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If you sell or have sold or otherwise transferred all of your Ordinary Shares in Optos plc (the “Company”), please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred or otherwise disposed of only part of your holding of Ordinary Shares you should retain this Circular and accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom the sale, transfer or disposal was effected. However, such documents should not be forwarded to or transmitted in or into any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction.

This document has been prepared in accordance with the Listing Rules made under Part VI of the Financial Services and Markets Act 2000. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Directors, whose names are set out on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



Optos plc

(Registered in Scotland No. SC139953)

**Proposed Acquisition of the OCT and ultrasound products,
business and assets of OPKO Health, Inc.**

and

Notice of General Meeting

Numis Securities Limited (“Numis”) which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority is acting exclusively as financial adviser and sponsor for the Company in connection with the proposed Acquisition of OPKO Instrumentation and not for any other person and will not be responsible to any other person for providing the protections afforded to customers of Numis or for providing advice in relation to the proposed Acquisition, the contents of this document and the accompanying documents or any arrangements referred to therein. This does not exclude or limit any responsibility or liability which Numis may have under FSMA or the regulatory regime established thereunder.

Please read the whole of this document together with all documents which are incorporated by reference into it. In particular, you are recommended to read carefully the Risk Factors on pages 12 to 15 of Part 1 of this document. You should not rely solely on any key or summarised information set out in this document.

Your attention is drawn to the letter from the Chairman of Optos plc which is set out on pages 5 to 11 (inclusive) of this document and which contains the recommendation of the Board to vote in favour of the resolution to be proposed at the General Meeting referred to below.

Notice of the General Meeting of Optos plc to be held at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB at 10.00 a.m. on Monday, 10 October 2011 is set out on pages 59 and 60 of this document. To be valid, the Form of Proxy for use at the General Meeting, which is enclosed with this document, must be completed and returned by Ordinary Shareholders so as to be received by Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZR (“Equiniti”) not later than 10.00 a.m. on Saturday, 8 October 2011. Only Ordinary Shareholders, whether in person or by proxy, are entitled to vote at the General Meeting. If you hold your shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received by no later than 10.00 a.m. on Saturday, 8 October 2011. The return of a Form of Proxy or CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

22 September 2011

PRESENTATION OF INFORMATION AND GENERAL INFORMATION

OPKO Instrumentation Information

All financial information in the Chairman's letter on OPKO Instrumentation has been sourced from OPKO.

No Profit Forecast

No statement in, or incorporated by reference into, this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

Rounding

Certain figures included in this document and in the information incorporated by reference into this document have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts may be due to rounding.

Websites

Neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this document.

Definitions

Capitalised terms have the meanings ascribed to them in the section of this document headed "Definitions and Glossary".

Forward looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the facts described in the risk factors section of the document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company's view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations and strategy. Save as required by applicable law, or any UK or EU regulatory requirements (including the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules) the Company is under no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2011

Latest time for receipt of Forms of Proxy for the General Meeting 10.00 a.m. on Saturday, 8 October

General Meeting 10.00 a.m. on Monday, 10 October

Expected Completion of the Acquisition Tuesday, 11 October

Notes:

1. Dates set out above and mentioned throughout this document are indicative only and are subject to change by the Company, in which event details of the new dates will be notified to the UK Listing Authority and to the London Stock Exchange via a regulatory information service; in particular, these dates assume that the conditions to Completion are satisfied, or where permitted waived, before the anticipated date for Completion.
2. References to times above and in this document generally are to London times unless otherwise specified.

LETTER FROM THE CHAIRMAN

Optos plc

(Registered in Scotland No. SC139953)

Directors:

Dr Peter Fellner (Chairman)
Roy Davis
Christine Soden
Dr Peter Kehoe
Barry Rose
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22 September 2011

Dear Shareholders

Acquisition of the OCT and ultrasound products, business and assets of OPKO Health, Inc.

The Board of Optos plc (“Optos” or the “Company”) has today announced that Optos has entered into a conditional agreement with OPKO Health, Inc., OPKO Instrumentation, LLC, Ophthalmic Technologies Inc. and OTI (UK) Limited to acquire the assets and business of the instrumentation division of OPKO (the “Acquisition”). OPKO Instrumentation will be acquired through the Company’s US subsidiary, Optos Inc. OPKO Instrumentation is engaged in the development, manufacture and sale of optical coherence tomography (“OCT”) diagnostic devices and optical ultrasound scanners, each used by the ophthalmic profession in the diagnosis and management of eye disease and conditions.

The consideration for the purchase is to be satisfied by the payment of an initial cash consideration of US\$17.5 million on Completion together with the payment of royalties at a rate of 2.5 per cent. or 5 per cent. on sales of certain products commencing from the second anniversary of the date of Completion. The maximum payment of royalties is set at an aggregate amount of US\$22.5 million. The Acquisition is subject to Shareholder approval further details of which are set out below.

The purpose of this document is to provide Shareholders with details of the proposed Acquisition of OPKO Instrumentation and to explain why the Board of Optos considers the proposed Acquisition to be in the best interests of the Company. The Board also wishes to explain why it is recommending that Shareholders vote in favour of the Resolution to be proposed at the General Meeting being convened for 10.00 a.m. on Monday, 10 October 2011, notice of which is attached at the end of this document.

1. Strategy and summary

Optos’s vision is to be the leading provider of devices for diagnosing and treating diseases and conditions presenting in the retina of the eye. The Board believes that Optos’s widefield retinal imaging technology, combined with the specific data that can be derived from OCT images, has the potential to offer eyecare professionals the most powerful tools for disease diagnosis and management. The Directors believe the strategic rationale for the Acquisition can be summarised as follows:

-
- The combination of Optos's core widefield technology and an OCT technology would provide powerful diagnostic and disease management tools for ophthalmologists and optometrists.
 - The Acquisition brings access to established OCT and ultrasound products together with a product pipeline including a lower-cost OCT product (Falcon) nearing market launch.
 - There are a limited number of OCT devices businesses on the market and available to Optos.
 - The addition of an OCT product range supports Optos's market entry into ophthalmology and strengthens its offering into optometry.
 - OPKO Instrumentation's products are established, with revenues of US\$8.4 million earned in the year to 31 December 2010 from sales worldwide, predominantly through distributors, with limited sales in the US.
 - Significant opportunities exist to accelerate sales through Optos's direct sales force of over 80 representatives and to derive selling, marketing and operational synergies from combining Optos's business with OPKO Instrumentation.
 - In the medium-term, the Directors believe integrating these two imaging technologies in a single future device would be highly attractive and unique in the marketplace.

2. Background to, and reasons for, the Acquisition

The Group's principal business is the development, manufacture and sale of scanning laser ophthalmoscope ("SLO") products that generate ultra-widefield digital images of the retina ("optomaps®") which are used by optometrists and ophthalmologists to diagnose and manage eye-related diseases such as retinal tears, macular degeneration and diabetic retinopathies.

The Company's strategy is to expand its business by adding complementary ophthalmic devices that can be marketed through its direct and indirect sales channels to optometrists and ophthalmologists on a global basis. As part of this strategy, the Company acquired an Australian business, Opto Global Holdings Pty Ltd in December 2010. That acquisition brought to the Group sales from a range of devices used by optometrists and ophthalmologists, a direct sales business in Australia, a strong international network of distributor relationships and access to the supply of the devices for sale through Optos's direct sales channel.

Leading eye-care professionals increasingly use spectral-domain OCT devices within their treatment regimes and they are viewed as essential tools in the diagnosis and management of eye disease. The OCT delivers an image that shows a three dimensional, cross-sectional view of the retina in any particular area, typically in the central pole area of the retina around the optic nerve and macula. This view is particularly useful in tracking the changes in retinal thickness caused by the onset and treatment of retinal diseases and in diagnosing and monitoring macular edema, macular holes, epiretinal membranes, retinal detachments and optic nerve cupping. OCT is used to detect the presence, and understand the severity, of disease, determine treatment approaches and monitor post-treatment effect.

The worldwide OCT market for older-technology time-domain and the newer spectral-domain devices exceeds US\$300 million annually with over 25,000 devices sold and is forecast to continue to grow to some US\$450 million by 2016.

OPKO Instrumentation's product portfolio includes the Spectral OCT SLO, a regulatory approved device that has been on the market in numerous territories since 2009, together with follow-on OCT products in late-stage development and some ultrasound products such as the OTI Scan 3000 A-Scan, B-Scan and UBM Scan.

The principal reason for the Acquisition is to acquire the technology, know-how, manufacturing and distribution rights to these products, particularly the OCT devices which, being spectral domain, of

a scan-quality equivalent to the market leading device, having SLO registration and a unique microperimetry capability, are believed to be technically competitive in the global marketplace. OPKO is currently scheduled to deliver two new products in the next 18 months; a low-cost product without SLO (called project Falcon) aimed at the general optometry market and a low-cost product with SLO (called Falcon II), aimed at the more clinical market. The Directors believe the strong Optos sales channel will expand the market potential for the OPKO products and deliver enhanced revenues and returns when marketed alongside the Company's established and developing ultra widefield retinal imaging products. The Directors further believe that manufacturing and operational synergies will improve the margins to be earned from the product sales.

Furthermore, the Directors believe that the combination of the two images, an **optomap** showing the widest view of the surface of the retina and an OCT image showing detail of the thickness of the retina in a particular area of interest, would allow Optos to deliver a unique and powerful diagnostic tool and treatment support to the Company's market of optometrists and ophthalmologists. The Company's aim in the medium term would be to integrate the capability to deliver OCT images of the periphery of the retina as well as the central pole area in a single device which would be a unique offering in the marketplace.

The OCT and ultrasound devices will be marketed by Optos on an outright sale model and also on a rental basis.

Your attention is also drawn to the risk factors in Part 1 of this document, which includes the risks relating to the Acquisition.

3. The Acquisition

Under the terms of the Acquisition Agreement, and subject to Shareholder approval and all relevant conditions being satisfied, the Company has agreed to acquire OPKO Instrumentation through the Company's US subsidiary, Optos Inc. The Company has agreed to guarantee the obligations of Optos Inc. under the Acquisition Agreement. Completion of the Acquisition is expected to take place on or around Tuesday, 11 October 2011.

The consideration payable for the Acquisition will be an initial cash consideration of US\$17.5 million payable on Completion. As additional consideration for the Acquisition, Optos Inc. has agreed to pay the Sellers royalty payments calculated as:

- (i) 5 per cent. of those Revenues derived from sales of OPKO OCT and ultrasound products to third party customers by the Group directly, by its affiliates or by its distributors ("Direct Revenues"); and
- (ii) 2.5 per cent. of those Revenues derived from sales of any products developed and sold by the Group directly, by its affiliates or by its distributors that are derived from or combine the OPKO OCT technology within an Optos widefield retinal scanning device ("Indirect Revenues").

Royalties will not be payable in respect of any Direct Revenues or Indirect Revenues arising in the two years following the date of Completion. Following this period, royalties will be payable within 45 days of the end of each calendar quarter and will be payable until the aggregate amount paid amounts to US\$22.5 million. To reach the maximum aggregate royalties, Revenues would have to accumulate to at least US\$450 million. There are no royalty minima nor any minimum sales targets under the terms of the Acquisition Agreement.

The Acquisition will be effected by the transfer of the Assets forming part of OPKO Instrumentation from the Sellers and the Company offering employment to the employees involved in OPKO Instrumentation. It is expected that approximately 40 employees (based in the UK and US) will be transferring to or joining the Company with effect from Completion. Under the terms of the Acquisition Agreement, Optos Inc. will acquire all intellectual property, intellectual property rights and related know-how of the Sellers relating to OPKO Instrumentation. All other contractual

arrangements in place as at Completion and relating to OPKO Instrumentation will be assigned or otherwise transferred to Optos Inc., including those relating to the lease of premises in Florida and those in place with distributors and suppliers of products and services relating to OPKO Instrumentation.

Under the terms of the Acquisition Agreement, Completion is conditional upon, *inter alia*:

- (a) the approval by Shareholders at the General Meeting;
- (b) there being no material adverse change suffered by the Company or OPKO Instrumentation since the date of the Acquisition Agreement;
- (c) the representations and warranties of the respective parties under the Acquisition Agreement being true and accurate in all material respects unless the inaccuracy has not had, and would not reasonably be expected to have, a material adverse change on Optos Inc. or OPKO Instrumentation respectively; and
- (d) the parties undertaking various actions required to effect the transfer of OPKO Instrumentation to the Company and to enable the Company to operate OPKO Instrumentation following transfer.

Under the terms of the Acquisition Agreement, Optos Inc. has agreed to pay the Sellers US\$750,000 in the event that the Sellers exercise their right to terminate the Acquisition Agreement as a result of, *inter alia*, Shareholder approval of the Acquisition not being obtained at the General Meeting or Optos Inc. having committed a material breach of the Acquisition Agreement or any of the agreements entered into thereunder that is incapable of remedy prior to Completion.

Further details of the Acquisition Agreement are set out in Part 2 of this document.

4. Information on OPKO Instrumentation

OPKO Health is a multi-national biopharmaceutical and diagnostics company that seeks to establish industry-leading positions in large and rapidly growing medical markets by leveraging its discovery, development and commercialisation expertise and its novel and proprietary technologies. The OPKO instrumentation products were brought into the OPKO Group upon its acquisition of a Canadian company, Ophthalmic Technologies, Inc (“OTI”) in 2007. Upon the acquisition, OPKO transferred the majority of the OTI operations to Florida although a small research and development team remains based within the UK in Canterbury, at the University of Kent. OPKO Instrumentation currently manufactures its products in a small, dedicated facility in Hialeah, Miami. The manufacturing process is principally a final assembly process with the components supplied through a range of third party manufacturers. A software research team based in Hialeah is focused on improving the operating systems underlying the OCT devices whilst the Kent-based research and development team is working on product design and development in particular a smaller desktop sized device.

The Assets to be acquired include rights to the technology, know-how, intellectual property, manufacturing capability, supplier arrangements, development programmes and distribution arrangements of OPKO Instrumentation relating to the OCT and ultrasound devices. Additionally, the Assets include the leases over the manufacturing facility in Florida and research facility in Canterbury, Kent, the tangible fixed assets owned by OPKO at both locations, inventories of parts and products, and receivables and payables relating to OPKO Instrumentation.

OPKO Instrumentation’s products are sold directly in the US and through a range of distributors worldwide. The majority of revenues and sales are export sales, with the small, three person US sales team achieving modest sales in the US. Optos believes the strength of its 60 person North American sales organisation will enhance product sales in those core markets, and similarly its direct sales presence in western Europe and Australia can bring additional momentum to product sales in those territories.

The gross assets acquired were stated at US\$5.5 million in the audited accounts of OPKO Instrumentation as at 31 December 2010 and the losses of the division for the year then ended were US\$5.7 million.

5. Selected Financial Information on OPKO Instrumentation

OPKO Instrumentation's revenues declined approximately 7.5 per cent. from 2008 to 2009 and a further 4 per cent. from 2009 to 2010 due to increased technology and price competition and a lack of product promotion. OPKO Instrumentation has been investing in improving the software to make its devices more competitive and in improving efficiencies of manufacture to improve product margins. Furthermore, OPKO Instrumentation has been investing in the development of its next generation device to ensure it can meet and match price competition. Optos intends to continue and accelerate these development programmes which, together with increased marketing and sales efforts, it expects will reverse the sales trend.

Shareholders should read the whole of this document and not rely on the information set out in this paragraph 5.

6. Financing the Acquisition

The Company has entered into the Facility Agreement with Lloyds Bank Corporate Markets in respect of the provision of bi-lateral multi-currency revolving credit facilities of up to US\$30 million. The Company proposes that the Acquisition and associated expenses will be funded from cash reserves and amounts drawn down under the Facility Agreement. Details of the Facility Agreement are set out in paragraph 9.1.3 of Part 6 of this document.

7. Key individuals

All of the employees of OPKO Instrumentation, including the Vice President of Operations and Senior Director of Research and Development to whom a majority of the relevant employees report, will be offered employment by Optos, in order that OPKO Instrumentation can continue to be operated by Optos following completion of the Acquisition. The 40-strong team supports existing products in the field, sells and markets the devices directly and through distributor groups, manufactures and ships the devices, develops hardware and software improvements to the existing products and researches and develops next generation products.

8. Financial effects of the Acquisition

The revenues, expenses and cashflows relating to the Assets acquired will be consolidated into the Group's results following Completion. The Board of Optos expects the Acquisition to be loss-making in the first 12 to 18 months following Completion as the businesses are merged and investment continues in developing and launching the product pipeline of the two new Falcon devices, and to be earnings accretive (excluding amortisation) from the second half of the year to 30 September 2013, with the objective of making the Acquisition earnings accretive (excluding amortisation) in the full second year following Completion.

One-off costs of US\$0.9 million relating to the Acquisition will be expensed in the financial year ended 30 September 2011 with additional expenses relating to the Acquisition and the integration of OPKO Instrumentation falling in the next financial year. The tangible net assets acquired within OPKO Instrumentation were valued at US\$2.3 million as at 31 December 2010. The balance of the US\$17.5 million initial consideration and the estimated net present value of the deferred consideration will be allocated to the intangible assets acquired with the Assets and goodwill.

9. Current trading, trends and prospects

Optos

In July the Company reported on trading for the third quarter of the current financial year and the nine month period to 30 June 2011. The third quarter saw accelerating top line growth with

revenues of US\$44.1 million, up 82 per cent. on the same period in 2010 and an increase quarter on quarter from US\$33.0 million and US\$25.0 million in the second and first quarters respectively. The broadened product range, pricing flexibility and business models are believed to be enabling the Group to retain customers and expand its customer base, with a gross 378 customers added in the year to date and just 186 customers de-installing. The rental base remains strong at 3,503 customers at the end of the third quarter but is decreasing as an overall percentage of revenues as capital sales increase. Amounts billed to rental customers (whether accounted for as an operating lease or a finance lease) were US\$64.4 million (a 5 per cent. decline on the same period last year) whilst outright devices sales saw a significant US\$20 million increase plus further sales of service contracts. Capital sales for the year to date have increased to 22 per cent. of the revenue base from 5 per cent. in the same period last year. High levels of contract renewals amongst our customers at the annual meeting of the Vision Source group contributed significantly to the finance lease revenues of US\$11 million in the quarter.

As a result of the strategy to enter new geographic and specialist markets, Optos has continued to build inventory of the P200C and 200Tx devices and to invest in expanding the sales force. As part of the launch of the new 200Tx device in the ophthalmology market, a number of devices are on trial at key opinion leader sites on extended payment terms. More than 90 of the 200Tx devices have now been placed with customers. The Group's manufacturing capability has been improved, with P200C and P200MA devices being built and refurbished in the US as well as Scotland. This investment should enable lower service and maintenance costs in the future by delivering product from proximal locations and freeing up capacity in Scotland to prepare for the launch of the Daytona desktop device which remains on track for October 2011 launch and volume sale in the first calendar quarter of 2012. As a result of these factors, net debt rose marginally in the three month period to 30 June 2011 from US\$27.9 million to US\$29.3 million, but was broadly unchanged excluding Euro and Canadian dollar exchange fluctuations.

OPKO Instrumentation

In its 10Q statement filed with the US Securities and Exchange Commission in August, OPKO reported selected unaudited results for OPKO Instrumentation. These results are prepared under US GAAP and as such are not directly comparable with the results reported in Part 3 of this document which were prepared under IFRS. The US GAAP results disclosed sales for the division of US\$1.7 million in each of its first and second quarters of calendar year 2011 (Q1 and Q2) compared to US\$2.6 million in Q1 2010 and US\$2.2 million in Q2 2010. Reported operating losses were US\$1.0 million in Q1 2011 (Q1 2010: US\$0.9 million) and US\$0.4 million in Q2 2011 (Q2 2010: US\$1.0 million), with the quarter benefiting from the write-back of certain share-based payment charges. The lower sales are believed to result from reduced demand in certain export markets and continued price pressure and limited marketing activities. The Board of Optos believes these declines can be reversed once current and planned development programmes are completed and with increased marketing efforts through the Optos sales channel.

10. Timetable to Completion

Assuming all conditions are satisfied, the Company currently expects Completion to occur on, or around, Tuesday, 11 October 2011.

11. Class 1 Transaction

The Acquisition, in view of its size, constitutes a Class 1 transaction for the purposes of the Listing Rules. Accordingly, the Acquisition is conditional upon, *inter alia*, the passing by Ordinary Shareholders of an ordinary resolution approving the Acquisition which will be proposed at the General Meeting, further details of which are set out on page 59 of this document.

12. General Meeting

Completion of the Acquisition is conditional *inter alia* upon Ordinary Shareholders' approval being obtained at the General Meeting. Accordingly, you will find attached at the end of this document

a notice convening a General Meeting to be held at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB at 10.00 a.m. on Monday, 10 October 2011 at which the Resolution will be proposed.

The Resolution is an ordinary resolution to approve the Acquisition and to authorise the Board to make such waivers, extensions, amendments or variations to any of the terms and conditions of the Acquisition as they see fit (provided such waivers, extensions, amendments or variations are not of a material nature) and to take all such steps as may be necessary in connection with the Acquisition. The Acquisition is conditional upon the passing of this resolution.

The quorum for the General Meeting is at least two Ordinary Shareholders present in person or by proxy (including a member present through a corporate representative). An ordinary resolution requires the approval of a simple majority of the votes cast at the General Meeting in order to be passed.

13. Action to be taken

Ordinary Shareholders will find enclosed with this document a personalised Form of Proxy for use at the General Meeting or at any adjournment thereof. Alternatively, Ordinary Shareholders who are CREST members may send a CREST Proxy Instruction. Whether or not Ordinary Shareholders intend to attend the General Meeting, they are requested to complete and sign the Form of Proxy (or send a CREST Proxy Instruction) in accordance with the instructions printed on it and in the notice of General Meeting set out on pages 59 and 60 of this document. The completed Form of Proxy (or CREST Proxy Instruction) should be received by the Company's Registrar Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZR as soon as possible but in any event not later than 10.00 a.m. on Saturday, 8 October 2011.

The return of the Form of Proxy or sending a CREST Proxy Instruction does not prevent an Ordinary Shareholder from attending the General Meeting and voting in person.

14. Further Information

Your attention is drawn to the further information set out in Parts 1 ("Risk Factors") to 6 ("Additional Information") of this document. You should read the whole of this document and should not rely solely upon the information set out in this letter. In particular, you should read the risk factors set out in the section headed "Risk Factors" in Part 1 of this document.

15. Recommendation

The Board considers the Acquisition and the Resolution to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Ordinary Shareholders should vote in favour of the Resolution, as they intend to do in respect of their own beneficial shareholdings, amounting to 97,500 Ordinary Shares in aggregate.

Yours faithfully

Dr Peter Fellner
Chairman

PART 1

RISK FACTORS

The Company's business, financial condition, performance, prospects, operating results and/or share price could be materially and adversely affected by any of the risks described below. Where risks are described in terms of a risk relating to the Company, these apply and are equally relevant to the Company following Completion of the Acquisition and should be read in these terms.

The risks set out below are those risks which the Directors consider to be material as at the date of this document, but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties which are not presently known to the Directors or that the Directors currently consider to be immaterial, may also have an adverse effect on the Company's business, financial condition, performance, prospects, operating results and/or share price of the Company. In such cases, investors may lose a substantial proportion or even all of their investment in the Company. Prior to voting on the Acquisition, Shareholders should consider these risks fully and carefully, together with all other information in this document.

1. Risks relating to the Acquisition

- 1.1 During the period to Completion, events or developments may occur which could make the terms of the Acquisition Agreement less attractive for the Company and this may have an effect on the business, financial condition or results of operation of the Group.
- 1.2 Under the terms of the Acquisition Agreement, Completion is conditional upon, *inter alia*, obtaining consent of Shareholders at the General Meeting. There can be no assurance that this condition, or any other condition to Completion, will be satisfied or that Completion will take place in the timescale anticipated or at all.
- 1.3 The financial effects of the Acquisition upon the Group will depend on the level of sales made by OPKO Instrumentation following Completion. There can be no guarantee that Optos will maintain the current level of sales, and any material decline in sales following Completion may have an effect on the business, financial condition or results of operation of the Group.
- 1.4 The Directors believe that the Company's strong sales channels and re-branding the products under the Optos brand name will expand the market potential for the OPKO products and deliver enhanced revenues and returns when marketed alongside the Company's established and developing products. However, the anticipated growth opportunities, revenue, benefits and synergies may be lower than expected or may not develop at all, or take longer or cost more to achieve, if the assumptions on which they are based prove to be incorrect. Specifically, there can be no guarantee that the development products will be successfully launched in the timeframes anticipated.
- 1.5 The Company intends to integrate the OPKO Instrumentation business with its own systems within a timeframe, expected to be no longer than 3 months from Completion. In the event that the planned integration takes longer than expected, this may have an effect on the profitability of the Enlarged Group.
- 1.6 The borrowings from time to time of the Company under the Facility Agreement, and the terms thereof, may have adverse consequences for the Company and the Enlarged Group, including as a consequence of the covenants to which the Group is subject limiting the

Group's flexibility in planning for, or reacting to, changes in its business and limiting the Company's ability to pay dividends. If any of these circumstances arise in the future, this could have an adverse effect on the Company and the Enlarged Group's business, financial condition and results of operations.

- 1.7 A significant proportion of the assets of OPKO Instrumentation to be acquired as part of the Acquisition consist of development projects, technology and manufacturing know-how, together with certain intellectual property and intellectual property rights. In the event of any defect in the intellectual property protections currently in place in relation to OPKO Instrumentation, including copyright, trade marks, patents and contractual provisions, it may be possible for third parties to obtain and use the intellectual property relating to OPKO Instrumentation and this may have an adverse effect on the Enlarged Group's business, financial condition and results of operation following Completion.
- 1.8 The employees of OPKO Instrumentation will be offered employment by Optos but no guarantee can be given that key employees will accept employment with Optos. This may impact the ability of the Enlarged Group to manufacture, sell or further develop the products forming part of OPKO Instrumentation. A retention plan will be implemented with the intention of minimising this risk but it cannot be guaranteed to be successful.

2. Risks relating to the Company

- 2.1 The Company depends heavily on the success of its technology platform and its continued development, particularly the development and successful launch of a desk-top sized device, Daytona, for each of its customer segments. The Company is heavily reliant on its P200, P200C and P200MA medical devices, which produce the Company's retinal exam products. These products, together with related services, accounted for all of the Company's revenues for the year ended 30 September 2010. If any third party produces a more advanced device with improved functionality to these devices, or a similar device with significantly lower build costs, this could have a material adverse effect on the Company's business, financial condition and results of operations. The Daytona project to build a desk-top sized, "plug and play" high-quality device is well advanced but there can be no guarantee this will be completed by the end of 2011 as planned or that the launch of Daytona will be successful and not damage existing customer relationships.
- 2.2 The growth of the Company's business, particularly as it enters the ophthalmology sector, is dependent on manufacturing its devices in a cost-effective and repeatable way. The Company's devices are complex and expensive to build and rely on a number of specialist components and parts which may not be available, or available within the timescales required.
- 2.3 The Company is subject to pricing pressures in common with other consumer-based businesses and relies in part on reimbursement agreements with insurers and government health authorities. There can be no guarantee that the Company can deliver continued increases in revenue, nor can there be any certainty that the **optomap** image or any other procedure will continue to qualify under health reimbursement schemes or that the reimbursement rates will not decrease. The Company may also be subject to healthcare-related taxes imposed by government agencies such as a medical-devices tax that is to be introduced by the US Government. The near-term success of the Company's business depends on consumers understanding the benefit of regular **optomap** examinations at the price offered by the Company and healthcare professionals.
- 2.4 The Company operates in a highly regulated industry. The Company's medical devices are subject to strict US Federal Food and Drug Administration ("FDA") regulations and the requirements of similar foreign regulatory bodies. Although the Company's devices are currently FDA cleared to market, if the Company or its third party manufacturers fail to

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- satisfy regulatory requirements or regulation changes, this could result in the imposition of sanctions on the Company or cause the Company to be unable to sell its product in certain markets or face adverse publicity. The Company operates to relevant International Organisation for Standardisation guidelines on quality management and monitors and anticipates developments in regulatory thinking through internal and external experts.
- 2.5 Intellectual property suits that may be brought against the Company may significantly harm the business, as could any potential litigation. Technology-based companies are frequently subject to litigation with respect to patent and other intellectual property rights. Any litigation to determine the validity of third party infringement claims or defend the Company's intellectual property could incur significant cost.
- 2.6 The Company's business exposes it to the risk of certain litigation, for example, a patient suffering harm during the image process or the Company's retinal image system not identifying an underlying medical problem. The Company does not offer diagnostic or treatment services and its customers are all qualified eyecare clinicians who are fully trained in the use and interpretation of the **optomap** product. The Company maintains product liability insurance although there can be no certainty the insurance coverage would be sufficient to meet the cost of any claims.
- 2.7 The Company's business is international and it operates in several countries and currencies and its results are impacted by changes in currency exchange rates. Changes in exchange rates could increase the cost of acquiring products and resources and thus impact on the Company's ability to provide products and services at competitive prices and adversely impact revenues, profits and cashflow. Optos reports its results in US dollars, the currency in which the majority of its revenues and costs arise. The Group monitors its non-US dollar foreign currency exposure and, when deemed necessary by the Board, seeks to minimise its transaction exposure by using forward foreign currency contracts to eliminate exposures on any committed significant transactions although there can be no guarantee that these measures will be effective.
- 2.8 The Company's operating results and financing capacity could be adversely affected by economic cycles. Any significant downturn in economic markets would impact adversely on disposable incomes, which may in turn result in reduced public demand for the Company's products and thereby materially and adversely affect the Company's business and financial position. A reduction in footfall in optometrists' offices or closure of those offices could adversely impact the Company's ability to earn revenues from **optomap** examinations above the monthly minimum payment and might cause a reduction in the renewal rate of contracts, impacting revenues, profits and cash generation. The Company benefits from good visibility of secured forward revenues through its contracts that typically have a term of around three years although there can be no guarantee that customers will not default under those contracts.
- 2.9 The success of the Company depends upon the support and experience of its employees and in, particular, senior management. The loss of key employees from the Company following the Acquisition could impact the Company's product development programmes and its ability to integrate OPKO Instrumentation into the business of the Group following Completion, and could have a material adverse effect on its business, financial condition or results of operation. The future success of the Company will depend upon its ability to attract and retain highly skilled and qualified personnel. The failure to attract or retain sufficient numbers of personnel could seriously impede the Company's financial plans and other objectives.
- 2.10 Political, economical instability, terrorist acts, other acts of war or hostility, natural disasters, geopolitical, pandemic or other such events and responses to those acts/events, may create
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economic and political uncertainties, and could have a negative impact on the business and results of the Company in ways that cannot necessarily be predicted.

3. General Risks relating to Ordinary Shares and their trading

- 3.1 The value of an investment in the Company and the income derived from it, if any, may decrease as well as increase and an investor may not achieve full value for investments made.
- 3.2 The market price of the Ordinary Shares may not reflect the underlying value or prospects of the Company. As well as being affected by their underlying asset value, the market price of an Ordinary Share could be volatile and subject to significant fluctuations in response to, among other factors, prevailing interest rates, inflation, variations in the Company's performance, dividend yield, the interaction of supply and demand for the Ordinary Shares in the market, general market conditions and changes in general investor sentiment regarding the Company.

The published market price of the Ordinary Shares will be, typically, their mid-market price. Due to the potential difference between the mid-market price of the Ordinary Shares and the price at which Ordinary Shares can be sold, there is no guarantee that the realisable value of the Ordinary Shares will reflect their published market price.

- 3.3 The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which may be outside of its control. Investors may realise less than the original amount invested. Substantial future sales or issues of Ordinary Shares could impact the market price of the Ordinary Shares.
- 3.4 Any change in financial reporting standards or accounting practices by the Company could affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.
- 3.5 Any change in the Company's tax status, in tax treaty rates, in taxation legislation or the interpretation of taxation legislation or in the tax treatment of dividends or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

Statements in this document concerning taxation are based on current taxation law and what is understood to be current practice, both of which are subject to change, possibly with retrospective effect. In any event, the taxation of an investment in the Company will depend on the individual circumstances of the investor, and investors who are in any doubt should consult their tax advisers before making an investment in the Company.

PART 2

SUMMARY OF PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

On 21 September 2011, the Company and Optos Inc. and OPKO Health Inc., OPKO Instrumentation, LLC, Ophthalmic Technologies, Inc. and OTI (UK) Limited entered into the Acquisition Agreement in relation to the acquisition by Optos Inc. of OPKO Instrumentation.

On the terms, and subject to the conditions set forth in the Acquisition Agreement, Optos Inc. has agreed to acquire the assets and liabilities of the Sellers (other than those detailed below) which relate to the business of developing, commercialising and selling ophthalmic diagnostic and imaging systems and instrumentation products, including, *inter alia*, the Sellers' right, title and interest in and to the intellectual property owned and controlled by the Sellers relating to OPKO Instrumentation. Certain assets relating to OPKO Instrumentation, such as the corporate seals and organisational documents of the Sellers, any rights to equity interests or capital stock of the Sellers, any assets that do not exclusively relate to OPKO Instrumentation, employment and other records required by law to be maintained by the Sellers, and certain website, domain names and trade marks of the Sellers not expressly included within the Acquisition Agreement, are being retained by the Sellers and will not be purchased by Optos Inc. under the Acquisition Agreement.

The Company has agreed to guarantee the obligations of Optos Inc. under the Acquisition Agreement and OPKO Health Inc. has agreed to guarantee the obligations of the Sellers under the Acquisition Agreement.

The Acquisition Agreement contains customary representations and warranties, covenants and closing conditions, further details of which are set out below.

1. Consideration

The aggregate consideration payable by Optos Inc. to the Sellers pursuant to the Acquisition Agreement is US\$40 million, which is comprised of an initial consideration of US\$17.5 million to be satisfied in cash on Completion and additional consideration of up to an aggregate amount of US\$22.5 million based on the net sales of certain products either acquired in accordance with the Acquisition or developed by the Buyers which are derived from or based on such products or Assets (the "**Additional Consideration**").

The Additional Consideration is based on: (i) a royalty of 5 per cent. on net sales of the specified products acquired by Optos Inc. under the Acquisition Agreement (the "**Acquired Products**"); and (ii) a royalty of 2.5 per cent. on net sales of products developed by the Company, Optos Inc. or their affiliates that are derived from or based on (in whole or in part) the Acquired Products or the Assets, or that combine the Acquired Products or utilise the Sellers' intellectual property or the Assets in combination with certain of the Company's products, in each case sold by the Company, Optos Inc., their affiliates, sublicensees or distributors. Royalties will not be payable in respect of any Revenues arising in the two years following the date of Completion (the "**Royalty Date**").

The Additional Consideration is payable within 45 days of the end of each calendar quarter from and after the Royalty Date until the date on which cumulative royalties actually paid to the Sellers pursuant to the Acquisition Agreement reach an aggregate of US\$22.5 million.

2. Conditions

The Acquisition Agreement is conditional upon, *inter alia*, the satisfaction of the following conditions:

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- (i) approval by the Company's shareholders at the General Meeting;
 - (ii) the representations and warranties of the parties being true and correct in all material respects at the time of completion (as detailed below) unless the inaccuracy has not had, and would not reasonably be expected to have, a material adverse change on Optos Inc. or OPKO Instrumentation respectively;
 - (iii) the parties having performed or complied in all material respects with all obligations, conditions and covenants required to be performed by them;
 - (iv) no temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition preventing the consummation of the transactions being threatened or in effect;
 - (v) the parties having executed and delivered all documents required to be delivered at Completion under the terms of the Acquisition Agreement; and
 - (vi) there having been no material adverse change suffered by the Buyers or OPKO Instrumentation since the date of the Acquisition Agreement.

Completion will take place on the first business day following the date on which all of the relevant conditions to each party's obligations under the Acquisition Agreement have been satisfied or waived (which is currently expected to be Tuesday, 11 October 2011), or at such other time, date and/or place as mutually agreed by the parties.

3. Warranties and indemnification

The Sellers have given certain warranties to Optos Inc. and the Company under the Acquisition Agreement relating to, *inter alia*, OPKO Instrumentation and the Assets, which are customary for transactions similar in nature and type to the Acquisition. The Acquisition Agreement also contains certain warranties given by Optos Inc. to the Sellers relating to, *inter alia*, its capacity and authority to enter into the Acquisition Agreement. Any warranty claims arising under the Acquisition Agreement must be notified to the other parties by 31 October 2012, following which time, no further claims may be made.

Subject to certain limitations and exceptions, the Sellers have agreed to indemnify Optos Inc. and the Company in respect of breaches of representations, warranties and covenants of the Sellers in the Acquisition Agreement and liabilities that are not assumed by Optos Inc., and Optos Inc. has agreed to indemnify the Sellers in respect of breaches of representations, warranties and covenants of Optos Inc. in the Acquisition Agreement and liabilities assumed by Optos Inc.

Except in the case of fraud, intentional misrepresentation or wilful breach, neither Optos Inc. nor the Sellers will have any liability for breach of such representations or warranties unless: (i) an individual claim amounts to US\$10,000 or more; and (ii) all claims in aggregate exceed an amount equal to US\$200,000 and then only to the extent of such excess. The aggregate liability of each of the Sellers and Optos Inc. for breaches of the warranties and representations contained in the Acquisition Agreement will not exceed US\$10 million, except in the case of fraud, intentional misrepresentation or wilful breach.

4. Restrictive covenants

Under the Acquisition Agreement, the Sellers and OPKO have agreed, subject to certain exceptions, that they will not for a period of at least five years following the date of Completion, compete to a material extent with, or solicit employees or customers of, OPKO Instrumentation.

5. Other provisions

The Acquisition Agreement also contains the following provisions:

- (i) undertakings by the parties to use reasonable best efforts to cause the closing under the Acquisition Agreement to be consummated;

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- (ii) agreement by the Buyers to offer employment to all of the Sellers' employees relating to OPKO Instrumentation employed by the Sellers at Completion in accordance with the terms and conditions of employment established by the Buyers in accordance with usual and customary practices for employees of the Company and its subsidiaries and otherwise consistent with the applicable terms of the Acquisition Agreement;
 - (iii) undertakings by the parties to notify the others of any event which may reasonably be expected to have a material adverse effect on the prospects, assets or results of operation of a party in the period up until Completion and any breach by the parties of the terms of the Acquisition Agreement in the period up until Completion;
 - (iv) covenants requiring the Sellers to conduct the business of OPKO Instrumentation in all material respects up until Completion in the ordinary course of business and not to take certain specified actions except as agreed with Optos Inc. or as required by the Acquisition Agreement;
 - (v) the allocation of any taxation incurred in respect of the transfer of OPKO Instrumentation to Optos Inc.;
 - (vi) termination of the Acquisition Agreement: (i) by the Sellers if the Buyers commit a material breach of the Acquisition Agreement that is incapable of remedy prior to Completion, or (ii) by the Buyers if the Sellers commit a material breach of the Acquisition Agreement that is incapable of remedy prior to Completion. The Buyers or the Sellers may terminate the Acquisition Agreement in the event that the conditions have not been met and Completion has not taken place by the Long Stop Date, or in the event that the Resolution is not passed at the General Meeting; and
 - (vii) agreement of Optos Inc. to pay the Sellers US\$750,000 in the event that the Sellers exercise their right to terminate the Acquisition Agreement as a result of, *inter alia*, Shareholder approval of the Acquisition not being obtained at the General Meeting or Optos Inc. having committed a material breach of the Acquisition Agreement or any of the agreements relating to the Acquisition entered into thereunder that is incapable of remedy prior to Completion.

PART 3

FINANCIAL INFORMATION ON OPKO INSTRUMENTATION

A. ACCOUNTANT'S REPORT ON THE FINANCIAL INFORMATION



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22 September 2011

Dear Sirs

OPKO Instrumentation

We report on the financial information set out in Part 3 for the years ended 31 December 2008, 2009 and 2010. This financial information has been prepared for inclusion in the class 1 circular relating to the acquisition of OPKO Instrumentation dated 22 September 2011 of Optos plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the class 1 circular.

Responsibilities

The Directors of Optos plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in a form that is consistent with the accounting policies adopted in Optos plc's latest annual accounts.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the class 1 circular dated 22 September 2011, a true and fair view of the state of affairs of OPKO Instrumentation as at the dates stated and of its profits and cash flows for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in Optos plc's latest annual accounts.

Yours faithfully

Ernst & Young LLP

B. FINANCIAL INFORMATION RELATING TO OPKO INSTRUMENTATION

COMBINED INCOME STATEMENT

		<i>For the year ended 31 December</i>		
		<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>Notes</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Revenue		9,440	8,729	8,386
Cost of sales		(8,620)	(6,700)	(7,041)
Gross profit		820	2,029	1,345
Selling and distribution costs		(3,898)	(2,606)	(2,695)
Administrative and other expenses		(4,712)	(5,050)	(4,246)
Operating loss	4	(7,790)	(5,627)	(5,596)
Disposal of assets		(148)	-	-
Finance revenue		6	-	18
Finance costs		(2)	-	-
Loss from continuing operations before taxation		(7,934)	(5,627)	(5,578)
Income tax credit/(charge)	5	83	269	(159)
Net loss for the year attributable to equity holders of the parent		<u>(7,851)</u>	<u>(5,358)</u>	<u>(5,737)</u>

STATEMENT OF COMPREHENSIVE INCOME

		<i>For the year ended 31 December</i>		
		<i>2008</i>	<i>2009</i>	<i>2010</i>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Loss for the year		(7,851)	(5,358)	(5,737)
Other comprehensive income		-	-	-
Total comprehensive income/(expense) for the year		<u>(7,851)</u>	<u>(5,358)</u>	<u>(5,737)</u>

BALANCE SHEET AS AT 31 DECEMBER 2010

		<i>As at 31 December</i>		
	<i>Notes</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	6	369	248	229
Total non-current assets		<u>369</u>	<u>248</u>	<u>229</u>
Current assets				
Inventories	7	4,063	4,213	3,534
Trade and other receivables	8	1,770	2,272	1,534
Income tax receivables		165	407	-
Cash and cash equivalents		324	415	160
Total current assets		<u>6,322</u>	<u>7,307</u>	<u>5,228</u>
Total assets		<u>6,691</u>	<u>7,555</u>	<u>5,457</u>
INVESTED CAPITAL AND LIABILITIES				
Invested capital	10	3,735	5,229	2,368
Total invested capital		<u>3,735</u>	<u>5,229</u>	<u>2,368</u>
Current liabilities				
Trade and other payables	9	2,956	2,326	3,089
Total current liabilities		<u>2,956</u>	<u>2,326</u>	<u>3,089</u>
Total liabilities		<u>2,956</u>	<u>2,326</u>	<u>3,089</u>
Total liabilities and invested capital		<u>6,691</u>	<u>7,555</u>	<u>5,457</u>

CASH FLOW STATEMENT

	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Operating activities			
Loss for the year before tax	(7,934)	(5,627)	(5,578)
Adjustments to reconcile loss before tax for the year to net cash inflow from operating activities:			
Depreciation, amortisation and impairment of non-current assets	130	171	147
Loss on disposal of property, plant, equipment and intangible assets	148	-	-
Share-based payments	1,341	617	549
Decrease/(increase) in trade and other receivables	673	(502)	738
(Increase)/decrease in inventories	(1,849)	(150)	(679)
Increase/(decrease) in trade and other payables	(479)	(630)	763
Cash flow from operating activities	(7,970)	(6,121)	(2,702)
Tax on continuing operations	-	27	248
Net cash flow from operating activities	(7,970)	(6,094)	(2,454)
Cash flows used in investing activities			
Purchases of property, plant and equipment	(253)	(50)	(128)
Proceeds from disposal of property, plant and equipment	21	-	-
Net cash flows used in investing activities	(232)	(50)	(128)
Cash flows from financing activities			
Movement in invested capital	8,059	6,235	2,327
Net cash inflow from financing activities	8,059	6,235	2,327
Net (decrease)/increase in cash and cash equivalents	(143)	91	(255)
Cash and cash equivalents at beginning of year	467	324	415
Cash and cash equivalents at end of year	324	415	160

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The principal accounting policies adopted in the preparation of these combined financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) *Basis of preparation*

The historical financial information has been prepared in accordance with the Listing Rules and in accordance with this basis of preparation.

The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union except as described in paragraph (b)(i) below. In all other material respects, IFRS have been applied. References to “IFRS” hereafter should be construed as references to IFRS as adopted by the EU.

IFRS does not provide for the preparation of combined carve-out financial information and, accordingly, in preparing the historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in Annexure SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied.

The historical financial information does not constitute a set of general-purpose financial statements under paragraph 3 of IAS 1 *Presentation of Financial Statements* and consequently the business does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first-time adoption rules of IFRS 1 *First-time Adoption of International Financial Reporting Standards* in its first set of financial statements where such an unreserved statement of compliance has been made.

Although such a statement has not been made, the financial information has been prepared as if the date of transition to IFRS is 1 January 2008, the beginning of the first period presented, and the requirements of IFRS 1 have been applied as of that date.

The business has not in the past constituted a separate legal entity. The historical financial information, which has been prepared specifically for the purpose of this Circular, is therefore prepared on a basis that combines the results and assets and liabilities of OPKO Instrumentation on a going concern basis. This division comprises elements of four separate legal entities which have been combined to form OPKO Instrumentation.

As explained above, OPKO Instrumentation has not in the past formed a separate legal entity and therefore it is not meaningful to show capital or an analysis of reserves for the business. The net assets are represented by the cumulative investment of OPKO in OPKO Instrumentation (“Invested Capital”).

The historical financial information has been prepared on a historical cost basis. IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process. OPKO Instrumentation has applied the following exemptions:

- (i) OPKO Instrumentation has deemed cumulative translation differences for foreign operations to be zero at the date of transition; any gains and losses or subsequent disposals of foreign operations will not therefore include translation differences arising prior to the transition date.

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- (ii) OPKO Instrumentation has elected to use previous US GAAP revaluations of property, plant and equipment prior to 1 January 2008 as deemed cost at the transition date.

The historical financial information is presented in US dollars (\$) and all values are rounded to the nearest thousand (\$000) except when otherwise indicated.

The following summarises the accounting and other principles applied in preparing the historical financial information:

- Transactions and balances between separate entities included within the historical financial information have been eliminated.
- The transactions and balances relating to OPKO Instrumentation were identifiable as the separate entities making up OPKO Instrumentation as separate trial balance information is maintained.
- OPKO has not historically recharged corporate head office costs comprising IT, legal, finance, executive management and HR. However, for the purposes of the preparation of the combined carve-out accounts, an approximation has been made of the amounts of shared corporate head office costs attributable to OPKO Instrumentation. The amount of allocated corporate head office costs were \$1.4 million, \$1.2 million and \$1.1 million, for the years ended 31 December 2008, 2009 and 2010, respectively.
- OPKO has historically operated a central cash pooling arrangement whereby cash and overdrafts relating to all the business segments were settled centrally with the financial institutions with the exception of certain international bank accounts which specifically relate to OPKO Instrumentation. For the purposes of presentation of this financial information, no centrally managed cash pooling has been allocated to OPKO Instrumentation and the cash shown is the cash held in the international accounts.
- Current tax charges in the income statement have been allocated on an appropriate basis to OPKO Instrumentation's activities based on the tax charges recorded by companies of OPKO in their statutory accounts. In all periods presented OPKO Instrumentation has not generated taxable income in any of the taxing jurisdictions it operates in and no tax liabilities or cash payments have been made. OPKO Instrumentation has recorded refundable tax credits for certain research and development activities in Ontario Canada as a benefit from income taxes.
- The tax benefits recorded in the income statement have been affected by the taxation arrangements within OPKO and are not necessarily representative of the tax charges that would have been reported had OPKO Instrumentation been an independent company. They are not necessarily representative of the tax charges that may arise in the future.
- Interest income and expenses recorded in the income statement have been affected by the historic financing arrangements within OPKO, in particular, those relating to central cash management. They are not necessarily representative of the interest income and expenses that would have been reported had OPKO Instrumentation been an independent group. They are not necessarily representative of the interest income and expenses that may arise in the future.
- OPKO Instrumentation has not in the past formed a separate legal entity and therefore it is not possible to show share capital or an analysis of reserves. The net assets of OPKO Instrumentation are represented within the invested capital section.

As per the terms of the Acquisition, the Company will not be acquiring the following assets, liabilities and development programmes of OPKO Instrumentation. However, in order to

present fairly the historical information of the OPKO Instrumentation, these assets, expenses and income have been presented as normal on the face of the Balance Sheet and Income Statement as and for the year ended at 31 December 2010 and all prior periods presented:

- Cash and cash equivalents
- Inter-company (related to the old OPKO Group) payables
- Property plant and equipment with net book value of \$109,000
- Trade accounts payable aggregating \$10,000
- Research and development activities related to the Aquashunt development programme, representing research and development expense (income) of \$2.2 million, \$1.0 million and (\$0.1) million for the years ended 31 December 2008, 2009 and 2010, respectively.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(b) ***Departure from IFRS***

The application of the basis of preparation set out above results in the following departure from IFRS:

- (i) The combined financial information does not comply with IAS 27 - Consolidated and Separate Financial Statements - because, as explained above, the elements of the four separate legal entities have not previously constituted a legal group and do not have a common parent company. Consequently, OPKO Instrumentation is not permitted by IAS 27 to present consolidated financial information. The financial information has therefore been prepared on a combined basis by applying the principles underlying the consolidation procedures of IAS 27.

(c) ***IFRS 8 Operating Segments***

The business applies IFRS 8 Operating Segments. The business has a single reportable segment, being OPKO Instrumentation. In assessing performance and making resource allocation decisions, the Operating Board (which is the OPKO Instrumentation's chief operating decision-making body) and the Board review revenues and gross profits as a whole. OPKO Instrumentation derives all its revenue from the outright sales of medical devices, primarily in international markets.

The business is managed on an integrated basis, with functions managed. In particular, research and development is actively targeted at new products and at enhancing the existing products 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.

(d) ***Transition to IFRS***

For the year ended 31 December 2010, OPKO Instrumentation has prepared its financial information on the basis of IFRS adopted for use in the European Union as modified and having regard to certain conventions for the preparation of historical financial information for inclusion in Investment Circulars compiled in the Annexure to SIR 2000 "Investment Reporting Standards applicable to public reporting engagements on historical financial information" issued by the Auditing Practices Board.

These are those standards, subsequent amendments, future standards and related interpretations issued and adopted by the International Accounting Standards Board ("IASB") that have been endorsed by the European Commission at 31 December 2010.

The financial information applies IFRS 1 “*First-time adoption of International Financial Reporting Standards*”, in respect of which OPKO Instrumentation has elected to use the following exemptions:

- cumulative translation differences for foreign operations have been deemed to be nil at 1 January 2008.
- OPKO Instrumentation has elected to use previous US GAAP revaluations of property, plant and equipment prior to 1 January 2008 as deemed cost at the transition date.

(e) ***Exceptional items***

Material items of income and expense which, because of the nature and infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of OPKO Instrumentation’s financial performance for the prior year, are presented as exceptional items on the face of the income statement to facilitate comparisons with the current period and assessment of trends in financial performance.

(f) ***Foreign currency translation***

The combined financial statements are presented in US dollars, which is OPKO Instrumentation’s functional and presentation currency. Each entity in the combined business determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of all entities within OPKO Instrumentation is the US dollar. 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. 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.

(g) ***Property, plant and equipment***

Property, plant and equipment is stated at cost of acquisition or manufacture, less accumulated depreciation and accumulated impairment in value.

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:

Software	3 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	lesser of useful life and lease term

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 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 immediately as the asset is derecognised.

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

(h) ***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 it is incurred. Purchased intangible assets are capitalised at cost or fair value and amortised over the expected useful life of the asset.

Research & Development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised when OPKO Instrumentation can demonstrate the technical feasibility of completing the project so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliability of the expenditure following development.

(i) ***Impairment of assets***

OPKO Instrumentation assesses at each reporting date whether there is an indication that the value of an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, OPKO Instrumentation makes an estimate of the asset's recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its 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.

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 diminished. 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 the income statement. 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.

(j) ***Inventories***

Inventories primarily comprise raw materials (components), work in process and finished goods. Inventories are valued at the lower of cost and net realisable value. Cost is assessed as the costs incurred in bringing each product to its present location and condition. These are accounted for as follows:

- raw materials spares and consumables – purchase cost on a first-in, first-out basis; and
- 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.

(k) ***Trade and other receivables***

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

(l) ***Cash and cash equivalents***

Cash and short-term deposits in the balance sheet comprise cash at banks.

(m) ***Taxation***

Income tax

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 recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements, with the following exceptions:

- 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, only 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 is 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.

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.

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.

Sales tax

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

-
- in the balance sheet where receivables and payables are stated with the amount of sales tax included.

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

(n) ***Share-based payment transactions***

Employees (including senior executives) of OPKO Instrumentation receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for OPKO 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 OPKO (“market conditions”), if applicable. Fair values for the share-based payments were based on the relevant inputs on OPKO historical activity and as such, are not an indicator of what share-based payments would reflect had OPKO Instrumentation been a standalone entity or as part of another entity.

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.

The cost of equity-settled transactions is recognised, together with a corresponding movement 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 OPKO Instrumentation’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.

OPKO Instrumentation did not have any equity settled awards outstanding prior to 1 January 2005 and as such, has not taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards. Where share options lapse as a result of OPKO Instrumentation terminating the employment of an individual, it is accounted for as a forfeiture of the option.

(o) ***Invested capital***

OPKO Instrumentation has not in the past formed a separate legal entity and therefore it is not possible to show share capital or an analysis of reserves. The net assets of OPKO Instrumentation are represented within the invested capital section. Invested capital includes both the cumulative losses incurred by OPKO Instrumentation, together with any intercompany balances payable to OPKO.

(p) ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to OPKO Instrumentation 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:

Device sales - outright

Revenue from the sale of devices is recognised in the income statement when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch or installation at the customers' site, or where relevant, at the end of any validation period.

Service and maintenance contracts

Revenue from the sale of service and maintenance contracts is recognised on straight line basis over the term of the contract.

(q) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Deferred tax

OPKO Instrumentation has gross unused tax losses. Some of these losses are recognised under IAS 12 as deferred tax assets. OPKO Instrumentation makes judgements as to the likelihood of these losses being recoverable, and changes in these assumptions could have a material impact on OPKO Instrumentation's reported tax charge. Further details are included in Note 5.

2. New standards and interpretations

The IASB and IFIC have issued a number of standards and interpretations with an effective date after the date of these combined financial statements. The Directors have set out below only those which may have a material impact on the financial statements in future periods.

<i>International Accounting Standards (IAS/IFRS/IFRIC)</i>	<i>Effective date</i>
IAS 24 Related Party Disclosures Amendment	1 January 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
IFRIC 14 Prepayments of a minimum funding requirement Amendment	1 January 2011
IFRIC 19 Extinguishing Financial Liabilities and Equity Instruments	1 July 2010
Improvements to IFRS (issued May 2010)	1 January 2012
IAS 12 (A) Amendment to IAS12 - Recovery of Underlying Assets	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the combined financial statements in the period of initial application.

The above standards and interpretations will be adopted in accordance with their effective dates. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the combined financial statements in the period of initial application.

3. Directors and employees

	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Staff costs for the OPKO Group during the year:			
Wages and salaries	3,203	3,026	3,201
Social security costs	557	606	722
Share-based payments	1,341	617	549
	<u>5,101</u>	<u>4,249</u>	<u>4,472</u>

The above tabulation includes staff costs for OPKO Instrumentation as well as the allocated costs from the head office.

The average monthly number of persons employed during the year was as follows:

	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Executive Directors	1	1	1
Field (sales and support)	4	3	3
Manufacturing and refurbishment	14	20	18
Product development	12	12	10
Marketing	2	2	2
	<u>33</u>	<u>38</u>	<u>34</u>

The above tabulation includes all employees of OPKO Instrumentation and excludes head office employees.

4. Operating loss

This is stated after charging/(crediting):

	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Research and development costs expensed	2,242	3,069	1,860
Depreciation of property, plant and equipment	130	171	147
Net foreign currency exchange differences	(101)	118	15
Operating lease payments	111	118	114
	<u>111</u>	<u>118</u>	<u>114</u>

5. Taxation

<i>Analysis of tax charge in the year</i>	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Tax on profit/(loss) on ordinary activities:			
Overseas taxes - current year	(83)	(269)	159
Current year tax charge	(83)	(269)	159
Total income tax (credit)/charge	(83)	(269)	159

The charge to tax for the year was \$0.159 million (2009: credit of \$0.269 million, 2008: charge of \$0.083 million) comprising a current tax charge of \$0.159 million (2009: credit of \$0.269 million, 2008: credit of \$0.083 million) and no deferred taxes for any period presented. The current tax charge relates primarily to overseas tax liabilities offset by adjustments in respect of prior periods.

	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Corporation tax reconciliation			
Group profit/(loss) on ordinary activities before taxation	(7,934)	(5,627)	(5,578)
Group profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the US of 35%	(2,777)	(1,969)	(1,952)
Effects of:			
State taxes	(202)	(182)	(191)
Permanent adjustments	123	(244)	499
Change in unrecognised deferred tax assets	3,193	2,033	1,408
Effect of tax rate and law changes	-	401	(18)
Effect of overseas tax rates	41	91	25
Adjustment in respect of prior periods	(378)	(130)	229
Income tax credits	(83)	(269)	159
Total tax (credit)/charge for the year	(83)	(269)	159

Tax losses

Deferred tax asset balances of approximately \$15.6 million (2009: \$10.6 million, 2008: \$6.0 million) relating primarily to unused tax losses arising in the US and Canada, have not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recognised when future tax charges are sufficient to absorb these tax benefits. 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.

6. Property, plant and equipment

	<i>Leasehold improvements</i> \$000	<i>Plant and equipment</i> \$000	<i>Total</i> \$000
Cost			
At 1 January 2008	-	434	434
Additions	248	5	253
Disposals	-	(254)	(254)
At 31 December 2008	<u>248</u>	<u>185</u>	<u>433</u>
Depreciation			
At 1 January 2008	-	19	19
Charge for year	24	106	130
Disposals	-	(85)	(85)
At 31 December 2008	<u>24</u>	<u>40</u>	<u>64</u>
Net book value at 31 December 2008	<u>224</u>	<u>145</u>	<u>369</u>
Cost			
At 1 January 2009	248	185	433
Additions	-	50	50
At 31 December 2009	<u>248</u>	<u>235</u>	<u>483</u>
Depreciation			
At 1 January 2009	24	40	64
Charge for year	133	38	171
At 31 December 2009	<u>157</u>	<u>78</u>	<u>235</u>
Net book value at 31 December 2009	<u>91</u>	<u>157</u>	<u>248</u>
Cost			
At 1 January 2010	248	235	483
Additions	8	120	128
At 31 December 2010	<u>256</u>	<u>355</u>	<u>611</u>
Depreciation			
At 1 January 2010	157	78	235
Charge for year	92	55	147
At 31 December 2010	<u>249</u>	<u>133</u>	<u>382</u>
Net book value at 31 December 2010	<u>7</u>	<u>222</u>	<u>229</u>

7. Inventories

	<i>As at 31 December</i>		
	<i>2008</i> \$000	<i>2009</i> \$000	<i>2010</i> \$000
Raw materials	2,491	2,129	2,097
Work in progress	933	1,363	460
Finished products	639	721	977
	<u>4,063</u>	<u>4,213</u>	<u>3,534</u>

8. Trade and other receivables

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Trade debtors	1,412	1,839	2,347
Allowance for doubtful debts	(407)	(351)	(886)
	<u>1,005</u>	<u>1,488</u>	<u>1,461</u>
Prepayments	368	458	64
Other receivables	397	326	9
	<u>1,770</u>	<u>2,272</u>	<u>1,534</u>

Trade receivables generally have payment terms of 30-90 days.

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>Analysis of trade receivables</i>			
Neither impaired nor past due	226	504	646
Past due not impaired	779	984	815
Impaired	407	351	886
	<u>1,412</u>	<u>1,839</u>	<u>2,347</u>

OPKO Instrumentation is exposed to credit risk over a large number of customers with significant concentration of risk with several of its principal distributors. As of 31 December 2008, two customers represented 33 per cent. and 13 per cent. of OPKO Instrumentation's gross accounts receivable. As of 31 December 2009, three customers represented 30 per cent., 16 per cent., and 12 per cent. of OPKO Instrumentation's gross accounts receivable. As of 31 December 2010, four customers represented 27 per cent., 20 per cent., 20 per cent. and 17 per cent. of OPKO Instrumentation's gross accounts receivable. Credit worthiness checks are undertaken before entering into contracts with new customers.

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>Ageing of past due but not impaired trade receivables</i>			
Up to one month	260	377	237
Between one and two months	418	456	130
More than two months	101	151	448
	<u>779</u>	<u>984</u>	<u>815</u>

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>Movement in the allowance for doubtful debts</i>			
Balance at beginning of period	465	407	351
Impairment losses recognised on receivables	204	74	535
Amounts written off as uncollectible	(150)	(130)	-
Amounts recovered during the year	(112)	-	-
Balance at end of period	<u>407</u>	<u>351</u>	<u>886</u>

9. Trade and other payables

	<i>As at ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Trade payables	904	432	690
Other taxes and social security costs	114	33	6
Other payables	-	5	11
Accruals	1,938	1,856	2,382
	<u>2,956</u>	<u>2,326</u>	<u>3,089</u>

OPKO Instrumentation's policy for all suppliers is to fix terms of payment when agreeing the terms of the credit account, to ensure that the supplier was aware of the terms, and to abide by the agreed terms of payment. Trade payables are typically paid on a routine basis according to the terms agreed to, typically 30 days.

10. Invested capital

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
At the beginning of the financial year	2,186	3,735	5,229
(Loss)/profit for the year	(7,851)	(5,358)	(5,737)
Share-based payment transactions	1,341	617	549
Capital increases/reductions	8,059	6,235	2,327
At the end of the financial year	<u>3,735</u>	<u>5,229</u>	<u>2,368</u>

11. Share-based payments

OPKO maintains three share-based incentive compensation plans, the 2007 Equity Incentive Plan, the 2000 Stock Option Plan, and the 1996 Stock Option Plan that provide for grants of stock options and restricted stock to OPKO's directors, officers, key employees and certain outside consultants. Equity awards granted under its 2007 Equity Incentive Plan are exercisable for a period up to seven years from the date of grant. Equity awards granted under its 2000 Stock Option Plan and the 1996 Stock Option Plan are exercisable for a period of up to 10 years from date of grant. Vesting periods range from immediate to five years.

OPKO classifies the cash flows resulting from the tax benefit that arises when the tax deductions exceed the compensation cost recognised for those equity awards (excess tax benefits) as financing cash flows. There were no excess tax benefits for the years ended 31 December 2010, 2009, and 2008.

Share-based compensation arrangements to non-employees are accounted for at their fair value on the measurement date. The measurement of equity-based compensation is subject to periodic adjustment over the vesting period of the equity instruments.

Valuation and Expense Information

OPKO recorded equity based compensation expense of \$6.9 million, \$4.5 million, and \$6.7 million for the years ended 31 December, 2010, 2009 and 2008, respectively, all of which were reflected as operating expenses. Of the \$6.9 million of equity based compensation expense recorded in the year ended 31 December 2010, \$0.5 million was recorded as selling, general, administrative or research and development expense allocated to OPKO Instrumentation. Of the \$4.5 million of share-based compensation expense recorded in the year ended 31 December 2009, \$0.6 million

was recorded as selling, general, administrative or research and development expense allocated to OPKO Instrumentation. Of the \$6.7 million of share based compensation expense recorded in the year ended 31 December 2008, \$1.3 million was recorded as selling, general, administrative or research and development expense allocated to OPKO Instrumentation.

We estimate forfeitures of stock options and recognise compensation cost only for those awards expected to vest. Forfeiture rates are determined for all employees and non-employee directors based on historical experience and OPKO's estimate of future vesting. Estimated forfeiture rates are adjusted from time to time based on actual forfeiture experience.

Stock Options

We estimate the fair value of each stock option on the date of grant using a Black-Scholes option-pricing formula, applying the following assumptions, and amortise the fair value to expense over the option's vesting period using the graded basis, with most of the compensation expense being recorded during the initial periods of vesting:

	<i>For the year ended 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Expected term (in years)	1.6 - 8.9	0.6 - 7.9	0.6 - 7.0
Risk-free interest rate	1.5% - 3.7%	1.4% - 3.0%	1.3% - 2.7%
Expected volatility	70% - 75%	70% - 77%	69% - 74%
Expected dividend yield	0%	0%	0%

Expected Term: The expected term of the stock options granted to employees and non-employee directors was calculated using the shortcut method. OPKO believes this method is appropriate as OPKO's equity shares have been publicly traded for a limited period of time and as such OPKO does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The expected term of stock options issued to non-employee consultants is the remaining contractual life of the options issued.

Risk-Free Interest Rate: The risk-free interest rate is based on the rates paid on securities issued by the U.S. Treasury with a term approximating the expected life of the option.

Expected Volatility: The expected volatility was based on a peer group of publicly-traded stocks' historical trading which OPKO believes will be representative of the volatility over the expected term of the options. OPKO believes the peer group's historical volatility is appropriate as its equity shares have been publicly traded for a limited period of time.

Expected Dividend Yield: We do not intend to pay dividends on common stock for the foreseeable future. Accordingly, OPKO used a dividend yield of zero in the assumptions.

OPKO maintains incentive stock plans that provide for the grants of stock options to OPKO's directors, officers, employees and non-employee consultants. As of 31 December 2010, there were 11,106,725 shares of common stock reserved for issuance under OPKO's 2007 Incentive Plan. OPKO intends to issue new shares upon the exercise of options. Stock options granted under these plans have been granted at an option price equal to the closing market value of the stock on the date of the grant. Options granted under these plans to employees typically become exercisable over four years in equal annual instalments after the date of grant, and options granted to non-employee directors become exercisable in full one-year after the grant date, subject to, in each case, continuous service with OPKO during the applicable vesting period. The Company assumed options to grant common stock as part of the merger with Acuity Pharmaceuticals, Inc. and Fropix, Inc., which reflected various vesting schedules, including monthly vesting to employees and non-employee consultants.

A summary of option activity under OPKO's stock plans as of 31 December 2010, and the changes during the year is presented below:

<i>Options</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Weighted average remaining contractual term (years)</i>	<i>Aggregate intrinsic value (in thousands)</i>
Outstanding at 31 December 2009	12,623,556	\$2.36	5.5	\$4,544
Granted	2,736,000	\$2.25		
Exercised	(150,271)	\$0.49		
Forfeited	(396,514)	\$3.76		
Expired	(104,625)	\$3.42		
Outstanding at 31 December 2010	<u>14,708,146</u>	\$2.31	4.8	\$23,464
Vested and expected to vest at				
31 December 2010	13,852,934	\$2.32	4.8	\$22,134
Exercisable at 31 December 2010	6,775,064	\$2.53	4.0	\$10,467

The weighted average grant date fair value of stock options granted for the years ended 31 December 2010, 2009 and 2008 was \$1.39, \$0.99, and \$1.13, respectively. The total fair value of stock options vested during the years ended 31 December 2010, 2009 and 2008 were \$3.4 million, \$5.1 million, and \$4.1 million, respectively.

The following table provides the grant date fair value for each of the following groups of stock option activity during 2010:

<i>Options</i>	<i>Number of options</i>	<i>Weighted average grant date fair value</i>
Nonvested at 31 December 2009	7,516,418	\$1.47
Granted	2,736,000	\$1.39
Forfeited	396,514	\$2.32
Nonvested at 31 December 2010	7,933,082	\$1.32

Restricted Stock

In 2009, OPKO issued 30,000 shares of restricted common stock to one of its independent board members. The restricted stock was granted under OPKO's 2007 Equity Incentive Plan with a term of seven years and vesting occurring five years after the grant date with certain events which would accelerate the vesting of the award. The restricted stock was valued using the grant date fair value which was equivalent to the closing price of OPKO's common stock on the grant date. OPKO record the cost of restricted stock over the vesting period.

12. Related party transactions

The movements within Invested Capital (Note 10) have been funded by OPKO each year.

On 16 June 2009, OPKO Instrumentation entered into an agreement to lease approximately 10,000 square feet of space in Hialeah, Florida to house manufacturing and service operations for our ophthalmic instrumentation business (the "Hialeah Facility") from an entity controlled by Dr. Phillip Frost, OPKO's Chairman and Chief Executive Officer and Dr. Jane Hsiao, OPKO's Vice Chairman and Chief Technical Officer. Pursuant to the terms of a lease agreement, which is effective as of 1 February 2009, gross rent is \$0.1 million per year for a one-year lease and was extended through 1 February 2011. From April 2008 through January 2009, OPKO Instrumentation leased 20,000 square feet at the Hialeah Facility from a third party landlord pursuant to a lease agreement which contained an option to purchase the facility. OPKO Instrumentation initially elected to exercise the option to purchase the Hialeah Facility in September 2008. Prior to closing, however, OPKO

Instrumentation assigned the right to purchase the Hialeah Facility to an entity controlled by Drs. Frost and Hsiao and leased a smaller portion of the facility as a result of several factors, including OPKO Instrumentation's inability to obtain outside financing for the purchase, current business needs, the reduced operating costs for the smaller space, and the minimisation of risk and expense of unutilised space.

13. Financial instruments: disclosures

OPKO Instrumentation's principal financial instruments comprise cash.

The main purpose of these financial instruments is to manage OPKO Instrumentation's funding and liquidity requirements. The OPKO Group has other financial instruments, such as trade receivables and trade payables, which arise directly from its operations. The principal financial risks to which OPKO Instrumentation is exposed are those relating to foreign currency, credit, liquidity and interest rate.

In connection with OPKO's acquisition of OTI, certain two employees were entitled to, at the employees' sole discretion, require OPKO to issue to the employees up to 10 per cent. of the shares in OPKO at a price per share of \$3.55. In September 2008, one of the two employees notified OPKO Instrumentation of his intent to exercise his put option. The put options were valued at fair value utilising the Black-Scholes-Merton valuation method. During the years 31 December 2008, 2009, and 2010, OPKO Instrumentation recorded expense of \$0.1 million, reversal of expense of \$0.1 million and reversal of expense of \$0.2 million, respectively, reflecting OPKO's stock price fluctuations.

Credit risk

The credit risk on liquid funds is limited because the funds are deposited over a number of counterparties who are banks with a mix of high quality balance sheets, high credit ratings assigned by international credit rating agencies or strong governmental support. OPKO Instrumentation's credit risk is primarily attributable to its trade receivables.

OPKO Instrumentation is exposed to risk over a large number of customers. Refer to Note 8 for concentration of risk.

Creditworthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Fair values of financial assets and financial liabilities

There are no differences between the fair value and carrying value of OPKO Instrumentation's financial assets and financial liabilities.

Liquidity risk

OPKO Instrumentation aims to mitigate its liquidity risk by managing its cash resources and improving its credit rating to facilitate effective fund-raising.

All trade payables are due for payment in less than three months.

Capital management

OPKO Instrumentation's capital management is subject to OPKO's capital resources available. OPKO manages its cash centrally and funds the operations on as needed basis.

14. Transition to IFRS

For all periods up to and including the year ended 31 December 2010, OPKO Instrumentation prepared its financial statements in accordance with US GAAP. These combined financial statements, for the period ended 31 December 2010 are the first OPKO Instrumentation is required to prepare in accordance with IFRS.

Accordingly, OPKO Instrumentation has prepared combined financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2008 and the significant accounting policies meeting those requirements are described in Note 1.

In preparing these combined financial statements, OPKO Instrumentation has started from an opening statement of financial position as at 1 January 2008, OPKO Instrumentation's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS. In addition, OPKO Instrumentation identified some adjustments as part of this process that do not arise from a GAAP difference and have therefore been classified as US GAAP adjustments, rather than IFRS GAAP reclassifications or re-measurements. As such, this Note explains the principal adjustments made by OPKO Instrumentation in restating its US GAAP statement of financial position as at 1 January 2008 and its previously published US GAAP financial statements for the year ended 31 December 2008, 31 December 2009 and 31 December 2010.

Reconciliation of Invested Capital as at 1 January 2008

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
		<i>\$000</i>	<i>\$000</i>	
Non-current assets				
Property, plant and equipment	415	-	-	415
Intangible assets	9,684	-	(9,684)	-
Deferred tax assets	83	-	-	83
	<u>10,182</u>	<u>-</u>	<u>(9,684)</u>	<u>498</u>
Current assets				
Trade and other receivables	1,810	-	-	1,810
Inventories	2,214	-	-	2,214
Other current assets	633	-	-	633
Cash and cash equivalents	467	-	-	467
	<u>5,124</u>	<u>-</u>	<u>-</u>	<u>5,124</u>
Total assets	<u>15,306</u>	<u>-</u>	<u>(9,684)</u>	<u>5,622</u>
Current liabilities				
Trade and other payables	3,436	-	-	3,436
Total liabilities	<u>3,436</u>	<u>-</u>	<u>-</u>	<u>3,436</u>
Capital and reserves				
Invested capital	11,870	-	(9,684)	2,186
Total capital and reserves	<u>11,870</u>	<u>-</u>	<u>(9,684)</u>	<u>2,186</u>

Reconciliation of Invested Capital as at 31 December 2008

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
		<i>\$000</i>	<i>\$000</i>	
Non-current assets				
Property, plant and equipment	369	-	-	369
Intangible assets	7,426	-	(7,426)	-
Deferred tax assets	165	-	-	165
	<u>7,960</u>	<u>-</u>	<u>(7,426)</u>	<u>534</u>
Current assets				
Trade and other receivables	1,005	-	-	1,005
Inventories	4,063	-	-	4,063
Other current assets	765	-	-	765
Cash and cash equivalents	324	-	-	324
	<u>6,157</u>	<u>-</u>	<u>-</u>	<u>6,157</u>
Total assets	<u>14,117</u>	<u>-</u>	<u>(7,426)</u>	<u>6,691</u>
Current liabilities				
Trade and other payables	2,956	-	-	2,956
Total liabilities	<u>2,956</u>	<u>-</u>	<u>-</u>	<u>2,956</u>
Capital and reserves				
Invested capital	11,161	-	(7,426)	3,735
Total capital and reserves	<u>11,161</u>	<u>-</u>	<u>(7,426)</u>	<u>3,735</u>

Reconciliation of Invested Capital as at 31 December 2009

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
		<i>\$000</i>	<i>\$000</i>	
Non-current assets				
Property, plant and equipment	248	-	-	248
Intangible assets	4,706	-	(4,706)	-
Deferred tax assets	407	-	-	407
	<u>5,361</u>	<u>-</u>	<u>(4,706)</u>	<u>655</u>
Current assets				
Trade and other receivables	1,488	-	-	1,488
Inventories	4,213	-	-	4,213
Other current assets	784	-	-	784
Cash and cash equivalents	415	-	-	415
	<u>6,900</u>	<u>-</u>	<u>-</u>	<u>6,900</u>
Total assets	<u>12,261</u>	<u>-</u>	<u>(4,706)</u>	<u>7,555</u>
Current liabilities				
Trade and other payables	2,326	-	-	2,326
Total liabilities	<u>2,326</u>	<u>-</u>	<u>-</u>	<u>2,326</u>
Capital and reserves				
Invested capital	9,935	-	(4,706)	5,229
Total equity	<u>9,935</u>	<u>-</u>	<u>(4,706)</u>	<u>5,229</u>

Reconciliation of Invested Capital as at 31 December 2010

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
		<i>\$000</i>	<i>\$000</i>	
Non-current assets				
Property, plant and equipment	229	-	-	229
Intangible assets	3,180	-	(3,180)	-
Deferred tax assets	-	-	-	-
	<u>3,409</u>	<u>-</u>	<u>(3,180)</u>	<u>229</u>
Current assets				
Trade and other receivables	1,461	-	-	1,461
Inventories	3,534	-	-	3,534
Other current assets	73	-	-	73
Cash and cash equivalents	160	-	-	160
	<u>5,228</u>	<u>-</u>	<u>-</u>	<u>5,228</u>
Total assets	<u>8,637</u>	<u>-</u>	<u>(3,180)</u>	<u>5,457</u>
Current liabilities				
Trade and other payables	3,089	-	-	3,089
	<u>3,089</u>	<u>-</u>	<u>-</u>	<u>3,089</u>
Capital and reserves				
Invested capital	5,548	-	(3,180)	2,368
Total equity	<u>5,548</u>	<u>-</u>	<u>(3,180)</u>	<u>2,368</u>

Reconciliation of income statement for the period ended 31 December 2008

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Revenue	9,440	-	-	9,440
Cost of sales	(8,618)	-	(2)	(8,620)
Gross profit	822	-	(2)	820
Selling and distribution expenses	(4,023)	-	125	(3,898)
Administrative and other expense	(5,023)	(1,366)	1,677	(4,712)
Operating (loss) income	(8,224)	(1,366)	1,800	(7,790)
Loss on disposal of software	(148)	-	-	(148)
Finance income	6	-	-	6
Finance expense	(2)	-	-	(2)
	(144)	-	-	(144)
(Loss) income before taxation	(8,368)	(1,366)	1,800	(7,934)
Tax credit	83	-	-	83
Profit for the year	(8,285)	(1,366)	1,800	(7,851)

Reconciliation of income statement for the period ended 31 December 2009

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Revenue	8,729	-	-	8,729
Cost of sales	(6,692)	-	(8)	(6,700)
Gross profit	2,037	-	(8)	2,029
Selling and distribution expenses	(2,548)	-	(58)	(2,606)
Administrative and other expense	(6,508)	(1,247)	2,705	(5,050)
Operating (loss) income	(7,019)	(1,247)	2,639	(5,627)
Finance income	-	-	-	-
Finance expense	-	-	-	-
	-	-	-	-
(Loss) income before taxation	(7,019)	(1,247)	2,639	(5,627)
Tax credit	269	-	-	269
Profit for the year	(6,750)	(1,247)	2,639	(5,358)

Reconciliation of income statement for the period ended 31 December 2010

	<i>US GAAP</i>	<i>Allocation of</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>\$000</i>	<i>head office costs</i>	<i>remeasurements</i>	<i>\$000</i>
		<i>\$000</i>	<i>\$000</i>	
Revenue	8,386	-	-	8,386
Cost of sales	(7,015)	-	(26)	(7,041)
Gross profit	<u>1,371</u>	<u>-</u>	<u>(26)</u>	<u>1,345</u>
Selling and distribution expenses	(2,770)	-	75	(2,695)
Administrative and other expense	(4,621)	(1,145)	1,520	(4,246)
Operating (loss) income	<u>(6,020)</u>	<u>(1,145)</u>	<u>1,569</u>	<u>(5,596)</u>
Finance income	18	-	-	18
Finance expense	-	-	-	-
	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
(Loss) income before taxation	(6,002)	1,145	1,569	(5,578)
Tax charge	(159)	-	-	(159)
Profit for the year	<u>(6,002)</u>	<u>1,145</u>	<u>1,569</u>	<u>(5,737)</u>

There is no reconciliation for the statement of cash flows, as the entity did not present a cash flow statement under US GAAP.

Restatement of net investment from US GAAP to IFRS

The following summarises the accounting and other principles applied in preparing the historical financial information:

- Transactions and balances between separate entities included within the historical financial information have been eliminated.
- The transactions and balances relating to OPKO Instrumentation were identifiable as the separate entities making up OPKO Instrumentation maintain separate trial balance information.
- OPKO has not historically recharged corporate head office costs comprising IT, legal, finance, executive management and HR. However, for the purposes of the preparation of the combined carve-out accounts an approximation has been made of the amounts of shared corporate head office costs attributable to OPKO Instrumentation. The amount of allocated corporate head office costs were \$1.4 million, \$1.2 million and \$1.1 million, for the years ended 31 December 2008, 2009 and 2010, respectively.
- OPKO has historically operated a central cash pooling arrangement whereby cash and overdrafts relating to all the business segments were settled centrally with the financial institutions with the exception of certain international bank accounts which specifically relate to OPKO Instrumentation. For the purposes of presentation of this financial information, no centrally managed cash pooling has been allocated to OPKO Instrumentation and the cash shown is the cash held in the international accounts.
- Current tax charges in the income statement have been allocated on an appropriate basis to OPKO Instrumentation's activities based on the tax charges recorded by companies of OPKO in their statutory accounts. In all periods presented, OPKO Instrumentation has not generated taxable income in any of the taxing jurisdictions it operates in and no tax liabilities or cash payments have been made. OPKO Instrumentation has recorded refundable

tax credits for certain research and development activities in Ontario Canada as a benefit from income taxes.

- The tax benefits recorded in the income statement have been affected by the taxation arrangements within OPKO and are not necessarily representative of the tax charges that would have been reported had OPKO Instrumentation been an independent company. They are not necessarily representative of the tax charges that may arise in the future.
- Interest income and expenses recorded in the income statement have been affected by the historic financing arrangements within OPKO in particular those relating to central cash management. They are not necessarily representative of the interest income and expenses that would have been reported had OPKO Instrumentation been an independent group. They are not necessarily representative of the interest income and expenses that may arise in the future.
- OPKO Instrumentation has not in the past formed a separate legal entity and therefore it is not possible to show share capital or an analysis of reserves. The net assets of OPKO Instrumentation are represented within the invested capital section.

IFRS Remeasurements

(i) *Reversal of push-down acquisition accounting under US GAAP:*

US GAAP generally requires the application of push-down accounting in the separate financial statements of an acquired subsidiary when the parent's ownership interest is greater than or equal to 95 per cent. Push-down accounting is not permitted under IFRS.

As a consequence on conversion to IFRS goodwill and intangible assets recognised in OPKO Instrumentation on the acquisition of Ophthalmic Technologies Inc. by OPKO have been reversed together with the associated impairment and amortisation charges.

The balance sheet IFRS re-measurements reflect the reversal of the push-down accounting and the consequent elimination of the book value of intangible assets.

The profit and loss account IFRS re-measurements in 2008, 2009 and 2010 include credits in administrative and other expenses of \$1.694 million, \$2.720 million, and \$1.526 million respectively, being the reversal of amortisation and impairment charges in respect of the intangible assets recognised by applying push-down accounting.

(ii) *Share based payments*

US GAAP permits the use of the straight line method in accounting for awards with graded vesting. The accelerated method is required under IFRS. The share based payment charge in each year for awards with graded vesting has been recalculated under IFRS resulting in a credit of \$123,000 in 2008, debit of \$66,000 in 2009, and a credit of \$49,000 in 2010.

15. Ultimate parent undertaking and controlling party

OPKO Instrumentation LLC is a wholly owned subsidiary of OPKO and Ophthalmic Technologies, Inc. is a wholly owned subsidiary of OTI Holdings, Inc.

The Directors regard OPKO as the ultimate parent company and the ultimate controlling party of OPKO Instrumentation. OPKO is registered in the United States in the state of Delaware and copies of the group financial statements may be obtained from the CFO, Rao Uppaluri, OPKO Health Inc., 4400 Biscayne Blvd., Miami, FL 33137, USA.

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma statement of net assets for the Enlarged Group has been prepared on the basis of the notes set out below to illustrate the financial effects of the Acquisition on the net assets of the Group as if it had been completed on 31 March 2011.

The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, the pro forma statement addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position. The unaudited pro forma statement of net assets is compiled on the basis set out below from the interim consolidated balance sheet of the Company as at 31 March 2011 and the financial information on OPKO Instrumentation set out in Part 3 of this document. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II of the Prospectus Directive Regulation.

	<i>Adjustments</i>					<i>Unaudited pro-forma statement of Financial Position (Note 1)</i> US\$ million
	<i>Optos plc at 31 March 2011 (unaudited) (Note 1)</i> US\$ million	<i>OPKO Instrumentation at 31 December 2010 (Note 1)</i> US\$ million	<i>Cash not acquired (Note 2)</i> US\$ million	<i>Purchase Consideration (Note 3)</i> US\$ million	<i>Goodwill and intangibles arising on Acquisition (Note 4)</i> US\$ million	
ASSETS						
Non-current assets						
Property plant & equipment	49.2	0.2	-	-	-	49.4
Goodwill & intangible assets	24.4	-	-	-	25.2	49.6
Finance lease receivables	7.3	-	-	-	-	7.3
Deferred tax asset	9.8	-	-	-	-	9.8
Total non-current assets	90.7	0.2	-	-	25.2	116.1
Current Assets						
Inventory	18.0	3.5	-	-	-	21.5
Trade, finance lease and other receivables	19.4	1.5	-	-	-	20.9
Cash and equivalents	21.6	0.2	(0.2)	(17.5)	-	4.1
Total Current Assets	59.0	5.2	(0.2)	(17.5)	-	46.5
Total Assets	149.7	5.4	(0.2)	(17.5)	25.2	162.6
LIABILITIES						
Non-current liabilities						
Financial liabilities	25.7	-	-	-	-	25.7
Deferred Purchase Consideration	-	-	-	10.0	-	10.0
Government grants & provisions	0.4	-	-	-	-	0.4
Total non-current liabilities	26.1	-	-	10.0	-	36.1
Current liabilities						
Trade and other payables	15.4	3.1	-	-	-	18.5
Financial Liabilities	26.3	-	-	-	-	26.3
Government grants	0.3	-	-	-	-	0.3
Income tax payable	0.4	-	-	-	-	0.4
Total current liabilities	42.4	3.1	-	-	-	45.5
Total Liabilities	68.5	3.1	-	10.0	-	81.6
Net Assets	81.2	2.3	(0.2)	(27.5)	25.2	81.0

Note 1

The unaudited pro forma statement of net assets does not reflect any changes in the trading and net asset position of either Optos since 31 March 2011 being the date to which the last published unaudited financial statements were prepared or OPKO Instrumentation since 31 December 2010 being the date to which the financial information regarding OPKO Instrumentation set out in Part 3 of this document has been prepared, nor any revaluation of assets that might arise on the Acquisition.

Note 2

This adjustment represents the removal of US\$0.2 million of cash that will not be acquired by Optos as the acquisition is structured on a cash-free basis.

Note 3

Optos is acquiring the net assets and business of OPKO Instrumentation for a cash consideration of US\$17.5 million. Deferred consideration is also payable by way of a royalty on future sales to a maximum of US\$22.5 million. The royalty will be payable at 5 per cent. on Direct Revenues and 2.5 per cent. on Indirect Revenues. On the basis of approximate sales projections for the next 15 years and assuming a mix of Direct Revenues and Indirect Revenues and a discount rate of 7 per cent., the Directors consider that the likely valuation of the liability for deferred consideration will be US\$10 million.

Note 4

This adjustment represents the goodwill and intangible assets that will be recognised in the Enlarged Group's financial statements upon the Acquisition. The amount disclosed of US\$25.2 million is calculated as the cash purchase consideration of US\$17.5 million plus the deferred consideration of US\$10.0 million less the net assets acquired of US\$2.3 million. As in Note 3 above, an estimate has been made of the net present value of expected payments for deferred consideration. Any adjustment to this value that is determined following a full fair value assessment of this deferred consideration would increase or decrease the value of the goodwill and intangible assets acquired and adjust the liability for deferred consideration by an equivalent value. A fair value assessment of the assets and liabilities acquired, as required by IFRS3(R) has not yet been performed but will be prepared for inclusion in the financial statements of Optos for the year ending 30 September 2012. The Directors believe that such an exercise will not result in any significant adjustments to the book value of OPKO Instrumentation's tangible assets and liabilities and that an element of the purchase price will be allocated to intangible assets which will be amortised over their relevant useful economic lives. Any excess of the consideration over the fair value of the Assets acquired will be allocated to goodwill.

PART 5

ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA
STATEMENT OF NET ASSETS



Ernst & Young LLP
Ten George Street
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The Directors
Optos plc
Queensferry House
Carnegie Campus
Dunfermline
KY11 8GR

22 September 2011

Dear Sirs

We report on the pro forma statement of net assets (the "Pro Forma Financial Information") set out in Part 4 of the circular to shareholders of Optos plc dated 22 September 2011, which has been prepared on the basis described in notes 1 to 4 in Part 4, for illustrative purposes only, to provide information about how the acquisition by Optos plc of the instrumentation division of OPKO Health, Inc. might have affected the financial information presented on the basis of the accounting policies adopted by Optos plc in preparing the financial statements for the period ended 31 March 2011. This report is required by Listing Rule 13.3.3R and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the circular.

Responsibilities

It is the responsibility of the directors of Optos plc to prepare the Pro Forma Financial Information in accordance with Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3R as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of Optos plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Optos plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

1. the Pro Forma Financial Information has been properly compiled on the basis stated; and
2. such basis is consistent with the accounting policies of Optos plc.

Yours faithfully

Ernst & Young LLP

PART 6

ADDITIONAL INFORMATION

1. Company

- 1.1 The Company was incorporated and registered in Scotland under the 1985 Act on 26 August 1992 with registered number SC139953 as a private company limited by shares with the name Zenoplan Limited. The Company changed its name to Besca Limited on 22 October 1992. On 28 February 1997, the Company re-registered as a public company limited by shares and on 26 April 1996, changed its name to Optos plc. Optos plc is the legal and commercial name of the Company.
- 1.2 The Company's head office and principal place of business is at Queensferry House, Carnegie Campus, Enterprise Way, Dunfermline, Scotland KY11 8GR. The Company's telephone number is 01383 843 300.
- 1.3 The principal legislation under which the Company operates and the Ordinary Shares have been, and the New Ordinary Shares will be, created is the 2006 Act.
- 1.4 The Company's registered office is at Queensferry House, Carnegie Campus, Enterprise Way, Dunfermline, Scotland KY11 8GR.

2. Substantial shareholders

As at 20 September 2011 (being the latest practicable date prior to the publication of this document), in so far as is known to the Company, the following are the only persons (excluding directors) known to the Company who, directly or indirectly, are interested in 3 per cent. or more of the issued share capital or voting rights of the Company (calculated exclusive of treasury shares) and based on the assumptions set out below:

<i>Investor</i>	<i>Number of Shares</i>	<i>Percentage of Issued Share Capital</i>
Amadeus Capital Partners Limited	10,254,753	14.40
Aberforth Partners LLP	8,532,835	11.98
Mr Patrick Robin David Paul	4,732,867	6.64
Threadneedle Asset Management LTD	4,013,200	5.63
Aviva Investors Global Services LTD (UK)	3,420,428	4.80
ATP Investment Manatement	3,539,439	4.97
Royal London Asset Management	2,499,955	3.51

3. Directors interests in shares

- 3.1 As at 20 September 2011 (being the latest practicable date prior to the publication of this document), the interests of the Directors, their immediate families and related trusts and (insofar as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA (as amended by the Financial Services and Markets Act 2000 (Market Abuse) Regulations 2005)) with the Directors in the share capital of the Company (all of which are beneficial unless otherwise stated), including: (i) interests arising pursuant to any transaction notified to the Company pursuant to DTR 3.1.2R; or (ii) those of persons connected with the Directors, which would, if such connected person were a Director, be required to be disclosed under (i) above, are set out in the following table:

	<i>Number of Shares</i>	<i>Percentage of Issued Share Capital</i>
Dr Peter Fellner	-	-
Roy Davis	25,000	0.04
Christine Soden	25,000	0.04
Dr Peter Kehoe	-	-
Barry Rose	35,000	0.05
Rosalyn Wilton	12,500	0.02
John Goddard	-	-
David Wilson	-	-

- 3.2 As at 20 September 2011 (being the latest practicable date prior to the publication of this document), the following options over Ordinary Shares have been granted to Directors of the Company under the Company's 2007 Performance Share Plan and are outstanding:

<i>Director</i>	<i>Date of Grant</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Exercise Period</i>
G R Davis	09.03.2009	490,000	2p	08.03.2012 to 08.03.2019
	15.12.2009	250,000	2p	14.12.2012 to 14.12.2019
	26.11.2010	290,476	2p	25.11.2013 to 25.11.2020
C H Soden	15.12.2009	150,000	2p	14.12.2012 to 14.12.2019
	20.05.2010	40,000	2p	19.05.2013 to 19.05.2019
	26.11.2010	190,476	2p	25.11.2013 to 25.11.2020

- 3.3 As at 20 September 2011 (being the latest practicable date prior to the publication of this document), the following Directors participate in the Company's Save As You Earn scheme ("SAYE Scheme"), under which the following options over Ordinary Shares have been granted to the Directors and may be exercised in accordance with the rules of the SAYE Scheme:

<i>Director</i>	<i>Scheme Start Date</i>	<i>Scheme Duration</i>	<i>Exercise Price</i>	<i>Maximum Shares Available</i>
G R Davis	01.02.2011	3 years	103p	8,737
C H Soden	01.02.2011	3 years	103p	8,737

4. Directors service contracts

- 4.1 Each of the executive directors of the Company has a service contract with the Company the principal features of which are set out below:

	<i>Date</i>	<i>Notice period to be given by the Director</i>	<i>Notice Period to be given by the Company</i>	<i>Provision of compensation for loss of office</i>
G R Davis	17/11/2008	6 months	6 months	6 months' gross remuneration
C H Soden	02/12/2009	6 months	6 months	6 months' gross remuneration

The principal terms of the service contracts are that the executive directors have an annual salary review on 1 January in each year; are entitled to a discretionary annual bonus, participation in a pension scheme of the executive director's choice, life assurance scheme, health insurance and private medical insurance, 25 days' annual leave and are subject to 12 month post-termination restrictive covenants against competing with the Group and 24 month post-termination restrictive covenants against solicitation of staff.

- 4.2 Each of the non-executive Directors is engaged under a letter of appointment and does not have a service contract with the Company. Each letter of appointment is for a fixed three year renewable term and is, except in the case of Dr Fellner, terminable by either party on

three months' notice. Dr Fellner's letter of appointment is terminable by either party on six months' notice.

5. Related Party Transactions

Save for the following, there were no related party transactions entered into by the Company or any member of the Group during the three financial periods ended 30 September 2010 the interim financial period of six months ended 31 March 2011, nor during the period 1 April 2011 to 20 September 2011 (being the latest practicable date prior to the publication of this document):

- (i) during the financial year ended 30 September 2008, the Group made payments to key management personnel comprising short term employee benefits of US\$3,172,000, post-employment benefits of US\$165,000 and share-based payments of US\$650,000;
- (ii) during the financial year ended 30 September 2009, the Group made payments to key management personnel comprising short term employee benefits of US\$2,576,000, post-employment benefits of US\$136,000 and termination benefits of US\$1,352,000;
- (iii) during the financial year ended 30 September 2009, members of the Group made purchases at normal market prices totalling US\$5,000 from Crombie Anderson Limited, of which Douglas Anderson (a member of the Company's Operating Board) is a director and controlling shareholder;
- (iv) during the financial year ended 30 September 2010, the Group made payments to key management personnel comprising short term employee benefits of US\$2,200,000, post-employment benefits of US\$100,000, share-based payments of US\$300,000.

6. Working Capital

The Company is of the opinion that, having regard to the cash balances and existing bank and other facilities available to the Enlarged Group, including under the terms of the Facility Agreement, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months following the date of this document.

7. Litigation and other proceedings

7.1 Group

There are, and have been, no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

7.2 OPKO Instrumentation

There are, and have been, no governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have or have had in the recent past, significant effects on OPKO Instrumentation's financial position or profitability.

8. Significant Change

8.1 Group

There has been no significant change in the financial or trading position of the Group since 31 March 2011, the date to which the unaudited interim report of the Group has been prepared and published for the six months ended 31 March 2011.

8.2 OPKO Instrumentation

There has been no significant change in the financial or trading position of OPKO Instrumentation since 31 December 2010, the date to which the financial information on OPKO Instrumentation set out in Part 3 of this document has been prepared.

9. Material contracts

9.1 *Company Group*

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Company Group within the two years immediately preceding the date of this document or contain any provision under which any member of the Company Group has any obligation or entitlement which is material to the Company Group and are, or may be, material as at the date of this document:

9.1.1 The Acquisition Agreement, a summary of which is set out in Part 2 of this document.

9.1.2 On 12 November 2010, Optos entered into an implementation agreement with Opto Global Holdings Pty Ltd (“Opto Global”) and Innovation Capital Fund II LP, a principal shareholder of Opto Global, pursuant to which Optos agreed to make a conditional cash and share offer to the shareholders of Opto Global to acquire the entire issued share capital of Opto Global (the “Offer”) and, in the event that the shareholders of Opto Global did not accept the Offer, Optos further agreed to acquire the business and substantially all of the assets of Opto Global including the shares of its subsidiary undertakings. The total consideration payable to shareholders of Opto Global under the Offer was up to US\$14.75 million, comprising initial consideration payable on completion of the Offer of US\$10.75 million in cash and US\$1 million to be satisfied by the issue of new ordinary shares of Optos and contingent cash consideration of up to US\$3 million based on the achievement of certain revenue-related milestones over the twelve month period commencing in the third month after completion of the Offer. The Offer became unconditional and completed on 13 December 2010 with all of the Opto Global shareholders accepting the Offer for their shares.

9.1.3 On 21 September 2011, the Company entered into a bi-lateral multi currency revolving credit facilities agreement with Bank of Scotland plc (“BoS”). Pursuant to the Facility Agreement, BoS has made available multicurrency revolving credit facilities in the aggregate base currency amount of US\$30 million, to be drawn in US dollars, Sterling or Euro. Under the Facility Agreement, the Company and Optos Inc. are both the original borrowers and the original guarantors. The Company and Optos Inc. will grant security to BoS over their respective assets as collateral for the facilities. The utilisations under the facilities are to be used for the general corporate purpose of the group including working capital, capital expenditure, corporate acquisitions and asset acquisitions (including the Acquisition).

BoS has agreed to provide certain funds specifically for the purposes of financing the Acquisition. The certain funds will be available to the Company for the period from the date of the Facilities Agreement until the earlier of the date of completion of the Acquisition and the Longstop Date. The certain funds will be available to draw down provided that: (i) no major default has occurred; (ii) all major representations are true; and (iii) the conditions precedent have been satisfied, in each case under the terms of the Facilities Agreement.

The final repayment date of the Facility Agreement will be on the third anniversary of the date of the agreement. Interest on the facilities is payable at between 1.45 per cent. and 2.00 per cent. per annum depending on a leveraged based ratchet. Interest on each facility is payable at the end of each interest period (which periods can be of varying lengths of three or six months’ duration). Default interest is payable at 1 per cent. per annum over the applicable rate of interest on the facility on any unpaid sums. The Company may, on the giving of at least five business days’ notice to BoS, prepay all or any part of the facility, subject to a minimum payment of US\$1,000,000 and payment of break costs if such prepayment is not made at the end

of the interest period. Similarly, the Company may cancel the facility or any part in minimum undrawn amounts of US\$1,000,000 subject to giving BoS five business days' notice. Amounts cancelled may not be re-instated.

On a change of control, BoS may by not less than 14 days' notice cancel the facility and require that all sums outstanding under the Facility Agreement become immediately due and payable (save in circumstances where the change of control occurs as a result of a permitted reorganisation undertaken on a solvent basis and following which the same persons control the resulting parent entity of the group).

The Facility Agreement refers to the payment by the Company of certain fees to BoS. The Company is obliged to pay an arrangement fee of US\$300,000 (1 per cent. of the facility) and a commitment fee of 40 per cent. of the applicable margin per annum on the undrawn commitment, payable quarterly in arrears.

The Company is obliged to satisfy various financial covenants on 31 March, 30 June, 30 September and 31 December in each financial year during the life of the Facility Agreement. The financial covenants include: (i) a net leverage test based on the ratio of total net debt of the Group to its consolidated EBITDA (2.5:1); (ii) an interest cover test based on the ratio of EBITDA to total net interest costs (3:1); and (iii) a cash cover test based on the ratio of cashflow to debt service. The first test date will be 31 March 2012 for the net leverage and interest cover tests and 30 June 2012 for the cashflow cover test (1:1 for each test date in 2012, increasing to 1.3:1 from 31 March 2013).

The Facility Agreement contains amongst others: (i) representations as to no default, breach of legislation or litigation; (ii) covenants regarding the provision of financial information; and (iii) restrictions on the Company's ability to change its business, dispose of or grant security over its assets, incur further indebtedness, grant loans or guarantees or make acquisitions (subject in each case to agreed exceptions as to materiality and as otherwise agreed on terms customary for facilities of this type).

The events of default under the Facility Agreement include non-payment, breach of financial covenants and other covenants, misrepresentation, cross default, insolvency and material adverse effect.

The Facility Agreement may be utilised by way of: (i) drawing of loans in minimum amounts of US\$1,000,000; (ii) letters of credit in minimum amounts of US\$1,000,000; and (iii) by way of ancillary facilities of up to US\$5,000,000 including an overdraft facility.

9.2 ***OPKO Instrumentation***

Save for the Acquisition Agreement, there are no contracts relevant to or forming part of OPKO Instrumentation (other than contracts entered into in the ordinary course of business) to which OPKO or any OPKO company is a party which contain any provision under which OPKO has an obligation or entitlement and no contracts (other than contracts entered into in the ordinary course of business) have been entered into by either OPKO or any OPKO company within the two years preceding the date of this document which are, or may be, material to OPKO Instrumentation as at the date of this document.

10. **Miscellaneous**

- 10.1 Numis has given and not withdrawn its consent to the inclusion in this document of the reference to its name in the form and context in which it appears.
- 10.2 Ernst & Young LLP has given and not withdrawn its consent to the inclusion in this document of its reports in the form and context in which they appear.

11. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) from the date of publication of this document until Monday, 10 October 2011 at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB:

- 11.1 the articles of association of the Company;
- 11.2 the audited accounts of the Company for the two years ended 30 September 2010 and the unaudited financial statements of the Company for the six months ended 31 March 2011;
- 11.3 the written consents referred to at paragraph 10 of this Part 6;
- 11.4 the Acquisition Agreement; and
- 11.5 this document.

PART 7

DEFINITIONS AND GLOSSARY

The following definitions and glossary terms apply throughout this document and in the Form of Proxy, unless the context otherwise requires:

“1985 Act”	the UK Companies Act 1985 (as amended);
“2006 Act”	the UK Companies Act 2006 (as amended);
“Acquisition”	the proposed acquisition of OPKO Instrumentation;
“Acquisition Agreement”	the asset purchase agreement dated 21 September 2011 between the Company, Optos Inc. the Sellers and OPKO relating to the Acquisition, the principal terms of which are summarised in Part 2 of this document;
“Articles”	the articles of association of the Company;
“Assets”	the assets forming part of OPKO Instrumentation;
“Board” or “Directors”	the Directors of the Company, whose names appear on page 5 of this document;
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not held in CREST);
“Company” or “Optos”	Optos plc;
“Company Group” or “Group”	the Company, its subsidiaries and its subsidiary undertakings;
“Completion”	means completion of the Acquisition pursuant to the Acquisition Agreement;
“CREST”	the computerised settlement system (as defined in the Regulations) to facilitate the paperless settlement of trades in searches and the holding of securities in uncertificated form operated by Euroclear UK & Ireland Limited;
“CREST Manual”	the CREST manual published by Euroclear from time to time;
“CREST Proxy Instruction”	the proxy instruction or appointment made in relation to the General Meeting by means of CREST in accordance with the CREST Manual;
“Direct Revenues”	those Revenues derived from sales of OPKO OCT and ultrasound products to third party customers by Optos directly, by its affiliates or by its distributors;
“Enlarged Group”	the Group as enlarged following the Acquisition;
“Euroclear”	Euroclear UK & Ireland Limited;
“Facility Agreement”	the facility agreement between the Company and Bank of Scotland plc dated 21 September 2011 in respect of the provision of a bi-lateral multi-currency revolving credit facilities of up to \$30 million to be drawn in US dollars, Sterling or Euro;

“Financial Services and Markets Act” or “FSMA”	the Financial Services and Markets Act 2000, as amended;
“Financial Services Authority” or “FSA”	the Financial Services Authority in the UK;
“Form of Proxy”	the form of proxy for use by Shareholders at the General Meeting;
“General Meeting”	the general meeting of the Company to be held at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB at 10.00 a.m. on Monday 10 October 2011;
“Indirect Revenues”	those Revenues derived from sales of any products developed and sold by Optos that combine the OPKO OCT technology within an Optos widefield retinal scanning device;
“Listing Rules”	the rules and regulations made by the FSA under Part VI of the Financial Services and Markets Act;
“Long Stop Date”	30 November 2011;
“OPKO”	OPKO Health, Inc.;
“OPKO Group”	OPKO, its subsidiaries and its subsidiary undertakings;
“OPKO Instrumentation”	certain assets and businesses of the ophthalmic instrumentation division of OPKO (as described in the section “Information on OPKO Instrumentation” on pages 8 and 9 of this document);
“Ordinary Shareholders” or “Shareholders”	the holders of Ordinary Shares;
“Ordinary Shares”	ordinary shares of 2p each in the share capital of the Company;
“Registrars” or “Equiniti”	Equiniti Limited;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Resolution”	the resolution set out in the Notice of General Meeting on page 59 of this document;
“Revenues”	being the sale price to a third party (customer or distributor) less discounts and customary allowances for samples, returns, duties, wholesaler or buying group discounts. Where devices are sold together with other products, the values will be apportioned between the products in accordance with their relative list prices at the time of sale;
“Securities Act”	US Securities Act of 1933, as amended;
“Sellers”	OPKO Instrumentation, LLC, Ophthalmic Technologies, Inc. and OTI (UK) Limited;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form (that is securities held in CREST);
“United States” or “US”	the United States of America, its possessions or territories, any state of the United States of America and the District of Columbia or any area subject to its jurisdictions or any political subdivision thereof.

NOTICE OF GENERAL MEETING

Optos plc

(Registered in Scotland with No. SC139953)

NOTICE IS HEREBY GIVEN that the General Meeting (the “**Meeting**”) of Optos plc (the “**Company**”) will be held at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB at 10.00 a.m. GMT on Monday, 10 October 2011 for the transaction of the following business:

ORDINARY RESOLUTION

To consider and, if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution:

THAT the proposed acquisition of the assets of the instrumentation division (the “**Acquisition**”) of OPKO Health, Inc. by or on behalf of the Company on the terms and subject to the conditions contained in the Acquisition Agreement (as defined in the circular of the Company dated 22 September 2011 accompanying this notice (the “**Circular**”)) and the associated and ancillary agreements contemplated by the Acquisition Agreement and/or described in the Circular be and are hereby approved and the directors of the Company (the “**Directors**”) (or any duly constituted committee thereof) be authorised: (1) to take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Acquisition and/or the Acquisition Agreement (provided such modifications, variations, revisions, waivers or amendments are not material), and to any arrangements relating thereto, in either such case as the Directors or any such committee may in their absolute discretion think fit.

BY ORDER OF THE BOARD

John McNeil
Company Secretary

22 September 2011

Registered Office:
Queensferry House
Carnegie Campus
Enterprise Way
Dunfermline
Scotland
KY11 8GR
UK

Notes:

1. Information about the Meeting is available from the Company’s website: www.optos.com
2. As a shareholder, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A Form of Proxy is enclosed. To be valid, your Form of Proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR so as to arrive no later than 10.00 a.m. GMT on Saturday, 8 October 2011.
4. As an alternative to completing a hardcopy Form of Proxy, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy). Alternatively, if you have already registered with Equiniti Limited’s online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.

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5. If you appoint a proxy, this will not prevent you attending the Meeting and voting in person if you wish to do so.
 6. The right to vote at the Meeting is determined by reference to the Company's Register of Members as at 6.00 p.m. GMT on Thursday, 6 October 2011 or, if the Meeting is adjourned, at 6.00 p.m. GMT on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the Meeting.
 7. As a shareholder, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
 8. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy cannot be exercised by a Nominated Person; they can only be exercised by the Member. However, a Nominated Person may have a right under an agreement between him/her and the member by whom s/he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, s/he may have a right under such an agreement to give instructions to the Member as to the exercise of voting rights. It is important for any Nominated Person to remember that his/her main contact in terms of his/her investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on the Nominated Person's behalf). Therefore any changes or queries relating to a Nominated Person's personal details and holding (including any administration thereof) must continue to be directed to that Nominated Person's existing contact at his investment manager or custodian. The Company cannot guarantee dealing with matters that are directed in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to a Nominated Person directly for a response.
 9. The statement of the rights of shareholders in relation to the appointment of proxies in notes 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
 10. At 5.00 p.m. GMT on 20 September 2011, the Company's issued share capital comprised 71,230,926 ordinary shares of £0.02 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company was 71,230,926.
 11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual, www.euroclear.com/CREST. The message must be transmitted so as to be received by the issuer's Agent ID RA19 by 10.00 a.m. GMT on Saturday, 8 October 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
 13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 15. You may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
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