



## STRONG GROWTH IN H1 REVENUES AND PROFITS

**LONDON, UK, 17 May 2011** – Optos plc (LSE: OPTS), a leading retinal imaging company, today announces its interim results for the six-month period ended 31 March 2011.

Financial Highlights	Six months to 31 March 2011 H1 2011 (unaudited)	Six months to 31 March 2010 H1 2010 (unaudited)	% Change
<b>Total revenue</b>	<b>\$58.0m</b>	<b>\$47.3m</b>	<b>22%</b>
Operating lease revenues from rental of devices	\$41.7m	\$45.4m	(8)%
Device sales under finance leases	\$3.1m	-	-
Device sales – outright	\$11.7m	\$1.3m	-
Service & warranty revenues	\$1.5m	\$0.6m	167%
<b>Gross profit</b>	<b>\$36.1m</b>	<b>\$31.2m</b>	<b>16%</b>
<b>Operating profit</b>	<b>\$5.5m</b>	<b>\$4.3m</b>	<b>28%</b>
<b>Profit before tax</b>	<b>\$3.9m</b>	<b>\$1.8m</b>	<b>117%</b>
<b>EPS (diluted) – cents</b>	<b>6.2c</b>	<b>2.1c</b>	<b>195%</b>
<b>Cash flow from operating activities</b>	<b>\$18.9m</b>	<b>\$21.6m</b>	<b>(17%)</b>
<b>Reduction in net debt pre \$10.7m Opto Global cash investment</b>	<b>\$3.6m</b>	<b>\$13.5m</b>	<b>(73%)</b>

### Operating Highlights

- Strong sales performance underpinned by new business models and products
  - 200Dx and 200Tx proving strong products in both existing and new markets, including Japan
  - Increasing trend towards device sales with over \$11m of Optos products sold outright
  - Total customer base expansion accelerated by 124 in period to 4,036 devices
  - Continued improvement in usage - average monthly **optomaps** per site up 3 to 112 (H1 2010:109)
- Growth in operating profits and further cash generation
  - Despite significant investment in new products and markets and one-off acquisition costs
- Opto Global integration progressing well and product cross-selling underway
- Intellectual property strengthened with important new patents granted on core technology
- Daytona desktop device on track for FY12 launch
- Further clinical evidence of value of **optomap®** including publication of Moorfield's Alzheimer study

Roy Davis, CEO of Optos, commented: "We have seen a strong start to the year which has continued in the first weeks of the second half. We have put in place important building blocks to allow accelerated growth in the business. Strong early demand seen for the 200Tx devices, increasing revenues from the products and sales channels acquired with Opto Global give us confidence for continued growth for the remainder of the year. We believe we are on track to achieve our aspirational vision of 20% margin and 20% revenue growth in the medium to longer term."

## Enquiries

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## About Optos Plc

Optos plc is a leading retinal imaging company. Our vision is to be recognised as the leading provider of retinal diagnostics through leveraging our unique wide-field imaging technology. Both eye and non-eye diseases often first exhibit in the periphery of the retina. These are very difficult to detect clinically with conventional examination equipment and techniques. Optos' devices produce ultra wide-field, high resolution images of approximately 82% of the retina, something no other device is capable of doing in any one image. The images provide optometrists and ophthalmologists with enhanced clinical information which facilitates the early detection, management and treatment of disorders and diseases evidenced in the retina such as retinal detachments and tears, glaucoma, diabetic retinopathy and age-related macular degeneration. Retinal imaging can also indicate evidence of non-eye or systemic diseases such as hypertension and certain cancers.

Optos has a range of medical devices that support different customer segments and patient levels: the P200 and 200Dx devices are concentrated on wellness screening carried out by optometrists and ophthalmologists in primary care; the P200C and 200Rx devices are designed to meet the need for more exacting clinical imaging capabilities and standards in secondary care within the ophthalmology market and at optometric practices that are clinically managing a patient base with advanced ocular disease; and the P200MA and 200Tx devices supports ophthalmologists and retinal specialists in the medical care market. Optos' product range has recently been expanded to include the AccuPen, PachPen and B-Scan handheld devices for glaucoma and tumour management. The acquisition of Opto Global, completed in December 2010, brings additional devices for both optometrist and ophthalmologist practices, and expand the geographic reach outside our core North American and European markets.

For more information please visit our website [www.optos.com](http://www.optos.com)

## Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates and projections about its industry, its beliefs and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

## Business review

### Accelerating Growth in Our Core Business

Overall, we delivered a significant increase in revenues and profits, despite investing heavily for future growth. Revenues increased from \$47.3m to \$58.0m, an increase of 22% over the same period last year. Pre-tax profits rose from \$1.8m to \$3.9m and earnings per share rose from 2.1c to 6.2c.

Revenues and profits benefited from our new business models where we offer flexibility, improved products and competitive pricing. As we transition the business towards the launch of new products and into new markets we are seeing a change in the revenue mix away from a largely operating lease model towards a mix of sales (both outright and under finance leases), operating rentals and service income. Our overall customer base increased by 124 compared to an increase of 34 in H1 2010 with 166 new and existing customers choosing to purchase devices contributing towards \$11.7m of outright device sales. Just 3% of our customer base deinstalled in the period compared to 5% in the equivalent period last year. Average monthly **optomap** numbers from our rental customers continued to grow from 109 in H1 2010 to 112 this period. We also recorded first sales of our 200Tx device, targeted at ophthalmologists, and first contributions totalling \$0.7m from our Opto Global acquisition and the Accutome products.

Continuing the trend seen in the latter part of 2010, we saw revenues of \$3.1m from device sales under finance leases and we anticipate the swing away from operating lease transactions to finance lease transactions to accelerate in the second half of the year and beyond. The increased numbers of device sales has also delivered the expected increase in revenues from service and warranty contracts from \$0.6m in H1 2010 to \$1.5m.

Our performance outside of North America in our rest of world (ROW) markets continued to show good growth with revenues of \$8.4m in the period, a 56% increase over the \$5.4m achieved in H1 FY10. We also saw growth in North America with revenues \$7.7m, 18% higher than the same period last year at \$49.6m.

As expected, our gross margins reduced from 66% to 62% in this period as our product mix changed towards the sale of new-build devices and the lower-margin Opto Global and Accutome products. Gross profits increased 16% to \$36.1m for the period (H1 2010: \$31.2m). Selling, distribution and administrative expenses were \$30.6m (H1 2010: \$26.9m), and included \$0.9m of non-recurring expenses from the Opto Global acquisition and around \$0.5m of operating expenses from that business. The remainder of the increase related primarily to increased levels of sales and manufacturing and an expansion of our sales force presence in ophthalmology and in the ROW markets. We now have a 6 person specialist sales team in the US leading our expansion in the ophthalmology market, our European presence has strengthened through the addition of 9 representatives and we expanded our presence into 3 new countries, The Netherlands, Belgium and Austria plus a Vice President and 3 representatives in the Middle East & Australasia.

The pre-tax profit was \$3.9m (H1 2010: \$1.8m) and the post-tax profit was \$4.5m (compared to \$1.5m in H1 2010), showing growth despite the investment in building the ophthalmology business, expanding in Europe and other markets and the one-off costs relating to the Opto Global transaction. A small tax credit of \$0.6m arose on the recognition of additional deferred tax assets. The expectation is to report a minimal tax charge for the full current financial year as the balance of unrecognised deferred tax is brought onto the balance sheet. A standard full tax charge is expected in future periods.

Net debt as at 31 March 2011 rose from \$21.1m at the start of the period to \$27.9m at period end, with cash of \$21.6m and lease liabilities of \$49.5m, largely as a consequence of the \$14.25m Opto Global acquisition, of which \$1m was settled through the issue of 434,487 new shares and \$10.75m in cash and an expected \$2.5m of contingent consideration. Just \$2.8m of new lease finance was drawn down in the period whilst \$15.6m was repaid.

Cash flows from operating activities and finance lease debtor receipts amounted to \$19.6m, impacted by the increasing working capital needs associated with the expanding business. Inventory levels are increasing as we build additional devices to meet orders and introduce supplies of Opto Global products and higher debtors levels arose compared to H1 2010 along with the increased revenues. Capital expenditure was higher at \$13.0m (H1 2010: \$7.5m), following investment in refurbishing existing P200 devices, upgrading devices to the 200Dx model and building new P200C and P200MA and 200Tx devices. Many of these costs will, in future, be managed through inventory and cost of sales rather than capital additions.

Within the balance sheet, significant movements arose in the carrying values of plant property and equipment ("PP&E") intangible assets and inventory. As discussed below, \$10.2m of assets were reclassified from PP&E to inventory. As a consequence, and with depreciation continuing to exceed capital expenditure and with the sale of devices formerly held as fixed assets, PP&E reduced from \$63.4m at the start of the year to \$49.2m at 31 March 2011. Inventories increased to \$18.0m from \$5.8m at the start of the year as a result of this transfer and increasing stock levels to meet forecast sales demand. Intangible assets increased from \$8.1m at the start of the year to \$24.4m, with \$16.5m acquired as a part of the Opto Global acquisition, \$1.5m of internal development costs and \$1.7m of amortisation.

### **New Products and New Markets**

During the period we upgraded over 400 P200 devices to the 200Dx build standard, offering customers enhanced images and improved patient interfaces. We also commenced sales of the 200Tx devices, our high-end device targeted at ophthalmology. The 200Tx includes options for viewing images using fluorescein angiography (*fa*) and auto-fluorescence (*af*), both of which are recognised as offering important diagnostic and monitoring benefits in the treatment of major diseases. We launched this device at the end of 2010 at the American Academy of Ophthalmology and other key congresses and significant interest has arisen for the product on an international basis. In addition, we appointed a new distributor in Japan to whom we have now delivered an initial order of 10 200Tx devices. We are delighted to have gained traction for these devices in the important Japanese market. We have also appointed a core team of 6 key specialist representatives in our major North American market each of whom has significant experience in working with ophthalmologists. Our entire sales force is being trained in the complete biology of the eye and the manner in which doctors treat diseases.

The integration of the Opto Global business is progressing well and is on track to be earnings accretive in its first year within the Optos group. We are working through the prioritisation of regulatory marketing and sales efforts, planning a phased introduction of the Opto Global products into our sales channels and selectively launching our retinal imaging products into key Opto Global distributors. We found good levels of interest at the APAO meeting in Sydney and attracted significant interest in our Optos products for the Australian market in both optometry and ophthalmology, with preliminary orders for six 200Tx devices. We are building our direct presence in Australia to capitalise on the market opportunity for our retinal imaging devices.

Opto Global's SmartChart optometry product launch was well received in the US market with orders for some 80 devices and we will roll these devices out in the UK, Germany Switzerland and Austria in the near term. We will then launch their automated perimeter products into the UK, Canada and Germany, with other devices such as the treatment laser products being introduced later in the year.

As our sales efforts have focused on our core business products, including our 200Dx, 200Tx and Opto Global products, sales of Accutome tonometer and pachymeter products devices in the period were modest. We anticipate better performance in the next half, with our salesforce now fully trained on the products.

### **Future Products**

Following the successful launch of our 200Dx and 200Tx products, we have planned to introduce a range of new products, both software and hardware based, to improve and add value to our core product offering and expand our product range.

Most importantly, our major Daytona project, the desktop ultra-widefield retinal scanning product is progressing well. We aim to demonstrate this device at key industry congresses in the last quarter of the year and move to full launch in early 2012. The product is being designed to offer quality as high as our P200C device at significantly lower cost and be much smaller, lighter and easier to install and maintain. We are currently undertaking market research to support our launch of this product. We believe Daytona offers the prospect of truly internationalising the Optos technology.

Our image storage and management system is close to completion, with launch expected this summer. This product at the basic level will allow customers to capitalise on web-based technologies and to store and view images remotely through the internet "Cloud" and will facilitate the merging of **optomap** images and other compatible images into electronic medical record systems using the industry-standard DICOM software protocol. The more sophisticated versions of this software will allow multi-doctor practices and hospitals to seamlessly store, view and transmit DICOM compatible images of the retina. The additional flexibility, utility and security offered by this development is expected to be an attractive addition to the Optos product offering and which will be sold both on a standalone basis and also offered as an integral part of our rental programmes.

We are also re-designing our Vantage operating software to an intuitive, workflow based system and researching ideas to add decision-support to our review programs. Once Daytona is complete, our next significant program will be the introduction of a product similar in concept to Daytona but offering additional review features for ophthalmologists seen on the 200Tx device, such as *af* and *fa*. In addition we plan to launch a further option to review images following venous delivery of an ICG dye, a feature that is particularly valued in the Asian markets.

### **Clinical studies**

We continue to generate additional clinical results that further support the utility of our technology help to establish **optomap** as a 'gold standard' in eyecare.

In the first half of the year we issued five peer-reviewed publications from internationally recognised leading clinical institutes including Weill Cornell University, Jules Stein Eye Institute and State University of New York State College of Optometry. We also reported the output of 20 new clinical studies at the recent ARVO meeting, including exciting results that suggests that Optos' technology has important clinical significance in the management of major eye diseases such as diabetes, age-related macular degeneration (AMD) and uveitis. The studies also demonstrated clinical utility in areas of unmet needs such as Alzheimer's Dementia. Whilst further research is required, it is becoming clear that ophthalmologists and optometrists recognise the need to look into the periphery of the retina when managing diseases previously understood to be focused in the central pole area, and that new biomarkers for disease may be present only in the periphery.

We are now embarking on the Age-Related Eye Disease Study 2 (AREDS2), a US, nationwide study conducted by the National Eye Institute and researching over 1,000 subjects to determine the importance of the periphery in the progression of vision loss from AMD. We also anticipate publishing the clinical study results of a key diabetes study comparing **optomap** imaging to the current 'gold standard' for diabetes screening in the coming weeks.

Our ongoing clinical efforts are designed to support our commercial objectives establishing new clinical indications, validating our newer technology and expanding our access to key markets

### **Intellectual Property**

We are pleased to report that our IP protection over our retinal imaging products has been strengthened this year with the grant of two new patents, the most important of which is a US patent relating to the manner in which scans of differing speeds across a three-dimensional parabolic surface are translated into a single two-dimensional image capturing a 200° field of view. We believe this patent would prevail over competing imaging technologies seeking to achieve a similar field of view in a single image.

### **Financial Implications of Changing Business Models**

The developments identified in our 2010 Annual Report and their impact on our business models, have continued to gather pace in the current period. New and renewing customers are increasingly taking up the flexible pricing models and structures we introduced last year as an alternative to our traditional pay-per-patient ("PPP") device rental model. As a result, the proportion of revenues arising from outright sales and finance lease arrangements has increased to 25.5% in the current period from 14.9% in the year to September 2010 and from a level of only 2.6% in 2009. This trend is expected to accelerate this year as revenues from the new 200Tx device, first shipments of which were made in March 2011, are anticipated to result predominantly from sales rather than operating leases, as will revenues from the Opto Global products.

In addition, we are pleased with the progress achieved since September 2010 on Project Daytona, the development of our next generation ultra-widefield retinal scanner moving forward into full development with product launch scheduled for 2012. Whilst the product will be targeted primarily at clinical optometrists, we plan to develop a follow-on device for the ophthalmology market. The Board has determined that the new Daytona device will in all likelihood supersede the existing P200, 200Dx and P200C models in the short to medium term, not only because of its desk-top size, "plug and play" operation and high resolution and specification, but also because improvements in design and manufacturing processes will allow us to be more competitive on price against technologically inferior alternatives in the market.

In light of these developments, the Directors have revised their estimate of the expected useful economic lives (to the point where it may be uneconomic to refurbish and re-equip the devices for onward sale to new customers) of the P200, 200Dx and P200C medical devices, to end no later than 30 September 2014, some three years after the planned introduction of the follow-on Daytona device. Furthermore, the expected economic life to Optos of the 200Tx has been estimated as four years from the date of build.

The reduction in the expected useful economic lives of these models has the following accounting consequences:

1. As typical lease terms will be for the major part of the remaining useful economic life of the asset, even if title is not ultimately transferred, the vast majority of new lease arrangements with customers will fall to be classified as finance leases under IAS 17 (the reporting standard for leases), and accounted for accordingly. This will accelerate the reduction in the proportion of future revenues expected to be derived from operating leases.
2. The expectation that these devices will now be sold (either outright or by way of finance lease) rather than used by the Company under operating leases requires their reclassification in the balance sheet from property, plant and equipment to inventory. Accordingly a transfer has been made of \$10.2m being the lower of the previous carrying amount of the devices and related modules and their net realisable value.

The impact of these changes is a reduction in the depreciation charge in respect of the half year of \$0.1m and an estimated reduction of \$0.3m for the year ended 30 September 2011. In addition revenue has increased by \$1.0m and cost of sales by \$0.7m in the period as a result of devices falling to be classified as finance leases that would previously have fallen to be classified as operating leases.

### **Board Changes**

As announced on 18 January, Patrick Paul who was an early investor in Optos and served as a non-executive director from 1996 did not stand for re-election at the recent AGM. We would like to extend thanks on behalf of the Company to Patrick for his important contribution to the Company.

### **Principal risks and uncertainties**

The principal risks and uncertainties which affect the Group have not materially changed since the year ended 30 September 2010 and a detailed explanation of those risks and uncertainties can be found on pages 22 and 23 of the 2010 Annual Report and Accounts. These properly reflect the principal risks and uncertainties in respect of the six months ended 31 March 2011.

### **Current Trading and Outlook**

We are pleased with the progress seen in the first half of the year, and believe we have put in place important building blocks to allow accelerated growth in the business.

In the second half of the year we anticipate benefiting from the strong early demand seen for the 200Tx devices and anticipate increasing revenues from the products and sales channels acquired with Opto Global. We also expect to continue to benefit from our new business models, with further outright device sales and with the majority of new and renewing rental arrangements being finance lease transactions. We will continue to roll-out new technologies including our image management software solutions in the summer and the unveiling of our Daytona device in late 2011.

We believe Optos is now well positioned for future growth and we believe we are on track to achieve our aspirational vision of 20% margin and 20% revenue growth in the medium to longer term.

Key Performance Indicators ("KPIs")	H1 2011	H2 2010	H1 2010	Comment
Total number of customer sites at period end	4,036	3,912	3,831	<i>Good overall growth in customers</i>
Change in 6 month period	124	81	34	<i>Acceleration in rate of growth</i>
Number of PPP customer sites at year end	3,589	3,630	3,650	<i>Rental customers still 89% of base</i>
Change of PPP customers in period	(41)	(20)	25	<i>Many buying devices at renewal point</i>
Number owning devices outright	448	288	181	<i>11% now own devices</i>
Outright sales in the period	166	107	9	<i>Pricing is attracting sale (average \$67k)</i>
%age of customers de-installed in the period	3%	5%	5%	<i>Reflects benefit of choice</i>
Average no. of monthly <b>optomap®</b> per rental site	112	111	109	<i>Continued increase in utilisation</i>
Average price per <b>optomap®</b> per rental site	\$17.6	\$17.8	\$19.2	<i>Drop in H210 to attract long term renewals</i>
Average monthly <b>optomap®</b> revenue per rental site	\$1,973	\$1,999	\$2,099	<i>Smaller reduction this period</i>
Number of patients having an <b>optomap®</b> at rental sites	2.4m	2.5m	2.4m	<i>Rental customers only, &gt;10% own outright</i>
Revenue growth over previous period	22%	25%	(1%)	<i>Strong outright sales in last 12 mths</i>
Operating margin	9.5%	22%	9.0%	<i>H2 traditionally strong, H1 2011 includes one-off Opto global costs</i>
Future cashflows from rental contracts & finance leases	\$156m	\$180m	\$170m	<i>Fewer contracts falling to renew in period plus impact of device sales</i>

**Roy Davis**  
**Chief Executive Officer**  
16 May 2011

**Christine Soden**  
**Chief Financial Officer**

## Condensed consolidated income statement

For the six months ended 31 March 2011

	Notes	Six months ended 31 March 2011 (Unaudited) \$m	Six months ended 31 March 2010 (Unaudited) \$m	Year ended 30 Sept 2010 (Audited) \$m
<b>Revenue</b>	4	<b>58.0</b>	47.3	106.3
Cost of sales		<b>(21.9)</b>	(16.1)	(35.4)
<b>Gross profit</b>		<b>36.1</b>	31.2	70.9
Selling and distribution costs		<b>(12.8)</b>	(10.6)	(24.5)
Administrative expenses		<b>(17.1)</b>	(16.1)	(28.3)
Share-based payments	5	<b>(0.7)</b>	(0.2)	(0.6)
<b>Operating profit</b>		<b>5.5</b>	4.3	17.5
Finance revenue		<b>0.3</b>	0.1	0.2
Finance costs		<b>(1.9)</b>	(2.6)	(5.0)
<b>Profit before taxation</b>		<b>3.9</b>	1.8	12.7
Income tax (charge)/credit	6	<b>0.6</b>	(0.3)	1.3
<b>Profit for the period</b>		<b>4.5</b>	1.5	14.0
<b>Profit before taxation per ordinary share</b>				
Basic	7	<b>5.6c</b>	2.5c	18.1c
Diluted	7	<b>5.5c</b>	2.5c	18.1c
<b>Profit after taxation per ordinary share</b>				
Basic	7	<b>6.3c</b>	2.1c	20.0c
Diluted	7	<b>6.2c</b>	2.1c	19.9c

All activity arose from continuing operations.

## Condensed consolidated statement of comprehensive income

For the six months ended 31 March 2011

	Six months ended 31 March 2011 (unaudited) \$m	Six months ended 31 March 2010 (unaudited) \$m	Year ended 30 Sept 2010 (audited) \$m
Profit for the period	<b>4.5</b>	1.5	14.0
Other comprehensive income:			
Exchange differences on foreign operations	<b>(0.3)</b>	0.2	0.4
Other comprehensive income for the period	<b>(0.3)</b>	0.2	0.4
<b>Total comprehensive income for the period</b>	<b>4.2</b>	1.7	14.4

## Condensed consolidated balance sheet

### As at 31 March 2011

	Notes	As at 31 March 2011 (Unaudited) \$m	As at 31 March 2010 (Unaudited) \$m	As at 30 Sept 2010 (Audited) \$m
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	49.2	70.8	63.4
Intangible assets	9	24.4	8.0	8.1
Finance lease receivables	10	7.3	-	5.3
Deferred tax asset	6	9.8	9.6	11.0
<b>Total non-current assets</b>		<b>90.7</b>	<b>88.4</b>	<b>87.8</b>
<b>Current assets</b>				
Inventories		18.0	5.9	5.8
Finance lease receivables	10	2.4	-	2.0
Trade and other receivables		17.0	10.5	14.1
Cash and cash equivalents	11	21.6	40.4	41.2
<b>Total current assets</b>		<b>59.0</b>	<b>56.8</b>	<b>63.1</b>
<b>Total assets</b>		<b>149.7</b>	<b>145.2</b>	<b>150.9</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital		3.5	2.5	2.5
Share premium		118.6	117.4	118.2
Retained earnings		(40.4)	(58.3)	(45.5)
Other reserves		(0.5)	(0.4)	(0.2)
<b>Total equity</b>		<b>81.2</b>	<b>61.2</b>	<b>75.0</b>
<b>Non-current liabilities</b>				
Financial liabilities	13	25.7	41.1	36.4
Provisions		0.2	0.1	0.1
Government grants		0.2	0.5	0.3
<b>Total non-current liabilities</b>		<b>26.1</b>	<b>41.7</b>	<b>36.8</b>
<b>Current liabilities</b>				
Trade and other payables		15.4	9.4	12.2
Financial liabilities	13	26.3	32.0	25.9
Government grants		0.3	0.2	0.2
Income tax payable	6	0.4	0.7	0.8
<b>Total current liabilities</b>		<b>42.4</b>	<b>42.3</b>	<b>39.1</b>
<b>Total liabilities</b>		<b>68.5</b>	<b>84.0</b>	<b>75.9</b>
<b>Total equity and liabilities</b>		<b>149.7</b>	<b>145.2</b>	<b>150.9</b>

## Condensed consolidated statement of cash flows

### For the six months ended 31 March 2011

	Notes	Six months ended 31 March 2011 (Unaudited) \$m	Six months ended 31 March 2010 (Unaudited) \$m	Year ended 30 Sept 2010 (Audited) \$m
<b>Operating activities</b>				
Profit for the period		4.5	1.5	14.0
Adjustments to reconcile profit/(loss) for the period to net cash inflow from operating activities:				
Income tax charge/(credit)		(0.6)	0.3	(1.3)
Net finance costs		1.6	2.5	4.8
Depreciation, amortisation and impairment		15.0	15.4	31.6
Loss on disposal of property, plant, equipment and intangibles		-	0.2	0.3
Medical devices disposed of on outright device sale		3.2	1.3	1.6
Medical devices disposed of in relation to device sale under finance leases		1.3	—	1.6
Share-based payments		0.6	0.2	0.5
Revenue recognized from device sales under finance leases		(3.1)	—	(7.7)
(Increase)/decrease in trade and other receivables		(2.3)	(1.0)	(4.6)
Government grants amortisation		(0.1)	(0.1)	(0.3)
Decrease/(increase) in inventories		(1.4)	2.5	2.6
Increase/(decrease) in trade and other payables		0.5	0.1	3.3
Increase/(decrease) in provisions		0.1	—	—
Cash flows from operating activities		19.3	22.9	46.4
Tax on continuing operations		(0.4)	(0.2)	—
<b>Net cash flows from operating activities</b>		<b>18.9</b>	<b>22.7</b>	<b>46.4</b>
<b>Cash flows used in investing activities</b>				
Interest received		0.3	0.1	0.2
Acquisition (net of cash acquired)	12	(10.7)	—	—
Purchases of property, plant and equipment		(13.0)	(7.5)	(17.5)
Expenditure on intangible assets		(1.6)	(0.2)	(1.6)
Cash receipts from finance lease receivables		0.7	—	0.4
<b>Net cash flows used in investing activities</b>		<b>(24.3)</b>	<b>(7.6)</b>	<b>(18.5)</b>
<b>Cash flows used in financing activities</b>				
Proceeds from finance leases	13	2.8	15.9	24.2
Payment of finance leases	13	(15.6)	(18.8)	(37.4)
Proceeds from share issues		0.4	0.7	1.5
Interest paid		(1.9)	(2.6)	(5.0)
<b>Net cash flows used in financing activities</b>		<b>(14.3)</b>	<b>(4.8)</b>	<b>(16.7)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(19.7)</b>	<b>10.3</b>	<b>11.2</b>
Effect of exchange on cash and cash equivalents		0.1	—	(0.1)
Cash and cash equivalents at beginning of period		41.2	30.1	30.1
<b>Cash and cash equivalents at end of period</b>		<b>21.6</b>	<b>40.4</b>	<b>41.2</b>

**Condensed consolidated statement of changes in equity**  
**For the six months ended 31 March 2011**

	Share capital \$m	Share premium \$m	Retained earnings \$m	Foreign exchange \$m	Total \$m
<b>At 1 October 2009</b>	2.5	116.7	(60.0)	(0.6)	58.6
Exchange differences on foreign operations	—	—	—	0.2	0.2
Profit for the period	—	—	1.5	—	1.5
Total comprehensive income for the period	—	—	1.5	0.2	1.7
Issue of ordinary share capital	—	0.7	—	—	0.7
Share-based payments	—	—	0.2	—	0.2
<b>At 31 March 2010</b>	2.5	117.4	(58.3)	(0.4)	61.2
Exchange differences on foreign operations	—	—	—	0.2	0.2
Profit for the period	—	—	12.5	—	12.5
Total comprehensive income/(expense) for the period	—	—	12.5	0.2	12.7
Issue of ordinary share capital	—	0.8	—	—	0.8
Share-based payments	—	—	0.3	—	0.3
<b>At 30 September 2010</b>	2.5	118.2	(45.5)	(0.2)	75.0
Exchange differences on foreign operations	—	—	—	(0.3)	(0.3)
Profit for the period	—	—	4.5	—	4.5
Total comprehensive income for the period	—	—	4.5	(0.3)	4.2
Issue of ordinary share capital	1.0	0.4	—	—	1.4
Share-based payments	—	—	0.6	—	0.6
<b>At 31 March 2011</b>	<b>3.5</b>	<b>118.6</b>	<b>(40.4)</b>	<b>(0.5)</b>	<b>81.2</b>

## **Notes to the condensed consolidated financial statements**

**For the six months ended 31 March 2011**

### **1 Authorisation of financial statements and statement of compliance**

#### **Statement of compliance and approval of financial statements**

These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2010.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 March 2011 were approved by the Board on 16 May 2011.

### **2 Basis of preparation and accounting policies**

#### **a) Basis of preparation**

The condensed consolidated interim financial statements are unaudited but have been formally reviewed by the auditors and their report to the Company is included on page 22. The comparative figures shown for the year ended 30 September 2010 do not constitute the Group's statutory financial statements as defined in Section 435 of the Companies Act 2006 and have been extracted from the Group's 2010 Annual Report and Accounts which have been reported on by the Group's auditor and have been filed with the Registrar of Companies. The Independent Auditors' Report on the financial statements contained within the Group's 2010 Annual Report and Accounts was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements are presented in US Dollars and all values are rounded to the nearest 0.1 million (\$m), except when otherwise indicated.

#### **b) Accounting Policies**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those set out in the Group's statutory financial statements for the year ended 30 September 2010 which were prepared under International Financial Reporting Standards as adopted by the European Union.

Following the acquisition of Opto Global Holdings Pty Ltd in December 2010, in accordance with IFRS3-Business Combinations, the Group has expanded its accounting policies with respect to acquisition accounting. The accounting policy in respect of business combinations is set out below. Due to the change in estimated useful lives of certain assets explained below the Group has enhanced its disclosure on property, plant and equipment, leases and inventories and has set out the entire policies below.

##### *i) Basis of consolidation and acquisition accounting*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in contracts of the acquiree.

Any contingent consideration will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in the income statement or the statement of comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the fair value at the acquisition date of the consideration transferred and any amount recognized for any non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognized if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognized for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognized in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary undertakings are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

#### *ii) Intangible assets*

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. With the exception of certain development costs internally generated intangible assets are not capitalised, and expenditure is charged against profits in the year in which the expenditure is incurred. Purchased intangible assets are capitalised at cost and amortised over the expected useful life of the asset. Intangible assets acquired as a result of a business combination are initially recognised at their fair value in accordance with IFRS3 – 'Business combinations'. If an intangible asset is considered to have suffered impairment in value it is written down to its estimated recoverable amount in accordance with the Group's policy on impairment.

#### *iii) Property Plant & Equipment*

Property, plant and equipment is stated at cost of acquisition or manufacture, less accumulated depreciation and accumulated impairment in value. In the case of medical devices, certain of the manufacture costs relate to the capitalisation of directly attributable internal labour costs. The employee costs and appropriate overheads associated with upgrading and installing the devices at the relevant customer site are also capitalised.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual values based on prices prevailing at the balance sheet date of each asset evenly over its expected useful life as follows:

Medical devices three to five years  
Leasehold improvements ten years  
Other plant and equipment three to ten years

Medical devices refer to retinal examination equipment being used or expected to be used under operating lease rental agreements and significant component parts and major spares. Medical devices are depreciated from the point of activation at the relevant customer site. In the case of a device that is removed from one customer site, upgraded and relocated to a new customer site, depreciation is recalculated to write off the remaining residual net book value of that device together with the additional capitalised costs relating to the upgrade and installation over the remaining useful life of the asset.

Medical devices expected to be sold (outright or by way of finance lease) are held as inventory.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an item of property, plant and equipment is sold after the end of its rental term, sale proceeds are recorded as revenue

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The Company launched its new 200Tx device in March 2011 and determined that these devices would have an expected useful life of 4 years if held as a fixed asset for use by the business or rental under operating lease contracts.

#### *iv) Leases*

##### Company as a lessor

Arrangements between Optos and its customers are assessed on a case by case basis, taking into account the terms of the contract, the fair value and the estimated residual life of the underlying device.

### Finance leases

Arrangements between Optos and the customer where substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the customer are classified as finance leases. The Company makes this assessment at the inception of the lease or at the date of contract extension, on the basis of one or more of the following factors.

- The lease transfers ownership of the equipment to the customer by the end of the lease term
- The customer has a right to buy the equipment either during the term of the lease or at the end of the lease at an advantageous price, and it is reasonable certain at the inception of the lease that this option will be exercised
- The lease term covers the major part of the estimated useful life of the asset
- The present value of the minimum lease payments amounts to substantially all of the fair value of the asset

An amount equal to the fair value of the asset, or if lower, the present value of the minimum lease payments is recognised as revenue in the income statement and as an asset in the statement of financial position. The fair value of service and maintenance is released to the income statement on a straight line basis over the lease term. Finance income is recognised on the basis of a constant monthly rate of return on the net investment in the finance lease which is equivalent to the incremental borrowing rate charged to the Company. The transaction is treated as a disposal from inventory and the carrying value of the device recorded as a cost in the income statement in accordance with the policy for outright sales.

### Operating leases

Arrangements between Optos and the where substantially all of the risks and rewards incidental to ownership of the asset have not been transferred to the customer are classified as operating leases. The Company makes this assessment based on the following factors:

- ownership of the asset does not transfer to the customer at the end of the lease term and there is no advantageous acquisition option for the customer at the end of the lease;
- the estimated useful life of the asset is considered to be five years which is significantly in excess of the lease term; and/or
- at the inception of the lease the present value of the minimum lease payments is significantly less than the fair value of the asset.

The majority of the Company's contracts commit the customer to pay a fixed monthly sum (the "MMP") plus a variable monthly sum should the usage of the device exceed the minimum agreed level (variable rental). These fixed rental payments from operating leases are recognised monthly in the income statement on a straight-line basis over the lease term. Variable rentals are recognised monthly in line with actual usage of the device.

### Company as a lessee

#### Finance leases

Assets held by the Group under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the item or, if lower, at the present value of the minimum future lease payments. Upon placement of medical devices at a customer site and where the customer enters into a fixed term contract to pay the Group fixed and variable amounts of revenue, the Group selectively enters into a financing agreement with third-party providers of debt finance. The debt-finance provider advances the Group funds in return for taking the right to receive the fixed revenue streams and legal title to the device over the term of the finance arrangement.

In such cases there is a transfer of legal title of the relevant device to the debt provider with legal title being transferred back to the Company at the end of the term of the debt. As the significant risks and rewards of ownership are retained by the Group, the finance received from the debt-providers is recorded as fixed-rate obligations which are repayable by instalments and are secured over the related medical device. In such cases the medical devices are recorded as property, plant and equipment and the debt finance as finance leases payable. Lease payments payable under the medical device finance arrangements are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability with the finance charges being charged directly against income over the lease term.

Leased assets are depreciated over the estimated useful life of the asset or where there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, over the lease term if shorter.

#### Operating leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are recognised in the income statement on a straight line basis over the lease term.

#### *iv) Inventories*

Inventories primarily comprise finished goods, work-in-progress and spares and components all related to medical devices. Inventories are valued at the lower of cost and net realisable value, using the first-in, first-out or weighted average cost basis. Cost of raw materials, consumables and work in progress includes the cost of direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventory is written down on a case by case basis if the anticipated net realisable value declines below the carrying amount of the inventories. Net realisable value is the estimated selling price less estimated cost to completion and selling expenses. When the reasons for a write-down of the inventory have ceased to exist, the write-down is reversed.

*v) New standards and interpretations*

New standards and interpretations adopted in these accounts are listed below and did not have any effect on the financial position or performance of the group.

IFRS 2	Amendment - Group Cash-settled Share-based Payment Arrangements
IAS 32	Amendment – Classification of Rights Issues
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRS	Issued in 2009

**c) Change in estimates**

In light of the developments outlined in the business review, the Directors have revised their estimate of the expected useful economic lives of the P200, 200Dx and P200C medical devices, to end no later than 30 September 2014.

This has had the following consequences:

(i) As typical lease terms will be for the major part of the remaining useful economic life of the asset, even if title is not ultimately transferred, the vast majority of new lease arrangements with customers will fall to be classified as finance leases under IAS 17 (the reporting standard for leases), and accounted for accordingly. This will accelerate the reduction in the proportion of future revenues expected to be derived from operating leases.

(ii) The expectation that these devices will now be sold (either outright or by way of finance lease) rather than used by the Company under operating leases requires their reclassification in the balance sheet from property, plant and equipment to inventory. Accordingly a transfer has been made of \$10.2m being the lower of the previous carrying amount of the devices and related modules and their net realisable value.

The impact of these changes is a reduction in the depreciation charge in respect of the half year of \$0.1m and an estimated reduction of \$0.3m for the year ended 30 September 2011. In addition revenue has increased by \$1.0m and cost of sales by \$0.7m in the period as a result of devices falling to be classified as finance leases that would previously have fallen to be classified as operating leases.

Looking forward, it is difficult to reliably estimate the impact on the remainder of the year or future accounting periods, since the impact is governed by the actual volumes and terms of new rental agreements, renewal agreements and the product mix, none of which are known. However, the expectation will be for increased revenues, cost of sales and gross profits from finance lease transactions, an increase in revenues from service contracts and a reduction in revenues from operating leases. There will be a consequential increase in finance lease receivables and a reduction in the future amounts receivable under operating lease. There will also be an increase in cashflows in building inventory and a reduction in the investment in plant, property and equipment.

**d) Impact of future tax rate changes**

A number of changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. Finance Act 2011 is expected to reduce the main rate of corporation tax to 25% from 1 April 2012. Further reductions of 1% are expected to be enacted separately each year to reduce the rate to 23% by 1 April 2014. These changes have not been substantively enacted at the balance sheet date and so are not included in this interim report. The effect of the expected reduction to 25% from 1 April 2012, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset provided at the balance sheet date by \$0.2m. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional \$0.4m.

**e) Going concern and liquidity**

The Group's business activities and principal risks and uncertainties are detailed on pages 22 and 23 in the Annual Report and Accounts for the year ended 30 September 2010.

Having considered uncertainties under the current economic environment, and after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of cash, available debt facilities and cash flow projections. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the inability to secure additional debt finance in order to facilitate the expansion of the Group's business or to introduce new or improved products.

As part of this review the Directors considered the current levels of available debt facilities, the structure of the debt-finance being multiple asset-backed arrangements that are non-recourse on the Company, and indications of the availability of other sources of debt capital. The Directors also considered the levels of future business guaranteed under its PPP customer agreements and the pattern of future debt repayments associated with current finance obligations.

### 3 Segmental disclosures

The Group has two reportable segments, being North America and Rest of World markets. In assessing performance and making resource allocation decisions, the Operating Board (which is the Group's chief operating decision-making body) and the Board review revenues and gross profits by segment.

Optos' platform technology is a scanning laser ophthalmoscope device which is installed at healthcare professionals' sites. These sites are fully supported by the Group's employees. Revenue is generated principally on a PPP basis, usually with a minimum monthly usage level being agreed. Additional revenue is generated from the sale of retinal examination equipment and associated income from the sales of service and warranty.

The business is managed on an integrated basis, with functions managed globally and decisions reached through cross-functional committees. In particular, R&D is actively targeted at enhancing the existing product for all markets. Manufacturing, marketing, sales, regulatory and support functions are managed and operate on a global basis and are not specific to individual markets or products.

An analysis by operating segment is given below for the six months ended 31 March 2011:

	<b>North America 2011 (Unaudited) \$m</b>	<b>Rest of World 2011 (Unaudited) \$m</b>	<b>Total 2011 (Unaudited) \$m</b>
<b>Revenue</b>			
Operating lease revenue from rental of devices	36.3	5.4	41.7
Device sales under finance leases	2.6	0.5	3.1
Device sales - outright	9.3	2.4	11.7
Warranty and service contracts	1.4	0.1	1.5
<b>Segment revenue</b>	<b>49.6</b>	<b>8.4</b>	<b>58.0</b>
Segment cost of sales	(17.4)	(4.5)	(21.9)
<b>Segment gross profit</b>	<b>32.2</b>	<b>3.9</b>	<b>36.1</b>
Selling and distribution costs			(12.8)
Administrative expenses			(17.1)
Share-based payments			(0.7)
<b>Operating profit</b>			<b>5.5</b>
Net interest			(1.6)
<b>Profit from continuing operations before taxation</b>			<b>3.9</b>

An analysis by operating segment is given below for the six months ended 31 March 2010:

	<b>North America 2010 (Unaudited) \$m</b>	<b>Rest of World 2010 (Unaudited) \$m</b>	<b>Total 2010 (Unaudited) \$m</b>
<b>Revenue</b>			
Operating lease revenue from rental of devices	40.3	5.1	45.4
Device sales under finance leases	-	-	-
Device sales - outright	1.0	0.3	1.3
Warranty and service contracts	0.6	—	0.6
<b>Segment revenue</b>	<b>41.9</b>	<b>5.4</b>	<b>47.3</b>
Segment cost of sales	(13.7)	(2.4)	(16.1)
<b>Segment gross profit</b>	<b>28.2</b>	<b>3.0</b>	<b>31.2</b>
Selling and distribution costs			(10.6)
Administrative expenses			(16.1)
Share-based payments			(0.2)
<b>Operating profit</b>			<b>4.3</b>
Net interest			(2.5)
<b>Profit from continuing operations before taxation</b>			<b>1.8</b>

An analysis by operating segment is given below for the year ended 30 September 2010:

	<b>North America 2010 (Audited) \$m</b>	<b>Rest of World 2010 (Audited) \$m</b>	<b>Total 2010 (Audited) \$m</b>
<b>Revenue</b>			
Operating lease revenue from rental of devices	78.9	10.1	89.0
Device sales under finance leases	7.1	0.6	7.7
Device sales - outright	5.9	2.2	8.1
Warranty and service contracts	1.5	-	1.5
<b>Segment revenue</b>	<b>93.4</b>	<b>12.9</b>	<b>106.3</b>
Segment cost of sales	(29.9)	(5.5)	(35.4)
<b>Segment gross profit</b>	<b>63.5</b>	<b>7.4</b>	<b>70.9</b>
Selling and distribution costs			(24.5)
Administrative expenses			(28.3)
Share-based payments			(0.6)
<b>Operating profit</b>			<b>17.5</b>
Net interest			(4.8)
<b>Loss from continuing operations before taxation</b>			<b>12.7</b>

#### 4 Revenue

	<b>Six months ended 31 March 2011 (Unaudited) \$m</b>	<b>Six months ended 31 March 2010 (Unaudited) \$m</b>	<b>Year ended 30 Sept 2010 (Audited) \$m</b>
<b>Revenue</b>			
Operating lease revenue from rental of devices	41.7	45.4	89.0
Device sales under finance leases	3.1	-	7.7
Device sales – outright	11.7	1.3	8.1
Services and warranty contracts	1.5	0.6	1.5
Revenue	<b>58.0</b>	47.3	106.3
Finance revenue	<b>0.3</b>	0.1	0.2
<b>Total revenue</b>	<b>58.3</b>	47.4	106.5

No revenue was derived from exchanges of goods or services.

#### 5 Share-based payments

The Company has operated discretionary share option arrangements details of which can be found on pages 81 and 82 of the Group's Annual Report and Accounts for the year ended 30 September 2010.

The total charge for share-based payments for the six months ended 31 March 2011 was \$0.6m (H1 2010: charge of \$0.2m; FY 2010: charge of \$0.5m), with an additional charge of \$0.1m (H1 2010: charge of \$nil; FY 2010: charge of \$0.1m) in respect of National Insurance.

#### 6 Taxation

The tax credit for the interim period was \$0.6m (H1 2010: charge \$0.3m; FY 2010: credit \$1.3m) comprising a \$0.1m current tax credit (H1 2010: charge \$0.2m; FY 2010: charge \$0.0m) and a \$0.5m deferred tax credit (H1 2010: charge \$0.1m; FY 2010: credit \$1.3m). In the six months ended 31 March 2011, \$0.4m (H1 2010: \$0.2m; FY 2010: \$0.0m) was paid in the US in respect of taxes levied by federal and state tax authorities.

Deferred tax assets totalling \$9.8m (H1 2010: \$9.6m; FY 2010: \$11.0m), primarily in respect of trading losses, have been recognised as there has been sufficient evidence to conclude that these losses will be recoverable in the future.

Deferred tax assets totalling \$4.9m (H1 2010: \$11.0m; FY 2010: \$7m) in respect of trading losses incurred in the UK and the US have not been recognised on the grounds that there is not sufficient evidence to conclude that the losses giving rise to these assets will be utilised. The continued availability of the tax losses is subject to certain conditions being met and the level of tax losses not being successfully challenged by the relevant tax authorities.

#### 7 Profit per ordinary share

Basic earnings per share amounts are calculated by dividing the profit before and after taxation for the financial period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit before and after taxation for the financial period by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options).

The profit per ordinary share is calculated as follows:

	<b>Six months ended 31 March 2011 (Unaudited)</b>	Six months ended 31 March 2010 (Unaudited)	Year ended 30 Sept 2010 (Audited)
Weighted average number of ordinary shares in issue	<b>70,888,545</b>	69,579,454	69,979,015
Effect of dilution: share options	<b>545,806</b>	63,475	90,218
Adjusted weighted average number of ordinary shares for diluted earnings per share	<b>71,434,351</b>	69,642,929	70,069,233
Profit before taxation (\$m)	<b>3.9</b>	1.8	12.7
Basic profit before taxation per share (cents)	<b>5.6</b>	2.5	18.1
Diluted profit before taxation per share (cents)	<b>5.5</b>	2.5	18.1
Profit after taxation (\$m)	<b>4.5</b>	1.5	14.0
Basic profit after taxation per share (cents)	<b>6.3</b>	2.1	20.0
Diluted profit after taxation per share (cents)	<b>6.2</b>	2.1	19.9

### 8 Property, plant and equipment

During the six months ended 31 March 2011, the Group acquired assets with a cost of \$13.0m (H1 2010: \$6.2m; FY 2010: \$17.5m); and disposed of assets with a net book value of \$4.9m (H1 2009: \$0.2m; FY 2010: \$3.5m). Depreciation for the reporting period was \$12.8m (H1 2010: \$14.3m; FY 2010: \$29.1m). Assets with a net book value of \$10.2m were transferred into inventory in line with the changes to the economic useful life and residual values of the devices. There were no impairment charges to property, plant and equipment.

### 9 Intangible assets

	Development costs \$m	Software costs \$m	Licences and Relationship costs \$m	Goodwill costs \$m	Total \$m
<b>Cost</b>					
At 1 October 2010	14.7	3.2	-	-	17.9
Additions – internal development	1.5	-	-	-	1.5
Additions – purchased externally	-	0.1	6.0	10.5	16.6
Disposals	-	-	-	-	-
<b>At 31 March 2011</b>	<b>16.2</b>	<b>3.3</b>	<b>6.0</b>	<b>10.5</b>	<b>36.0</b>
<b>Accumulated amortisation</b>					
At 1 October 2010	7.2	2.6	-	-	9.8
Amortisation in year	1.5	0.1	0.2	-	1.8
Disposals	-	-	-	-	-
<b>At 31 March 2011</b>	<b>8.7</b>	<b>2.7</b>	<b>0.2</b>	<b>-</b>	<b>11.6</b>
<b>Net carrying amount</b>					
<b>At 31 March 2011</b>	<b>7.5</b>	<b>0.6</b>	<b>5.8</b>	<b>10.5</b>	<b>24.4</b>

During the six months ended 31 March 2011, the Group capitalised intangible assets of \$1.5m (H1 2010: \$0.2m; FY 2010: \$1.3m) and acquired intangible assets of \$16.6m (H1 2010: \$nil; FY 2010: \$0.3m). The Group amortised intangible assets of \$1.8m (H1 2010: \$1.2m; FY 2010: \$2.5m). There were no impairment charges to intangible assets.

As at 31 March 2011, the net book value of intangible assets was \$24.4m (H1 2010: \$8.0m; FY 2010: \$8.1m). Of this total at 31 March 2011, \$7.5m (H1 2010: \$7.2m; FY 2010: \$7.5m) related to development costs, \$10.5m to goodwill (H1 2010: \$nil; FY 2010: \$nil), \$5.8m to licences and business relationships (H1 2010: \$nil; FY 2010: \$nil) with the balance relating to software.

### 10 Finance lease receivables

During the six months ended 31 March 2011, the Group recognised finance lease agreements with customers of \$3.1m (H1 2010: \$nil; FY 2010: \$7.7m) and received payments from customers of \$0.7m (H1 2010: \$nil; FY 2010: \$nil). The average effective interest rate in relation to finance leases is 6%.

As at 31 March 2011, the net present value of Group Finance lease receivables was \$9.7m (H1 2010: \$nil; FY 2010: \$7.3m). There were no impairment charges to finance lease receivables. The fair value of finance lease receivables is considered not to be materially different from the carrying value in the balance.

## 11 Cash and cash equivalents

	<b>Six months ended 31 March 2011 (Unaudited) \$m</b>	Six months ended 31 March 2010 (Unaudited) \$m	Year ended 30 Sept 2010 (Audited) \$m
Cash at bank and in hand	<b>16.6</b>	33.1	10.2
Short-term deposits	<b>5.0</b>	7.3	31.0
	<b>21.6</b>	40.4	41.2

Cash at bank earns interest at floating rates based on daily deposit rates.

## 12 Business combinations

On 13 December 2010, the group acquired 100% of the share capital of Opto Global Holdings Pty Limited (Opto Global) for \$14.3m. At that date, the fair value of the net assets and liabilities in Opto Global equaled \$3.8m and consequently there is goodwill of \$10.5m.

Opto Global has headquarters in Australia. The company sources and sells precision optometric and ophthalmic equipment with markets primarily in the Middle and Far East as well as Africa and South America. The acquisition will enhance the Optos product range as well as launching the sale of Optos products through key Opto Global distributors.

The acquired business contributed revenues of \$0.6m and a net loss before taxation of \$0.7m to the group for the period from 13 December 2010 to 31 March 2011. This included one off retention payments to Opto Global employees of \$0.5m. If the acquisition had occurred on 1 October 2010, group revenue would have been \$58.7m and profit before taxation would have been \$1.7m. This includes additional foreign exchange losses of \$0.5m and amounts written off in relation to trademarks of \$0.5m and inventory of \$0.3m prior to acquisition but after 1 October 2010. These amounts have been calculated using the group's accounting policies. Costs directly attributable to the acquisition of \$0.4m have been expensed in the income statement.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	<b>\$m</b>
Cash paid	10.8
Fair value of shares issued (434,487 shares at \$2.22)	1.0
Fair value of contingent cash	2.5
Total purchase consideration	<u>14.3</u>

The goodwill is attributable to the acquired customer base and economies expected from the acquisition of Opto Global.

As part of the sales and purchase agreement, a contingent consideration has been agreed. There will be additional cash payments up to a maximum of \$3m due to the previous owners of Opto Global in the event that the subsidiary generates sales of at least \$5m over the 12 month period to 28 February 2012. There is a ceiling when \$9m of additional sales are reached. A gross margin of at least 33% per sales agreement must be maintained.

The fair value of the shares issued was based on the published share price on 13 December 2010.

The assets and liabilities as of 13 December 2010 arising from the acquisition are as follows:

	<b>Book Value \$m</b>	<b>Fair Value \$m</b>
Supplier relationships		4.0
Distributor relationships		1.4
Licences		0.6
Cash and cash equivalents	0.1	0.1
Inventories	0.5	0.5
Trade and other receivables	0.6	0.6
Trade and other payables	(1.6)	(1.6)
Deferred tax liability	-	(1.8)
Net assets	<u>(0.4)</u>	<u>3.8</u>
Goodwill arising on acquisition		<u>10.5</u>
Purchase consideration		<u>14.3</u>
Purchase consideration settled in cash		10.8
Cash and cash equivalents in subsidiary acquired		<u>(0.1)</u>
Cash outflow on acquisition		<u>10.7</u>

There were no acquisitions in the year ended 30 September 2010

### **13 Finance liabilities**

During the six months ended 31 March 2011, the Group raised additional funding through vendor finance of \$2.8m (H1 2010: \$15.9m; FY 2010: \$24.2m) and made repayments to third party providers of vendor finance of \$15.6m (H1 2010: \$18.8m; FY 2010: \$37.4m). Total finance lease commitments outstanding at 31 March 2011 were \$49.5m (H1 2010: \$73.1m; FY 2010: \$62.3m).

The Group also recognised a contingent consideration of \$2.5m (H1 2010: \$nil; FY 2010: \$nil) in relation to the Opto Global acquisition.

### **14 Related party transactions**

There were no related party transactions during the six months ended 31 March 2011 (H1 2010: \$nil; FY 2010: \$nil). There was no outstanding balances with related parties at 31 March 2011 (H1 2010: \$nil; FY 2010: \$nil). No guarantees have been given or received.

**Directors' responsibility statement  
and forward-looking statements**

**Responsibility statement of the Directors in respect of the interim financial report  
for the period ended 31 March 2011**

The Directors of Optos plc at 16 May 2011 are listed on page 23

The Directors confirm to the best of their knowledge that:

- this condensed set of financial statements has been prepared in accordance with IAS 34;
- the interim management report includes a fair review of the information required by DTR 4.2.7R; and
- the interim management report includes a fair review of the information required by DTR 4.2.8R.

By order of the Board

**John McNeil**  
**Company Secretary**  
16 May 2011

**Independent review report to Optos plc**  
**For the six months ended 31 March 2011**

**Introduction**

We have been engaged by the Company to review the condensed consolidated set of financial statements in the interim financial report for the six months ended 31 March 2011 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Changes in Equity, and the related Notes 1 to 14. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the interim financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim financial report for the six months ended 31 March 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**Ernst & Young LLP**  
**Glasgow**  
16 May 2011

## **Directors and Company information**

### **Roy Davis**

Chief Executive Officer

### **Christine Soden**

Chief Financial Officer

### **Dr Peter Fellner**

Non-executive Chairman

### **Dr Peter H Kehoe**

Non-executive Director

### **Barry M Rose**

Non-executive Director

### **Rosalyn S Wilton**

Non-executive Director

### **Company Secretary**

John McNeil

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