

Company Registration No 06339159

Optare UK Limited

Directors' report and financial statements
for the period ended

31 March 2012

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Directors' report

The directors present their directors' report and financial statements for the period ended 31 March 2012

Principal activities

The company's principal activities are the manufacture and supply of passenger vehicles, the importation and distribution of coaches, the export distribution of kits and the supply of service support including spare parts and repair facilities for these vehicles

Business review

The Blackburn facility was finally closed in May 2012, the results reflect closure and transition costs in relation to this decision to move all manufacturing to one single site in Sherburn in Elmet

The operating loss of £5.2 million reflects the extremely challenges associated with the business in 2011/12. The results have been impacted by an exceptional item charge of £1.4 million, these costs relate to the phasing out of the existing double decker product that was produced at Blackburn, Blackburn asset and stock impairment, redundancy and restructuring costs in the year. Further details are given in the Optare plc annual report for 2012 available from Companies House or from www.optare.com. The results of the company are set out in the profit and loss account on page 5.

Research and Development

The company does not carry out research, all efforts being focussed 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.

Future Developments

The business successfully secured a large contract to provide CKD kits into South Africa.

Principal risks and uncertainties

The principal risks and uncertainties that affect the company are disclosed in the Optare plc annual report 2012.

Financial Instruments

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

- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Credit risk

Policy for managing these risks is set by the Directors. The policy for each of the above risks is described in more detail in the "Consolidated Financial Statements Summary of Significant Accounting Policies" in Optare Plc accounts.

Proposed dividend

The directors do not recommend the payment of a dividend.

Political and Charitable Contributions

The company made no charitable or political contributions during the period.

Directors' report (*continued*)

Disabled Persons

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

Employee Involvement

The Company encourages the involvement of its employees through regular dissemination of information of particular concerns to employees

Directors Indemnity

Every Director shall be indemnified by the company out of its own funds

Policy on Payment of Creditors

It is Company 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 2012 were 78 days (2010 80 days)

Directors and their interests

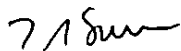
The directors are not required to resign by rotation. The directors who held office during the financial period and the changes during and following the period end were as noted below

MJ Dunn (resigned 10th May 2011)
J M Fickling
J Sumner
G C Saint
A L McLaren (appointed 17th March 2011, resigned 28th June 2012)
P B Phillips (appointed 6th June 2011, resigned 30th June 2012)

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 the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

On behalf of the board



J Sumner
Director

30 August 2012

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Optare UK Limited

We have audited the financial statements on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 Directors' Report for the financial period 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Baker Tilly UK Audit LLP

Andrew Allchin (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

30 August 2012

Profit and loss account
for the period ended 31 March 2012

		Period ended 31 March			
	Note	Before Exceptional Items	Exceptional Items 2012	Total 2012	Year ended 31 December 2010
		£	Note 8 £	£	£
Turnover	2	9,426,747	-	9,426,747	6,202,902
Cost of sales		(10,000,848)	(1,049,000)	(11,049,848)	(7,327,789)
Gross loss		(574,101)	(1,049,000)	(1,623,101)	(1,124,887)
Administrative expenses		(3,152,025)	(395,813)	(3,547,838)	(3,471,971)
Operating loss		(3,726,126)	(1,444,813)	(5,170,939)	(4,596,858)
Interest receivable	6	-	-	-	1,538
Interest payable	7	(249,383)	-	(249,383)	(61,061)
Loss on ordinary activities before taxation	3	(3,975,509)	(1,444,813)	(5,420,322)	(4,656,381)
Taxation on loss on ordinary activities	9	-	-	-	-
Loss for the period	18	(3,975,509)	(1,444,813)	(5,420,322)	(4,656,381)

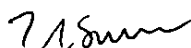
The loss for the period arises from the company's continuing operations, no separate statement of Total Recognised Gains and Loss has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

Registered number 06339159

Balance sheet
at 31 March 2012

	<i>Note</i>	31 March 2012 £	31 December 2010 £
Fixed assets			
Intangible assets	<i>11</i>	1,862,522	1,976,283
Tangible assets	<i>12</i>	2,266	701,171
Investments	<i>10</i>	2	2
		<u>1,864,790</u>	<u>2,677,456</u>
Current assets			
Stocks	<i>13</i>	220,196	693,291
Debtors	<i>14</i>	2,461,437	545,639
Cash at bank and in hand		-	-
		<u>2,681,633</u>	<u>1,238,930</u>
Creditors: amounts falling due within one year	<i>15</i>	(14,537,255)	(8,467,948)
Net current liabilities		<u>(11,855,622)</u>	<u>(7,229,018)</u>
Total assets less current liabilities		<u>(9,990,832)</u>	<u>(4,551,562)</u>
Creditors: amounts due after one year	<i>24</i>	(9,432)	(23,581)
Provisions for liabilities	<i>16</i>	(169,239)	(174,038)
Net liabilities		<u>(10,169,503)</u>	<u>(4,749,181)</u>
Capital and reserves			
Called up share capital	<i>17</i>	4,929,314	4,929,314
Share premium account	<i>18</i>	1,105,783	1,105,783
Capital Reserve	<i>18</i>	11,200,000	11,200,000
Profit and loss account	<i>18</i>	(27,404,600)	(21,984,278)
Equity shareholder's deficit	<i>19</i>	<u>(10,169,503)</u>	<u>(4,749,181)</u>

These financial statements were approved by the board of directors on 30 August 2012 and were signed on its behalf by



J Sumner
Director

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The company is dependent for its working capital on funds provided to it by Optare plc, the company's parent undertaking. Optare plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular Optare plc and other company subsidiaries will not seek repayment of the amounts currently made available

The going concern disclosure included in Optare plc's financial statements is repeated below

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The Group's banking facilities of £12.0m were renegotiated in December 2011, are guaranteed by Ashok Leyland Limited, are annually renewable, and fall due for renewal in January 2013. The directors are confident that the bank facilities will be renewed. There are no fixed or floating charges on the assets of the Company following the full repayment of facilities provided by the Company's previous bankers. The Group also has a £3.2m short term loan facility from Ashok as at 31st March 2012, which whilst it has a duration of up to two years, is technically repayable on 30 days notice if requested by the lender. The Group is additionally in advanced discussions with a second bank to provide additional loan finance of £1.8m and expect this facility to be in place in shortly

The Group has prepared trading forecasts through to March 2015 which include detailed cash flow calculations. The forecasts are based on detailed assumptions as to sales performance, variable and fixed costs. The forecasts reflect the move to a single site, the strength of the current order book and prospects, together with the continued emphasis on launching new products from within its development portfolio. This includes an increased level of exports, both fully built and CKD, and continued sales of Green Bus vehicles – both electric vehicles and hybrids

The forecast assumes a gradual increase in the level of savings in material costs over the forecast period, achieved both through the Company's own efforts and through joint initiatives with Ashok. Improvement in labour productivity is factored in, recognising what has been achieved so far in 2012 and from further efficiency gains from the new modern assembly plant as well as redesigns of the buses for easier manufacturing. Tax losses at current corporation tax rates equivalent to approximately £9.3m will be useable when the Group achieves profitability, so no tax charge is foreseen within the forecast period

There is inherent uncertainty in any forecast. In assessing such forecasts the Directors have considered the impact of such uncertainties, including the risks involved in managing increases in output volumes in a new plant, the financial strength of customers, any lack of visibility regarding sales beyond the current order book, the ability of suppliers to meet demand, the achievability of material and labour savings and the possibility that the external economic environment might worsen. The Directors feel that a reasonably conservative approach has been taken in the forecast

Against these uncertainties, there are upside opportunities which are not reflected in the forecast but which would offset or mitigate the impact of downside risks which might occur. These include achieving the internally targeted higher level of a) material savings than included in the forecast, arising from joint initiatives with Ashok, and b) productivity savings. Further sales opportunities exist in Europe, Southern Africa, the Middle East and Asia in excess of the forecast volumes, both as a standalone business and in conjunction with Ashok

The Directors are confident that the assumptions underlying their forecast are reasonable and that the Group will be able to operate within its current funding limits and those currently being arranged with support from Ashok. Ashok have confirmed that they will defer £1.8 million of loan repayment for a period of three months from the date of approval of the financial statements to provide additional headroom

Notes to the financial statements

The Directors are confident that the assumptions underlying their forecasts are reasonable and that the Group will be able to operate within its overdraft limit. The Board believes that it is appropriate to prepare the financial statements on the going concern basis and that the uncertainties referred to above, when considered together with the upside opportunities, do not represent a material uncertainty. The financial statements do not include any adjustment to the value of the balance sheet assets or provisions for further liabilities, which would result should the going concern concept not be valid.

Consolidation

Consolidated financial statements have not been prepared as the subsidiary undertaking is immaterial.

Related Party Transactions

As the Company is a wholly owned subsidiary of Optare plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Optare plc within which this Company is included, can be obtained from Companies House.

Cashflow Statement

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement, on the grounds that its ultimate parent undertaking, Optare plc (the "Group") includes the company in its own published consolidated financial statements.

Turnover

The Company revenue arises from the sale of vehicles and parts and the provision of repairs and is stated at the invoiced amount net of VAT. Revenue is recognised upon the transfer of all risks and rewards in relation to the Group's products. For the sale of vehicles revenue is recognised on completion, for parts on despatch of the goods and for repairs it is recognised on completion of the relevant repair.

Tangible fixed asset

Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Production tooling	-	33% per annum straight line
Plant, equipment and motor vehicles	-	25% per annum straight line
Fixtures and fittings	-	10% per annum straight line

The company's policy is to carry all assets at historical cost.

Notes to the financial statements

Research and development expenditure

Research expenditure is expensed in the period in which it is incurred

An internally-generated intangible asset arising from the Company's business 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, and
- The development cost of the asset can be measured reliably

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 on a straight line basis over their useful lives

Leasing and hire purchase contracts

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, including labour and an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year 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.

Foreign currency

Assets and liabilities in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date, with exchange differences being dealt with in the profit and loss account.

Notes to the financial statements

Capital Contributions

Funds made available to the Company by its parent in the form of a non-returnable gift are deemed to be a capital contribution received. The Company has no obligation to transfer economic benefits and the funds are taken direct to shareholders' funds. Funds received in cash, cash equivalents or loan waivers are considered realised and taken to profit and loss reserves. Funds received in unrealised form are taken to Other Reserves until realised.

Provisions

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

Notes to the financial statements

2 Analysis of turnover by geographical market

	Period ended 31 March 2012 £	Year ended 31 December 2010 £
United Kingdom	8,327,186	6,173,718
Other European	1,381	-
Africa	1,098,180	29,184
	<u>9,426,747</u>	<u>6,202,902</u>

3 Loss on ordinary activities before taxation

	Period ended 31 March 2012 £	Year ended 31 December 2010 £
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>		
Impairment of owned assets	150,000	-
Depreciation of owned assets	205,158	264,932
Depreciation of assets held under hire purchases and finance leases	17,100	13,680
Operating lease rentals – plant and machinery	42,676	65,382
- other	224,506	165,000
Foreign exchange difference	(44,732)	19,802
	<u></u>	<u></u>

Auditor's remuneration is borne by the parent company Optare plc

4 Remuneration of directors

	Period ended 31 March 2012 £	Year ended 31 December 2010 £
Directors' emoluments	127,906	102,072
Company contributions to money purchase scheme	10,308	8,581
	<u>138,214</u>	<u>110,653</u>

	Number of directors
Period ended 31 March 2012	Year ended 31 December 2010

Retirement benefits are accruing to the following number of directors under

Money purchase schemes	<u>1</u>	<u>1</u>
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5 Staff numbers and costs

The average number of employees during the period was as follows

	Number of employees	
	Period ended 31	Year ended 31
	March 2012	December 2010
	No	No
Administration	57	73
Production	80	105
	<u>137</u>	<u>178</u>

The aggregate payroll costs of these persons were as follows

	Period ended 31	Year ended 31
	March 2012	December 2010
	£	£
Wages and salaries	4,427,758	4,455,980
Social security costs	433,794	522,544
Other pension costs	83,530	71,787
	<u>4,945,082</u>	<u>5,050,311</u>

6 Interest receivable

	Period ended 31	Year ended 31
	March 2012	December 2010
	£	£
Other interest	-	1,538
	<u>-</u>	<u>1,538</u>

7 Interest payable and similar charges

	Period ended 31	Year ended 31
	March 2012	December 2010
	£	£
Interest on bank overdrafts and loans	249,383	61,061
	<u>249,383</u>	<u>61,061</u>

Notes to the financial statements

8 Exceptional Items

Exceptional items are costs that are not expected to recur in the normal course of business, material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view

	Period ended 31 March 2012	Year ended 31 December 2010
Cost of Sales		
Double Decker Design phased out	443,000	-
Redundancy Costs	606,000	-
Administrative expenses		
Blackburn assets write down	150,000	-
Blackburn site closure costs	49,000	
Redundancy Costs	196,813	1,139,504
	<u>1,444,813</u>	<u>1,139,504</u>

Redundancy costs of £606,000 and £196,813 relate to the closure of Blackburn manufacturing sites and Blackburn office staff

In the period, the double decker product produced at Blackburn has been phased out. Obsolete components stocks of this model that will not be used in the new Integrated Double Decker have been scrapped or provided for amounting to £443,000

Following the decision to close the Blackburn site a £150,000 impairment has been established for the write down of the remaining fixed assets, and a further £49,000 has been incurred for the costs of managing the site closure

Notes to the financial statements

9 Taxation

Factors affecting the tax charge for the current year

The current tax charge for the year is different to that calculated by applying the standard rate of corporation tax in the UK. The differences are explained below

	Period ended 31 March 2012 £	Year ended 31 December 2010 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,420,322)	(4,656,382)
	Period ended 31 March 2012 £	Year ended 31 December 2010 £
Current tax at 26% (2010 28%)	(1,409,284)	(1,303,787)
<i>Effects of</i>		
Expenses not deductible for tax purposes		-
Losses not utilised	1,409,284	1,303,787
Total current tax charge	-	-

10 Investments and Subsidiaries

<i>Name of subsidiary</i>	<i>Place of incorporation & operation</i>	<i>Proportion of ownership interest</i>	<i>Proportion of voting power held</i>	<i>Principal</i>
Darwen LPD Ltd	UK	100%	100%	Dormant
Chalgrove Ltd	UK	100%	100%	Dormant
East Lancashire Busbuilders Ltd	UK	100%	100%	Dormant

The investment in Darwen LPD Ltd is held at the nominal share value of £2

Notes to the financial statements

11 Intangible Fixed Assets	Capitalised Development Cost £
<i>Cost</i>	
At 1 January 2011	1,976,283
Additions in the period	89,953
Disposals in the period	(203,714)
At 31 March 2012	1,862,522
<i>Amount written off</i>	
Charge for the period	-
At 31 March 2012	-
<i>Net book value</i>	
At 31 March 2012	1,862,522
At 31 December 2010	1,976,283

No amortisation has been charged to date as the asset has not yet been brought into use

Notes to the financial statements

12 Tangible Fixed Asset

	Production tooling £	Plant equipment and motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2011	251,345	1,022,179	63,451	1,336,975
Additions	2,375	1,855	-	4,230
Disposals	-	(356,277)	-	(356,277)
At 31 March 2012	253,720	667,757	63,451	984,928
<i>Depreciation</i>				
At 1 January 2011	137,672	478,444	19,688	635,804
Charge for period	88,501	125,812	7,945	222,258
Disposals	-	(25,400)	-	(25,400)
Impairment Losses	27,547	86,635	35,818	150,000
At 31 March 2012	253,720	665,491	63,451	982,662
<i>Net book value</i>				
At 31 March 2012	-	2,266	-	2,266
<i>Net book value</i>				
At 31 December 2010	113,673	543,735	43,763	701,171

The net book value of assets held under finance leases and hire purchase agreements is £2,266 (2010 £35,127)
Depreciation charged on assets held under finance leases was £17,100 (2010 £13,680)

Notes to the financial statements

13 Stocks

	2012 £	2010 £
Raw materials and consumables	95,768	442,078
Work in progress	124,428	251,213
	<u>220,196</u>	<u>693,291</u>

14 Debtors

	2012 £	2010 £
Trade debtors	1,357,589	158,827
Due from fellow subsidiary companies	904,103	188,653
Prepayments and accrued income	199,745	198,159
	<u>2,461,437</u>	<u>545,639</u>

15 Creditors: amounts falling due within one year

	2012 £	2010 £
Bank overdraft	74,064	5,706,144
Trade creditors	307,910	763,713
Amount due to holding company	12,989,165	394,891
Amount due to fellow subsidiaries	-	452,629
Other taxes and social security	129,961	407,950
Accruals and deferred income	1,024,837	731,305
Obligations under hire purchase contracts and finance leases	11,318	11,316
	<u>14,537,255</u>	<u>8,467,948</u>

Notes to the financial statements

16 Provisions

	Onerous Contracts £	Warranty Provision £	Total £
At 1 January 2011	24,000	150,038	174,038
Additional provisions		284,642	284,642
Utilisation of provision	(24,000)	(265,441)	(289,441)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2012	<u> </u> -	<u> </u> 169,239	<u> </u> 169,239

Onerous contract costs relate to significant contracts and related penalty payments

The warranty provision represents managements best estimate of the company's liability under warranties granted on vehicles based on past experience

17 Called up share capital

	2012 £	2010 £
<i>Allotted, called up and fully paid</i>		
49,293,145 Ordinary shares of 10p each	4,929,314	4,929,314
	<u> </u>	<u> </u>

18 Reserves

	Capital Reserve £	Share premium account £	Profit and loss account £
At 1 January 2011	11,200,000	1,105,783	(21,984,278)
Loss for financial period	-	-	(5,420,322)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2012	<u> </u> 11,200,000	<u> </u> 1,105,783	<u> </u> (27,404,600)

Notes to the financial statements

19 Reconciliation of movements in equity shareholder's deficit

	2012 £	2010 £
At 1 January 2011	(4,749,181)	(92,800)
Loss for the financial period	(5,420,322)	(4,656,381)
	<u> </u>	<u> </u>
At 31 March 2012	(10,169,503)	(4,749,181)
	<u> </u>	<u> </u>

20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Plant and Machinery 2012 £	Land and Buildings 2012 £	Total 2012 £	Land and Buildings 2010 £
Operating leases which expire				
Within one year	37,185	118,908	156,093	165,000
In the second to fifth year inclusive	23,800	-	23,800	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	60,985	118,908	179,893	165,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £83,530 (2010 £71,787). No pension contributions were either prepaid or outstanding at the year end.

22 Deferred Tax

At the report date, the company has unused tax losses of £25,879,287 (2010 £20,458,965) available for offset against future profits. A deferred tax asset of £6,211,028 at a tax rate of 24% (2010 £5,523,920 at 27%) has not been recognised in respect of these losses due to the unpredictability of future revenue streams.

23 Ultimate parent company

At the balance sheet date the Company's immediate holding company was Optare plc a company incorporated in England and Wales. The results of the company are consolidated in the group accounts prepared by Optare plc. The consolidated accounts of Optare plc are available from the Company Secretary, Unit 3, Hurricane Way South, Sherburn In Elmet, Leeds, North Yorkshire, LS25 6PT, or from www.optare.com.

The Directors consider Ashok Leyland Limited to be Optare plc's parent undertaking and Amas Holding SA a company incorporated in Luxembourg to be the Group's ultimate controlling party.

Notes to the financial statements

24 Creditors: Vehicle Finance

	31 March 2012	31 December 2010
	£	£
Amounts due within 1 year	11,318	23,581
Amounts due between 2 and 5 years	9,432	-
	<u>20,750</u>	<u>23,581</u>

25 Post Balance Sheet Events

The Blackburn site has now closed for manufacturing and the site is presently been cleared of stock to hand back to the Landlord in November 2012