Optare UK Limited

Annual report and financial statements

Registered number 06339159

31 March 2017



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Strategic report

Principal activities

The principal activity of the Company continues to be the development of double deck passenger vehicles to complement the wider Optare Group vehicle offering.

Business model and mission statement

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

We aim to build on the history of innovation associated with the Optare brand and develop our presence in the UK double deck vehicle market. A key aspect of this will be minimising the impact on the environment through the development of a low-carbon double deck bus with enhanced diesel technology and full electric drivelines, which are available across the remainder of the Optare product range.

Business review and results

Optare UK Limited's turnover remained at £0.0m the same as 2016. Loss after tax was £0.4m; this can be attributed to a combination of factors, which include;

- no sales of the Metrodecker and
- the continuing development of the Metrodecker and the amortisation of historical research and development costs.

The Company's strategy is consistent with its parent (Optare PLC) and is outlined below:

- increasing volume in the UK through sales of the Metrodecker,
- 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.

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

Further information on the prospects for the Group can be found in the "Chairman's statement" and "President's statement" of the Optare plc Annual Report. The Optare plc 2017 annual report and accounts can be downloaded from www.optare.com or obtained from Companies House.

Principal risks and uncertainties

We have a robust management system in place to monitor and assess Optare UK Limited's risks, which are consistent with the risks of the wider Optare Group.

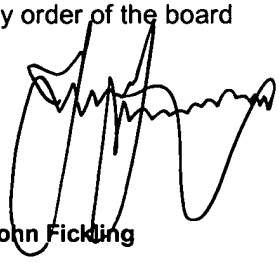
The key risks that might affect the financial performance of the Company are:

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 company operates in a market where there are a number of competitors whose actions may affect the level of turnover of the company. Market demand, whilst underpinned by strong long-term drivers, may fluctuate over the short to medium term.

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 company 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.
Impact of the UK leaving the EU (Brexit)	Brexit alone presents both challenges and opportunities with regards to legislation, supply chain, UK market and export market. The group continues to monitor and act accordingly to mitigate risks and capitalise on opportunities as they arise.

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

By order of the board



John Fickling

Director

27th July 2017

Director's report

The Director submits their report and the financial statements of Optare UK Limited for the year ended 31 March 2017.

Principal activities

The principal activity of the Company continues to be the development and manufacture of a double deck passenger vehicle to complement the wider group vehicle offering.

Financial instruments

The Company's financial instruments comprise cash, borrowings and various items such as trade debtors and trade creditors arising from its operations. Optare UK Limited has not established a formal policy on the use of financial instruments but assesses the risks faced by the Company as economic conditions and the Company's operations develop. Further disclosures relating to financial instruments are included in the summary of significant accounting policies (Note 1).

Research and development

The Company draws on the experience and expertise of the Optare Group as whole, which 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.

Events since the end of the year

The parent company has been successful in refinancing both the existing bank overdraft and term loan facilities at lower rates of interest. The overdraft facility has increased by an additional £4m and moved from Barclays Bank PLC to ICICI Bank UK PLC, with the term loan facility moving from Barclays Bank PLC to Citibank Europe PLC. Barclays Bank PLC will be retained to support day to day banking requirements.

Directors

Directors who served in the year are as follows:

John Fickling

Senior Officers who served in the year are as follows:

Graham Belgum (President)

Hariharan Krishnamurthi (CFO)

During the year Optare PLC maintained insurance policies providing liability cover to Directors and Officers of all Group companies.

Disabled people

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.

It is Company 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 Company's employment.

Employee involvement

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

Environmental policy

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

Dividends

The Directors do not propose the payment of a dividend in respect of the current period (2015/16: £nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will continue in office.

Statement as to disclosure of information to the auditor

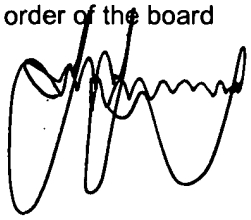
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps that he ought to have taken as a Director to make himself 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 27th July 2017 and signed on its behalf by:

By order of the board



John Fickling
Director
Optare UK Limited,
Unit 3 Hurricane Way South,
Sherburn in Elmet,
North Yorkshire,
Leeds, LS25 6PT.

27th July 2017

Statement of directors' responsibilities in respect of the strategic report, the director' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Optare UK Limited

We have audited the financial statements of Optare UK Limited for the year ended 31 March 2017 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation 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 5, 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 company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Claire Needham (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

28 July 2017

Profit and Loss Account
for year ended 31st March 2017

	Note	2017 £000	2016 £000
Turnover		-	-
Cost of sales		27	(9)
Gross profit/(loss)		27	(9)
Administrative expenses		(421)	(67)
Operating (loss)		(394)	(76)
Interest payable and similar charges	5	(15)	(5)
(Loss) on ordinary activities before taxation	2 - 4	(409)	(81)
Tax on loss on ordinary activities	6	-	-
(Loss) for the financial year		(409)	(81)

All losses arise from continuing operations

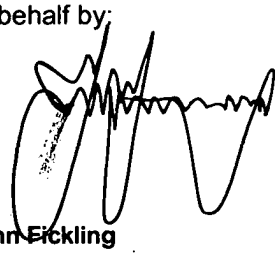
There are no other profits or losses recognised therefore no separate statement of comprehensive income is presented.

The notes on pages 11 to 21 form part of these financial statements.

Balance Sheet
At 31st March 2017

	Note	2017 £000	£000	2016 £000	£000
Fixed assets					
Intangible assets	7	**2,770**		2,773	
			2,770		2,773
Current assets					
Debtors		**19**		(1)	
			19		(1)
Creditors: amounts falling due within one year	8	**(554)**		(551)	
Net current liabilities			**(554)**		(551)
Total assets less current liabilities			**2,235**		2,221
Creditors: amounts falling due after more than one year	9	**(12,888)**		(12,346)	
Provisions for liabilities	11	**(999)**		(1,118)	
			(13,887)		(13,464)
Net liabilities			**(11,652)**		(11,243)
Capital and reserves					
Called up share capital	13	**4,929**		4,929	
Share premium account		**1,106**		1,106	
Other reserves		**11,200**		11,200	
Profit and loss account		**(28,887)**		(28,478)	
Shareholders' deficit			**(11,652)**		(11,243)

These financial statements were approved by the board of directors on 27th July 2017 and were signed on its behalf by:



John Eickling

Director

Company registered number: 06339159

Statement of Changes in Equity

	Called up share capital £000	Share Premium Account £000	Own share reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	**4,929**	**1,106**	**11,200**	**(28,397)**	**(11,162)**
Total comprehensive income for the period					
Profit or loss	-	-	-	(81)	(81)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(81)	(81)
Balance at 1 April 2016	**4,929**	**1,106**	**11,200**	**(28,478)**	(11,243)
Total comprehensive income for the period					
Profit or loss	-	-	-	(409)	(409)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(409)	(409)
Balance at 31 March 2017	**4,929**	**1,106**	**11,200**	**(28,887)**	**(11,652)**

Notes
(forming part of the financial statements)

1 Accounting policies

Optare UK Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company's parent undertaking, Optare PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Optare PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Optare PLC's website (http://www.optare.com/) or Companies House.

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; andDisclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Optare PLC 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;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern

The financial statements have been prepared on a going concern basis, which the director considers to be appropriate for the following reasons.

Optare UK in conjunction with its parent company has conducted a thorough review of its strategy for the next five years and put forward updated trading forecasts through to March 2022, which include detailed cash flow calculations. The company is forecast to be cash generative in 2019/20. The company 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 Director has 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 cost savings and the possibility that the external economic environment might worsen. The Director is confident that the assumptions underlying the forecast are reasonable and the company is well placed to manage its business risk successfully.

The company meets its day to day working capital requirements through intercompany facilities, a bank overdraft facility and term loan. These facilities were successfully renewed and then replaced after the year end with the overdraft facility increasing by £4m and moving from Barclays Bank PLC to ICICI Bank UK PLC, with the term loan facility also moving from Barclays Bank PLC but to Citibank Europe PLC. The company is also reliant on funds provided by Ashok Leyland Limited (the company's ultimate parent company). Ashok Leyland has provided a letter of support to the immediate parent company (Optare plc) which indicates that it has considered the companies' 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 overdraft and bank term loan is subject to a parental guarantee.

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.

1.2 Foreign currency

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Classification of financial instruments issued by the Company

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

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

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

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

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Intangible assets (continued)

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised development costs up to 10 years

1.6 Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

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

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1. 9 Turnover

Whilst there was no turnover in the period the company has conducted a thorough review of its strategy for the next five years, which does include forecast revenues. These forecast revenues arise from the sale of vehicles, parts and the provision of repairs. No separate revenues are anticipated from development and design. Revenue will be recognised upon the transfer of all risks and rewards in relation to the company's products. For the sale of vehicles revenue will be recognised on delivery of the goods, for parts it will be recognised on dispatch of the goods and for repairs it will be recognised on completion of the relevant repair.

1.10 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Expenses (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

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

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

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

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

1.12 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.

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.

Notes *(continued)*

2 Expenses and auditor's remuneration

There was no cost of sales of note in the period. Within the administrative expenses of £421,013 (2016: £42,006), there was a management recharge of £179,459 (2016: £6,000). The recharge covered costs borne by the parent company Optare PLC which are applicable to Optare UK Limited, these include;

	2017 £000
Interest costs	131
Audit fees	3
Other administrative costs	45
	179

3 Staff numbers and costs

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

	Number of employees **2017**	 2016
Admin	-	4
	-	4

The aggregate payroll costs of these persons were as follows:

	2017 **£000**	2016 £000
Wages and salaries	-	254
Social security costs	-	4
Contributions to defined contribution plans	-	2
	-	260

4 Directors' remuneration

Key management is considered to be the Board of Directors and members of the Steering Committee, which includes the President, the Chief Financial Officer and the Commercial Director. The remuneration and other associated expenses of the Steering Committee during the period was borne by other group entities, namely Optare PLC and Optare Group Ltd.

The Board and Steering Committee remuneration attributable to Optare UK Limited for the period was £29,932 (2015/16: £22,895).

Notes *(continued)*

5 Interest Payable

	2017 £000	2016 £000
Interest on bank overdrafts	**(15)**	(5)
	(15)	(5)

Interest is charged on the overdraft at Bank of England base rate plus 2.60%.

6 Taxation

Recognised in the profit and loss account

	2017 £000	£000	2016 £000	£000
UK corporation tax				
Current tax on income for the period	-		-	
Total current tax		-		-
Deferred tax				
Origination and reversal of temporary differences	-		-	
Total deferred tax		-		-
Tax on result on ordinary activities		-		-

Domestic income tax was calculated at 20% for 2015/16 and 20% of the estimated assessable profit for 2016/17.

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

	2017 £000	2016 £000
Loss for the year	**(409)**	(81)
Total tax expense		-
Loss excluding taxation	**(409)**	(81)
Tax using the UK corporation tax rate of 20% (2016: 20%)	**(82)**	(16)
Non-deductible expenses	**-**	-
Unrecognised tax losses	**82**	16
Total tax expense	**-**	-

Deferred tax

At the report date the company has unused tax losses of £26,393,690 (2016: £25,984,772) available for offset against future profits. A deferred tax asset of £5,278,738 at a tax rate of 20% (2016: £5,196,954 at 20%) has not been recognised in respect of these losses due to the unpredictability of future revenue streams.

Notes *(continued)*

7 Intangible assets

	Development costs £000	Total £000
Cost		
Balance at 31 March 2016	2,780	2,780
Additions	288	288
Balance at 31 March 2017	3,068	3,068
Amortisation and impairment		
Balance at 31 March 2016	7	7
Amortisation for the year	291	291
Balance at 31 March 2017	298	298
Net book value		
At 31 March 2016	2,773	2,773
At 31 March 2017	**2,770**	**2,770**

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

Amortisation charge

The amortisation charges of £290,773 (2016: £nil) are recognised in the administrative expenses line in the profit and loss account.

8 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	**(554)**	(531)
Other creditors	**-**	(20)
	(554)	(551)

Notes *(continued)*

9 Creditors: amounts falling after more than one year

	2017 £000	2016 £000
Amounts owed to group undertakings	**(12,888)**	(12,346)
	(12,888)	(12,346)

10 Other financial liabilities

	2017 £000	2016 £000
Amounts falling due after more than one year		
Financial liabilities held at amortised cost	**(12,888)**	(12,346)
	(12,888)	(12,346)
Amounts falling due within one year		
Financial liabilities held at amortised cost	**(554)**	(552)
	(554)	(552)

11 Provisions

	Warranty £000	Total £000
Balance at 31 March 2016	1,118	1,118
Provisions made during the year	-	-
Provisions used during the year	(119)	(119)
Balance at 31 March 2016	**999**	**999**

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

12 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £nil *(2016: £2,028).*

Notes *(continued)*

13 Capital and reserves

Share capital

In thousands of shares	Ordinary shares 2017	Ordinary shares Total
Ordinary shares of 10p each on issue at 1 April 2016	**49,293**	**49,293**
Ordinary shares of 10p each on issue at 31 March 2017 – fully paid	**49,293**	**49,293**

14 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Optare PLC which is the ultimate parent company incorporated in the UK.

15 Subsequent events

The parent company has been successful in refinancing both the existing bank overdraft and term loan facilities at lower rates of interest. The overdraft facility has increased by an additional £4m and moved from Barclays Bank PLC to ICICI Bank UK PLC, with the term loan facility moving from Barclays Bank PLC to Citibank Europe PLC. Barclays Bank PLC will be retained to support day to day banking requirements.