



Revolutionising eye care

Optos plc
Interim Report for the period ended 31 March 2006



Optos is a leading medical technology company for the design, development, manufacturing and marketing of retinal imaging devices. The Company's platform technology is its Panoramic200 Scanning Laser Ophthalmoscope device – the P200.

Many indicators of systemic disease such as diabetes, hypertension and certain cancers, and precursors to eye conditions such as age-related macular degeneration, glaucoma and retinal detachments, may exhibit first in the periphery of the retina, the light-sensitive area at the back of the eye.

Data from the periphery of the retina is clinically important for the immediate care of patients, therefore increasing the importance of retinal imaging as an important tool for screening and diagnosis of disease. Early detection can save sight and save lives.

Routine retinal examination methods provide only a limited, narrow-field view of the retina, typically less than 5% in a single capture. Such examinations can therefore miss eye and non-eye diseases. Typically, to capture a greater percentage of the retina using traditional methods, the patient's eye must be dilated and multiple images of the retina must be taken.

Unlike routine ways of looking at the retina, the P200 device provides a high resolution ultra wide-field digital image of the retina – branded **optomap**® Retinal Exam – that encompasses 82% of the retina in a single capture. Image capture time is a quarter of a second.

Optos' P200 device provides an unequalled combination of wide-field retinal imaging, speed and convenience for both the practitioner and patient and the **optomap**® Retinal Exam offers practitioners added diagnostic capabilities, increased medical understanding and enhanced clinical value.

Contents

Financial and Operating Highlights	1
Our Products and Market Potential	2
Chairman's Statement	4
Operational Review	6
Consolidated Income Statement	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Cashflow Statement	11
Notes to the Interim Financial Statements	12
Independent Review Report to Optos plc	27
Directors and Advisers	28

Financial and Operating Highlights

Solid financial performance:

- 43.5% increase in revenue to \$31.3 million (\$21.8 million)
- 39.0% increase in gross profit to \$20.7 million (\$14.9 million)
- 150.5% increase in operating profit before share based payments to \$2.6 million (\$1.0 million)

Excellent operational progress:

- 39.7% increase in installed P200 base to 2,293 devices (1,641)
- 41.1% increase in **optomap**® Retinal Exams to 1.6 million (1.1 million)
- 7.5 million **optomap**® Retinal Exams performed to date in all markets

Broadened product offering:

- European CE Marking for P200MA (December 2005)
- US FDA §510(k) clearance to market for P200MA (March 2006)
- P200MA now being installed in a select number of trial sites in the United States and Germany
- P200MA produces angiographic retinal image – **optomap**® *fa* Medical Procedure
- Trials to confirm clinical efficacy of **optomap**® *fa* Medical Procedure underway

All numbers are denominated in US\$ which is the Company's reporting currency and prepared under International Financial Reporting Standards (IFRS).

Our Products and Market Potential

Market opportunity

Optos believes that the **optomap**® Retinal Exam – by enabling practitioners to view 82% of the retina in a single capture – plays a leading role in assisting with the early detection and diagnosis of both eye and non-eye diseases, in tracking and monitoring the development of diseases and in optimising treatment plans through ongoing evaluation. Examination of the retina forms part of a comprehensive eye exam. There are approximately 160 million such examinations conducted annually in the Company's existing markets. Optos' objective is to have eye-care practitioners perform an **optomap**® Retinal Exam as part of every comprehensive examination and estimates that this market represents a recurring US\$2 billion opportunity.

The table below details the Company's estimates of the market size within its four existing markets as at 30 September 2005.

	US	Canada	UK	Germany
Annual number of eye examinations	103m	8m	21m	28m
Total number of practices	31,000	2,000	6,500	3,500
Number of addressable practices ¹	20,000	1,300	400 ²	2,500 ²

Within these markets eye care examinations and treatment differs and therefore not all practices are addressable. An addressable practice has been determined to be one that is sufficiently clinically focused and large enough where it is commercially viable to integrate the P200 device and the **optomap**® Retinal Exam into the practice.

Future markets are assessed based on the number of comprehensive eye examinations performed, the estimated uptake of the number of **optomap**® Retinal Exams, anticipated patient attitudes towards patient payment, retinal health awareness levels and preventative healthcare.

The table below shows the number of eye examinations conducted annually, practices and addressable practices in the Company's targeted markets as at 30 September 2005.

	France	Spain	Japan
Annual number of eye examinations	18m	24m	40m
Total number of practices	2,500	4,000	6,000
Number of addressable practices ¹	1,700 ²	2,200 ²	4,000

¹ Addressable market defined as practices with potential of at least 100 **optomap**® Retinal Exams per month

² Corresponds to private practices and does not include NHS / public health bodies

Leadership in customer service

Maintaining high levels of customer satisfaction helps to strengthen the relationship the Company has with its customers. Optos' proprietary software supports each eye-care practice. 'Capture Software' enables operation of the P200, including the facilitation of patient imaging. 'Review Software' allows for the image from the **optomap**® Retinal Exam to be extensively reviewed, manipulated, measured and annotated by the practitioner. The image can be permanently recorded and documented, thereby assisting with disease monitoring and improving patient education. 'Reporting Software' provides the practitioner with information on how well the P200 device is being utilised and provides Optos with real-time performance information on the device. Optos provides its practitioner customers with ongoing clinical, educational, marketing and technical resources and assistance.

Products

Optos currently has three retinal exam image products:

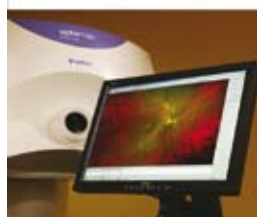
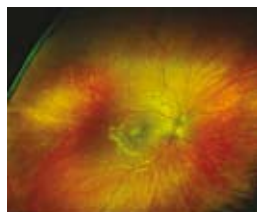
- **optomap**® Retinal Exam
- **optomap**® *plus* Medical Retinal Exam
- **optomap**® *fa* Medical Procedure

The Company's core product is the **optomap**® Retinal Exam, which is produced by the P200 device and is used in primary level eye care for the screening of eye and non-eye diseases and disorders. **optomap**® *plus* Medical Retinal Exam is also performed using the P200 and is used in secondary level care, using additional capabilities in the image capture and review process to facilitate diagnosis and documentation of previously detected pathology. **optomap**® *fa* Medical Procedure offers retinal specialists advanced diagnostic, monitoring and treatment capabilities for particular eye disorders, including diabetic retinopathy and age-related macular degeneration.

Growth strategy

Optos is focused on four strategic goals.

- Increase penetration in existing markets
- Enter into new markets
- Broaden product offering
- Maintain customer satisfaction levels



Chairman's Statement

Dr John M Padfield



It gives me great pleasure to introduce our maiden interim report as a public company after our very successful flotation and admission to the Main Market of the London Stock Exchange in February 2006. The offering provided the Company with a strong balance sheet which will enable us to fulfil our strategy of increasing our penetration in existing markets, enter into new markets and broaden our product offering. Underpinning all of this is the maintenance of high levels of customer satisfaction. Putting this into action requires extraordinary commitment throughout our organisation.

We believe that our approach to retinal examination is unique. Our patented scanning laser technology guarantees superior retinal imaging and our operational expertise ensures product quality. Our customers expect nothing less. We have an unparalleled ability to integrate our retinal imaging devices into our customers' practices; we offer extensive ongoing customer training and support; and, we incorporate multi-disciplinary checks and balances throughout the life of every customer relationship. In these ways we offer our customers enhanced diagnostic, monitoring and treatment capabilities and in doing so help them deliver a higher standard of care to their patients.

Our aim is to have eye-care practitioners perform an **optomap**® Retinal Exam as part of every comprehensive examination. The scale of this commercial opportunity is substantial. There are an estimated 160 million examinations conducted annually in our existing markets. This represents a recurring US\$2 billion opportunity.

The strength of our business model, devotion to continuous innovation and maintaining outstanding levels of customer service underscored another period of strong growth. I am pleased to report revenues of \$31.3 million and operating profits before share based payments of \$2.6 million representing growth of 43.5% and 150.5% respectively over the same period in 2005. This was driven by a 39.7% year on year increase in the number of P200 devices that have been installed in our markets. These 2,293 devices performed 1.6 million **optomap**[®] Retinal Exams during the period, representing an increase of 41.1% over the same period last year.

We also introduced an exciting new retinal imaging device to the market, which received European CE marking in December 2005 and US FDA 510(k) clearance to market in March 2006. Our P200MA device is aimed at the secondary, as opposed to the primary, care market and has been designed to produce an angiographic retinal image called **optomap**[®] *fa* Medical Procedure. This new retinal image examination will offer eye-care practitioners advanced diagnostic, monitoring and treatment capabilities for particular eye disorders, including diabetic retinopathy and age-related macular degeneration.

I would like to recognise the contributions of our Board of Directors, particularly those who recently stepped down, namely our former Chairman Barry Sealey, and Michael Rutterford, Ann Gloag and David Cairns – their counsel and support in the many years leading up to our public listing was immeasurable. I formally welcome Barry Rose and David Guyer and I look forward to working closely with our entire Board to drive the Company further forward. My thanks also go to all of our employees. Our success is due to their many talents and exceptional commitment.

We are well on our way in demonstrating that we can continue to build Optos with significant upside potential. Looking ahead, we are well-placed and excited about the future. I anticipate the second half of the year will be an equally important period for Optos as we execute on our plan to drive continued commercial growth.

Dr John M. Padfield
Chairman

Operational Review

Stephane Sallmard, Chief Executive Officer



Overview

Critical to our business momentum and customer relationships is our performance track record and the quality of our service. We continued to deliver in these areas during this reporting period, which was an extremely busy and exciting six months. Our results confirm the progress we are making against our strategic goals.

Operating review

In the first six months the number of **optomap**[®] Retinal Exams increased by 41.1% over the same period last year to 1.6 million. This continued rapid growth brings the total cumulative number of **optomap**[®] Retinal Exams conducted in our existing markets to approximately 7.5 million, which underlines the value that we are delivering to eye-care practitioners in terms of improving the standard of patient care.

This is a direct result of the growth in the installed base of P200 devices and increased demand for the **optomap**[®] Retinal Exam. At the end of the period 2,293 P200 devices had been installed in the Company's existing markets, representing a 39.7% increase from an installed base of 1,641 at the end of the same period last year. Segmented by country, our installed base of P200 devices in the US was up 40.1% to 2,068 from 1,476;

in Canada up 46.0% to 127 from 87; in the UK up 5.9% to 72 from 68 and in Germany up 160.0% to 26 from 10 devices at the same time last year.

Customer renewals continued to be strong during the period. These renewals followed on the expiration of the original three-year agreements that were signed, which is a clear indication of the commercial and clinical benefits that the P200 device and **optomap**[®] Retinal Exam delivers to each practice.

Following receipt of regulatory clearance to market we began installing our new P200MA device in a select number of specialist eye care centres in the United States and in Germany. These include the Bascom Palmer Eye Institute in Miami, The Jules Stein Eye Institute at UCLA, The Retina Associates in Los Angeles and at LMU, a prominent teaching hospital in Munich, Germany. Trials to confirm the clinical efficacy of our angiographic **optomap**[®] *fa* Medical Procedure produced by the P200MA are now underway.

We consolidated our European manufacturing, distribution and service functions by opening a new centre in Dunfermline, Scotland. Current and anticipated growth in Europe requires us to hold sufficient stock of completed devices and spares to meet and service our geographic expansion plans. Co-locating this with our manufacturing capability is providing faster and improved customer service and permits enhanced sharing of information about field performance with the manufacturing team. Our new facility will strengthen our efforts on continuous innovation and improvement, which will assist in driving down costs and providing superior device performance.

Financial review

Strong operational performance has been clearly manifested in our financial results. Revenue during the period increased by 43.5% to \$31.3 million reflecting deepened market penetration and high rates of customer renewals. This strong performance resulted in a 39.0% year on year rise in gross profits to \$20.7 million. Operating profit before share based payments for the period increased by 150.5% to \$2.6 million. Profit improvement was achieved in conjunction with continued investment in marketing, field sales capabilities and support services in order to deliver on our stated growth strategy. Operating profit after share based payments was \$724,000 compared to \$827,000 during the same period last year.

On the bottom line, finance costs amounted to \$3.3 million, an increase from \$2.7 million in the same period last year. The increase reflects the growth in the installed base of P200 devices and imputed interest due to IAS 32. As a result of the share based payments and finance costs we recorded a net loss of \$2.6 million versus a net loss of \$1.9 million in the same period last year. The net loss per share amounted to 5.11 cents versus 4.17 cents in the first half of the previous fiscal year. Our balance sheet was strengthened through \$48.7 million in net IPO cash proceeds. As at 31 March 2006 the Company had a cash balance of \$39.8 million compared to an overdraft of \$2.4 million at the close of the same prior year period. These resources provide a solid platform for future commercial growth.

Outlook

Our encouraging progress during this period and our strengthened balance sheet provides us with great confidence as we move forward. We are well-positioned for continued growth in all of our existing markets and to move into

new targeted markets. We are excited and on track with our plans for the P200MA device and expect the results of trials to fully confirm the clinical efficacy of our new **optomap® fa** Medical Procedure.

There is significant potential in targeting optical and eye-care chains. This requires a longer sales cycle and highly specialised customer relationship management. We now have the resources to support a dedicated effort in capturing business in this market and we are ramping up our sales and marketing activities in this area during the second half of the year.

Overall, we are confident in our ability to bring home a strong set of year-end results, which we believe will demonstrate the commitment we have to delivering sustainable value for our shareholders.

Conclusion

Our success is ultimately derived from the quality and dedication of our people. Throughout our organisation employees are working harder and are more energised than ever. I am extremely proud of our team and thank them for their dedication to achieving excellence in all of their efforts.

Stephane Sallmard
Chief Executive Officer

Consolidated Income Statement

For the period ended 31 March 2006

	Notes	Six months ended 31 March 2006 (Unaudited) \$'000	Six months ended 31 March 2005 (Unaudited) \$'000	Year ended 30 September 2005 (Audited) \$'000
Revenue	4	31,297	21,811	48,399
Cost of sales		(10,577)	(6,904)	(16,956)
Gross profit		20,720	14,907	31,443
Other income		–	–	321
Selling and distribution costs		(6,509)	(4,627)	(9,689)
Administrative expenses		(11,608)	(9,241)	(17,622)
Operating profit before share based payments		2,603	1,039	4,453
Share based payments	5	(1,879)	(212)	(1,170)
Operating profit after share based payments		724	827	3,283
Finance revenue		179	71	78
Finance costs		(3,504)	(2,818)	(5,954)
Loss before tax		(2,601)	(1,920)	(2,593)
Income tax credit	6	–	–	396
Net loss for the period		(2,601)	(1,920)	(2,197)
Loss per share	7,8			
Basic & diluted loss for the period attributable to ordinary equity holders		(5.11)c	(4.17)c	(4.77)c

Consolidated Balance Sheet

As at 31 March 2006

	Notes	As at 31 March 2006 (Unaudited) \$'000	As at 31 March 2005 (Unaudited) \$'000	As at 30 September 2005 (Audited) \$'000
Non-current assets				
Property, plant and equipment		71,403	56,481	66,355
Intangible assets		6,805	4,211	5,735
Total non-current assets		78,208	60,692	72,090
Current assets				
Trade and other receivables		6,115	5,102	4,887
Inventories		2,708	3,722	2,708
Cash and cash equivalents	3	39,832	2,453	2,163
Total current assets		48,655	11,277	9,758
Current liabilities				
Trade and other payables		(8,175)	(7,018)	(7,806)
Financial liabilities		(36,067)	(41,085)	(38,440)
Total current liabilities		(44,242)	(48,103)	(46,246)
Total assets less current liabilities		82,621	23,866	35,602
Non-current liabilities				
Financial liabilities		(43,451)	(44,019)	(55,073)
Provisions		(1,738)	(590)	(843)
Government grants		(714)	(714)	(714)
Total non-current liabilities		(45,903)	(45,323)	(56,630)
Net assets/(liabilities)		36,718	(21,457)	(21,028)
EQUITY				
Issued capital	8	2,352	1,664	1,665
Share premium	8	112,468	52,439	52,472
Retained earnings		(78,059)	(75,564)	(75,136)
Other reserves		(43)	4	(29)
Total equity		36,718	(21,457)	(21,028)

Consolidated Statement of Changes in Equity

	As at 31 March 2006 (Unaudited) \$'000	As at 31 March 2005 (Unaudited) \$'000	As at 30 September 2005 (Audited) \$'000
Balance at start of period	(21,028)	(19,744)	(19,744)
Adjustment relating to adoption of IAS 32 and IAS 39 as at 1 October 2005	1,439	–	–
Foreign currency translation	(14)	4	(29)
Loss for the period	(2,601)	(1,920)	(2,197)
Share-based payment	984	180	885
Issue of ordinary share capital less costs	57,938	23	57
Balance at period end	36,718	(21,457)	(21,028)

Consolidated Cashflow Statement

For the period ended 31 March 2006

	Six months ended 31 March 2006 (Unaudited) \$'000	Six months ended 31 March 2005 (Unaudited) \$'000	Year ended 30 September 2005 (Audited) \$'000
Cash flows from operating activities			
Operating profit after share based payments	724	827	3,283
Adjustments for:			
Depreciation and amortisation	9,541	6,320	14,689
Share options	1,879	212	1,170
Increase in trade and other receivables	(1,228)	(1,420)	(1,063)
Decrease (increase) in inventories	-	1,088	(447)
Increase (decrease) in trade payables	345	(1,045)	(1,552)
Government grant receipt	-	-	316
Research and development tax credit	-	-	396
Net cash inflows from operating activities	11,261	5,982	16,792
Cash flows used in investing activities			
Interest received	179	71	78
Purchase of property, plant and equipment	(14,416)	(18,581)	(34,448)
Expenditure on intangible assets	(1,275)	(1,619)	(2,777)
Net cash flows used in investing activities	(15,512)	(20,129)	(37,147)
Cash flows from financing activities			
Payment of finance leases	(18,506)	(10,943)	(25,385)
Proceeds from finance leases	21,940	19,185	40,772
Proceeds from share issue	48,672	23	56
Interest paid	(3,504)	(2,747)	(5,390)
Net cash flows from financing activities	48,602	5,518	10,053
Net increase in cash and cash equivalents	44,351	(8,629)	(10,302)
Effect of exchange on cash & cash equivalents	171	79	(497)
Cash & cash equivalents at beginning of period	(4,690)	6,109	6,109
Cash & cash equivalents at end of period	39,832	(2,441)	(4,690)

Notes to the Interim Financial Statements

1 BASIS OF PREPARATION

The interim financial statements are unaudited and do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. These financial statements were approved by the Board of Directors on 24 May 2006. Financial statements for the year to 30 September 2005 are abridged statements; full accounts with an unqualified audit report have been lodged with the Registrar.

International Financial Reporting Standards

Prior to 30 September 2005, the Group prepared its audited annual consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). Following its listing on the London Stock Exchange on 15 February 2006 the Group is now required to prepare annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and implemented in the UK.

These interim financial statements have been prepared in accordance with the accounting policies the Group expects to be applicable at 30 September 2006 and the interpretation of those accounting standards underlying the accounting policies. These accounting policies are based on the IAS, IFRS and IFRIC interpretations that the Company expects to be applicable at that time. The IFRS and IFRIC interpretations that will be applicable at 30 September 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. The accounting policies that have been followed within the interim report have been detailed in Note 9 of this interim report.

First-time adoption

As a general rule, the Group is required to apply IFRS applicable as at 30 September 2005 retrospectively to determine its restated financial position as at 1 October 2004 ("the transition date"). However, under IFRS 1 "First time adoption of IFRS" there are certain exemptions to this general principle that the Group has adopted. The exemptions adopted by the Group are as follows:

Share-based payments

Optos has applied IFRS 2 "Share-based Payment" retrospectively only to equity settled awards that had not vested as at 1 January 2005 and were granted on or after 7 November 2002.

Financial instruments

Optos has elected to apply IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" prospectively from 1 October 2005. Consequently, the relevant information for the year ended 30 September 2005 does not reflect the impact of these standards and is accounted for under UK accounting standards.

Cumulative foreign currency translation differences

Optos has elected to deem the cumulative differences on the retranslation into sterling of the Group's net investment in foreign operations to be \$nil as at 1 October 2004. As a result, in the event of the subsequent disposal of a foreign operation, any gain or loss on disposal will only include cumulative translation differences arising on or after 1 October 2004.

Notes to the Interim Financial Statements continued

2 IMPACT OF TRANSITION

The application of IFRS results in a movement of net assets. The principal differences for the Group between reporting on the basis of UK GAAP and IFRS are disclosed in Note 10.

The application of IFRS has also changed the presentation of the cash flow statement, which now shows cash flows from three activities-operating, investing and financing. In addition, under IFRS the cash flow statement includes all cash flows in respect of cash and cash equivalents which is broader in scope than cash as defined under UK GAAP.

3 BANK AND OTHER BORROWINGS

Following the listing of the Group on the London Stock Exchange on 15 February 2006, the Group's overdraft with the Bank of Scotland was cleared. The Group did not seek to renew the overdraft facility upon its expiry at the end of March 2006.

4 SEGMENTAL INFORMATION

Geographical analysis of revenue

	Six months ended 31 March 2006 (Unaudited) \$'000	Six months ended 31 March 2005 (Unaudited) \$'000	Year ended 30 September 2005 (Audited) \$'000
North America	29,876	20,628	45,987
Europe and Rest of World	1,421	1,183	2,412
Total	31,297	21,811	48,399

All revenue is derived from external customers.

5 SHARE BASED PAYMENTS

Share based payments as calculated under IFRS 2 increased from \$212k in the six months ended 31 March 2005 to \$1,879k in the six months ended 31 March 2006. Charges for the equity settled element of the charge increased due to new grants in the period and the acceleration of option vesting triggered by the listing of the Group on the London Stock Exchange on 15 February 2006. Charges for the cash settled element of the charge rose significantly due to a one off step change in the calculated fair value for the shares associated with the listing.

Notes to the Interim Financial Statements continued

6 TAXATION

As at 30 September 2005 the Group had tax losses which arose in the UK and the US of \$23,150,000 that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The continued availability of the tax losses is subject to certain conditions being met and the level of losses not being challenged by the relevant tax authority. Deferred tax assets have not been recognised in respect of those losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in entities that have been loss-making for some time.

As at 31 March 2006 the improvement in trading performance has not sufficiently increased the probability that the relevant entities will be able to generate sufficient taxable profit in the future for the deferred tax asset to meet the recognition criteria set out in IAS 12 Income Taxes.

At each period end there were no recognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

7 LOSS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The loss per share calculation for the six months ended 31 March 2006 is based on \$2,601,000 (31 March 2005: \$1,920,000; 30 September 2005: \$2,197,000) being losses attributable to Optos and on the weighted average of 50,876,133 (31 March 2005: 46,024,211; 30 September 2005: 46,036,899) ordinary 2p shares in issue. The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share are identical to those for basic loss per share. This is because the conversion of loan notes, exercise of share options and warrants would not have the effect of increasing the loss per share and is therefore not dilutive.

8 SHARE CAPITAL

Following the annual general meeting of the Group held on 27 January 2006 the Directors voted to consolidate each ordinary share of £0.01 in the Group on a 2:1 basis, consolidating two ordinary shares of £0.01 each into one ordinary share of £0.02. The Directors then voted to increase the share capital of the Group by £600,000 to £1,800,000 by the creation of an additional 30.0 million ordinary shares.

Pursuant to the listing of the Group on the London Stock Exchange on 15 February 2006, the Group issued 19.4 million ordinary shares of £0.02 in respect of IPO proceeds, Loan Stock conversion and through the exercise of various option and warrants. In addition to this, between 15 February 2006 and 31 March 2006, 160,875 ordinary shares were issued to staff exercising options. As at 31 March 2006, the Group had 65,842,082 ordinary shares issued and outstanding.

Notes to the Interim Financial Statements continued

9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

Basis of consolidation

The financial statements of the subsidiaries 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.

Foreign currency translation

The consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Optos Inc, Optos Canada Inc and Optos GmbH, is the US Dollar, Canadian Dollar and Euro respectively. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Optos plc (the US Dollar) at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Optos has elected to deem the cumulative differences on the retranslation into sterling of the Group's net investment in foreign operations to be \$nil as at 1 October 2004. As a result, in the event of the subsequent disposal of a foreign operation, any gain or loss on disposal will only include cumulative translation differences arising on or after 1 October 2004.

Notes to the Interim Financial Statements continued

9 Summary of significant accounting policies continued

Plant and equipment

Plant and equipment is stated at cost, excluding the costs of the day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is provided on all property, plant and equipment other than freehold land 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:

P200 equipment	5 years
Plant & equipment	3 to 10 years
Leasehold improvements	10 years

P200 equipment refers to retinal examination equipment located at healthcare professional sites and being used on a pay per examination basis and significant component parts and major spares. P200 equipment is depreciated upon activation at the relevant healthcare professional site.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

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

Leases

Group as a lessee

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 leased property or, if lower, at the present value of the minimum lease payments. Lease payments 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. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Interim Financial Statements continued

Upon placement of P200 equipment at an eyecare professional site, the Company enters into a financing agreement with a Finance House involving the sale of P200 equipment with legal title being transferred back at the end of the period. As the significant risks and rewards of ownership are retained by the Company, the proceeds received from the Finance House are recorded as fixed rate obligations which are repayable by instalments and are secured over the related P200 assets.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

Computer software

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to the income statement over its expected useful life, which is in the range three to five years.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Notes to the Interim Financial Statements continued

9 Summary of significant accounting policies continued

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories primarily comprise spares components of the P200 asset. Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials spares & consumables - purchase cost on a first-in, first-out basis;

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables, which generally have 30-90 days' terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Interim Financial Statements continued

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets will be reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Notes to the Interim Financial Statements continued

9 Summary of significant accounting policies continued

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Otherwise income tax is recognised in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Notes to the Interim Financial Statements continued

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, VAT and other sales tax or duties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch.

Rendering of services

Revenue from the provision of retinal examinations to the eyecare sector is recognised once the service has been provided. Such examinations are undertaken by healthcare professionals who generally enter into "pay per patient" agreements.

Revenue is recognised on a pay per examination basis, usually with a minimum monthly usage level being agreed with the local healthcare professional.

Notes to the Interim Financial Statements continued

9 Summary of significant accounting policies continued

Interest income

Revenue is recognised as interest accrues on cash deposits.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant assets.

Post employment benefits

Post employment benefits comprise pension benefits provided to employees throughout the world.

The Company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the Company. The contributions payable are recognised in the income statement in the period in which they become payable.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Financial instruments

Prospective adoption of IAS 32 and IAS 39

As permitted by IFRS 1, the Group has elected to apply IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" prospectively from 1 October 2005. As a result, the relevant comparative information for the six month period ended 31 March 2005 and year ended 30 September 2005 and as at 31 March 2005 and 30 September 2005 does not reflect the impact of these standards and is accounted for in accordance with UK GAAP.

Notes to the Interim Financial Statements continued

Derivative financial instruments

Optos uses derivative financial instruments, principally forward currency contracts, to reduce its exposure to exchange rate movements. Under UK GAAP, such derivative contracts are not recognised as assets and liabilities on the balance sheet and gains or losses arising on them are not recognised until the hedged item has itself been recognised in the financial statements.

From 1 October 2005, derivative financial instruments are recognised as assets and liabilities measured at their fair value at the balance sheet date. Changes in fair values will be recognised in the income statement and this is likely to cause volatility in situations where the carrying value of the hedged item is either not adjusted to reflect fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognised in the income statement. However, under certain conditions specified within IAS 39, hedge accounting may be used to mitigate income statement volatility.

Hedge accounting will not generally be applied to hedging relationships, such as hedges of forecast or committed transactions.

Compound financial instruments

Optos had in issue secured loan notes 2006 and unsecured loan notes 2007 both of which were convertible at the holders option into ordinary shares of 1 penny each. Under UK GAAP convertible bonds are treated as debt with the finance cost being measured on the assumption that the debt will not be converted. Under IAS 32 from 1 October 2005 convertible bonds are split into a liability and a conversion option. On issue, the fair value of the liability component is determined using a market rate for an equivalent non convertible bond and recognised in non current liabilities as part of borrowings on an amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option. If the conversion option meets the definition of an equity instrument no subsequent changes in the value are recognised in the financial statements.

At 1 October 2005, the carrying value of the Secured loan stock 2006 and Unsecured loan stock 2007 was reduced by \$1,439,000 of which \$2,745,000 reflects the removal of the original value of the conversion options (which is taken to equity) and the balance of \$1,306,000 represents the imputed interest calculated on an amortised costs basis from date of issue to 1 October 2005 (which is taken to retained earnings). The impact on 2006, up to the point of conversion, has been to increase finance costs by \$253,000.

Computer software

Under UK GAAP, all capitalised computer software was included within tangible fixed assets. Under IAS 38 "Intangible Assets", capitalised computer software must be presented as an intangible asset unless it is integral to an item of property, plant and equipment. Under IFRS, non-integral computer software with a carrying value of \$641,000 has been reclassified from property, plant and equipment to intangible assets at 31 March 2006 (31 March 2005 \$307,000; 30 September 2005 \$614,000).

Notes to the Interim Financial Statements continued

9 Summary of significant accounting policies continued

Development costs

Under UK GAAP, research and development costs were written off in the period in which they were incurred. Under IAS 38 "Intangible Assets", development costs associated with new products must be capitalised from the time at which the development project satisfies the conditions specified within IAS 38 "Intangible Assets". These conditions can be summarised as technical feasibility, intention to complete, ability to use or sell, probable future economic benefits, availability of adequate resources and the ability to measure reliably the expenditure. The resulting asset will be amortised over the number of production units expected to be obtained from the asset by the entity. The carrying value of development costs will be reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

Under IFRS an intangible asset of \$6,164,000 has been recognised at 31 March 2006 (31 March 2005 \$3,904,000; 30 September 2005 \$5,120,000). Research and development costs expensed through the income statement will decrease by \$1,044,000 at 31 March 2006 (31 March 2005 \$1,419,000; 30 September 2005 \$2,635,000). Amortisation of the intangible will commence when the asset is available for use.

Government grant

Under UK GAAP, when the grant relates to an expense item, it was recognised as income over the period necessary to match the grant on a systematic basis to the costs that it was intended to compensate. Where the grant related to an asset, the fair value was credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments. Under IAS 20 "Government Grants", the \$714,000 government grant associated with the development costs which was credited to the income statement in line with the expenditure in the 2004 and 2005 financial statements has been reversed and included as a liability in the balance sheet.

Share based payments

Under UK GAAP, the cost of awards made under the Group's employee share schemes was based on the intrinsic value of the awards. Under IFRS 2 "Share-based Payment", the cost of employee share schemes is based on the fair value of the awards that must be assessed using an option-pricing model. Generally, the fair value of the award is expensed on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy either service conditions or non-market performance conditions. As a result of these changes, the cost of employee share schemes recognised during the period to 31 March 2006 has increased by \$984,000 (31 March 2005 \$180,000; 30 September 2005 \$885,000). An employers National Insurance liability of \$895,000 has been recorded in respect of the options (31 March 2005 \$32,000; 30 September 2005 \$285,000).

Notes to the Interim Financial Statements continued

Foreign currency translation differences

Under UK GAAP, cumulative foreign currency translation differences arising on the retranslation into sterling of the Group's net investment in foreign operations were recognised within reserves. Under IAS 21 "The Effects of Changes in Foreign Exchange Rates", cumulative foreign currency translation differences must be recognised as a separate component of equity and should be taken into account in calculating the gain or loss on the disposal of a foreign operation. As permitted under IFRS 1, Optos has elected to deem cumulative translation differences to be \$nil on 1 October 2004.

Property, plant & equipment – significant parts

Under UK GAAP, significant parts are classified within inventory. Under IAS 16, "Property, Plant & Equipment", significant parts must be included within Property, Plant & Equipment. Parts are amortised from the point when the assets are available for use. It has been assessed that available for use is the point in time when the assets are installed at customer premises. The scan heads and component parts are assessed as the significant parts within the business. Significant parts with a carrying value of \$3,920,000 have been reclassified from Inventory to Property, Plant & Equipment as at 31 March 2006 (31 March 2005 \$5,638,000; 30 September 2005 \$4,584,000). In 2005 de-installed significant parts currently booked back into Inventory on de-recognition were re-classified into Property Plant & Equipment from Inventory together with the Inventory provision in relation to significant parts. There is no reclassification in 2006 (31 March 2005 additional amortisation of \$16,000; 30 September 2005 additional amortisation of \$32,000).

Holiday pay accrual

As required by IAS 19, "Employee benefits" an accrual of \$152,000 has been included in the balance sheet at 31 March 2006 representing the holiday pay accrual (31 March 2005 \$133,000; 30 September 2005 \$153,000)

Notes to the Interim Financial Statements continued

10 RECONCILIATION OF UK GAAP TO IFRS

Optos plc reported under UK GAAP in its previously published financial statements for the year ended 30 September 2005. The analyses below show reconciliations of profits and net assets under UK GAAP to IFRS.

Profit reconciliation from UK GAAP to IFRS

	Six months ended 31 March 2006 (Unaudited) \$'000	Six months ended 31 March 2005 (Unaudited) \$'000	Year ended 30 September 2005 (Audited) \$'000
Operating profit (loss) under historic UK GAAP	1,579	(272)	1,961
Research and development	1,044	1,419	2,635
Government grant	–	(88)	(88)
Depreciation	–	(16)	(32)
Share options	(984)	(180)	(885)
Exchange loss on loan notes	(20)	–	–
NI on share options	(895)	(32)	(285)
Holiday pay accrual	–	(4)	(23)
Operating profit under IFRS	724	827	3,283
Loss under historic UK GAAP	(1,493)	(3,019)	(3,519)
Research and development	1,044	1,419	2,635
Government grant	–	(88)	(88)
Depreciation	–	(16)	(32)
Share options	(984)	(180)	(885)
NI on share options	(895)	(32)	(285)
Imputed interest on loan notes	(253)	–	–
Exchange loss on loan notes	(20)	–	–
Holiday pay accrual	–	(4)	(23)
Loss under IFRS	(2,601)	(1,920)	(2,197)

Net Assets reconciliation from UK GAAP to IFRS

	As at 31 March 2006 (Unaudited) \$'000	As at 31 March 2005 (Unaudited) \$'000	As at September 2005 (Audited) \$'000
Net Assets under historic UK GAAP	33,190	(23,908)	(24,407)
Development expenditure	6,164	3,904	5,120
Inventory reclassification	(32)	(16)	(32)
Government grant	(714)	(714)	(714)
Share option NI	(1,738)	(590)	(843)
Holiday pay	(152)	(133)	(152)
Net Assets under IFRS	36,718	(21,457)	(21,028)

Independent Review Report to Optos plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2006 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, and the related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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 report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2006.

Ernst & Young LLP

Glasgow
24 May 2006

Directors and Advisers

Dr John M. Padfield

Non-executive Chairman

Stephane Sallmard

Chief Executive Officer

Allan Watson

Chief Financial Officer

Ian Stevens

GM North America

Douglas C. Anderson

Executive Director

Patrick R.D. Paul

Non-executive Director

Anne M. Glover

Non-executive Director

Barry M. Rose

Non-executive Director

David R. Guyer, M.D.

Non-executive Director

Registered Office

Queensferry House
Carnegie Business Campus
Dunfermline
Fife
United Kingdom
KY11 8GR

Company Number

SC 139953

Company Secretary

Allan Watson

Brokers

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow G2 1RR

Solicitors

Wilmer Cutler Pickering Hale and Dorr LLP
Alder Castle
Noble Street
London EC2V 7QJ

Bankers

Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh EH3 9BN

Registrars

Lloyds TSB Registrars (Scotland)
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ



Optos plc

Queensferry House
Carnegie Business Campus
Dunfermline
Fife
United Kingdom
KY11 8GR

T: +44 (0)1383 843 300

F: +44 (0)1383 843 333

www.optos.com