributable to equity holders of the parent		<u>584</u>	<u>703</u>
Earnings per share			
Basic	9	48.67p	58.58p
Diluted	9	<u>45.98p</u>	<u>55.35p</u>

**Consolidated Statement of Changes in Shareholders' Equity for the year ended
31 December 2007**

	<i>Note</i>	<i>Ordinary share capital £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
Balance at 1 January 2006		1,200	1,932	3,132
Profit for the year	23	—	703	703
Deferred tax recognised directly in equity	22	—	83	83
Balance at 31 December 2006		1,200	2,718	3,918
Profit for the year	23	—	584	584
Share based payment		—	54	54
Deferred tax recognised directly in equity	22	—	123	123
Balance at 31 December 2007		1,200	3,479	4,679

Consolidated Balance Sheet at 31 December 2007

	<i>Note</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Assets			
Non-current assets			
Property, plant and equipment	10	8,230	8,464
Intangible assets	11	1,501	1,329
Total non-current assets		<u>9,731</u>	<u>9,793</u>
Current assets			
Inventories	14	10,617	10,584
Demonstration fleet	13	1,002	1,083
Trade and other receivables	15	4,322	3,621
Other financial assets, including derivatives	16	13	68
Cash and cash equivalents	17	1,465	964
Total current assets		<u>17,419</u>	<u>16,320</u>
Total assets		<u><u>27,150</u></u>	<u><u>26,113</u></u>
Liabilities			
Current liabilities			
Loans and borrowings	18	(1,933)	(1,683)
Trade and other payables	19	(12,061)	(10,925)
Provisions	21	(866)	(732)
Tax payable		(27)	—
Total current liabilities		<u>(14,887)</u>	<u>(13,340)</u>
Non-current liabilities			
Loans and borrowings	18	(5,642)	(6,804)
Provisions	21	(464)	(465)
Deferred tax liabilities	22	(1,478)	(1,586)
Total non-current liabilities		<u>(7,584)</u>	<u>(8,855)</u>
Total liabilities		<u><u>(22,471)</u></u>	<u><u>(22,195)</u></u>
Total net assets		<u><u>4,679</u></u>	<u><u>3,918</u></u>
Equity attributable to equity owners			
Share capital	23	1,200	1,200
Retained earnings	23	3,479	2,718
Total equity		<u><u>4,679</u></u>	<u><u>3,918</u></u>

Consolidated Cash Flow Statement for the year ended 31 December 2007

	<i>Note</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Cash flows from operating activities			
Profit before tax		812	1,017
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		1,298	1,208
Finance income		(28)	(159)
Finance expense		819	701
Share option charge		54	—
		<u>2,955</u>	<u>2,767</u>
(Increase)/decrease in trade and other receivables		(701)	1,319
(Increase)/decrease in demonstration fleet		81	(186)
(Increase)/decrease in inventories		(33)	(246)
Increase/(decrease) in trade and other payables		1,136	1,178
Increase/(decrease) in provisions		<u>134</u>	<u>(112)</u>
Cash generated from operations		3,572	4,720
Interest paid		(764)	(701)
Tax paid		<u>(186)</u>	<u>(491)</u>
Net cash from operating activities		<u>2,622</u>	<u>3,528</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		—	13
Interest received		28	21
Acquisition of property, plant and equipment	10	(672)	(885)
Capitalised development expenditure	11	<u>(564)</u>	<u>(470)</u>
Net cash from investing activities		<u>(1,208)</u>	<u>(1,321)</u>
Cash flows from financing activities			
Repayment of borrowings		<u>(913)</u>	<u>(1,366)</u>
Net cash from financing activities		<u>(913)</u>	<u>(1,366)</u>
Net increase in cash and cash equivalents		501	841
Cash and cash equivalents at 1 January		<u>964</u>	<u>123</u>
Cash and cash equivalents at 31 December	17	<u><u>1,465</u></u>	<u><u>964</u></u>

Notes to the Historic Financial Information for the year ended 31 December 2007

1 Accounting policies

Optare Holdings Limited is a company incorporated in the UK.

The historical financial information consolidates those of Optare Holdings Limited and its subsidiaries (together referred to as the “Optare Group”).

The historical financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards as Endorsed by the EU (“Endorsed IFRSs”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the historical financial information and in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of the transition to Endorsed IFRSs.

New IFRS and amendments to IAS and interpretations not applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by Optare Group:

<i>International Financial Reporting Standards</i>		<i>Effective for accounting periods starting on or after</i>
IAS 1	Presentation of financial statements: A revised presentation	1 January 2009
IFRS 2	Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 8*	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IFRS 3	Business Combinations	1 July 2009
<i>International Financial Reporting Interpretations committee</i>		
IFRIC 11*	IFRS 2: Group and Treasury share transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

* These standards and interpretations have been endorsed by the European Union.

The application of these standards and interpretations are not anticipated to have a material effect on Optare Group’s historical financial information except for additional disclosure.

Transition to Endorsed IFRSs

Optare Group is preparing its historic financial information in accordance with Endorsed IFRS for the first time and consequently has applied IFRS 1.

Measurement convention

The historic financial information is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

Basis of consolidation

Subsidiaries are entities controlled by Optare Group. Control exists when Optare Group 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.

Revenue

Optare Group revenue arises from the sale of vehicles, parts and the provision of repairs. Revenue is recognised upon the transfer of all risks and rewards in relation to Optare Group’s products. For the sale of vehicles and parts revenue is recognised on delivery of the goods and for repairs it is recognised on completion of the relevant repair.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if Optare Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payments

Equity-settled share-based payments 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 Optare Group's estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes option pricing 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.

Expenses

Operating lease payments

Payments made and lease incentives received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Classification of financial instruments issued by Optare Group

Following the adoption of IAS 32, financial instruments issued by Optare Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that Optare Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which Optare Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	over 20 – 40 years
Plant, equipment and motor vehicles	over 4 – 10 years
Fixtures and fittings	over 5 years
Production tooling	over 5 – 8 years

Intangible assets and goodwill

IFRS 1 grants certain exemptions from the full requirements of Endorsed IFRSs in the transition period. Optare Group elected not to restate business combinations that took place prior to 1 January 2006. Negative goodwill arising on an acquisition is recognised in profit or loss.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and Optare Group intends to and has the technical ability and sufficient resources to complete development and if Optare Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of direct overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

The estimated useful life of capitalised development costs is 8 years from when the asset is brought into use. Assets not yet in use are reviewed for impairment.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Impairment excluding investments and deferred tax assets

The carrying amounts of Optare Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1 January 2006, the date of transition to Endorsed IFRSs, even through no indication of impairment existed, and are tested annually thereafter.

Calculation of recoverable amount

The recoverable amount of Optare Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

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

Demonstration fleet

The demonstration fleet is stated at the lower of cost and net realisable value.

Financial assets and liabilities

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary assets. They are carried at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Optare Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Other financial liabilities

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions – warranty

A provision is recognised in the balance sheet when Optare Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Units are generally sold including a warranty of between one and three years. Provision is made for the future costs expected to be incurred in respect of works undertaken under warranty.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Critical judgements and estimates

The preparation of historic 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 expense. 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.

Optare Group has estimated the cost of potential warranty claims arising, this requires an element of judgement about the likely future level of claims and their financial impact upon the business.

Functional and presentation currency

The functional and presentation currency for Optare Group is sterling.

2 Expenses and auditors' remuneration

Included in profit/loss are the following:

	2007 £'000	2006 £'000
Profit/(loss) on disposal of property, plant and equipment	—	12
Depreciation of property, plant and equipment – owned	817	782
Depreciation of property, plant and equipment – assets held under finance leases	89	72
Operating lease rentals	196	226
Research and development expensed as incurred	344	67
Amortisation of intangibles	392	366
Foreign exchange differences	19	1

Auditors' remuneration:

	2007 £'000	2006 £'000
Amounts receivable by auditors and their associates in respect of:		
Audit of parent and consolidated accounts	35	35
Taxation compliance services	8	24

Fees paid in respect of 2007 were paid to Baker Tilly UK Audit LLP and its associates. Fees paid in respect of 2006 were paid to KPMG LLP and its associates.

3 Revenue

	2007 £'000	2006 £'000
Vehicle sales	48,464	43,545
Repairs and parts	9,360	10,638
	<u>57,824</u>	<u>54,183</u>

4 Segment information

The directors consider that the Optare Group has only one reportable business segment being bus manufacture, other income is ancillary and does not constitute a segment in its own right. The analysis of revenue by geographical market is shown below.

	2007 £'000	2006 £'000
United Kingdom	55,272	53,528
United States of America	687	473
Other European	1,860	169
Other	5	13
	<u>57,824</u>	<u>54,183</u>

5 Staff numbers and costs

The average number of persons employed by the Optare Group (including directors) during the year, analysed by category, was as follows:

	<i>Number of employees</i>	
	2007	2006
Administration	131	133
Production	409	409
	<u>540</u>	<u>542</u>

The aggregate payroll costs of these persons were as follows:

	2007 £'000	2006 £'000
Wages and salaries	12,581	12,111
Social security costs	1,309	1,222
Other pension costs	298	282
Share based payment	54	—
	<u>14,242</u>	<u>13,615</u>

No share based payment charge was recognised in 2005 or 2006 as the likelihood of meeting the non-market related vesting condition was considered remote.

Share based payment

On 15 November 2005 Optare Holdings Limited issued 76,957 options to employees, with an exercise price of £3.33 and an expiry date of 14 November 2015. The options vest on sale of the business.

The number of options during the period was as follows:

	2007 No.	2006 No.
At beginning of period	76,897	76,957
Forfeited	<u>(6,906)</u>	<u>(60)</u>
At end of period	<u>69,991</u>	<u>76,897</u>

After the period end a further 208 options were forfeited. The remaining 69,783 were exercised on sale of the business as discussed in note 29. The fair value of the options at the grant date was based on the following assumptions:

Valuation model

	<i>Black Scholes</i>
Weighted average share price	£3.00
Exercise price	£3.33
Expected volatility	25%
Option life	5 years
Risk free rate of interest	5%
Dividend yield	0%

Directors' remuneration

Key management represent Directors. The aggregate remuneration paid to or accrued for the Directors for services in all capacities during the year is as follows:

	2007 £'000	2006 £'000
Directors' emoluments	351	351
Company contributions to money purchase schemes	<u>47</u>	<u>31</u>
Emoluments of highest paid director	152	158
Pension contributions to money purchase scheme	<u>32</u>	<u>17</u>

There are 2 directors (2006: 2) accruing benefits under money purchase scheme arrangements.

6 Finance income and expense

	2007 £'000	2006 £'000
Interest income on financial assets not at fair value through profit or loss	28	21
Net change in fair value of financial assets at fair value through income statement	—	138
Financial income	<u>28</u>	<u>159</u>
On bank loans and overdrafts	(320)	(211)
On loan notes	(150)	(162)
Finance charges payable in respect of finance leases	(109)	(51)
Finance costs on shares classified as liabilities	(112)	(112)
Other interest payable	(32)	(33)
Net change in fair value of financial assets at fair value through income statement	<u>(55)</u>	<u>—</u>
Financial expenses	<u>(778)</u>	<u>(569)</u>
Net finance expenses recognised in income statement	<u>(750)</u>	<u>(410)</u>

7 Taxation

Recognised in the income statement

	2007 £'000	2006 £'000
<i>Current tax expense</i>		
Current year	219	241
Adjustments for prior years	<u>(6)</u>	<u>(13)</u>
<i>Deferred tax expense</i>	213	228
Origination and reversal of temporary differences	81	86
Effect of change of rate (see note)	<u>(66)</u>	<u>—</u>
	<u>15</u>	<u>86</u>
Total tax in income statement	<u>228</u>	<u>314</u>

Reconciliation of effective tax rate

	2007 £'000	2006 £'000
Profit before taxation	<u>812</u>	<u>1,017</u>
Tax using the UK corporation tax rate of 30% (2006: 30%)	244	305
Non-deductible expenses	61	80
Effect of change of rate on deferred tax	(66)	—
Over provided in prior years	(6)	(13)
Marginal relief	<u>(5)</u>	<u>(16)</u>
Total tax expense	<u>228</u>	<u>356</u>

Factors that may affect future tax charges

Future effective tax rates may vary due to short term timing differences.

The statutory tax rate changed on 1 April 2008 from 30 per cent. to 28 per cent.. The deferred tax liability has been restated at the new rate, where appropriate, resulting in a decrease of £66,000.

8 Dividends

The directors propose no dividend to be paid for the year (2006: £nil).

9 Earnings per share

	2007 £'000	2006 £'000
Profit attributable to ordinary shareholders	584	703
	No 000	No 000
Weighted average number of ordinary shares	1,200	1,200
Share options	70	70
Diluted weighted average number of ordinary shares	1,270	1,270
Earnings per share		
Basic	48.67p	58.58p
Diluted	45.98p	55.35p

10 Property, plant and equipment

	Land and buildings £'000	Plant, equipment and motor vehicles £'000	Fixtures & fittings £'000	Production tooling £'000	Total £'000
Cost					
Balance at 1 January 2006	5,970	3,222	1,920	4,887	15,999
Additions	90	330	177	288	885
Disposals	—	—	(1)	—	(1)
Balance at 31 December 2006	6,060	3,552	2,096	5,175	16,883
Balance at 1 January 2007	6,060	3,552	2,096	5,175	16,883
Additions	8	151	141	372	672
Disposals	—	(11)	—	—	(11)
Balance at 31 December 2007	6,068	3,692	2,237	5,547	17,544
Depreciation and impairment					
Balance at 1 January 2006	52	1,918	1,509	4,086	7,565
Depreciation charge for the year	128	331	177	218	854
Disposals	—	—	—	—	—
Balance at 31 December 2006	180	2,249	1,686	4,304	8,419
Balance at 1 January 2007	180	2,249	1,686	4,304	8,419
Depreciation charge for the year	135	330	155	286	906
Disposals	—	(11)	—	—	(11)
Balance at 31 December 2007	315	2,568	1,841	4,590	9,314
Net book value					
At 1 January 2006	5,918	1,304	411	801	8,434
At 31 December 2006 and 1 January 2007	5,880	1,303	410	871	8,464
At 31 December 2007	5,753	1,124	396	957	8,230

The net book value of the group's plant and machinery includes £453,953 (2006: £493,252) in respect of assets held under finance leases on which depreciation of £88,571 (2006: £71,839) was charged during the period.

Lease obligations on these assets are reflected in note 17.

11 Intangible assets

	<i>Development costs £'000</i>
Cost	
Balance at 1 January 2006	2,455
Additions	470
Balance at 31 December 2006	2,925
Balance at 1 January 2007	2,925
Additions	564
Balance at 31 December 2007	3,489
Amortisation and impairment	
Balance at 1 January 2006	1,230
Amortisation for the year	366
Balance at 31 December 2006	1,596
Balance at 1 January 2007	1,596
Amortisation for the year	392
Balance at 31 December 2007	1,988
Net book value	
At 1 January 2006	1,225
At 31 December 2006 and 1 January 2007	1,329
At 31 December 2007	1,501

The amortisation charge is recognised in cost of sales in the income statement.

12 Subsidiaries

The principal wholly owned subsidiaries of Optare Holdings Limited which have been included in these financial statements are as follows:

	<i>Principal activity</i>	<i>Country of registration and operation</i>
Optare (Leeds) Limited	Intermediate holding company	England and Wales
Optare Group Limited*	Manufacturer of buses	England and Wales
Optare Aftersales Limited*	Supplier of bus parts and repair services	England and Wales
Autobus Classique Limited*	Dormant	England and Wales
Autotec Vehicles Limited*	Dormant	England and Wales

* held indirectly

13 Demonstration fleet

	<i>2007 £'000</i>	<i>2006 £'000</i>
Demonstration fleet	1,002	1,083

14 Inventories

	2007 £'000	2006 £'000
Raw materials and consumables	5,871	4,574
Work in progress	3,991	4,498
Finished goods	755	1,512
	<u>10,617</u>	<u>10,584</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £35,253,000 (2006: £33,407,000). The write-down of stock to net realisable value amounted to £766,000 (2006: £732,000). The write-down is included in cost of sales.

15 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	3,560	2,881
Other receivables	354	348
Prepayments and accrued income	408	392
	<u>4,322</u>	<u>3,621</u>

At 31 December 2007 trade receivables are shown net of an impairment allowance of £151,000 (2006: £146,000) arising from a line by line review of all trade receivables.

Trade and other receivables denominated in currencies other than Sterling comprise the following amounts of trade receivables.

	2007 £'000	2006 £'000
US Dollar	102	67
Euro	<u>118</u>	<u>9</u>

16 Other financial assets

	2007 £'000	2006 £'000
Fair value of cashflow derivative instrument	9	68
Fair value of forward exchange contract	4	—
	<u>13</u>	<u>68</u>

17 Cash and cash equivalents/ bank overdrafts

	2007 £'000	2006 £'000
Cash and cash equivalents per balance sheet	1,465	964
Cash and cash equivalents per cash flow statement	<u>1,465</u>	<u>964</u>

Cash and cash equivalents denominated in currencies other than Sterling comprise the following amounts:

	2007 £'000	2006 £'000
US Dollar	—	1
Euro	<u>102</u>	<u>1</u>

18 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of Optare Group's interest-bearing loans and borrowings. For more information about Optare Group's exposure to interest rate and foreign currency risk, see note 24.

	2007 £'000	2006 £'000
<i>Non-current liabilities</i>		
Secured bank loans	3,774	4,103
Finance lease liabilities	92	181
8% cumulative redeemable preference shares	1,400	1,400
Redeemable loan notes	376	1,120
	<u>5,642</u>	<u>6,804</u>
<i>Current liabilities</i>		
Current portion of secured bank loans	288	641
Current portion of finance lease liabilities	741	559
Redeemable loan notes	904	483
	<u>1,933</u>	<u>1,683</u>

Included within these amounts is £56,290 (2006: £82,290) of unamortised finance costs. These costs have been capitalised and offset against the debt financing to which they relate.

The bank loans above consist of (i) a loan repaid in 2007 of £532,500 bearing interest at 2 per cent. over bank base rate and (ii) a loan of £4,280,000 repayable in equal quarterly instalments commencing August 2007 and terminating in May 2020 bearing interest at 11/2 per cent. over bank base rate.

The loan notes comprise (i) 1,235,294 "A" loan notes of £1 redeemable at par in eight quarterly instalments commencing February 2007 (the first two instalments comprise the redemption of loan notes amounting to £82,353, the next five of £164,706 and the final redemption is of £247,058) and (ii) 381,800 "B" loan notes redeemable at par on an exit event and no later than 31 December 2010. The loan notes bear annual interest at 4.75 per cent. above LIBOR or at 7.5 per cent..

The cumulative redeemable preference shares are redeemable at par in 8 quarterly instalments commencing 28 February 2009. The first 7 instalments are of 164,706 shares and the final instalment is of 247,058 shares.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Principal</i>	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Principal</i>
	2007 £'000	2007 £'000	2007 £'000	2006 £'000	2006 £'000	2006 £'000
Less than one year	749	8	741	566	7	559
Between one and five years	103	11	92	200	19	181
	<u>852</u>	<u>19</u>	<u>833</u>	<u>766</u>	<u>26</u>	<u>740</u>

19 Trade and other payables

	2007 £'000	2006 £'000
Trade payables	9,414	9,620
Other taxes and social security	1,953	665
Non-trade payables	286	127
Accrued expenses and deferred income	408	513
	<u>12,061</u>	<u>10,925</u>

Trade and other payables denominated in currencies other than Sterling comprise the following amounts:

	2007 £'000	2006 £'000
Euro	2,122	1,842
Swiss Francs	1	20
US Dollar	11	6
Danish Krona	<u>2</u>	<u>5</u>

20 Employee benefits

Defined contribution plans

Optare Group operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the group in an independently administered fund

The total expense relating to these plans in the current year was £298,000 (2006: £282,000).

Optare Group expects to contribute approximately £337,000 to its defined benefit plans in the next financial year.

21 Provisions

	Warranty £'000
Balance at 1 January 2006	1,308
Provisions made during the year	1,170
Provisions used during the year	<u>(1,281)</u>
Balance at 31 December 2006	<u>1,197</u>
Balance at 1 January 2007	1,197
Provisions made during the year	1,622
Provisions used during the year	<u>(1,489)</u>
Balance at 31 December 2007	<u>1,330</u>

Warranty provisions represent the estimated liability, based on historical trends, for the cost of between 1 and 3 years standard warranty terms on which the vehicles are sold. This relates to remedial labour, replacement parts and temporary vehicle costs.

Of the total warranty provision, £866,000 (2006: £732,000) is due in less than one year. The remaining £464,000 (2006: £465,000) is due in more than one year.

22 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	2007 £'000	2006 £'000
Property, plant and equipment	514	580
Intangible assets	420	399
Fair value of derivatives	4	20
Other	3	5
Finance costs	—	(78)
Revalued property	537	660
Tax liabilities	<u>1,478</u>	<u>1,586</u>

Movement in deferred tax during the year

	1 January 2007 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2007 £'000
Property, plant and equipment	580	(66)	—	514
Intangible assets	399	21	—	420
Fair value of derivatives	20	(16)	—	4
Other	5	(2)	—	3
Finance costs	(78)	78	—	—
Revalued property	660	—	(123)	537
	<u>1,586</u>	<u>15</u>	<u>(123)</u>	<u>1,478</u>

Movement in deferred tax during the prior year

	1 January 2006 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2007 £'000
Property, plant and equipment	574	6	—	580
Intangible assets	368	31	—	399
Fair value of derivatives	(21)	41	—	20
Other	(6)	11	—	5
Finance costs	(117)	39	—	(78)
Revalued property	743	—	(83)	660
	<u>1,541</u>	<u>128</u>	<u>(83)</u>	<u>1,586</u>

23 Capital and reserves

Reconciliation of movement in capital and reserves

	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2006	1,200	1,932	3,132
Profit for the year	—	703	703
Deferred tax recognised in reserves	—	83	83
Balance at 31 December 2006	1,200	2,718	3,918
Profit for the year	—	584	584
Share based payment	—	54	54
Deferred tax recognised in reserves	—	123	123
Balance at 31 December 2007	<u>1,200</u>	<u>3,479</u>	<u>4,679</u>

The motive and purpose of each reserve within equity is as follows:

<i>Reserve</i>	<i>Description and purpose</i>	
Retained earnings	Cumulative net recognised gains and losses	
	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
<i>Authorised</i>		
1,211,000 Ordinary 'A' shares of £1 each	1,211	1,211
109,000 Ordinary 'B' shares of £1 each	109	109
1,400,000 8% cumulative redeemable preference shares of £1 each	1,400	1,400
	<u>2,720</u>	<u>2,720</u>
<i>Allotted, called up and fully paid</i>		
1,091,000 Ordinary 'A' shares of £1 each	1,091	1,091
109,000 Ordinary 'B' shares of £1 each	109	109
1,400,000 8% cumulative redeemable preference shares of £1 each	1,400	1,400
	<u>2,600</u>	<u>2,600</u>
Shares classified as liabilities	1,400	1,400
Shares classified in shareholders' funds	1,200	1,200
	<u>2,600</u>	<u>2,600</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The voting rights of the 'A' and 'B' ordinary shares are structured according to the aggregate value of Redeemable Loan Notes and Cumulative Redeemable Preference Shares outstanding. The holders of a majority of each class of share have the right to appoint up to two persons as Directors and to remove such persons from such office.

The preference shares are redeemable at par in 8 quarterly instalments commencing 28 February 2009. The first 7 instalments are of 164,706 and the final instalment is 247,058 shares.

24 Financial instruments

Financial instruments

Optare Group is exposed through its operations to one or more of the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

Policy for managing these risks is set by the board of directors following recommendations from the finance director. The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of Optare Group is managed centrally. Liquidity risk arises from Optare Groups' management of working capital and the finance charges and principal payments on debt financing. It is the risk that Optare Group will have difficulty in meeting its financial obligations as they fall due. Optare Group currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans.

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2007	2006
	<i>Long term borrowing</i>	<i>Long term borrowing</i>
	£'000	£'000
Less than one year	1,976	1,750
1 to 2 years	1,048	1,159
2 to 5 years	2,138	2,861
Over 5 years	2,469	2,799

Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates, currency rates or other market factors. As discussed in note 29 all financial liabilities were settled after the balance sheet date. Optare Group is therefore no longer materially exposed to market risk.

Fair value and cash flow interest rate risk

Optare Group has a policy to obtain long term debt at fixed rates and short term debt at flexible rates. Although the board accepts that this policy neither protects Optare Group 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.

Foreign currency risk

Optare Group's primary foreign currency risk arises from transactions in US Dollars, Euros, Swiss Francs and Danish Krona. Optare Group does not fully utilise forward contracts to manage the risk but bulk purchases of stock enable management of the overall pricing of materials and monitoring of exchange rates ensures the effect of exchange rate fluctuations.

The amount of trade payables and receivables denominated in currencies other than Sterling are shown in notes 19 and 15.

	<i>Carrying amount</i>	<i>Contractual cashflows</i>	<i>6 months or less</i>
	£'000	£'000	£'000
Foreign exchange derivative financial liabilities			
Forward exchange contracts			
Outflow	550	550	550
Inflow	(554)	(550)	(550)

Credit risk

Optare Group's credit risk is primarily derived from its trade receivables, this risk is managed daily by Optare Group's credit control function which monitors recovery and ensures that outstanding debts are identified when these become overdue and appropriate action is taken to recover the amounts outstanding.

Optare Group'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 Group's exposure to credit risk.

Credit checks are also made for new customers and appropriate credit limits are set from this information. Credit limits may only be exceeded with the express authorisation of the directors.

Optare Group's debtor profile is such that approximately 43 per cent. of sales are made to 3 key customers. The Board receives management information each month regarding sales and trade receivables and monitors Optare Group's performance. The following table illustrates the concentrations of credit risk within Optare Group as at the balance sheet date and shows that no unprovided debtors are overdue.

	<i>Turnover</i> £'000	<i>Total</i> £'000	<i>Current</i> £'000	<i>30-60 days</i> £'000	<i>+60 days</i> £'000
Key customers	28,257	1,534	1,266	124	144
Other customers	29,567	2,026	1,029	535	462
Total	<u>57,824</u>	<u>3,560</u>	<u>2,295</u>	<u>659</u>	<u>606</u>

Optare Group's maximum credit risk is equal to the carrying value for trade receivables and cash and cash equivalents.

Optare Group's credit quality is considered by the Directors to be high because 43 per cent. of sales are derived from 3 key customers who are all substantial vehicle manufacturing companies.

Capital

Optare Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

It is Optare Group's policy to maintain its gearing ratios at a level that balances risks and returns and ensures that the company has sufficient liquidity in the business.

Determination of fair values

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonability by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	<i>2007</i> £'000	<i>2006</i> £'000
No later than one year	161	176
Later than one year and not later than five years	141	114
	<u>302</u>	<u>290</u>

During the year £196,000 was recognised as an expense in the income statement in respect of operating leases (2006 : £225,000).

26 Capital commitments

During the year ended 31 December 2007, Optare Group entered into a contract to purchase plant and equipment for £13,407(2006: £59,071). These commitments are expected to be settled in the following financial year.

27 Contingencies

At the year end, Optare Group had provided a cross guarantee to HSBC Bank Plc to secure the liabilities of Optare Holdings Limited and its subsidiary undertakings. At 31 December 2007 these liabilities amounted to £2,000,000 (2006: £1,700,000)

28 Related parties

Transactions with key management personnel

Directors of Optare Holdings Limited and their immediate relatives control 18 per cent (2006: 17 per cent.) of the voting shares of Optare Holdings Limited.

The compensation of key management personnel including the directors is disclosed in note 5.

29 Subsequent events

On 11 March 2008 a property, with a net book value of £2,211,000 at 31 December 2007, was sold for a consideration of £2,800,000 to Manston Lane Investments LLP.

On 11 March 2008, 232,377 of £1 redeemable “B” loan notes held by various employees were redeemed and the monies payable were applied in subscribing for ‘A’ ordinary shares as follows:

- EMI options were exercised at the exercise price of £3.33 and 36,036 ‘A’ ordinary shares were subscribed. The remaining EMI options over 33,747 ‘A’ ordinary shares were exercised at £3.33 in the period from 11 March 2008 to 9 April 2008.

On 11 March 2008 the entire ordinary shareholding in Optare Holdings Limited (inclusive of EMI options and shares detailed above) was acquired by Jamesstan Investments Limited. The consideration was satisfied by a total cash payment of £10,457,853.

Immediately following the acquisition on 11 March 2008 the following transactions took place:

- Jamesstan Investments Limited subscribed for 1,400,000 new 8 per cent. cumulative redeemable preference shares of £1 each at par, the proceeds of the fresh issue was then used to redeem the existing 8 per cent. cumulative redeemable preference shares of £1 each.
- The remaining outstanding “A” loan notes were redeemed, satisfied by a cash payment of £576,470.
- The remaining outstanding “B” loan notes were redeemed, satisfied by a cash payment of £143,674.
- All existing HSBC facilities were repaid in full as follows:
 - Secured bank loan £4,115,400
 - Invoice discounting advance £395,873
 - Overdraft £2,432,084

All post acquisition repayments were funded by a loan from Jamesstan Investments Limited.

PART VII

ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENT OF NET ASSETS

The following is the full text of a report on Darwen Holdings plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



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The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 June 2008

Dear Sirs

DARWEN HOLDINGS PLC (“the Company”)

We report on the pro forma statement of net assets (the “Pro Forma Statement of Net Assets”) set out in Part VII of the Admission Document dated 20 June 2008 (“Admission Document”) of Darwen Holdings plc which has been prepared on the basis described in notes 1 to 8, for illustrative purposes only, to provide information about how the acquisition of Darwen Group Limited, the conversion of loan instruments which have occurred since 31 January 2008 as if they had occurred on 31 January 2008, the acquisition of Optare Holdings Limited by Jamesstan Investments Limited, the acquisition of Jamesstan Investments Limited by the Company, and the Placing might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 January 2008.

This report is required by paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of the Prospectus Rules if it had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Statement of Net Assets in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, as to the proper compilation of the Pro Forma Statement of Net Assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Statement of Net Assets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Statement of Net Assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Statement of Net Assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro Forma Statement of Net Assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

PRO FORMA STATEMENT OF NET ASSETS OF THE COMPANY

The following pro forma statement of net assets of the Company has been produced to illustrate the impact of the acquisition of Darwen Group Limited, the conversion of loan instruments which have occurred since 31 January 2008 as if they had occurred on 31 January 2008, the acquisition of Optare Holdings Limited by Jamesstan Investments Limited, the acquisition of Jamesstan Investments Limited by the Company, and the Placing. The pro forma financial information is based on the financial information relating to the Company as at 31 January 2008, Darwen Group Limited as at 31 December 2007, Jamesstan Investments Limited as at 31 January 2008 and Optare Holdings Limited as at 31 December 2007 extracted from the financial information in Parts III, IV, V and VI of this document adjusted for the matters set out below.

The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position or results of the Company.

	Net assets of the Company at 31 January 2008 £'000	Net assets of Darwen Group Limited at 31 December 2007 £'000 (Note 1)	Conversion of loan stock ("the Conversion") £'000 (Note 2)	Net assets of Jamesstan Investments Limited at 31 January 2008 £'000	Net assets of Optare Holdings Limited at 31 December 2007 £'000	Acquisition of Optare Holdings Limited by Jamesstan Investments Limited £'000 (Note 3)	Acquisition of Jamesstan Investments Limited by the Company £'000 (Note 4)	The Placing £'000 (Note 5)	Pro forma net assets of the Company at 31 January 2008 £'000
Non-current assets									
Intangible assets	—	110	—	—	1,501	5,547	1,750	—	8,908
Property, plant and equipment	—	364	—	—	8,230	—	—	—	8,594
Current assets									
Inventories	—	2,856	—	—	11,619	—	—	—	14,475
Trade and other receivables	—	1,228	—	—	4,335	—	—	—	5,563
Cash and cash equivalents	—	2,535	(110)	—	1,465	(1,489)	(5,000)	15,000	12,401
Total assets	<u>—</u>	<u>7,093</u>	<u>(110)</u>	<u>—</u>	<u>27,150</u>	<u>4,058</u>	<u>(3,250)</u>	<u>15,000</u>	<u>49,941</u>
Current liabilities									
Trade and other payables	—	(2,742)	—	—	(12,061)	—	—	—	(14,803)
Loans and borrowings	—	—	—	—	(1,933)	(140)	—	—	(2,073)
Provisions	—	(895)	—	—	(866)	—	—	—	(1,761)
Convertible debt	—	(3,039)	3,039	—	—	—	—	—	—
Tax payable	—	—	—	—	(27)	—	—	—	(27)
Non-current liabilities									
Loans and borrowings	—	—	—	—	(5,642)	(3,597)	—	—	(9,239)
Provisions	—	—	—	—	(464)	—	—	—	(464)
Deferred tax	—	—	—	—	(1,478)	—	—	—	(1,478)
Total liabilities	<u>—</u>	<u>(6,676)</u>	<u>3,039</u>	<u>—</u>	<u>(22,471)</u>	<u>(3,737)</u>	<u>—</u>	<u>—</u>	<u>(29,845)</u>
Net assets	<u>—</u>	<u>417</u>	<u>2,929</u>	<u>—</u>	<u>4,679</u>	<u>321</u>	<u>(3,250)</u>	<u>15,000</u>	<u>20,096</u>

Notes to the pro forma statement of net assets

- 1 On 15 February 2008 the entire shareholding in Darwen Group Limited was acquired by the Company. The consideration was satisfied by the allotment and issue of 49,293,141 1 pence Ordinary shares and the transfer of the 4 subscriber shares, each for 10 pence, a premium of 9 pence, credited as fully paid to the existing shareholders of Darwen Group Limited.
- 2 On 15 February 2008 3,114,000 £1 10 per cent. convertible loan notes 2012 were converted into 21,183,673 Ordinary Shares of 10 pence each at a conversion price of 14.7 pence each. In accordance with IAS 32 the financial information in Part IV split the liability and equity element of the loan notes with £186,267 shown in equity and £2,927,733 in liabilities. The pro forma statement of net assets assumes that the accrued interest at 31 December 2007 of £110,149 is paid in cash.
- 3 On 11 March 2008 the entire shareholding in Optare Holdings Limited was acquired by Jamesstan Investments Limited. Associated with the acquisition were a number of redemption and new financing cash movements as follows:

	<i>£'000</i>
New term loans in Jamesstan	9,200
New equity receipt in Jamesstan	5,000
Cash consideration paid	(10,458)
'A' loan notes redeemed	(576)
'B' loan notes redeemed	(144)
Secured bank loans redeemed	(4,115)
Invoice discounting advance repaid	(396)
	<u>(1,489)</u>

In addition 232,377 of £1 redeemable 'B' loan notes held by various employees were redeemed and the monies payable were applied in subscribing for 69,783 'A' ordinary shares of £1 each at £3.33 per share.

The movement in current and non-current liabilities was as follows:

	<i>£'000</i>
<i>Current:</i>	
New term loan	(1,453)
Secured bank loan	341
Redeemable loan notes	576
Invoice discounting advance	396
	<u>(140)</u>
<i>Non-current:</i>	
New term loan	(7,747)
Secured bank loan	3,774
Redeemable loan notes	376
	<u>(3,597)</u>

- 4 The pro forma statement of net assets assumes the entire shareholding in Jamesstan Investments Limited is acquired by the Company. It is assumed the consideration is satisfied by a cash payment of £5,000,000 and the allotment and issue of 4,375,000 Consideration Shares at the Placing Price, at an aggregate value of £1,750,000.
- 5 The pro forma statement of net assets assumes the net proceeds of the Placing, receivable by the Company, will amount to £14,973,000 being the gross proceeds of approximately £16,000,000 less issue costs amounting to approximately £1,027,000 inclusive of VAT.

- 6 For the purposes of the proforma it has been assumed that acquisition accounting has been adopted in respect of the acquisitions of Jamesstan Investments Limited and Optare Holdings Limited. No adjustment has been made to the fair value of the assets on acquisition of Darwen Group Limited, Jamesstan Investments Limited or Optare Holdings Limited.
- 7 No adjustment has been made for the sale and leaseback of the property detailed in note 29 to the financial information in Part VI.
- 8 No adjustment has been made for any movement in net assets of the Company or Jamesstan Investments Limited since 31 January 2008 and Darwen Group Limited or Optare Holdings Limited since 31 December 2007 other than the conversion of loan instruments as detailed at note 2, the acquisition of Optare Holdings Limited as detailed at note 3, the acquisition of Jamesstan Investments Limited as detailed at note 4 and the Placing as detailed at note 5.

PART VIII

ADDITIONAL INFORMATION

1 Responsibility

- 1.1 The Directors, whose names appear on page 5 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company

- 2.1 The Company was incorporated on 23 January 2008 in England and Wales under the 2006 Act with registration number 06481690 under the name Darwen Holdings plc.
- 2.2 The liability of the members of the Company is limited.
- 2.3 The Company and its activities and operations are principally regulated by the 2006 Act and the Regulations made thereunder.
- 2.4 The registered office of the Company and the subsidiaries and its principal place of business is Lower Philips Road, Whitebirk Industrial Estate, Blackburn, Lancashire, BB1 5UD, United Kingdom, telephone number 01254 504 150.
- 2.5 On 19 February 2008, the Registrar of Companies issued the Company with a certificate to commence business and to borrow pursuant to section 117 of the 1985 Act.
- 2.6 The Company is the holding company of the Group. The Company currently has one wholly owned subsidiary the details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by the Company</i>
Darwen Group Limited	£30,000,000	England and Wales	Bus manufacturing	100

- 2.7 Following completion of the Acquisition, the Company will have two wholly owned subsidiaries, namely Darwen Ltd, as per paragraph 2.6 above and Jamesstan, details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by Darwen Ltd</i>
Jamesstan Investments Limited	£5,000,000	England and Wales	Holding Company	100

- 2.8 Darwen Ltd currently has three wholly owned subsidiaries details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by Darwen Ltd</i>
Darwen LPD Limited	£1,000	England and Wales	Bus manufacturing	100
East Lancashire Busbuilders Limited	£1,000	England and Wales	Dormant	100
Chalgrave Limited	£100	England and Wales	Dormant	100

- 2.9 Jamesstan currently has one wholly owned subsidiary, details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by Jamesstan</i>
Optare Holdings Limited	£2,720,000	England and Wales	Bus manufacturing	100

2.10 Optare Holdings Limited in turn has one wholly owned subsidiary, details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by Optare Holdings Ltd</i>
Optare (Leeds) Limited	£4,775,000	England and Wales	Dormant	100

2.11 Optare (Leeds) Limited in turn has three wholly owned subsidiaries, details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by Optare (Leeds) Ltd</i>
Optare Group Limited	£700,002	England and Wales	Bus manufacturing	100
Autobus Classique Limited	£105,000	England and Wales	Dormant	100
Autotec Vehicles Limited	£1,000	England and Wales	Dormant	100

2.12 Optare Group Limited in turn has one wholly owned subsidiary details of which are set out below:

<i>Name</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by Optare Group Ltd</i>
Optare Aftersales Limited	£1,000	England and Wales	Aftersales services	100

3 Share Capital

3.1 The capital history of the Company during the period from 23 January 2008 (the date of incorporation of the Company) to the date of this document is as follows:

3.1.1 On incorporation the authorised share capital of the Company was £600,000 divided into 60,000,000 ordinary shares of 1p each, of which 4 ordinary shares of 1p each were in issue fully paid or credited as fully paid to the subscribers of the Company's memorandum of association.

3.1.2 By resolutions of the Company passed on 15 February 2008 the Company:

3.1.2.1 authorised the Directors generally and unconditionally to exercise all powers of the Company to allot, grant options over or otherwise deal with relevant securities (within the meaning of Section 80 of the 1985 Act) up to an aggregate nominal amount of the authorised but unissued share capital of the Company at the date of passing of the resolution being 599,999.96 shares of 1p such authority to expire five years after passing of the resolution;

3.1.2.2 empowered the Directors pursuant to Section 95 of the 1985 Act to allot equity securities (within the meaning of Section 94 of the 1985 Act) for cash limited to the allotment and issue of equity securities pursuant to an offer by way of rights to ordinary shareholders and other persons entitled to participate in proportion as nearly as may be to their respective holdings of Ordinary Shares subject to any exclusion or other arrangements the Directors consider necessary or expedient, such authority to expire five years after the passing of the resolution referred to in paragraph 3.1.2.1 above.

3.1.3 On 15 February 2008, the Company issued a total of 49,293,141 new Ordinary Shares of 1p each to former shareholders of Darwen Ltd in connection with the acquisition of Darwen Ltd by the Company. In order to maintain the same shareholdings in the Company following such acquisition as the shareholdings in Darwen Ltd prior to such acquisition, one of the shareholders, Mr Roy Stanley, was allotted 4 fewer Ordinary Shares and the existing 4 subscriber shares in the Company were transferred to Mr Stanley to redress this imbalance.

- 3.2 The Placing will result in the issue of 40,000,000 Placing Shares and the Acquisition will result in the issue of 4,375,000 Consideration Shares. The Company's authorised and issued share capital is at the date of this document and is expected to be immediately following Admission as follows:

	<i>As at the date of this document</i>	
	<i>Amount</i>	<i>Number of</i>
	<i>(£)</i>	<i>Ordinary Shares</i>
Authorised	600,000	60,000,000
Issued	492,931.45	49,293,145
	<i>Immediately following Admission</i>	
	<i>Amount</i>	<i>Number of</i>
	<i>(£)</i>	<i>Ordinary Shares</i>
Authorised	1,200,000	120,000,000
Issued	936,681.45	93,668,145

- 3.3 Save as disclosed in paragraph 3.2 above, no share or loan capital of the Company has since 23 January 2008 been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.
- 3.4 The provisions of section 89(1) of the 1985 Act (to the extent not disapplied pursuant to section 95 of the 1985 Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the 1985 Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 3.1.2 .2 above.
- 3.5 Save as mentioned in this paragraph 3:
- 3.5.1 no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- 3.5.2 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- 3.5.3 there are no outstanding convertible securities issued by the Company; and
- 3.5.4 no share capital or loan capital of the Company or any of its Subsidiaries (other than intragroup issues by wholly-owned subsidiaries) is in issue and so such issue is proposed.
- 3.6 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.
- 3.7 Save as disclosed in this document, no commissions, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.
- 3.8 The share capital reconciliation as required to be disclosed in accordance with the AIM Rules is as follows:

	<i>On incorporation</i>	<i>As at the date of this document</i>
Issued Ordinary Shares	4	49,293,145

4 Memorandum and Articles of Association

4.1 Memorandum of Association

The objects of the Company are set out in full in clause 3 of the Memorandum and include the carrying on of business as a general commercial company and the carrying on of any other trade or business which may seem to the Company and the directors to be advantageous and to directly or indirectly enhance any or all of the business of the Company.

4.2 *Articles of Association*

The Articles of Association of the Company contain provisions *inter alia*, to the following effect:

4.2.1 *Voting Rights*

Subject to the provisions of the 1985 Act and the 2006 Act (as respectively applicable) and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each Ordinary Share of which he is the holder.

4.2.2 *Major Shareholders*

4.2.2.1 Nothing in the Articles confers on major shareholders in the Company any voting rights, which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

4.2.2.2 Pursuant to Rule 5 of the Disclosure Rules, holders of three per cent. or more of the voting rights of the Company's share capital are required to notify their interest in writing to the Company.

4.2.2.3 Pursuant to section 793 of the 2006 Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with sections 793(3), (4) and/or (6) of the 2006 Act.

4.3 *Transfer of Shares*

4.3.1 Title to and interest in shares may be transferred without a written instrument in accordance with statutory regulations from time to time made under the 1985 Act and the 2006 Act respectively.

4.3.2 Transfer of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members in respect thereof.

4.3.3 All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee.

4.3.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:

4.3.5 the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid is in respect of a share which is fully paid up;

4.3.6 it is in respect of a share on which the Company has no lien;

4.3.7 it is in respect of only one class of share;

4.3.8 it is in favour of a single transferee or not more than four joint transferees;

4.3.9 it is duly stamped (if required); and

- 4.3.10 the instrument of transfer duly stamped is deposited at the office or such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, provided that, in the case of a transfer by a nominee of a recognised clearing house or of a recognised investment exchange, the lodgment of a share certificate will only be necessary if a certificate has been issued in respect of the share in question.
- 4.3.11 The Directors shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to trading on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.
- 4.3.12 If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferor and the transferee.
- 4.3.13 The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.
- 4.3.14 The Ordinary Shares now in issue are in registered form. Title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as the CREST System.
- 4.3.15 There are no other restrictions on the transfer of shares and no pre-emption rights in respect of them.

4.4 ***Requirement to disclose interests in shares***

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (the “default shares”) to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

- 4.4.1 the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- 4.4.2 where the default shares represent at least 0.25 per cent in nominal value of their class the defaulting member shall not be entitled to:
- 4.4.2.1 receive dividends any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
 - 4.4.2.2 to transfer or agree to transfer any of such shares, or any rights therein.

The above restrictions shall continue until either the default is remedied or the shares are registered in the name of the purchaser or offeror (or that of his nominee) pursuant to an arm’s length transfer. Any dividends withheld pursuant to shall be paid to the member as soon as practicable after the above restrictions lapse.

4.5 ***Dividends***

Subject to the provisions of the 1985 Act, the 2006 Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall

bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

Any dividend unclaimed after a period of twelve years from its due date of payment shall be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 212 of the 1985 Act or Section 793 of the 2006 Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

4.6 *Distribution of assets on liquidation*

On a winding up of the Company, the liquidator may, with the authority of a resolution and any other sanction required by the 1985 Act and the 2006 Act, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such divisions shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.

4.7 *General Meeting*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting. Subject to a member's right to requisition a general meeting pursuant to section 303 of the 2006 Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

The directors may whenever they think fit, and shall on requisition in accordance with the 2006 Act, proceed to convene a general meeting for a date not later than eight weeks after receipt of the requisition.

Subject to the provisions of the 2006 Act, an annual general meeting and an extraordinary general meeting for the passing of a special resolution, shall be called by twenty-one days' notice at the least, and all other extraordinary general meetings shall be called by fourteen days' notice at the least. Every notice shall be in writing (or shall be given by electronic communication to an address being notified for that purpose to the Company) and shall specify the place, the day and the time of meeting, and in the case of special business the general nature of such business, and in the case of an annual general meeting shall specify the meeting as such. Notices shall be given in manner hereinafter mentioned to all the members, other than those who under the provisions of the Articles or the conditions of issue of the shares held by them are not entitled to receive the notice, to the directors (including the alternate directors) and to the auditors for the time being and (where required by the 2006 Act) former auditors of the Company.

In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member.

4.8 *Redemption*

The Ordinary Shares are not redeemable.

4.9 *Conversion*

The Company may, by ordinary resolution and subject to the 1985 Act and the 2006 Act, convert all or any of its fully-paid shares into stock of the same class and denomination and reconvert such stock into fully paid up shares of the same class and denomination.

4.10 *Changes in share capital*

The Company may alter its share capital as follows:

4.10.1 it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

4.10.2 subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and

subject to the provisions of the 185 Act and the 2006 Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

4.11 *Variation of Rights*

Subject to the provisions of the 1985 Act and the 2006 Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

4.12 *Constitution of board of directors*

Subject to the Articles, the directors shall be not less than two in number but the Company may by ordinary resolution from time to time vary the minimum number and may also fix and from time to time vary a maximum number of directors. As at the date of this document there is no maximum number of directors.

4.13 *Permitted interests of directors*

Subject to the provisions of the 1985 Act and the 2006 Act, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

4.14 *Restrictions on voting by directors*

A director who is in any way, whether directly or indirectly, interested or deemed by the 1985 Act (as amended or replaced by the 2006 Act) to be interested in a contract, transaction or arrangement or a proposed contract, transaction or arrangement with the Company shall declare the nature of his interest at a meeting of the directors in accordance with Section 317 of the 1985 Act.

Save as provided below, a director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or rights of the Company. However a director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A director shall not be counted in the

quorum at a meeting in relation to any resolution on which he is debarred from voting. A director of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- 4.14.1 the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;
- 4.14.2 the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part, under a guarantee or indemnity or by the giving of security;
- 4.14.3 any proposal concerning an offer for subscription or purchase of shares or debentures or other securities or rights of or by the Company or any of its subsidiaries or of any Company which the Company may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- 4.14.4 any proposal concerning any other Company in which he is interested directly or indirectly and whether in any one or more of the capacities of officer, creditor, employee or holder of shares, debentures, securities or rights of that other Company, but where he is not the holder (otherwise than as a nominee for the Company or any of its subsidiaries) of or beneficially interested in one per cent or more of the issued shares of any class of such Company or of any third Company through which his interest is derived or of the voting rights available to members of the relevant Company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
- 4.14.5 any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
- 4.14.6 any arrangement concerning the purchase and/or maintenance of any insurance under which he may benefit.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any Company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

4.15 *Appointment and retirement of directors*

The directors shall have power at any time, and from time to time, to appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director, but so that the total number of directors shall not at any time exceed the maximum number (if any) fixed by or in accordance with the Articles. Subject to the provisions of the 1985 Act (as amended or replaced by the 2006 Act) and of the Articles, any director so appointed shall hold office only until the conclusion of the next following annual general meeting, and shall be eligible for reappointment at that meeting. Any director who retires shall not be taken into account in determining the directors who are to retire by rotation at such meeting and if not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

No person other than a director retiring at the meeting shall, unless recommended by the directors for appointment, be eligible for appointment to the office of director at any general meeting unless, not less than seven nor more than twenty eight days before the day appointed for the meeting, there shall have been given to the Company notice in writing by some member duly qualified to attend and vote at the meeting for which such notice is given of his intention to

propose such person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, and also notice in writing signed by the person to be proposed of his willingness to be appointed.

Each director shall retire by rotation at the annual general meeting held in the third calendar year following the year in which such director was elected or last re-elected. A director retiring by rotation shall be eligible for re-election.

Subject to the provisions of the 1985 Act the 2006 Act and the Articles, the directors to retire in every year shall include (so far as necessary to obtain the number required) any director who wishes to retire and not offer himself for re-election. Any further directors so to retire shall be those who have been longest in office since their last appointment or reappointment. Subject as aforesaid, a retiring director shall be eligible for re-election.

The Company may from time to time by ordinary resolution increase or reduce the number of directors, and may also determine in what rotation such increased or reduced number is to retire from office.

4.16 *Remuneration of directors*

The maximum aggregate annual fees payable to the directors for their services in holding office of director of the company shall be the sum of £200,000 or such larger sum as the company in general meeting by ordinary resolution shall from time to time determine, but this limit shall not apply in respect of the salaries, bonuses or other remuneration payable by the company or any subsidiary of the company or expenses reimbursed to any director.

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such remuneration by way of salary, lump sum, percentage of profits or otherwise as the directors may determine. The directors shall also be entitled to be paid all traveling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the directors or of committees of the directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

4.17 *Borrowing powers*

Subject as hereinafter provided the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and (subject to the 1985 Act and the 2006 Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the aggregate of:

4.17.1 the nominal amount of the share capital of the Company issued and paid up as shown in the audited balance sheet of the Company last laid before the Company in general meeting; and

4.17.2 the amounts shown as standing to the credit of capital and revenue reserves, including share premium account, capital redemption reserve and profit and loss account (but deducting there from the amount, if any, standing to the debit of profit and loss account) in either a consolidation of the audited balance sheets of all the companies in the Group last laid before the members thereof respectively in general meeting or (at the directors' discretion) in the audited consolidated balance sheet of the Group last laid before the Company in general meeting; but:

4.17.2.1 adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the Group) since the date of such balance sheets except insofar as provided therein; and

4.17.2.2 excluding there from any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries; and

excluding all amounts attributable to intangible items save goodwill arising on consolidation, notwithstanding the fact that these may previously have been written off against reserves.

5 Director's and other Interests

5.1 The interests of the Directors (all of which are beneficial unless otherwise stated), and (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) the interests of persons connected with the Directors with the meaning of sections 252 to 254 of the 2006 Act (a "connected person"), in the issued capital of the Company together with any Options in respect of such capital as at 19 June 2008, being the latest practicable date prior to publication of this document and as they will be at Admission are as follows:

<i>Director</i>	<i>As at 18 June 2008</i>		
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Options</i>
Roy Robert Edward Stanley	25,000,000	50.72	NIL
Andrew Peter Brian	NIL	NIL	NIL
John Matthew Fickling	884,000	1.79	NIL
Michael James Dunn*	NIL	NIL	NIL

* Proposed Director

5.2 Save as disclosed in this document, none of the Directors or any connected person has any interest in the share capital of the Company or any of its subsidiaries.

5.3 Pursuant to Rule 5 of the Disclosure Rules, disclosure must be made in respect of any interest in shares (as defined therein) that is equal to or in excess of 3 per cent. of the nominal value of the issued share capital in the Company and of changes in such interest.

5.4 Other than the holdings of the Directors and connected persons which are set out at paragraph 5.1 of this Part VIII and as set out below, the Directors are not aware of any person, other than the Directors and their immediate families, who as at 18 June 2008 (being the latest practicable date prior to publication of this document) and immediately following Admission will, directly or indirectly, be interested in 3 per cent or more of the voting rights of the Company or who, directly or indirectly, jointly or severally exercise or could exercise control over the Company, or whose interest is notifiable under the Disclosure Rules or otherwise in the UK.

<i>Shareholder</i>	<i>As at 18 June 2008</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Roy Robert Edward Stanley	25,000,000	50.7
RC Grieg Nominees Ltd	5,448,692	11.1
Chase Nominees Ltd	2,071,714	4.2
Giltspur Nominees Ltd BUNS a/c	2,027,677	4.1

5.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

- 5.6 The persons, including the Directors, referred in paragraphs 5.1 and 5.4 of this Part VIII, do not have any voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 5.7 Other than the protections afforded to Shareholders under the City Code (details of which are set out in paragraph 7 of this Part VIII there are no controls in place to ensure that any shareholder having a controlling interest in the Company does not abuse that interest.
- 5.8 Save as disclosed in this document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.9 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.
- 5.10 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.
- 5.11 No Director or any member of a Director's family has a related financial product referenced to the Ordinary Shares.

6 Additional Information on the Directors

- 6.1 The Directors' full names, previous names (if any) and ages at the date of this document are set out in paragraph 10 of Part I of this document and in paragraph 5 of this Part VIII.
- 6.2 The business address of each of the Directors is Lower Phillips Road, Whitebirk Industrial Estate, Blackburn, Lancashire BB1 5UD.

6.3 Details of the names of companies and partnerships (excluding directorships of the Company) of which the Directors are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Roy Robert Edward Stanley	Darwen Group Limited Express 2 Automotive Limited Tanfield Engineering Systems Limited 3 Digigraph Limited E-Comeleon Limited Express Finishing Systems Limited Radalec Engineering Company Limited Express Finishing systems Limited H.M.H. Sheet Metal Fabrication Limited Tanfield Group Plc Joeknowsit? Limited Walkerwalls Limited Sev Group Limited Sandco 854 Limited Saxon Specialist Vehicles Limited Saxon Sanbec Limited Norquip Limited Clickhere Limited Lovely Bubbly Limited Training and Development Resource Limited LB Holdings (UK) Plc Datasm Limited Datasm Holdings Plc T Y I Holdings Limited The Picture House (Harrogate) Limited Jamesstan Investments Limited	Radalec Engineering Company Limited Northern Bear Plc
Andrew Peter Brian	Darwen Group Limited East Lancashire Busbuilders Limited Chalgrave Limited Optare Limited	Reporttrace Limited Basic device Limited Heights (U.K.) Limited Heights Technologies Limited Heat electric Limited Optical Equipment Ltd
John Matthew Fickling	K & F Developments Limited Justage Limited Pikedawn Limited	Dawnweald Limited Sunderland Limited Sunderland Association Football Club Limited Sunderland Properties Plc Safc.com Plc Sunderland afc.com Limited

<i>Proposed Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Michael James Dunn	N/A	Airbath Director Limited Airbath Group plc Airbath Secretary Limited Arqual Director Limited Arqual Secretary Limited Bessemer Enterprises Limited Bessemer Services Limited Collins and Hayes Director Limited Collins and Hayes Secretary Limited GWB Director Limited GWB Secretary Limited Ofquest Director Limited Ofquest Secretary Limited BT Lynx Ltd (formerly Lynx Technology Ltd)

- 6.4 Save as disclosed above, none of the Directors is currently a director of any company or a partner in any partnership or has been a director of a company or a partner in any partnership in the five years immediately preceding the date of this document.
- 6.5 Save as disclosed in paragraphs 6.6 and 6.7 of this Part VIII none of the Directors has:
- 6.5.1 any unspent convictions relating to indictable offences;
 - 6.5.2 had a bankruptcy order made against him or entered into any individual voluntary arrangement;
 - 6.5.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
 - 6.5.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
 - 6.5.5 had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
 - 6.5.6 been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.6 Roy Stanley was a director of B.E.T.A.C. Limited from 1991 until 1994 when the company was sold to a management team. The company was placed into compulsory liquidation on 9 November 1994. Roy Stanley had resigned as a director on 14 January 1994.
- 6.7 Andrew Brian was appointed as a director of Holme House Management Limited ("Holme House") on 31 July 2001 and resigned on 24 June 2005. Holme House was placed into voluntary liquidation by its creditors on 24 June 2005.

6.8 The following Directors have entered into service agreements or letters of appointment with the Company:

6.8.1 Roy Stanley

Roy Stanley was appointed as a director of the Company on 23 January 2008 and entered into a service agreement with the Company dated 19 February 2008 for his employment with effect from 23 January 2008 as the Company's Chairman. The agreement is terminable by the Company on 12 months' written notice. Mr Stanley is entitled, under the terms of the agreement, to an annual salary of £60,000. The Company may pay Mr Stanley a bonus of such amount as may be determined by the Remuneration Committee at its absolute discretion and he may participate in any stake holder pension scheme. Mr Stanley is subject to certain restrictive covenants following termination and has agreed not to compete with the Company for a 12 month period and not to solicit or entice away the customers or employees of the Company for a 12 month period following termination of his service agreement.

6.8.2 Andrew Brian

Andrew Brian was appointed as a director of the Company on 23 January 2008 and entered into a service agreement with the Company dated 19 February 2008 for his employment with effect from 19 February 2008 as the Company's Chief Executive Officer. The agreement is terminable by the Company on 12 months' written notice. Mr Brian is entitled, under the terms of the agreement, to an annual salary of £120,000. The Company may pay Mr Brian a bonus of such amount as may be determined by the Remuneration Committee at its absolute discretion; he may participate in any stake holder pension scheme and he is entitled to a car allowance of £1,000 per calendar month. Mr Brian is subject to certain restrictive covenants following termination and has agreed not to compete with the Company for a 12 month period and not to solicit or entice away the customers or employees of the Company for a 12 month period following termination of his service agreement.

6.8.3 Michael Dunn

Michael Dunn is to be appointed as a director of the Company on Admission and is to enter into a service agreement with the Company to be dated on Admission for his employment as the Company's Chief Financial Officer with effect from 1 May 2008.

The agreement will be terminable by the Company on 12 months' written notice. Mr Dunn will be entitled, under the terms of the agreement, to an annual salary of £120,000. The Company may pay Mr. Dunn a bonus of such amount as may be determined by the Remuneration Committee at its absolute discretion; he may participate in any stake holder pension scheme and he is entitled to a car allowance of £10,000 per annum. Mr Dunn will be subject to certain restrictive covenants following termination and will agree not to compete with the Company for a 12 month period and not to solicit or entice away the customers or employees of the Company for a 12 month period following termination of his service agreement.

6.8.4 John Fickling

John Fickling was appointed as a director of the Company on 23 January 2008. On 19 February 2008, the Company confirmed the terms of his appointment as a non-executive director on a rolling basis subject to the giving of 1 month's notice by either party, although Mr. Fickling's letter of appointment which provides for termination by the Company on written notice. In the event of termination the Company would be obliged to pay one month's fees (or the remainder of the fees for the initial period). In respect of Mr. Fickling's appointment, he is being paid an annual fee of £20,000. The agreement contains certain restrictions relating to confidentiality and non compete.

- 6.9 Save as set out above, there are no service agreements or letters of appointment in existence or proposed between any of the Directors and the Company.
- 6.10 Save as set out above, there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year and no such agreements are proposed.
- 6.11 No service contracts with the Company or any of its Subsidiaries provide for benefits upon termination of employment.
- 6.12 Save as disclosed above and elsewhere in this document, there is no contract or arrangement to which the Company is a party and which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.
- 6.13 The aggregate remuneration payable and benefits in kind to be granted to the Directors in the last financial period ending 31 October 2007 was £47,890 and the aggregate remuneration payable and benefits in kind to be granted to the Directors in the current financial period ending 31 December 2008 under the arrangements in force at the date of this document is estimated to be £512,000.
- 6.14 As at 19 June 2008, the Group had 240 permanent employees, 185 employees are associated with direct labour with the remaining 55 providing administrative, management and finance support.

7 Mandatory Bids, Squeeze-Out and Sell-Out Rules Relating to the Ordinary Shares

7.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, where:

- 7.1.1 any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which he is already interested, and in which persons acting in concert with him are interested) carry 30 per cent or more of the voting rights of a company; or
- 7.1.2 any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent of the voting rights of a company but does not hold shares carrying more than 50 per cent of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested;

such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the City Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Panel should be consulted in advance in such cases.

7.2 *Squeeze-out*

Under sections 979 to 982 of the 2006 Act, if an offeror were to acquire 90 per cent. Of the Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares, provided that no such notice may be served after the end of (a) the period of three months beginning with the day after the last day on which the offer can be accepted, or (b) if earlier, and the offer is not one to which section 943(1) of the 2006 Act applies, the period of six months beginning with the date of the offer.

Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.

The Company will hold the consideration on trust for the outstanding Shareholders.

7.3 ***Sell-out***

Sections 983 to 985 of the 2006 Act also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. Of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period, or, if longer a period of three months from the date of the notice.

If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

- 7.4 There have been no take-over bids by third parties in respect of the Company's equity, which have occurred during the last financial year or the current financial year.

8 **CREST**

The Ordinary Shares are in registered form and capable of being held under most circumstances in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through Euroclear as a participating security.

9 **Material Contracts**

Save as set out in this document, the following are the only contracts: (i) (being contracts otherwise than in the ordinary course of business) which have been entered into by members of the Group or the Jamesstan Group as at the date of this document and are or may be material to the Group or the Jamesstan Group or have been entered into by any member of the Group or the Jamesstan Group at any time and contain any provision under which any member of the Group or the Jamesstan Group has any obligation or entitlement which is material to the Group or the Jamesstan Group at the date of this document; and (ii) which are material subsisting agreements which have been entered into by any member of the Group or the Jamesstan Group at any time and which are included within, or which relate to the assets and liabilities of any member of the Group or the Jamesstan Group (notwithstanding whether such agreements are (i) within the ordinary course or (ii) were entered into outside of the two years immediately preceding the date of this document).

9.1 ***NOMAD/Broker Agreement***

On 11 January 2008, the Company (1) and Cenkos (2) entered into an agreement pursuant to which Cenkos agreed to act as nominated advisor and broker for the following fee: an annual fee of £ 50,000 payable from admission, which may be reduced to £30,000 in certain circumstances, plus VAT if applicable, the first such payment to be made on admission (which took place on 25 February 2008). The agreement is terminable by either party giving not less than one month's written notice.

9.2 ***Placing Agreement***

On 20 June 2008, the Company (1), the Directors (2), and Cenkos (3) entered into the Placing Agreement pursuant to which Cenkos has agreed, conditionally upon, *inter alia*, Admission taking place not later than 22 July 2008, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing is not being underwritten and Cenkos is under no obligation to subscribe for any Placing Shares for which it is unable to procure subscribers.

Under the Placing Agreement, Cenkos will receive (exclusive of VAT) a commission of 4 per cent. of the aggregate value at the Placing Price of the Placing Shares (less any Ordinary Shares being subscribed pursuant to the Placing by Roy Stanley) together with a corporate finance fee of £150,000. The Company has agreed to pay all costs, charges and expenses of, or incidental to, the Placing and the application for Admission and related arrangements. The Placing Agreement, which

contains certain warranties, undertakings and indemnities by the Company and the Directors in favour of Cenkos, is conditional, *inter alia*, on (i) Admission occurring not later than 15 July 2008 (or such later date as the Company and Cenkos may agree not being later than 22 July 2008) and (ii) none of the warranties given to Cenkos prior to Admission being untrue, inaccurate or misleading prior to Admission.

Cenkos may terminate the Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event of *force majeure* at any time prior to Admission.

9.3 ***Lock-in Agreement***

Pursuant to a separate deed of undertaking dated 19 June 2008, certain of the Directors who are holders of Ordinary Shares have agreed (subject to limited exceptions) not to dispose of their respective holdings of Ordinary Shares (being in aggregate 31,759,000 Ordinary Shares, representing 33.9 per cent. of the Enlarged Share Capital) following Admission, without the prior consent of Cenkos, for a period of 12 months from the date of Admission. In addition, such Directors have also agreed that, for a period of 12 months from the first anniversary of the date of Admission, they will only dispose of such shares through Cenkos, provided that Cenkos remains the broker to the Company, so as to ensure an orderly market for the Ordinary Shares.

9.4 ***Agreements included within or which relate to the assets of the Company***

9.4.1 ***Settlement Agreements***

By agreements dated 11 December 2007 and 20 December 2007 made between Darwen Ltd (1) and Alcan Aluminium Valais S.A. (2) (“Alcan”), Darwen Ltd agreed that to pay to Alcan one million two hundred thousand Swiss Francs (CHF 1,200,000) (£499,000) in 12 monthly installments. Alcan was a supplier to ELC prior to that company going into administration and subsequently upon Darwen Ltd acquiring certain assets of ELC, Alcan claimed retention of title over certain goods supplied by Alcan to ELC.

Darwen Ltd commenced the monthly settlement payments in November 2007. The final monthly payment is due in October 2008.

A condition of the agreements is that the title to the goods will pass to Darwen Ltd upon Alcan’s receipt of cleared funds in full payment of the settlement and that sale proceeds for the resale of the goods should be held in a separate bank account. The requirement for monies to be kept in a separate bank account was varied by an agreement between the parties dated 5 February 2008.

9.4.2 ***Sale and Leaseback***

On 30 November 2007, Darwen Ltd entered into a sale and leaseback agreement with Khanjra Real Estates Limited for the Whitebirk Industrial Estate premises for the sum of £2.4 million. The leaseback arrangement is for 18 months at an annual rent of £200,000.

9.4.3 ***Disposal of business and assets of Darwen Ltd’s and LPD’s businesses known respectively as Darwen North West and Darwen RDT***

By an Agreement dated 25 April 2008 between Darwen Ltd (1) LPD (2) and N W Holdings 2008 Limited (3) (“Buyer”)(“**NW Agreement**”), Darwen Ltd and LPD agreed to sell the business and assets of the businesses known as Darwen North West (“**NW**”) and RDT (“**RDT**”) to the Buyer for consideration of £1.00.

In consideration of the Buyer assuming all liabilities of the businesses of NW and RDT, and in lieu of the transfer and sale of book debts up to the value of £195,000 to the Buyer (which were excluded from the sale); Darwen Ltd and LPD paid the sum of £45,000 to the Buyer on completion of the NW Agreement and agreed to pay a further £150,000 to the Buyer in three equal instalments from 10 May 2008.

Darwen Ltd and LPD agreed to continue to occupy and remain responsible for the rent of premises known as Unit 2 and 3 Appleby Business Centre, Appleby Street, Blackburn and Units 8 and 9 Appleby Business Centre, Appleby Street, Blackburn (“**Premises**”) following completion of the NW Agreement until 31 August 2008 under the terms of a

licence to occupy dated 17 August 2007. Darwen Ltd also agreed to use its reasonable endeavours during the period to 31 August 2008 to enter into a new lease arrangement for the Premises (other than Units 8 and 9) with the landlord. Upon Darwen Ltd entering into the lease on agreed terms, Darwen Ltd will seek to procure the assignment of the lease to the Buyer (subject to obtaining the landlord's consent and to the Buyer complying with reasonable requirements of the landlord as prescribed by the alienation provisions in the new lease) and will take the assignment of the lease on such terms.

The contracting parties to the NW Agreement were stated to be Darwen Ltd, LPD and the Buyer. By a deed of confirmation and rectification dated 19 June 2008, between Darwen Ltd (1) LPD (2) and Sprint 1237 Limited (3) ("**Sprint**"), Sprint assumed the liabilities and obligations of the Buyer under the NW Agreement.

9.4.4 *Acquisition Agreement*

The acquisition agreement dated 19 June 2008 entered into between the Company and Roy Stanley pursuant to which the Company acquired the entire issued share capital of Jamesstan. The purchase price of the Acquisition is an aggregate of £6.75 million payable as follows: £5 million in cash; and £1.75 million to be satisfied by the issue of 4,375,000 Consideration Shares at the Placing Price. In addition, the Company will assume term loan facility debt of £9.2 million. The agreement is conditional, *inter alia*, upon Admission. The agreement contains standard warranties and indemnities.

9.5 *Agreements included within or which relate to the assets of Optare.*

9.5.1 *Acquisition agreement ("Optare Acquisition agreement") relating to the acquisition of Optare Holdings Limited ("OHL")*

An agreement dated 11 March 2008 made between Jamesstan (1) and OHL (2) pursuant to which Jamesstan acquired part of the issued share capital of OHL ("**Sale Shares**").

As well as assuming structured debt (net of property consideration of £2.8 million) of £3.8m, the purchase price for the Sale Shares was the aggregate of £9,888,669.97 ("**Initial Consideration**") and an additional consideration ("**Additional Consideration**") comprising of:

1. The sum of £293,926.83 payable to certain employees within the OHL group of companies who had options to subscribe for shares in OHL pursuant to an Employee Management Incentive Scheme, on terms and conditions set out in a separate share purchase agreement ("**EMIS**") when issued, representing over 50 per cent. of all the shares under EMIS (entered into contemporaneously with the completion of the Acquisition Agreement, Optare's EMI shareholders agreed to sell the shares received in exercise on the EMI options held by them) and;
2. £275,256.65 pursuant to a Procured Share Consideration Agreement (an agreement between the OHL, Jamesstan and the Sellers solicitors relating to the remaining option holders under the EMIS exercising their option shares post completion (the remaining issued shares in OHL)).

Immediately prior to completion of the Optare Acquisition Agreement, OHL sold the freehold title to the land and buildings at Manston Lane, Leeds, West Yorkshire, LS15 8SU to Manston Lane Investments LLP and a leaseback arrangement is now in place.

Immediately following completion of the Optare Acquisition Agreement, Jamesstan subscribed for 1,400,000 ordinary A shares of £1.00 in the capital of Optare Holdings Limited at par and the cash proceeds of the issue of shares were used to redeem all the existing redeemable shares at par value.

The Optare Acquisition Agreement contained standard indemnities and warranties.

9.5.2 *Sale and Leaseback*

On 11 March 2008, Jamesstan entered into a sale and leaseback agreement with Manston Lane Investments LLP (“Landlord”) for the land and buildings on the north side of Manston Lane, Crossgates, Leeds.

The leaseback arrangement is for a term of 3 years at an annual rent as follows:

Year 1 = the sum of £280,000 only to be paid in circumstances where tenant has not relocated in accordance with lease terms

Year 2 = £280,000

Year 3 = £280,000

There are relocation obligations under which Jamesstan must use all reasonable endeavours to support the Landlord’s planning application and use all reasonable endeavours to relocate to another property within the Leeds Metropolitan District having regard to the “Relocation Criteria” set out in the Lease.

10 **Litigation**

- 10.1 The HMRC has issued a winding up petition against East Lancashire Busbuilders Limited (“ELB”) a dormant subsidiary of Darwen Ltd, based on the assumption, according to their records, that there is a substantial debt on account of unpaid PAYE and NIC that is due from ELB.

The Company and Darwen Ltd have taken advice that pursuant to the Income Tax (Earnings and Pensions) Act 2003 and the Income Tax (PAYE) Regulations 2003, ELB has no liability. There was a transfer of employment from ELB to British City Bus Limited, East Lancashire Coachbuilders Limited (“ELC”) and North West Bus And Coach Repairs Limited (“East Lancs Group”) companies from the point at which ELB became dormant on 31 December 2001. The East Lancs Group assumed responsibility for the deduction of PAYE and NIC in relation to the employees on 1 January 2002. On 17 August 2007 when Darwen Ltd acquired certain business and assets of ELC, East Lancs Group was not part of the Darwen Group. The Company and Darwen Ltd have been advised that the alleged indebtedness on the part of ELB is, in fact, a proper claim against the East Lancs Group which falls to the administrators of East Lancs Group to determine and clarify with HMRC. The Directors have been advised that no liability whatsoever falls on Darwen Ltd or the Company in any event and it is anticipated that the winding up petition issued by HMRC against ELB will be dismissed upon being re-listed for hearing.

- 10.2 Save as disclosed in paragraph 10.1 no member of the Enlarged Group has engaged in, nor is currently engaged in, any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months prior to the date of this document, nor, so far as the Company is aware, are any such proceedings pending or threatened by or against the Company or any member of the Enlarged Group which may have or have had in the recent past significant effects on the Company and or the Enlarged Group’s financial position or profitability.

11 **Taxation**

The following information is intended only as a general guide to the position under current United Kingdom law and HM Revenue & Customs practice as at the date of this document for Shareholders who are the beneficial owners of Ordinary Shares, resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment (otherwise than under a personal equity plan) and is not a substitute for the investor obtaining professional advice before buying shares. Its applicability will depend upon the particular circumstances of individual Shareholders. The summary is not exhaustive and does not generally consider tax reliefs or exemptions.

United Kingdom Residents

11.1 Taxation and Chargeable Gains

If an individual, personal representatives or trust shareholder disposes of Ordinary Shares they may incur a liability to capital gains tax on chargeable gains. The Finance Bill 2008 includes changes to the capital gains tax regime for individuals and trusts with effect for disposals on or after 6 April 2008. The effect of this proposal is to abolish capital gains taper relief for all capital gains arising and replace this with a flat rate of capital gains tax of 18 per cent. The Finance Act including this change is not yet enacted but is expected to be passed in July 2008.

If a corporate shareholder disposes of Ordinary Shares they may incur a liability to corporation tax on the chargeable gain. Companies are entitled to an indexation allowance which may also reduce the gain chargeable.

11.2 Stamp Duty

11.2.1 No stamp duty or stamp duty reserve tax will be payable on the issue of Ordinary Shares save that special rules apply to persons operating clearance services or depository receipt services, where stamp duty or stamp duty reserve tax will generally be payable at a higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares. Clearance services may however elect, provided certain conditions are satisfied, for the normal rate of UK stamp duty or stamp duty reserve tax (0.5 per cent.) to apply to issues of Ordinary Shares into, and to transactions within, such services instead of the 1.5 per cent. rate of stamp duty reserve tax applying to an issue or a transfer of chargeable securities into the clearance service.

11.2.2 Except in relation to certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply, the transfer or sale of Ordinary Shares will normally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) at the rate of 0.5 per cent. Of the consideration paid. An unconditional agreement to transfer such shares will normally give rise to stamp duty reserve tax, normally at the rate of 0.5 per cent. Of the consideration paid but this liability will be cancelled, or any stamp duty reserve tax paid will be refunded, if the agreement is completed by a duly stamped transfer form within 6 years of the date when the agreement became unconditional.

11.2.3 Liability to stamp duty or stamp duty reserve tax is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the stamp duty reserve tax and will indicate that this has been done in any contract note issued to a purchaser. When shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or stamp duty reserve tax will generally be payable unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to stamp duty reserve tax will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given.

11.2.4 When shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee), no stamp duty or stamp duty reserve tax will generally be payable.

11.2.5 Where a change in beneficial ownership of shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to stamp duty reserve tax at the rate of 0.5 per cent of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

The above statements are intended only as a general guide to the current stamp duty and stamp duty reserve tax position. Transfers to certain categories of person are not liable to stamp duty or to stamp duty reserve tax.

11.3 *Taxation of Dividends and Distributions*

11.3.1 Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company.

11.3.2 An individual Shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend from the Company will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit (such aggregate being the “**gross dividend**”). The value of the tax credit is currently one ninth of the net dividend (of 10 per cent. of the gross dividend). The gross dividend is treated as the top slice of such individual’s income. An individual so resident who is not liable to income tax in respect of the gross dividend will not be able to claim repayment of the tax credit from the HM Revenue & Customs. In the case of an individual so resident who is not liable to income tax at a rate greater than the basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the HM Revenue & Customs. In the case of an individual so resident who is liable to income tax at the higher rate on dividends (currently 32.5 per cent.) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have to pay additional tax at the rate of 22.5 per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax.

11.3.3 Subject to certain exemptions a Shareholder which is a company resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company.

11.3.4 United Kingdom pension funds are not entitled to reclaim tax credits on dividends paid by the Company.

Non-United Kingdom Residents

11.4 Subject to certain exemptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents in the Isle of Man or the Channel islands or states which are part of the European Economic Area and certain others, the right of a Shareholder who is not resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation treaty between the UK and the country in which that person is resident. Persons who are not resident in the UK should consult their own tax advisers concerning their liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

11.5 Prospective investors in the Ordinary Shares who are taxpayers in the United States should seek advice from an independent tax advisor concerning the potential US income tax consequences of the purchase, ownership and disposition of the Ordinary Shares, including among other things the possible application of state, local, foreign or other tax laws.

12 Working Capital

The Directors are of the opinion that, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Enlarged Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13 Contracts of Fundamental Importance

Save as set out in this document, the Company is not dependant on patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Enlarged Group’s business.

14 General

- 14.1 There are no amounts to be provided in respect of the matters specified in paragraph 3.4 of Annex 3 of Regulation 809/2004 of the European Commission relating to the Minimum Disclosure Requirements for a Share Securities Note.
- 14.2 The total costs, charges and expenses in connection with or incidental to Admission including London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees expenses are estimated to amount to £1,027,000 (exclusive of VAT) and are payable by the Company.
- 14.3 The principal activities of the Company and the most significant recent trends in production, sales and inventory, and costs and selling prices since 31 January 2008, being the end of the last financial year of the Company to the date of this document, are described in Part 1 of this document.
- 14.4 Save as disclosed in Part 1 and of this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 14.5 The auditors of the Company for the period covered by the historical financial information and currently are Baker Tilly UK Audit LLP. Baker Tilly UK Audit LLP is registered to carry on audit work by the Institute of Chartered Accountants of Scotland.
- 14.6 Baker Tilly Corporate Finance LLP has given and has not withdrawn its written consent to the inclusion of its reports on the Enlarged Group in Parts III to VII of this document in the form and context in which they appear.
- 14.7 Cenkos has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

15 Miscellaneous

- 15.1 Save as disclosed in this document no person directly or indirectly has in the last twelve months received or is contractually entitled to receive directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise disclosed in this document and trade suppliers) (i) fees totaling £10,000 or more; (ii) its securities where these have a value of £10,000 or more calculated by reference to the expected opening price or (iii) any payment or benefit from the Company to the value of £10,000 as at the date of Admission.
- 15.2 No payments aggregating over £10,000 have been made to any governmental or regulatory authorities or similar bodies in any jurisdiction by or on behalf of the Company with regard to the acquisition or maintenance of any of the Group's interests or assets.
- 15.3 There has been no significant change in the financial or trading position of the Group since 31 January 2008 being the date to which the financial information set out in Part III and Part VII of this document has been prepared.
- 15.4 No exceptional factors have influenced the Group's activities.
- 15.5 The Company's accounting reference date is 31 December.
- 15.6 Save as disclosed in this document there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Enlarged Group.
- 15.7 The financial information contained in Parts III to VII of this document does not constitute full statutory accounts as referred to in section 240 of the 1985 Act.
- 15.8 Save as set out in this document no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

- 15.9 No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company or to constitute publication of accounts by it.
- 15.10 The Company intends to comply with the corporate governance guidelines contained in the Combined Code in so far as the Directors deem such practicable for a company of its size. Further details of the Company's level of compliance appear in paragraph 15 of Part 1 of this document.
- 15.11 The Company's International Security Identification Number (ISIN) is GB00B2PGSY66.
- 15.12 The Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 15.13 Of the Placing Price 1p represents the nominal value of each Placing Share and 39p the premium.

16 Document Available for Collection

Copies of this document will be available for collection only, free of charge, from the offices of Cenkos, Cobbetts and from the Company at its registered office during normal office hours on any weekday (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission.

Date: 20 June 2008.

PART IX

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document unless the context otherwise requires:

“1985 Act”	the Companies Act 1985 (as amended)
“2006 Act”	the Companies Act 2006
“Acquisition”	the acquisition by the Company of the entire issued share capital of Jamesstan pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 19 June 2008 between Roy Stanley (1) and the Company (2) relating to the Acquisition, further details of which are set out in paragraph 9.4.4 of Part VIII
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published, from time to time, by the London Stock Exchange governing admission to, and the operation of, AIM
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange containing the rules and responsibilities of nominated advisers
“Articles”	the articles of association of the Company as amended from time to time
“Cenkos”	Cenkos Securities plc the Company’s nominated adviser and broker (as defined in the AIM Rules), a member of the London Stock Exchange and regulated by the Financial Services Authority
“City Code”	The City Code on Takeovers and Mergers (as published by the Panel)
“Combined Code”	the code of best practice including the principles of good governance published in June 2006 by the Financial Reporting Council
“Company” or “Darwen”	Darwen Holdings plc, a company incorporated in England and Wales with registered number 06481690
“Completion”	Completion of the Acquisition on the terms set out in the Acquisition Agreement
“Consideration Shares”	4,375,000 Ordinary Shares to be issued to Roy Stanley on Completion
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertified Securities Regulations 2001 (SI 2001/3755) (as amended)
“Darwen Group”	Darwen Group Limited and its subsidiaries

“Darwen Ltd”	Darwen Group Limited
“Directors” or the “Board”	the directors of the Company as at the date of this document, whose names are set out on page 5 of this document
“Disclosure Rules”	Transparency Obligations Directive (Disclosure and Transparency Rules) Instrument 2006 (FSA 2006/70)
“Enlarged Group”	The Company and its subsidiary undertakings following Completion
“Enlarged Share Capital”	The issued ordinary share capital of the Company immediately following Admission including the Placing Shares and the Consideration Shares
“Existing Ordinary Shares”	the 49,293,145 Ordinary Shares in issue at the date of this document
“Existing Shareholder(s)”	the holders of the Existing Ordinary Shares
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, including any statutory modification or re-enactment for the time being in force
“General Meeting”	the general meeting of Darwen convened to be held at 11 a.m. on 14 July 2008, notice of which is set out at the end of this document (or any adjournment of such meeting)
“Group” or “Darwen Group”	Darwen and its subsidiary undertakings at the date of this document
“Jamesstan”	Jamesstan Investments Limited a company incorporated in England & Wales with registered number 0646346
“Jamesstan Group”	Jamesstan and its subsidiary undertakings as at the date of this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	44,375,000 Ordinary Shares to be issued in connection with the Placing and the Acquisition
“Notice”	the notice of General Meeting set out at the end of this Document
“Official List”	the Official List of the UK Listing Authority
“Optare”	Optare Holdings Limited, a company incorporated in England and Wales with registered number 05429847 and its subsidiary undertakings as of the date of this document
“Optare Group”	Optare Holdings Limited and its subsidiaries
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Placing”	the placing of the Placing Shares by Cenkos at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 20 June 2008 between the Company (1) the Directors (2) and Cenkos (3) relating to the Placing, further details of which are set out at paragraph 9.2 of Part VIII of this document
“Placing Price”	40 pence per Ordinary Share

“Placing Shares”	the 40,000,000 new Ordinary Shares to be issued pursuant to the Placing including the VCT Shares
“Proposals”	the Placing, the Acquisition, Change of Name and Admission
“Proposed Director”	Michael Dunn
“Prospectus Rules”	the prospectus rules of the Financial Services Authority made under Part VI of the FSMA
“Resolutions”	the resolutions set out in the Notice
“Shareholders”	holders of Ordinary Shares
“Subsidiary”	as defined in sections 736 and 736A of the 1985 Act
“UK”	The United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
“VCT Shares”	the Placing Shares being issued to Venture Capital Trusts

DARWEN HOLDINGS PLC

(Company Number: 06481690)

(the “Company”)

NOTICE OF GENERAL MEETING

NOTICE is hereby given that a General Meeting of the Company will be held at Cobbetts LLP, 70 Grays Inn Road, London, WC1X 8BT on 14 July 2008 at 11 a.m. for the purpose of considering and, if thought fit, passing the following proposals as Ordinary Resolutions and as Special Resolutions respectively:

ORDINARY RESOLUTIONS

- 1 THAT the acquisition by the Company of the entire issued share capital of Jamesstan Investments Limited (the “Acquisition”), pursuant to a Share Purchase Agreement dated June 2008 and made between Roy Stanley (1) and the Company (2) be and is hereby approved for all purposes including without limitation section 180 of the Companies Act 2006 and that the Directors be and are hereby authorised to take all steps necessary to effect the Acquisition with such minor modifications, variations, amendments or revisions and to do or procure to be done such other things in connection with the Acquisition as they consider to be in the best interests of the Company.
- 2 THAT the Company’s authorised share capital be increased from £600,000 to £1,200,000.
- 3 THAT subject to the passing of Resolutions 1 and 2, the directors be generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985, as amended, (the “**Act**”) to exercise all powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of the authorised but unissued share capital of the Company at the date of passing of the resolution being £707,068.55, for a period expiring (unless previously renewed, varied or revoked) 5 years after the passing of this Resolution but the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement.

SPECIAL RESOLUTIONS

- 4 THAT subject to the passing of Resolutions 1, 2 and 3 above, the directors be generally empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by Resolution 3 above as if section 89(1) of the Act did not apply to the allotment. This power expires when the authority conferred by Resolution 3 above is revoked or would, if not renewed, expire, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equities pursuant to that offer or agreement.
- 5 THAT the name of the Company be changed to Optare plc.
- 6 THAT the regulations contained in the document submitted to the meeting and for the purposes of identification signed by the chairman be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

BY ORDER OF THE BOARD

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**Authorised signatory of
Cobbetts (Secretarial) Limited**

(COMPANY SECRETARY)

Dated: 20 June 2008

Registered Office: Lower Phillips Road, Whitebirk Industrial Estate, Blackburn, Lancashire, BB1 5UD

NOTES:

- 1 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. 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. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy. 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.
- 4 If you do not give your proxy an indication of how to vote on any resolution, 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 any other matter which is put before the Meeting.
- 5 In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
- 6 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company as at 6.00 p.m on 11 July 2008, or if the General Meeting is adjourned, on the register of members not less than 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares in the Company registered in their name at the relevant time. Changes to entries on the register of members after 6.00 p.m on 11 July 2008 or, if the General Meeting is adjourned, on the register of members not more than 48 hours before the time of any adjourned meeting, will be disregarded in determining the right of any person to attend and vote at the meeting.

Appointment of proxy using hard copy proxy form

- 7 The notes to the proxy form explain how to direct your proxy on how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
- received by the Company no later than 11 a.m. on 12 July 2008.

In the case of a member which is a company, the proxy form 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 proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Changing your proxy instructions

- 8 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 apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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

Termination of proxy appointments

- 9 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice 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 revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- 10 The revocation notice must be received by the Company no later than 48 hours before the time and date scheduled for the meeting.
- 11 Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communications

- 12 No form of electronic communication shall be accepted.

