Optare plc

Annual report and accounts 2016

ASHOK LEYLAND

Our vehicles are designed with the environment in mind.

Optare plc has almost a century of expertise in using the latest technologies in bus design and manufacturing to deliver the vehicles of today and tomorrow.

Read our President's statement on pages 3 and 4 ›

See Our strategy on page 14 ›

Our products

Solo

Type: Mini-bus
Length: 7.2–9.9 metres
Engine solution: Euro 6, electric

Metrocity

Type: Midi-bus
Length: 10.1–11.5 metres
Engine solution: Euro 6, electric

Versa

Type: Midi-bus
Length: 9.7–11.7 metres
Engine solution: Euro 6, electric

Review of the year

Operational highlights

- Productionisation of the Metrodecker and customer trials programme commenced.
- Development of extended range electric Solo.
- Increased sales of Metrocity midi-bus.

Financial highlights

- Revenue for the period was £38.3m, a drop of 34% over prior year.
- There were exceptional costs of £0.8m in this year's accounts (2014/15: £0.5m).
- Gross profit was £3.4m (representing 9% of turnover) over the twelve-month period (2014/15: £7.5m representing 13% of turnover).
- The pre-exceptional EBITDA loss was £5.5m (2014/15: £1.6m).
- Operating cash outflow before working capital changes was £6.3m (2014/15: £2.0m).
- Loss per share was 0.4p per share (2014/15: loss 0.2p per share).

"2015/16 saw a significant investment and effort put in to widening Optare's product portfolio and improving product quality, which has now prepared the Company for a better future. We have the support of our parent company, Ashok Leyland, which helped us tide over the volatile industry during the year, where Optare maintained its market share despite a decline in the single deck industry volumes. We also made our operations more efficient and improved our resources in key areas which will deliver more value to our customers."

Graham Belgum, President

Tempo

Type: Full size single deck
Length: 12.5 metres
Engine solution: Euro 5

Metrodecker

Type: Double deck
Length: 10.5–11.1 metres
Engine solution: Euro 6

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"We remain focused on delivering a high quality, innovative product with class-leading support that delivers the best possible whole life cost for our customers."

John Fickling, Non-executive Chairman

Introduction

2015/16 has been a year of continued focus on long-term growth and evolution for Optare, with investment in product development working closely with customers. Some of the major achievements for the year include:

- investment in a larger demonstration fleet to enable more availability of vehicles for long-term evaluation by customers;
- promising sales of the recently launched Metrocity model, accounting for almost 20% of Optare's vehicle sales in 2015/16;
- marginal improvement of market share in the single deck sector despite the market contracting by 20% in 2015/16;
- improved customer brand perception through new aftermarket structure and extensive quality campaigns;
- extensive in-service customer trials began following an investment in a fleet of Metrodecker demo vehicles;
- development of an extended range Solo electric bus – designed to carry out a day's service with little or no need to opportunity charge the vehicle;
- awarded the Low Carbon Heavy Duty Vehicle Manufacturer of the Year and the "Grand Prix" award for Outstanding Achievement in Low Carbon Transport by the LowCVP;
- awarded the Passenger Transport Air Quality award for electric buses at the National Air Quality Awards;
- the first fully electric commercial London bus route goes into operation using Optare Metrocity buses;
- over three-quarters of fully electric single deck buses currently in service in London are Optare vehicles;
- Scotland's first all battery electric fleet goes into operation in Inverness using Optare Solos; and
- continued integration with Ashok Leyland to deliver key business objectives.

Strategic development

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

- increasing volume in the UK through sales of the Metrocity and Metrodecker products;
- continued development of products and commercial relationships for export markets to drive further international expansion;
- continuing to "embrace the environment" by developing and delivering green product technology;
- continuing to drive cost reduction and integrate business processes to deliver quality products; and
- focus on the "aftermarket".

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

Our customers

Our customers remain the focus of everything we do at Optare.

We continue to strengthen our business relationships with the major bus groups. We are confident that this relationship and partnership will continue to grow and we remain focused on delivering a high quality, innovative product with class-leading support that delivers the best possible whole life cost for our customers.

Our people

During the year investment has been made in a programme of training across the business to enhance skills and support the business strategy.

I would like to thank our workforce for their dedication, commitment and support in delivering the strategic objectives of the Company. Lastly, I would like to thank the shareholders and our bankers for their continuing support.

Summary for 2016/17

In summary 2016/17 will focus on:

- increasing sales in the UK with Metrocity, Metrodecker and electric products;
- continued development of products and commercial relationships for the UK and export markets to drive UK and international expansion;
- continuing to innovate and deliver sustainable green bus technology, with a focus on fuel efficiency and EV technology across the European product range;
- continuing to drive cost reduction and integrate business processes to deliver quality products;
- continued focus on quality improvements, aftermarket delivery and ensuring the best possible whole life cost for our customers; and
- training and development of skills to support the business strategy.

John Fickling
Non-executive Chairman
21 June 2016

President's statement

"As a manufacturer we have a responsibility to innovate greener vehicles and provide service solutions that support operators in delivering an outstanding service for passengers at the best possible whole life cost. This philosophy is at the heart of everything we do."

Graham Belgum, President

Business and financial report

2015/16 represented another important year for Optare in terms of long-term growth strategy through investment in product development and customer care through aftermarket quality campaigns. 2015/16 also saw further progress in building relationships with the national operators with a 57% increase in sales to these customers from 2014/15.

Optare posted overall sales of 253 single deck vehicles in 2015/16, marginally improving its market share.

The global turnover decreased from £57.8m to £38.3m. Loss after tax was £9.3m; this can be attributed to a combination of factors, which include a contracted market, an absence of government funding for electric buses over the last two years, a multi-million pound investment in aftermarket quality campaigns and investment in product development, which included the extended range of the Optare electric Solo, productionisation of the Metrodecker, investment in a Metrodecker demo fleet and a rationalisation programme. The overall UK bus market contracted by 7% compared to the previous year; this drop was primarily driven by the single deck segment (20% decrease from 2014/15), while the double deck segment grew slightly (12% increase from 2014/15). Optare was only present in the single deck segment in 2015/16 and marginally improved its market share (0.3 percentage points).

In the single deck market, Optare continues to lead in the less than 12t segment (Solo) where Optare achieves 100% of market share. Initial sales of the Metrocity also look promising in the 12–16t market, accounting for 20% of Optare's vehicle sales in 2015/16 and helping Optare maintain its market share in the 12–16t market.

Optare saw sales of eight electric buses in 2015/16. Over three-quarters of fully electric single deck buses currently in service in London are Optare vehicles. The Company's green vehicle strategy is supported by Transport for London's plans for 300 single deck electric buses to be in service in London to meet the requirements of the Ultra Low Emission Zone by 2020. The new Mayor of London has also indicated proposals to accelerate implementation and expand the size of the Ultra Low Emission Zone.

On 2 June 2015 Optare delisted from AIM. There were significant costs associated with maintaining a quotation on AIM and the Board of Directors believed that these costs outweighed the benefits and that these funds would be better deployed to support Optare's investment in product support and future technology as part of its growth strategy.

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

Financial performance

The financial results for the year show a net loss of £9.3m compared to a loss of £4.8m in the previous period, because of a drop in volumes and spend on aftermarket quality campaigns and rationalisation.

The key highlights for the period were:

- Revenue for the period was £38.3m, a drop of 34% over prior year.
- There were exceptional costs of £0.8m in this year's accounts (2014/15: £0.5m).
- Gross profit was £3.4m (representing 9% of turnover) over the twelve-month period (2014/15: £7.5m representing 13% of turnover).
- The pre-exceptional EBITDA losses were £5.5m (2014/15: £1.6m).
- Operating cash outflow before working capital changes was £6.3m (2014/15: £2.0m).
- Loss per share was 0.4p per share (2014/15: loss 0.2p per share).

Current trading

On 31 March 2016, the current order book was trending lower than prior year with many customers delaying orders. This can in part be attributed to a contracted market, uncertainty over the impact of the Buses Bill, delayed announcement of recipients of the Low Emission Bus scheme and the delay in the mandatory introduction of Euro 6 engines.

Initial sales of the Metrocity look promising, accounting for 20% of Optare's vehicle sales in 2015/16, and the Metrodecker is currently undergoing an extensive in-service programme with both Group and retail customers.

We are the industry leaders in electric buses in the UK market with over 90 units in service across the UK and Europe. Increasing pressure on fuel cost, low emissions regulations and Optare's extended range electric buses all provide the Company with an avenue to differentiate and grow in a mature market.

In September 2015, Optare was recognised for its excellence in low carbon technology by the Low Carbon Vehicle Partnership and awarded the Low Carbon Heavy Duty Vehicle Manufacturer of the Year and the "Grand Prix" award for Outstanding Achievement in Low Carbon Transport. In October 2015 the Company was also awarded the Passenger Transport Air Quality award for electric buses at the National Air Quality Awards.

Board and management changes

Chief Executive Officer, Enrico Vassallo, elected to leave the organisation and step down from the Board of Directors from 19 October 2015. We thank Enrico Vassallo for his contribution and wish him the very best. In the interim period Hariharan Krishnamurthi, CFO, was appointed as the Chair to the Senior Management Team reporting to Venkataraman Thyagarajan, Head of Global Bus at Ashok Leyland and Non-executive Director of Optare.

Following my appointment as President on 31 March 2016, I have taken on the strategic and operational leadership role of the Company.

Since my appointment on 2 March 2015 as Business Process Excellence and Aftermarket Director, I have been instrumental in delivering a series of improvements focusing on customer support and manufacturing. My previous achievements in the bus industry leading (and learning from) operating companies through transformation and improvement has been pivotal to the success of the programme that I have delivered to date at Optare.

Optare is about so much more than building buses. As a manufacturer we have a responsibility to innovate greener vehicles and provide service solutions that support operators in delivering an outstanding service for passengers at the best possible whole life cost. This philosophy is at the heart of everything we do. I look forward to continuing to work with the team at Optare applying my knowledge from working with operators for many years to develop quality products and service offerings and shape the future of this innovative company.

Outlook

The Company will focus on further developing the next generation of extended range electric vehicles, Euro 6 slimline Solo models, increasing Metrocity passenger capacity and the introduction of the Metrodecker to the market. Quality campaigns in both production and the aftermarket will focus on proactively identifying improvements and engaging our customers in a dialogue in regards to customisation, achieving best whole life cost and future specifications as part of our long-term product development planning.

We expect the UK bus market to grow 6% and the Board anticipates Optare will be part of this growth through its complete product offering. The Company continues to tender, with the support of our parent company, for substantial export contracts to take advantage of opportunities that exist in the Middle East, South Asia and Oceania.

Overall the Board expects progress in 2016/17 to be towards a profitable performance, with sales of the Metrocity and Metrodecker, growth in export sales and increased electric bus sales driven by the London market.

Graham Belgum
President
21 June 2016

Our mission and values

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

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

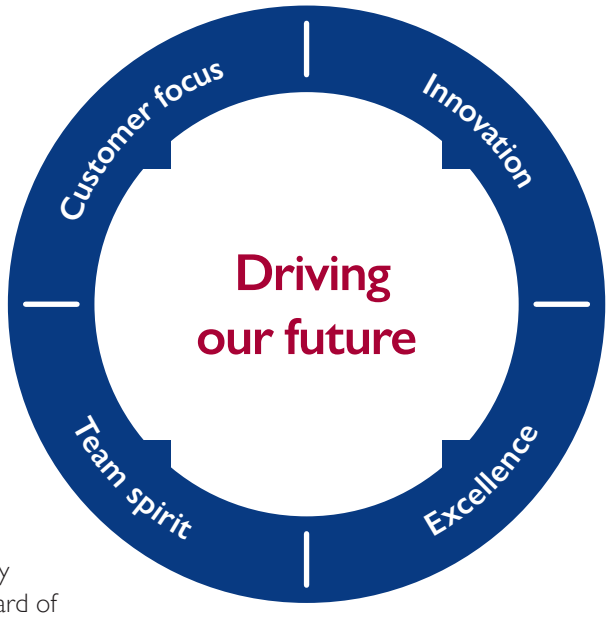
Our business model is based around our core values of customer focus, innovation, team spirit and excellence.

Customer focus

Developing partnerships with our suppliers and customers.

Innovation

Continually improving product designs, performance, reliability and aftermarket services.



Team spirit

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

Excellence

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

The leadership and engagement of our people and their development are the new principles of the future Optare plc.

People development

Our commitment to integrate business processes and drive cost reduction has continued to be a primary focus during 2015/16. A thorough organisational review has been completed across all functions which involved some rationalisation activity at the end of 2015, including the closure of the Chorley office.

2015/16 has also seen a considerable investment in the aftermarket, improving customer support through the introduction of a new aftermarket structure. The uplift in resource and support has been recognised as a significant step forward and has injected confidence back into the business that progress is being made.

Vehicle volumes have increased the need to continually reassess our operational capability and ability to respond to fluctuations in work flow. The value of achieving greater flexibility will remain high on our agenda for 2016/17.

Our employee engagement programme involving the delivery of a joint Dignity at Work training and awareness syllabus with our recognised trade union rolled out to all employees, and our investment in apprenticeship schemes and national vocational programmes demonstrates our continued desire to invest in the skills and knowledge of our workforce into 2016/17 and beyond.

Environment and sustainability

After over 30 years at the cutting edge of bus design and manufacturing, Optare believes it should make sure every aspect of its operation is as efficient as its products.

A host of measures have been identified which will not only improve manufacturing efficiency but will reduce Optare's annual expenditure on energy and fuels by 18.5%.

Optare has completely changed production warehouse lighting to energy saving LEDs, with office lighting to follow by the end of 2016.

Monitoring and targeting software has been installed, offering step-by-step control which should help the Company shave another 5% from its usage. This means that processes can be monitored and targeted for improvement, through engineering and improved tooling solutions.

Optare is also working with paint suppliers to find solutions to further reduce its bake cycle/cure time to make savings on gas usage, whilst still ensuring its low Volatile Organic Compounds emissions remain unaffected.

In early 2017 there are plans to install fast action automatic roller shutter doors to contain warmth and reduce gas heating usage further.

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Our history

Optare has over a century of expertise in using the latest technologies in bus design and manufacturing to deliver the vehicles of today and tomorrow.

- **1907** Leyland Motor Company established
- **1923** Charles H Roe started his bus bodybuilding at Cross Gates
- **1934** East Lancashire Coachbuilders established
- **1955** Ashok added Leyland to its name to recognise Leyland investment
- **1962** Charles H Roe acquired by Leyland
- **1968** British Leyland Motor Corporation established
- **1975** Joins Leyland Truck and Bus
- **1985** Optare formed by a buy-out from Leyland Truck and Bus
- **2008** Consolidation of East Lancashire Coachbuilders, Darwen Group and Optare
- **2010** Ashok Leyland acquired 25% of the shares
- **2012** Ashok Leyland increased shares to 75%

First fully electric Optare Solo for Orkney Islands

Passengers had the chance to travel on Orkney's first fully electric bus when it started running on the Kirkwall Airport route on Monday 25 May 2015. The bus will be charged using locally generated renewable energy.

Annual highlights

Embracing the environment

28 Optare low carbon Solo buses for Go North East in the last year

14 Optare low carbon Solos were added to the Go North East fleet in March 2016 bringing the total to 28 in the last twelve months, after 14 new Optare Solos were purchased for the indiGo bus service in Peterlee in August 2015.

Fully electric Optare Solo buses for Stagecoach Inverness

In June 2015 five new Optare Solo EV buses, operated by Stagecoach, entered service in Inverness.

Optare electric Metrocity buses for London's first all-electric bus route

Following the successful trial of two Optare Metrocity electric single deck buses on route 312, which runs between South Croydon and Norwood Junction, Arriva added a further seven electric Metrocity buses to the route in autumn 2015.

Scotland's first electric bus service celebrates 100,000 miles

The first fully electric bus to be used for a local bus service in Scotland recently celebrated 100,000 miles in service. The bus launched in November 2013 by Keith Brown MSP, Minister for Transport and Veterans, operates on the service, which links the ferry ports at Cairnryan to the railway station in Stranraer.

Euro 6 Solos for Richmond Coaches

In March 2016 Richmond Coaches added three Euro 6 Solos to their fleet. Established in 1946 Richmond Coaches is a family owned company located near Cambridge.

Perryman's adds more green Optare Solos to fleet

In October 2015 Perryman's, the multi-award-winning operator with depots in Berwick upon Tweed and St Boswells, took delivery of another low carbon certified Solo. This vehicle joined two other low carbon certified Solos in operation on cross-border services in and around Northumberland, the Scottish Borders and East Lothian.

More electric Optare Versas for York

In May 2015 the UK's top Park & Ride service expanded its offer to customers by introducing a new fully electric fleet of Optare buses at Monks Cross Park & Ride. The introduction of six new electric buses followed on from the success of the introduction of a fully electric fleet onto the new Poppleton Park & Ride in June 2014.

Richard Bros opts for Optare Metrocity

In May 2015, Richard Bros added four Optare Metrocity buses to their fleet. Richard Bros are a third generation family run business, have been in operation since 1936 and are now a major transport provider in Ceredigion and Pembrokeshire.

Annual highlights continued

New product milestones

Optare Metrocity buses for transformed TrawsCymru T2 service

The Transport Minister, Edwina Hart, launched four new Optare Metrocity buses for the new improved bus service between Bangor and Aberystwyth in March 2016.

Five Optare Metrocity buses for Minsterley Motors

Minsterley Motors added five Optare Metrocity buses to their fleet in February 2016. The 11.5 metre Euro 5 Metrocity buses seat up to 44 and join two Optare Solos already in service with Minsterley Motors, operating the Ludlow Park & Ride and town services. The new Metrocity buses will operate on routes between Shrewsbury and Bishop's Castle.

30 Metrocity buses for New Adventure

New Adventure Travel (N.A.T. Group) now operates 30 Optare Metrocity buses after they were so impressed with the excellent in-service fuel economy results from an initial batch of ten Metrocity buses purchased in May 2015. N.A.T. Group is one of South Wales' leading transport providers with over 75 buses and coaches in their fleet.

Seven Optare Metrocity buses for APH

In September 2015, APH added seven Optare Metrocity buses to their airport parking fleet. The buses are operating between APH's award-winning car parks and airport terminal buildings at both Manchester and Gatwick Airports. APH runs an all-Optare low-floor fleet and the Metrocity buses were purchased as part of a fleet replacement programme replacing existing Solo and Tempo buses.

Optare Metrodecker commences trial with Reading Buses

In December 2015 Optare celebrated the handover of their first Metrodecker demonstrator vehicle to UK Bus Operator of the Year, Reading Buses, for the start of an extensive in-service trail. Since then the vehicle has joined another Metrodecker as part of a fleet of demonstration vehicles being put through their paces by local and national operators.

© Lynda Bowyer Photography.

Metrocity is a winner at Tour de Yorkshire

The Optare Metrocity played its part in the Tour de Yorkshire celebrations in May 2015, carrying passengers from the surrounding villages to Selby on a free service operated by Arriva.

First Optare Metrocity to serve an airport

In May 2015, Sentinel Secure Airport Parking at Leeds Bradford International Airport added an Optare Metrocity to their transfer bus fleet. The shuttle operates between the car park and airport terminal, transferring passengers and their luggage. This was the first Metrocity to serve an airport application.

Annual highlights continued

Industry recognition

Awards success for Optare electric buses

Optare was presented with the Passenger Transport Air Quality award at a ceremony held at Bristol's Grand Hotel on 22 October 2015.

Optare wins double accolade at LowCVP Awards

Optare electric buses gained the accolade of Low Carbon Heavy Duty Vehicle Manufacturer of the Year and the "Grand Prix" award for Outstanding Achievement in Low Carbon Transport, presented by the Low Carbon Vehicle Partnership at The Champions Awards in September 2015. First Bus, with City of York Council, was also awarded runner-up Low Carbon Vehicle Operator of the Year for their project with Optare electric buses in York.

Global success

Premiere of Karlstad's first electric buses

In June 2015 Karlstadsbuss started to operate three environmentally friendly Optare Solo electric buses. The buses will operate on the centre lines 11, 12 and 13 in Karlstad, Sweden. The bus is powered by green electricity generated by Karlstads Energi.

Solos for Heideland

In February 2016 two Optare Solos started service on routes around Heideland in Germany.

Stay up to date

Visit our website for the latest news and updates: www.optare.com

Optare Solo for Hamilton Island, Australia

In September 2015 a new Optare Solo started operation as a shuttle bus on Hamilton Island, the renowned island resort located in the heart of the Great Barrier Reef. The island is car free with only golf buggies and a free shuttle service moving guests around the resort.

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

Delivering on our promises

- Invest in people, products and technology
- Partnerships to share expertise globally
- Build next generation of buses
- Customer focus
- Growth from new markets/products
- Operational excellence
- Create value by design
- Optare plc's mission and values
- Think local, act global

Our strategic focus includes:

- increasing sales in the UK with Metrocity, Metrodecker and electric products;
- continued development of products and commercial relationships for the UK and export markets to drive UK and international expansion;
- continuing to innovate and deliver sustainable green bus technology, with a focus on fuel efficiency and EV technology across the European product range;
- continuing to drive cost reduction and integrate business processes to deliver quality products;
- continued focus on quality improvements, aftermarket delivery and ensuring the best possible whole life cost for our customers; and
- training and development of skills to support the business strategy.

Our key risks

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

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

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

Key risk	Mitigating activities
Changes in legislation	Legislative changes may require investment in new product developments or adaptations which will incur cost. Design changes are regularly made to address legislative changes well ahead of their legal introduction.
Decrease in market demand	The Group operates in a market where there are a number of competitors whose actions may affect the level of turnover of the Group. Market demand, whilst underpinned by strong long-term drivers, may fluctuate over the short to medium term. The Board is actively pursuing a policy to decrease the dependency on the UK market by increasing focus on export markets.
Introduction and production of new technologies	The introduction and start-up of production of new technologies, such as EV technology, carries a technical and execution risk. The Group continually works with major global suppliers to evaluate new technological developments and how best to improve designs, introduce them into products and incorporate them into assembly production.
Supply chain	The Group is currently dependent upon key suppliers to ensure continuity of production. Interruption of such supply may have a detrimental effect on the Group's revenue stream and resultant operating results. Common sourcing strategies are being pursued with Ashok Leyland Ltd to reduce the dependency on any one supplier.
Customer relationships	The Group continues to trade with a number of customers, the future business of which cannot be guaranteed beyond the terms and conditions of existing contracts as referred to by separate disclosure. Significant effort is put into maintaining and developing Optare plc's long-term reputation with both existing and new customers.

Credit, liquidity, foreign currency and cash flow risks are discussed within the consolidated financial statements' summary of significant accounting policies.

John Fickling

(Independent Non-executive Chairman)

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

Steven Norris

(Independent Non-executive Deputy Chairman)

Steven, 71, started his career in the engineering and motor industries, entering into politics in 1977, when he was elected to Berkshire County Council. In 1983 he became the Member of Parliament for Oxford East and subsequently held various parliamentary positions until 1992, when he became the Parliamentary Under-Secretary of State for Transport and Minister for Transport in London. Steven was responsible for the Jubilee line extension, the largest extension of the London Underground network to date. Steven is widely known for his interest in public transport. He possesses a wealth of experience and is either currently or has previously held roles as chairman of the National Cycling Strategy Board, director general of the Road Haulage Association, president of the Motorcycle Industry Association, a commissioner with the Independent Transport Commission, and a patron of the cyclists' charity Sustrans and of the Campaign for Better Transport (UK) Trust. Steven holds an MA in jurisprudence from the University of Oxford.

Venkatesan Venkataraman

(Non-executive Director)

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

Venkataraman Thyagarajan

(Non-executive Director)

Venkataraman, 56, is currently the head of the global bus business of Ashok Leyland Ltd, Optare plc's parent company. Venkataraman is a mechanical engineer and holds a master's degree in industrial management. Venkataraman has 34 years' experience in the automotive industry and started his career in 1981 with various organisations such as Suhail Bahwan Group, Saud Bahwan Group, Amalgamations Group, McNeil & Magon and Enfield Motors. Venkataraman was a Professor at NITIE, Mumbai, for three years and has four publications to his credit. Venkataraman joined Ashok Leyland Ltd in April 2010 and is responsible for the global bus business. He is a director of Ashok Leyland (UAE) LLC and Irizar TVS Ltd.

Gopal Mahadevan

(Non-executive Director)

Gopal is currently CFO for Ashok Leyland Ltd. Gopal is a chartered accountant and a company secretary with 26 years' experience in finance functions across a variety of industries. He started his career with the TTK Group and then moved to Sanmar Group, where he progressed to head of finance for their PVC business. He later joined Sify Limited to head M&A, legal and Nasdaq compliances, following which he joined Amara Raja Batteries as group CFO. Prior to his appointment to Ashok Leyland Ltd, Gopal was CFO of engineering company Thermax Limited. On his appointment as a Non-executive Director, Gopal became Chairman of the Audit Committee.

Anuj Kathuria

(Non-executive Director)

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

Organisational structure

Chairman
John Fickling

Deputy Chairman
Steven Norris

Non-executive Directors
Venkatesan Venkataraman
Venkataraman Thyagarajan
Gopal Mahadevan
Anuj Kathuria

President
Graham Belgum

Chief Financial Officer
Hariharan Krishnamurthi

Senior leadership team

Commercial Director
Robert Drewery

Head of Production
Nick Weller

Head of Procurement/Purchasing
Tracy Noble

Functional Director for Aftermarket
Lawrence Govender

People Development Director
Caroline des Forges

Engineering Director
Alastair Munro

Corporate governance

The Board is accountable to the Company's shareholders for good corporate governance. The Company has partially complied throughout the period with the main principles of the UK Corporate Governance Code 2014.

Principles of corporate governance

The Company is committed to high standards of corporate governance. The Company has regard to the main principles of the Financial Reporting Council's UK Corporate Governance Code 2014.

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

Board structure

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

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

Role of the Board

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

Appointment and induction of Directors

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

Board Committees

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

Remuneration Committee

The Remuneration Committee comprises the Non-executive Directors John Fickling and Venkatesan Venkataraman. The Remuneration Committee determines and agrees with the Board the framework of remuneration for the Executive Director. The Board itself determines the remuneration of the Non-executive Directors. There was no Remuneration Committee meeting held during the year. The report on Directors' remuneration is set out on pages 18 and 19.

Audit Committee

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

The Audit Committee is responsible for:

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

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

Meetings are also attended, by invitation, by the Chief Financial Officer, the President and the principal auditor from Optare plc's auditor KPMG.

Internal control

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

Relations with shareholders

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

Going concern

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further disclosures are made on page 28.

John Fickling
Non-executive Chairman
21 June 2016

Remuneration policy

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

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

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

Basic salary

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

Annual bonus

The purpose of the annual bonus is to reward the Executive Director and other senior management for achieving above average performance compared to appropriate industry targets, which would also benefit shareholders. Incentive payments for the year ended 31 March 2016 totalled £nil (2014/15: £nil).

Share option incentives

The Group offers share options to the Executive Director and other senior employees to facilitate the recruitment of candidates of appropriate experience and with appropriate qualifications. In the year ended 31 March 2016, no share options were issued (2014/15: nil). The exercise of the outstanding options is not dependent on performance criteria, but options are subject to a two-year lock-in period from the date of issue. The Company is reviewing its policy in respect of future tranches of share options and whether a long-term incentive plan will be put in place.

Pension arrangements

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

Directors' contracts

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

Non-executive Directors

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

Directors' emoluments and compensation

	Salary £	Benefits £	Bonuses £	Other* £	**2015/16 Total £**	2014/15 Total £
Executive Directors						
Enrico Vassallo (resigned 19 October 2015)	117,744	9,576	—	11,774	**139,094**	185,798
Non-executive Directors						
John Fickling	50,000	—	—	—	**50,000**	55,803
Steven Norris	24,000	—	—	—	**24,000**	12,446
Venkataraman Thyagarajan	—	—	—	—	**—**	—
Gopal Mahadevan	—	—	—	—	**—**	—
Venkatesan Venkataraman	—	—	—	—	**—**	—
Anuj Kathuria	—	—	—	—	**—**	—
Total	191,744	9,576	—	11,774	**213,094**	254,047

Notes

* Other principally includes employer pension contributions.

Directors' share options

	Options at 31 March 2015	Options granted in year	Forfeited in year	**Options at 31 March 2016**	Exercise price	Exercise period	Expiry date
John Fickling	250,000	—	—	**250,000**	1.00p	10 years	03/07/2019
John Fickling	250,000	—	—	**250,000**	4.15p	10 years	03/07/2019

Directors' interests in shares

Directors' interests in the shares of Optare plc as at 31 March 2016 were:

	Number
John Fickling	3,588,355

No other Director had any interest in the shares of Optare plc as at 31 March 2016.

The Company delisted on 2 June 2015.

Approval

This report was approved by the Board of Directors and authorised for issue on 21 June 2016 and signed on its behalf by:

John Fickling
Chairman of the Remuneration Committee
21 June 2016

Directors' report

The Directors submit their report and the financial statements of Optare plc for the year ended 31 March 2016.

Principal activities
The Group is engaged in bus design, manufacture, sales, aftermarket support and bus refurbishment.

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

In January 2015 the Company had entered into a forward contract for the value of $2.2m to manage its exposure to foreign currency movements on a $2.3m loan received from Ashok Leyland (UAE) LLC (Ashok Leyland Ltd Group). Forward contracts for this value were renewed on a quarterly basis during the year and the value date of the current contract is June 2016.

Political and charitable contributions
There were no political contributions during the period. Charitable contributions were £nil in the period (2014/15: £nil).

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

The Company has recently introduced its new product for the double deck market and is running customer trials in the UK, with EV variant to be made available.

Events since the end of the year
The Company has reached an advanced stage of discussions with Barclays Bank PLC to extend its existing bank overdraft facility, increase the overdraft limit and extend the existing term loan facility. In these discussions, the Company derives support from Ashok Leyland Ltd as its promoter and majority shareholder.

See note 23, Post-period end events, for further detail.

Directors
Directors who served in the year are as follows:

John Fickling

Steven Norris

Venkatesan Venkataraman

Venkataraman Thyagarajan

Gopal Mahadevan

Anuj Kathuria

Enrico Vassallo (resigned effective 19 October 2015)

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

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

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

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

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

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

Trade creditor days based on creditors at 31 March 2016 were 60 days (2014/15: 70 days).

Substantial shareholdings
Ashok Leyland Ltd owns 75.1% of the share capital of the business. Ashok Leyland Ltd is classified as the immediate parent of the Company as it maintains the controlling interest and exercises control through its employees, who sit on the Board of Optare plc. The Board has authorisation from the 10 September 2014 shareholders' general meeting to issue warrants to maintain this percentage on the exercise of share options or other outstanding warrants.

The Company delisted from AIM on 2 June 2015. Following this, a matched bargain service has been arranged to be provided to our shareholders.

Related party transactions
Details of transactions with Ashok Leyland Ltd and associated companies can be found in note 24, Related party transactions.

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

Dividends
The Directors do not propose the payment of a dividend in respect of the current period (2014/15: £nil).

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

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

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

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

This report was approved by the Board of Directors and authorised for issue on 21 June 2016 and signed on its behalf by:

John Fickling
Non-executive Chairman
21 June 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report, Strategic report, Directors' report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

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

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

Independent auditor's report

To the members of Optare plc

We have audited the financial statements of Optare plc for the year ended 31 March 2016 set out on pages 24 to 49. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' responsibilities statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Claire Needham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
21 June 2016

Consolidated income statement

For the year ended 31 March 2016

	Notes	**Year ended 31 March 2016 £'000**	Year ended 31 March 2015 £'000
Revenue		**38,286**	57,762
Cost of sales		**(34,858)**	(50,228)
Gross profit		**3,428**	7,534
Administrative expenses (includes £770,000 of exceptional costs (2014/15: £487,000))		**(9,860)**	(10,000)
Distribution costs		**(514)**	(498)
Amortisation of intangible assets	11	**(906)**	(668)
Loss from operations	3	**(7,852)**	(3,632)
Finance costs	5	**(1,482)**	(1,133)
Loss on ordinary activities before taxation		**(9,334)**	(4,765)
Taxation	6	**—**	—
Loss attributable to the equity holders of the parent company		**(9,334)**	(4,765)

	Year ended 31 March 2016	Year ended 31 March 2015
Loss per share (note 8):		
From continuing operations (basic and diluted)	**(0.4)p**	(0.2)p

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

Consolidated statement of changes in equity

For the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained loss £'000	Share-based payment reserve £'000	Total £'000
Balance at 1 April 2014	9,005	32,396	5,542	(55,784)	42	(8,799)
Loss for the year	—	—	—	(4,765)	—	(4,765)
Total comprehensive income for the year	—	—	—	(4,765)	—	(4,765)
Balance at 31 March 2015	9,005	32,396	5,542	(60,549)	42	(13,564)
Loss for the year	—	—	—	(9,334)	—	(9,334)
Total comprehensive income for the year	—	—	—	(9,334)	—	(9,334)
Balance at 31 March 2016	**9,005**	**32,396**	**5,542**	**(69,883)**	**42**	**(22,898)**

Consolidated balance sheet

As at 31 March 2016

Company number: 06481690

	Notes	**Year ended 31 March 2016 £'000**	Year ended 31 March 2015 £'000
Non-current assets			
Goodwill	10	**8,574**	8,574
Other intangible assets	11	**8,285**	8,526
Property, plant and equipment	12	**3,329**	3,198
		20,188	20,298
Current assets			
Inventories	13	**6,829**	6,841
Trade and other receivables	14	**2,493**	7,439
		9,322	14,280
Total assets		**29,510**	34,578
Current liabilities			
Trade and other payables	15	**8,663**	13,947
Loans and overdrafts	25	**29,980**	9,000
Provisions	16	**752**	1,662
Obligations under finance leases	17	**64**	72
		39,459	24,681
Non-current liabilities			
Bank and other loans	25	**10,225**	20,100
Provisions	16	**2,642**	3,263
Obligations under finance leases	17	**82**	98
		12,949	23,461
Total liabilities		**52,408**	48,142
Net liabilities		**(22,898)**	(13,564)
Equity			
Share capital	19	**9,005**	9,005
Share premium		**32,396**	32,396
Share-based payment reserve		**42**	42
Merger reserve		**5,542**	5,542
Retained loss		**(69,883)**	(60,549)
Total equity attributable to equity holders of the parent		**(22,898)**	(13,564)

The financial statements on pages 24 to 49 were approved by the Board of Directors and authorised for issue on 21 June 2016 and are signed on its behalf by:

John Fickling
Non-executive Chairman
21 June 2016

Consolidated cash flow statement

For the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Operating activities			
Cash absorbed by operations		**(8,165)**	(1,106)
Interest paid	5	**(1,482)**	(1,133)
Net cash used in operating activities		**(9,647)**	(2,239)
Investing activities			
Purchase of property, plant and equipment		**(753)**	(674)
Purchases of HP assets		**(75)**	(100)
Capitalised development costs		**(606)**	(1,000)
Net cash used in investing activities		**(1,434)**	(1,774)
Financing activities			
Finance lease repayments		**(99)**	(95)
Loan repayments		**(6,035)**	—
Loan drawdowns		**17,225**	3,551
Net cash generated from financing activities		**11,091**	3,456
Net increase/(decrease) in cash and cash equivalents		**10**	(557)
Cash and cash equivalents at start of year		**(5,001)**	(4,444)
Cash and cash equivalents at end of year		**(4,991)**	(5,001)

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Operating activities:		
– loss before tax	**(9,334)**	(4,765)
Adjustments for:		
– depreciation	**636**	872
– amortisation of intangible assets	**906**	668
– net finance expense	**1,482**	1,133
– loss on disposal of property, plant and equipment	**—**	134
Operating cash flows before movements in working capital	**(6,310)**	(1,958)
Changes in working capital:		
– decrease in inventories	**12**	5,582
– decrease in trade and other receivables	**4,946**	559
– decrease in trade and other payables	**(5,282)**	(4,685)
– decrease in provisions	**(1,531)**	(604)
Total increase/(decrease) in working capital	**(1,855)**	852
Net cash absorbed in operating activities	**(8,165)**	(1,106)

Summary of significant accounting policies

In respect of the consolidated financial statements

Basis of preparation

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

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

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

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities of £22.9m which the Directors believe to be appropriate for the following reasons.

The Group has conducted a thorough review of its strategy for the next five years and put forward updated trading forecasts through to March 2021, which include detailed cash flow calculations. The Group is forecast to be cash generative in 2017/18. The Group continues to have facilities and parental support in place to meet its funding requirements. The forecasts are based on detailed assumptions as to sales performance and variable and fixed costs.

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

There is inherent uncertainty in any forecast. In assessing such forecasts the Directors have considered the impact of such uncertainties, including the financial strength of customers, any lack of visibility regarding sales beyond the current order book, the ability of suppliers to meet demand, the achievability of material and labour and the possibility that the external economic environment might worsen. The Directors feel that a reasonably conservative approach has been taken in the forecasts and that the facilities currently in place, as well as the facilities being negotiated, will provide adequate headroom to allow for these uncertainties.

The Directors are confident that the assumptions underlying their forecast are reasonable and that the Group will be able to operate with the planned facilities and parental support. The Directors believe that the Group is well placed to manage its business risks successfully.

The Group meets its day-to-day working capital requirements through a bank overdraft facility and term loan, which are due for renewal in July 2016, and through funds provided to it by Ashok Leyland Ltd, the Company's ultimate parent. Ashok Leyland has provided a letter of support to the Company which indicates that it has considered the Company's projections for at least twelve months from the date of approval of these financial statements and that it will continue to make available such funds as are needed by the Company for its business plan.

Furthermore, the term of the bank term loan is subject to a parental guarantee. The Group, with the support of Ashok Leyland, is in the process of negotiating the renewal and an increase of the overdraft facility and the renewal of the term loan and the Directors have a reasonable expectation that these will be duly renewed and increased.

The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

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

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

New IFRSs and amendments to IASs and interpretations not applied
International Financial Reporting Standards effective for accounting periods starting on or after:

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

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

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

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

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

Functional and presentation currency
The functional and presentation currency for Optare plc is Sterling.

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

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

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

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

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

1. Acquired vehicle design
Vehicle design acquired is amortised on a straight line basis of up to ten years.

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

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

Research and development
No research activities have been undertaken within the period. If any are undertaken then research activities are recognised as an expense in the period in which they are incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

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

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

Provision for warranty claims
Management has estimated the cost of potential warranty claims arising on acquisition of the various businesses and on new bus sales. This requires an element of judgement about the likely level of claims and their financial impact upon the business. The factors affecting the level of warranty cost are: the number of buses sold; the length in periods and the breadth in cover of the terms of the warranty given with the bus; the ability of the Company to obtain suitable back-to-back warranties from its suppliers; the efficiency of the quality processes applied in designing and building the buses; the strictness with which warranty claims from customers are vetted; and the extent to which goodwill claims are allowed. Judgements on the level of warranty provision that is required are based on the number of buses in service and their remaining warranty life, with the key estimation being the likely warranty cost per bus. This is based on historical data, with estimates where necessary for new vehicle designs. If the assumption for likely warranty cost per vehicle was adjusted by 10% this would equate to an under or over provision of £338,000.

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

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

Notes to the consolidated financial statements

For the year ended 31 March 2016

1. Business and geographical segments and customer concentration

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Geographical analysis of revenue is as follows:		
UK	**35,515**	51,142
Other European	**656**	1,809
Non-EU	**2,115**	4,811
Total revenue	**38,286**	57,762

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

Non-EU revenue relates, in the main, to sales in the Middle East and a distributor in Australia.

During the period two geographies accounted for more than 7% of revenue (2014/15: 11% of revenue).

There were two customers each of whom contributed to more than 10% of the total revenue during the period (2014/15: nil).

2. Exceptional items

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Onerous contract costs	**—**	264
Restructuring costs	**770**	223
Administration	**770**	487

3. Loss from operations

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Net foreign exchange loss	**36**	9
Cost of inventories recognised in cost of sales	**24,148**	36,235
Write down of inventories recognised as an expense	**255**	236
Depreciation:		
– owned assets	**592**	834
– leased assets	**44**	38
Loss on disposal of fixed assets	**26**	134
Amortisation of intangible assets	**906**	668
Rental under operating leases	**955**	883
Staff costs	**11,920**	11,889
Amounts payable to KPMG LLP and its associates in respect of both audit and non-audit services:		
Audit services:		
– statutory audit including audit of subsidiary companies	**57**	52
Non-audit services:		
– services relating to tax services – compliance	**5**	6
	62	58

3. Loss from operations continued

The following table analyses the nature of expenses:

	Notes	**Year ended 31 March 2016 £'000**	Year ended 31 March 2015 £'000
Cost of inventories recognised in cost of sales		**24,148**	36,235
Staff costs	4	**11,920**	11,889
Warranty		**1,221**	1,764
Logistics partners		**2,115**	1,893
Premises costs		**1,267**	1,251
Depreciation, amortisation and impairments	11, 12	**1,542**	1,540
Write down of inventories recognised as an expense		**255**	236
Transport costs		**451**	625
Marketing expenses		**230**	595
Insurance		**260**	381
Motor expenses		**312**	342
Professional fees		**230**	231
Travel and subsistence		**171**	341
Training, recruitment and relocation		**423**	118
Bank charges		**65**	104
Other expenses		**867**	451
Total cost of sales, distribution, admin and other operating expenses		**45,477**	57,996

4. Staff costs

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

	Average for year ended 31 March 2016 Number	Average for Year ended 31 March 2015 Number
Production	**237**	228
Head office and administration	**129**	170
	366	398

The aggregate remuneration for the above people comprised:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Wages and salaries, including exceptional costs*	**10,612**	10,424
Social security costs	**765**	982
Other pension costs	**543**	483
	11,920	11,889

Notes:

* Exceptional costs included in Wages and salaries relate to restructuring costs during the year of £770,000 (2014/15: £223,000).

Key management is considered to be the Board of Directors and members of the Steering Committee ("SC"), which includes the President, the Chief Finance Officer and the Commercial Director.

Directors' remuneration for the period was £213,094 (2014/15: £254,047), which consisted of fees and salaries, pensions, benefits in kind and other benefit schemes, details of which are given in the Directors' remuneration report on pages 18 and 19.

4. Staff costs continued

The compensation of the members of the Steering Committee for the period is as follows:

	Salary £	Benefits £	Bonuses £	Other* £	**2015/16 Total £**	2014/15 Total £
Steering Committee	315,637	6,155	—	8,731	**330,523**	36,514

Notes

* Other principally includes employer pension contributions.

5. Finance costs and income

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Interest on bank overdrafts and loans	**611**	583
Interest on loans from Ashok Leyland Ltd and related companies	**815**	498
Interest on obligations under finance leases	**31**	23
Other interest	**25**	29
Total borrowing costs	**1,482**	1,133

6. Taxation

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Adjustments in respect of prior periods	**—**	—
Total current tax	**—**	—
Tax attributable to the Company and its subsidiaries	**—**	—

Domestic income tax was calculated at 21% for 2014/15 and 20% of the estimated assessable profit for 2015/16.

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Loss on ordinary activities before tax	**(9,334)**	(4,765)
Tax at the domestic income tax rate	**(1,867)**	(1,001)
Tax effect of expenses that are not deductible in determining taxable profit	**9**	162
Tax losses not utilised	**1,858**	839
Tax credit for the period	**—**	—

7. Dividends

The Directors do not propose the payment of a dividend in respect of the current period (2014/15: £nil).

8. Loss per share

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Loss:		
Loss for the purposes of basic loss per share (net loss for the period attributable to equity holders of the parent)	**(9,334)**	(4,765)

8. Loss per share continued

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,235,291,827**	2,235,291,827
Basic and fully diluted loss per share	**(0.4)p**	(0.2)p

Excluding exceptional items

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Net loss for the period attributable to equity holders of the parent	**(9,334)**	(4,765)
Adjustment to exclude exceptional costs	**770**	487
Loss from continuing operations for the purposes of basic earnings per share	**(8,564)**	(4,278)
Basic and fully diluted loss per share	**(0.4)p**	(0.2)p

There are no dilutive potential ordinary shares in issue.

9. Subsidiaries

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

10. Goodwill

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Cost		
Balance at the start of the period	**8,700**	8,700
At the end of the period	**8,700**	8,700
Impairment		
Balance at the start of the period	**126**	126
At the end of the period	**126**	126
Carrying amount at the end of the period	**8,574**	8,574

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

The recoverable amount of the CGU has been determined by "value-in-use" calculations. The calculations used pre-tax cash flow projections over the next five years based on current management forecasts to March 2021 and extrapolation for later periods.

The growth assumptions (30% volume increase on sales of single deck vehicles for the first year, plus re-entry into the UK double deck market) used in these forecasts are the same as those used in the forecasts referred to in the basis of preparation and are based on a combination of market trends and new product opportunities. Thereafter they reflect an assumption that sales volumes will increase by the introduction of new products for the UK and European markets in 2017/18 and 2018/19 and then flatten off until the introduction of further new products.

A risk adjustment is then made using a pre-tax discount rate of 5.4% to arrive at the value in use. The discount rate used is based on the weighted average cost of capital for both debt and equity of the Company as a starting point.

Sensitivity analyses have been performed which assume that sales for the remainder of 2016 to March 2021 are at a lower level than assumed in the base case forecast and that margin improvements may not happen.

The recoverable amount of the CGU taking into consideration the sensitivity analysis hence calculated provides enough headroom to justify the carrying amount at the end of the period.

11. Other intangible assets

	Vehicle related intangible assets £'000	Customer related intangible assets £'000	Total £'000
At 1 April 2014	10,019	608	10,627
Additions	1,000	—	1,000
Disposals	(239)	—	(239)
At 31 March 2015	10,780	608	11,388
Additions	665	—	665
Disposals	—	—	—
At 31 March 2016	**11,445**	**608**	**12,053**
Amortisation			
At 1 April 2014	1,924	379	2,303
Charge for the year	615	53	668
Disposals	(109)	—	(109)
At 31 March 2015	2,430	432	2,862
Charge for the year	870	36	906
Disposals	—	—	—
At 31 March 2016	**3,300**	**468**	**3,768**
Carrying amount			
At 31 March 2016	**8,145**	**140**	**8,285**
At 31 March 2015	8,350	176	8,526
At 1 April 2014	8,095	229	8,324

The vehicle related intangible assets include internally generated new product developments in the period, such as the Solo EVs, low carbon Euro 6 product line, and new product designs, such as the Metrocity and Metrocity EVs intended for the London market and the Metrodecker. Also included are vehicle designs included in the acquisition of Jamesstan Investments Ltd.

12. Property, plant and equipment

	Leasehold property improvements £'000	Production tooling £'000	Plant, machinery and motor vehicles* £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 April 2014	1,707	1,661	1,631	366	5,365
Additions	10	58	705	—	773
Disposals	(26)	(31)	(578)	(23)	(658)
At 31 March 2015	1,691	1,688	1,758	343	5,480
Additions	62	121	664	—	847
Disposals	(36)	—	(136)	—	(172)
At 31 March 2016	**1,717**	**1,809**	**2,286**	**343**	**6,155**
Depreciation and impairments					
At 1 April 2014	312	1,168	475	110	2,065
Charge for the period	188	304	378	2	872
Disposals	(27)	(31)	(574)	(23)	(655)
At 31 March 2015	473	1,441	279	89	2,282
Charge for the period	167	117	352	—	636
Disposals	(10)	—	(82)	—	(92)
At 31 March 2016	**630**	**1,558**	**549**	**89**	**2,826**
Net book value					
At 31 March 2016	**1,087**	**251**	**1,737**	**254**	**3,329**
At 31 March 2015	1,214	247	1,483	254	3,198
At 1 April 2014	1,395	493	1,156	256	3,300

* Customer demonstration vehicles that are intended to be used in this capacity for twelve months or more are capitalised at cost as part of our demonstration fleet. When no longer required as a sales aid they are transferred to inventory at net book value. Customer demonstration stock is £856,000 (2014/15: £567,000).

The net book value of assets held under finance leases and hire purchase agreements is £269,000 (2014/15: £263,000).

13. Inventories

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Raw materials and consumables	**2,222**	2,626
Work in progress	**1,626**	2,643
Finished goods	**2,981**	1,572
Total	**6,829**	6,841

Inventories include provisions for slow-moving and obsolescent stock, the movement of which during the period is detailed below:

	Stock provisions £'000
At 1 April 2015	1,366
Additional provision	317
Utilisation of provision	(62)
At 31 March 2016	**1,621**

14. Trade and other receivables

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Trade receivables	**2,382**	7,366
Allowance for estimated irrecoverable amounts	**(386)**	(335)
Net trade receivables	**1,996**	7,031
Other receivables and prepayments	**497**	408
Total	**2,493**	7,439

Trade receivables past due but not impaired at the period end totalled £349,000 (2014/15: £817,000). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group has recognised an allowance for doubtful debt of 100% for parts debtors over 360 days. Allowances against doubtful debts are recognised against trade receivables between 30 days and 360 days based on estimated recoverable amounts based on past experience. The Group's credit risk relates primarily to its trade receivables. The debtor days as at 31 March 2016 were 24 days (2014/15: 42 days).

Ageing of past due but not impaired receivables:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
30–180 days	**269**	477
180–365 days	**28**	340
Greater than one year	**52**	—
Total	**349**	817

Trade receivables include provisions for bad debt, the movement of which is detailed below:

	Bad debt provisions £'000
At 1 April 2015	335
Additional provision	99
Utilisation of provision	(48)
At 31 March 2016	**386**

15. Trade and other payables

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Trade payables	**5,499**	8,499
Social security and other taxes	**448**	1,094
Accruals and deferred income	**2,716**	4,354
	8,663	13,947

Creditor days as at 31 March 2016 were 60 days (2014/15: 70 days). The Directors consider that the carrying amount of trade payables approximates to their fair value. Of the trade payables outstanding at the period end, £290,000 (2014/15: £(40,000)) was denominated in foreign currencies, principally in Euros and Indian Rupees.

16. Provisions

	Warranty provision £'000	Building provisions £'000	Other provisions £'000	Total provisions £'000
At 1 April 2015	4,593	198	134	4,925
Additional provision	1,109	—	—	1,109
Utilisation of provision	(2,308)	(198)	(134)	(2,640)
At 31 March 2016	**3,394**	**—**	**—**	**3,394**
Under one year provision	752	—	—	752
Over one year provision	2,642	—	—	2,642
At 31 March 2016	**3,394**	**—**	**—**	**3,394**

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

The other provisions related to the costs of a leased premise that expired in 2015.

17. Obligations under finance leases

	Minimum lease payments year ended 31 March 2016 £'000	**Present value of lease payments year ended 31 March 2016 £'000**	Minimum lease payments year ended 31 March 2015 £'000	Present value of lease payments year ended 31 March 2015 £'000
Amounts payable under finance leases:				
– within one year	**64**	**75**	72	82
– within two to five years	**82**	**66**	98	90
	146	**141**	170	172

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

The average rate of interest charged on the finance leases outstanding was 12.6% in the period (2014/15: 12.4%).

18. Deferred tax

At the reporting date, the Group had unused tax losses of £64,806,597 (2014/15: £57,078,677) available for offset against future profits. A deferred tax asset of £12,961,319 at a tax rate of 20% (2014/15: £11,986,522 at 21%) has not been recognised in respect of these losses on a conservative basis.

19. Share capital

	Ordinary shares of 1p each Number	Ordinary shares of 0.1p each Number	Deferred shares of 0.9p each Number	£
At 1 April 2015	—	2,235,291,827	752,145,493	9,004,601
Shares issued	—	—	—	—
At 31 March 2016	**—**	**2,235,291,827**	**752,145,493**	**9,004,601**

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

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

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

- they will not entitle holders to receive any dividend or other distribution or to receive notice of or speak or vote at general meetings of the Company;
- on a return of assets on a winding up, they will only entitle the holder to the amounts paid up on such shares after the repayment of £10m per new ordinary share;
- they will not be freely transferable;
- the creation and issue of further shares which rank equally or in priority to the deferred shares or the passing of a resolution of the Company to cancel the deferred shares or to effect a reduction of capital shall not constitute a modification or abrogation of their rights; and
- the Company shall have the right at any time to purchase all of the deferred shares in issue for an aggregate consideration of £1.00.

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

20. Retirement benefits

Defined contribution plans

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

The total cost charged to income of £543,000 (2014/15: £483,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2016, contributions of £nil (2014/15: £34,000) due in respect of the current reporting period had not been paid over to the schemes.

21. Share-based payments

Equity-settled share option plan

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

	2016		2015	
	Options '000	**Weighted average exercise price (pence)**	Options '000	Weighted average exercise price (pence)
Outstanding at the beginning of the period	**500**	**2.58**	2,000	1.84
Granted during the period	**—**	**—**	—	—
Forfeited during the period	**—**	**—**	(1,500)	1.60
Outstanding at the end of the period	**500**	**2.58**	500	2.58
Exercisable at the end of the period	**500**	**2.58**	500	—

21. Share-based payments continued

Equity-settled share option plan continued

No options were exercised during the period. The options outstanding at 31 March 2016 had an exercise price between 1.0p and 4.15p (2014/15: between 1.0p and 4.15p) and a weighted average remaining contractual life of 3.3 years (2014/15: 4.3 years).

On 25 June 2012 128,739,439 warrants were issued to Ashok Leyland Ltd and its associated companies Ashley Holdings Ltd and Ashley Investments Ltd. On 10 August 2013 a number of these warrants lapsed. These warrants give Ashok Leyland Ltd and its associated companies the right to subscribe for additional shares to maintain their 75.1% shareholding in the event that any non-Ashok Leyland Ltd warrants or share options are exercised. At 31 March 2016 23,105,831 warrants were outstanding.

In 2015/16 fair value warrants were issued to Ashok Leyland Ltd companies of £nil (2014/15: £nil).

22. Operating lease arrangements

The Group as a lessee

Commitments under non-cancellable leases for:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Buildings	**8,040**	8,888
Other	**170**	178
	8,210	9,066

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Amounts due within one year	**851**	639
Amounts due between one and five years	**2,898**	1,933
Amounts due after more than five years	**4,461**	6,494
	8,210	9,066

23. Post-period end events

The Company has reached an advance stage of discussions with Barclays Bank PLC to increase its bank overdraft limit by £3.0m and extend its current bank overdraft and term loan facilities. The Company is very confident of completing the process before the respective maturity dates.

24. Related party transactions

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

Ashok Leyland Ltd had loan agreements in place at the period end with an outstanding amount of £20,214,133 including accrued interest. The loans are interest bearing at between 4% and 8% above the Bank of England base rate. The loans are unsecured and £9,989,133 is repayable within one year and £10,225,000 is repayable within four years.

The major shareholder, Ashok Leyland Ltd, is providing key employee resource to support the business. The charge was £nil in this year's results (2014/15: £108,000). The cost of this expense that remained outstanding at the period end was £nil (2014/15: £303,000).

During the year, there were no sales of development vehicles by the Company to Ashok Leyland Ltd (2014/15: one development vehicle for £221,000).

25. Financial instruments

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Current financial liabilities		
Bank overdrafts	**4,991**	5,001
Bank loans	**15,000**	—
Short-term loans	**9,989**	3,999
	29,980	9,000
Non-current financial liabilities		
Bank loans	**—**	15,000
Short-term loans	**10,225**	5,100
	10,225	20,100
Total	**40,205**	29,100
Analysis of borrowings by currency		
Euro – cash balance	**(127)**	(126)
US Dollar – cash balance	**(6)**	(6)
US Dollar – loans	**1,489**	1,511
Sterling – overdraft	**454**	6,438
Sterling – loans	**38,396**	22,795
Swiss Franc – cash balance	**(1)**	(1)
	40,205	29,100

The Company had short-term loans in place at 31 March 2016 with Ashok Leyland Ltd.

- The fair value of borrowings is not significantly different to carrying value. The bank loans borrowings are at a floating rate of 2.6% over the GBP three-month London Interbank Offered Rate ("Libor"). The bank overdrafts are at a floating rate of 2.35% over the Bank of England base rate. The rates of short-term loans from the parent company are in the range of 3.5% over Libor and 8% over the Bank of England base rate.

Financial instruments – risk management

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

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

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

Liquidity risk

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

25. Financial instruments continued

Financial instruments – risk management continued

Interest rate risk

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

Although the Board accepts that this policy neither protects the Company entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks. A one percentage point change in interest rates would result in a change in retained profit of approximately £0.4m.

Foreign currency risk

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

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

Credit risk

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

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

Capital

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

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

At 31 March 2016 the Group had net liabilities of £22.9m, compared to net liabilities of £13.6m at 31 March 2015. The net debt of the Group was £40.2m at 31 March 2016 compared to £29.1m at 31 March 2015.

Gearing ratio at the year end is as follows:

	2016 £'m	2015 £'m
Debt	**40.2**	29.1
Cash and cash equivalents	**—**	—
Net debt	**40.2**	29.1
Capital	**17.3**	15.5
Net debt to capital ratio	**232%**	188%

Sensitivity analysis

Whilst Optare plc takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates may have an impact on profit and cash flow. Optare plc's foreign exchange risk is dependent on the movement in the Euro, US Dollar and Swiss Franc to Sterling exchange rates. Any significant foreign currency denominated assets or liabilities at the period end are translated using exchange rates applicable at the time with any exchange rate difference being realised in the income statement. It is estimated that a one percentage point increase/decrease in interest rates would increase/decrease losses and increase/decrease equity by approximately £0.4m.

26. Parent company and ultimate controlling party

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

Company balance sheet

At 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Fixed assets			
Investments	27	**74,017**	69,249
		74,017	69,249
Current assets			
Debtors due within one year	29	**466**	379
		466	379
Creditors: amounts falling due within one year	31	**(38,976)**	(29,212)
Net current liabilities		**(38,510)**	(28,833)
Non-current liabilities			
Creditors: amounts falling due after one year	31	**(10,225)**	(15,000)
		(10,225)	(15,000)
Net assets		**25,282**	25,416
Capital and reserves			
Share capital	32	**9,005**	9,005
Capital reserves	33	**36,832**	36,832
Share-based payment reserve	34	**42**	42
Retained loss	35	**(20,597)**	(20,463)
Total equity		**25,282**	25,416

The Company's loss after tax for the period was £133,583 (2014/15: profit £230,896).

The financial statements on pages 45 to 49 were approved by the Board of Directors and authorised for issue on 21 June 2016 and are signed on its behalf by:

John Fickling
Non-executive Chairman
21 June 2016

Summary of significant accounting policies

In respect of the Company financial statements

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. In the transition to FRS 101 from old UK GAAP, the Company has made no measurement and recognition adjustments. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-Based Payments in respect of Group settled share-based payments;
- certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Taxation

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

Investments

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

Notes to the Company financial statements

For the year ended 31 March 2016

27. Investments

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

	Share in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
At 1 April 2015	39,923	45,455	85,378
Addition	—	4,768	4,768
At 31 March 2016	**39,923**	**50,223**	**90,146**
Impairment			
At 1 April 2015	16,129	—	16,129
Charge for the period	—	—	—
At 31 March 2016	**16,129**	**—**	**16,129**
Carrying amount			
At 1 April 2015	23,794	45,455	69,249
At 31 March 2016	**23,794**	**50,223**	**74,017**

Details of the Company's subsidiaries at 31 March 2016 are shown in note 9.

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

28. Fixed assets

	Fixtures and fittings £'000
Cost	
At 1 April 2015	16
Additions	—
At 31 March 2016	**16**
Depreciation	
At 1 April 2015	16
Charged during period	—
At 31 March 2016	**16**
Net book value at 31 March 2016	**—**
Net book value at 31 March 2015	—

29. Debtors due within one year

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Prepayments	**466**	379
Other debtors	**—**	—
Amounts due from subsidiary undertakings	**—**	—
Total	**466**	379

30. Operating lease arrangements

Commitments under non-cancellable leases for:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Buildings – expiring after five years	**7,562**	7,936

31. Creditors

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Creditors: amounts falling due within one year:		
Overdraft	**454**	6,438
Bank loans	**15,000**	—
Loans from parent undertaking	**9,989**	9,099
Trade creditors	**89**	142
Amounts payable to subsidiary undertakings	**13,307**	13,307
Social security and other taxes	**(77)**	86
Accruals and deferred income	**214**	140
	38,976	29,212
Creditors: amounts falling due after one year:		
Loans from parent undertaking	**10,225**	—
Bank loans	**—**	15,000
	10,225	15,000

32. Share capital

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

33. Capital reserves

	Share premium £'000	Merger reserve £'000	Total £'000
At 1 April 2015	32,396	4,436	36,832
Issue of ordinary share capital (net of expenses)	—	—	—
At 31 March 2016	**32,396**	**4,436**	**36,832**

34. Share-based payment reserve

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
At the start of the period	**42**	42
Charge for the period	**—**	—
Forfeited during the period	**—**	—
At the end of the period	**42**	42

35. Retained loss

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
At the start of the period	**(20,463)**	(20,694)
Net loss for the period	**(134)**	231
Share-based payment/forfeited during the period	**—**	—
Balance at the end of the period	**(20,597)**	(20,463)

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

Notice of Annual General Meeting
Optare plc (the "Company")
(Incorporated and registered in England and Wales
with registered number 06481690)

Directors:
John Matthew Fickling (Non-executive Chairman)
Steven Norris (Non-executive Director)
Venkataraman Thyagarajan (Non-executive Director)
Gopal Mahadevan (Non-executive Director)
Venkatesan Venkataraman (Non-executive Director)
Anuj Kathuria (Non-executive Director)

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

17 August 2016

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

Dear shareholder

2016 Annual General Meeting of Optare plc (the "Company")

1. Introduction

I am pleased to be writing to you with details of the Company's 2016 annual general meeting ("Annual General Meeting"/"AGM"), which we are holding at the Company's registered office, Unit 3, Hurricane Way South, Sherburn in Elmet, North Yorkshire LS25 6PT on 27 September 2016 at 10.30am. The formal notice of the Annual General Meeting is set out in the accompanying document.

2. Business to be transacted at the AGM

Details of the resolutions that are to be proposed at the AGM are set out below.

Ordinary resolution 1 – Reports and accounts

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

Ordinary resolution 2 – Re-appointment and remuneration of auditor

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

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

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

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

This power, if granted, will last until the end of the AGM to be held in 2017 or, if earlier, 17 September 2017.

2016 Annual General Meeting of Optare plc (the "Company") continued

3. Action to be taken

You are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM on your behalf. You will find enclosed with this document a Form of Proxy for use in connection with the AGM. Whether or not you propose to attend the AGM in person, you are requested to complete and return the Form of Proxy to the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU, as soon as possible and, in any event, so as to be received no later than 10.30am on 23 September 2016. Completion and return of a Form of Proxy will not stop you from attending the AGM and voting in person should you so wish.

Please note that if you do not give your proxy an indication of how to vote on any resolution, your proxy may 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.

4. Recommendation

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

Yours faithfully

John Fickling
Non-executive Chairman
17 August 2016

By order of the Board

Notice of annual general meeting

Optare plc

Notice is given that the Annual General Meeting of the Company will be held at the Company's registered office, Unit 3, Hurricane Way South, Sherburn in Elmet, Leeds, North Yorkshire LS25 6PT, on 27 September 2016 at 10.30am for the following purposes:

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

1. To receive the annual accounts for the year ended 31 March 2016 together with the reports of the Directors and auditor thereon.
2. To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to determine its remuneration.

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

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

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

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

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

By order of the Board

Abhijit Mukhopadhyay
Company Secretary

Registered office:
Unit 3
Hurricane Way South
Sherburn in Elmet
Leeds
North Yorkshire
LS25 6PT
17 August 2016

Notes

1. The Company specifies that only those holders of ordinary shares of 0.1p each in the capital of the Company registered in the Company's register of members at:

   1.1 close of business on 23 September 2016; or

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

2. Members may appoint a proxy or proxies:

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

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

3. A Form of Proxy which may be used to make such an appointment and give proxy instructions accompanies this Notice of Meeting. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Capita Asset Services on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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

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

   5.1 completed and signed;

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

   5.3 received by Capita Asset Services no later than 10.30am on 23 September 2016 or two working days prior to any adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, one working day before the time appointed for the taking of the poll.

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

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

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

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited ("EUI")'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30am on 23 September 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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

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

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

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

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

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

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

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

    16.2 during the meeting.

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

Form of proxy

Optare plc

I/We .....

of .....

being (a) member(s) of the Company, appoint the Chairman of the meeting or

.....

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10.30am on 27 September 2016 and at any adjournment of it.

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

Resolutions	For	Against	Withheld
Ordinary resolutions			
1. To receive the annual accounts for the year ended 31 March 2016 together with the reports of the Directors and auditor thereon.			
2. To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to determine its remuneration.			
Special resolution			
3. To authorise the Directors to allot shares and disapply statutory pre-emption rights.			

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

Number of shares proxy appointed over: ☐

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

Notes

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see page 55). If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Form of Proxy has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The "Vote Withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
4. Entitlement to attend and vote at the meeting and the number of votes which may be cast at the meeting will be determined by reference to the register of members of the Company at close of business on 23 September 2016. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
6. The Form of Proxy must arrive at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU during usual business hours accompanied by any power of attorney under which it is executed (if applicable) no later than 10.30am on 23 September 2016.
7. If you prefer, you may return this Form of Proxy to the registrar in an envelope addressed to FREEPOST, CAPITA, PXS no later than 48 hours (excluding non-working days) before the appointed time of the meeting. A postage stamp will not be required when mailing from the UK. Please note that the freepost address must be completed in block capitals and that delivery using this service can take up to five business days. Alternatively the Form of Proxy can be posted to the following address but a stamp will be required: Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
8. Please indicate with a cross in the appropriate box how you wish the proxy to vote. In the absence of any indication, the proxy will exercise his/her discretion as to whether and how he/she votes.

Advisers

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

Company secretary
Abhijit Mukhopadhyay

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

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

Auditor
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

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

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

Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

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