OPTOS PLC
Preliminary Results FY12

Strong Revenue Performance Enables Investment for Future Growth

LONDON, UK, 21 November 2012 – Optos plc (LSE: OPTS), the leading medical retinal imaging company, today announces its preliminary results for the year ended 30 September 2012. The results are denominated in $US, the Company's reporting currency.

Financial Summary

US$m *except per share data (cents)*	**Year ended** **30/09/2012**	**Year ended** **30/09/2011**	**% Change**
Revenue and other operating income	**196.4**	**143.3**	**37%**
Operating lease & variable revenues from rental of devices	52.5	81.2	-35%
Device sales - outright	63.2	37.6	68%
Device sales under finance leases	61.9	19.8	213%
Service & warranty revenues	15.6	4.7	232%
Other operating income[(1)]	3.2	0.0	
Gross profit	**108.7**	**91.4**	**19%**
Operating profit before exceptional items	**25.9**	**25.1**	**3%**
Profit before tax and exceptional items	**26.3**	**22.7**	**16%**
Profit before tax	**23.4**	**22.0**	**6%**
Profit after tax	**17.6**	**22.8**	**-23%**
EPS (diluted) - cents	**23.9**	**31.8**	**-25%**
Cash flow from operating activities	**3.6**	**37.2**	**-90%**
Net debt (cash less lease finance liabilities and loan)	**-47.9**	**-25.2**	**90%**

Highlights

Strong financial performance ahead of expectations

- Revenue and other operating income[(1)] up 37% to $196.4m
- 15% underlying revenue growth[(2)]
- $21.0m revenue from Daytona, our next generation desktop retinal imaging device, with 329 devices installed this year
- Timing of manufacturing scale up of Daytona contributed to a fall in gross margin from 64% to 57%[(3)]
- In a year of significant investment, profit before tax and exceptional items increased 16% to $26.3m versus $22.7m last year
- Diluted EPS post-exceptional was 25% lower at 23.9 cents from 31.8 cents reflecting acquisition-related charges, and for the first time, a net tax charge on profits
- Investment in the business, and the increase in self-funded finance leases, contributed to a cash decrease of $3.6m in the year
- A three year bank facility of $30m was taken on to finance the OPKO acquisition, contributing to a net debt increase to $47.9m

Increased geographical reach

- Our two geographic segments both grew in double digits
  - North American sales grew 26% to $147.8m
  - International sales grew 85% to $48.6m
- Strengthened positions in Europe, Middle East and Asia

Investment in the product range

- Completion of manufacturing scale-up and market roll-out of Daytona
- Continued progress on the development project to combine our ultra wide-field retinal imaging technology with ocular coherence tomography (“OCT”) into a single device

Accelerated growth in ophthalmology

- Over 320 200Tx devices installed globally, including into key ophthalmology centres in the USA, Germany, Jeddah, Dubai, Abu Dhabi, as well as Japan

Clinical data continues to demonstrate the importance of wide-field imaging in the management and treatment of disease

- Joslin Diabetes Centre study compared our UWF non-dilated **opto**map® images favourably with the current benchmark procedure for assessing diabetic retinopathy severity

Roy Davis, CEO, commented: “Optos has delivered a very strong revenue performance enabling the Company to invest for future growth. The last financial year saw the beginning of a new significant chapter in the evolution of Optos with the market launch of Daytona. We have been delighted with the response to its introduction. We believe Daytona will be a pivotal platform for the expansion of our product offerings and international reach, aided by the growing body of clinical evidence that confirms the critical importance of the periphery in retinal diagnostics.

“Our priorities for the current financial year are to execute on growing the Daytona customer base, to continue our expansion into the ophthalmology market with the 200Tx device and to drive further operational efficiency.

“During FY13, we expect to deliver revenue growth in high single digits and to see modest gross margin accretion as Daytona reaches volume production.”

Notes

(1) *Other operating income represents income from the extension of previously recognised finance leases ($2.3m extended finance leases; $0.9m, capital sales).*

Excluding the allocation of other operating income, outright sales grew to $63.2m versus $37.6m in FY11 and finance leases grew to $61.9m versus $19.8m in FY11. Including an allocation of other operating income, FY12 outright sales were $64.2m and finance leases were $64.1m.

(2) *Underlying revenue growth is calculated by treating all payments receivable in the period from rental contracts as operating leases, including revenues from outright device sales and service contracts but excluding revenues from Opto Global and Accutome products.*

(3) *Includes other operating income.*

Enquiries:

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Note to Editors: Images available upon request

About Optos Plc
Optos plc has the vision to be *The* retina company. We aim to be recognised as a leading provider of devices and solutions to eyecare professionals for improved patient care. Optos' core devices produce ultra widefield, high resolution digital images (**opto**maps®) of approximately 82% of the retina, something no other device is capable of doing in any one image. Our recent acquisition of OPKO instrumentation brings the group optical coherence tomography ("OCT") diagnostic devices and optical ultrasound scanners, used in the diagnosis and management of eye disease and conditions.

Optos' widefield retinal imaging technology, combined with the specific data that can be derived from OCT images, has the potential to offer ophthalmologists and optometrists the most powerful tools for disease diagnosis and management. The **opto**map images provide enhanced clinical information which facilitates the early detection, management and treatment of disorders and diseases evidenced in the retina such as retinal detachments and tears, glaucoma, diabetic retinopathy and age-related macular degeneration. Retinal imaging can also indicate evidence of non-eye or systemic diseases such as hypertension and certain cancers. 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 and is used to detect the presence of and understand the severity of disease, determine treatment approaches and monitor post-treatment effect.

Optos has a range of imaging devices that support different customer segments and patient levels: the P200 and 200Dx devices are concentrated on wellness screening carried out by optometrists and ophthalmologists in primary care; the P200C devices are designed to meet the need for more exacting clinical imaging capabilities and standards in secondary care within the ophthalmology market and at optometric practices that are clinically managing a patient base with advanced ocular disease; and the P200MA and 200Tx devices supports ophthalmologists and retinal specialists in the medical care market. We have recently introduced Daytona, our next generation imaging device. Daytona is a desk top device with multiple imaging modalities and was designed to enable us to globalise our ultra widefield technology. Our expanded product range includes visual acuity, perimetry and treatment laser products

For more information please visit our website www.optos.com.

Forward-Looking Statements

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

Chairman's Statement

I am pleased to report another set of strong operating results for Optos. The Group successfully launched, and completed manufacturing scale-up of, Daytona, our next generation ultra-widefield (UWF) retinal scanner, which has been well received by the industry. Over 300 practitioners have already had a device installed this year. We believe Daytona will have a pivotal effect on our business, driving international expansion, manufacturing efficiency and future product development.

Optos's high-performance 200Tx device for the ophthalmology and vitreo-retinal markets remains in strong demand, notably in key markets such as the USA, Japan and the Middle East. We will continue to invest in our ophthalmology team, ensuring the sales force understands the clinical needs of our customers and provides them with the best service and support possible.

We continue our expansion into new markets, growing our direct and indirect sales forces in Europe, Asia and the Middle East. Our two geographic operating segments grew sales in double digits. The acquisition of Opto Global last year brought us an extensive network of distributors, which is proving very valuable as we increase sales of a wider range of products across the globe. We now have 4,689 UWF devices installed in optometry and ophthalmology practices worldwide, a growth of 11% over the prior year. Over 36 million UWF **opto**map® examinations have now been taken. Whilst we are excited about the introduction and growth of our new products, usage of the core portfolio scanners (P200, P200C and 200Dx) continues to grow, with our range of business models remaining popular with customers.

There is a growing body of clinical data demonstrating the importance of UWF in retinal exams, and in the management and treatment of disease. During the year, an important study was completed by the Joslin Diabetes Centre which compared our UWF non-dilated **opto**map® images favourably with the current benchmark procedure for assessing the severity of diabetic retinopathy. Our strategy is to continue to strengthen the evidence for the clinical utility of UWF imaging across the continuum of patient care.

Last year, we announced the acquisition of additional diagnostic imaging devices from OPKO Health Inc., including ocular coherence tomography (OCT). OCT provides cross-sectional, depth images of the retina, allowing a data-rich three dimensional image to be compiled. The development project to combine our existing UWF technology with OCT into a single device is progressing well. We have further developed our software offering, OptosAdvance, which provides optometrists with secure, web-based storage of images that can be reviewed remotely.

As a result of these initiatives, we delivered revenue of $193.2m and other operating income[1] of $3.2m for the year ended 30 September 2012, compared to revenue of $143.3m in the previous year. On an underlying basis, treating all payments receivable in the period from rental contracts as operating leases, this represented growth of 15%. Pre-tax profits before exceptional items were $26.3m compared to $22.7m in the previous year with basic earnings per share before tax and exceptional items increasing to 36.8 cents compared with 31.9 cents in the previous year. At the bottom line, diluted EPS after exceptionals dropped to 23.9 cents from 31.8 cents due to two acquisition-related charges and a net tax charge this year (for the first time) versus a net tax credit in the prior period.

Last year, to finance the OPKO acquisition, we put in place a $30 million, 3-year revolving credit facility. We have increased this by $11.5m million to provide flexibility to fund the business through the relatively investment heavy stage of a global new product introduction for Daytona.

I look forward to FY13 with confidence and fully expect Daytona to muster further significant traction in the market following its strong debut this year. The sales team are looking forward to selling the product in volume, which should drive further operational efficiency.

I would like to thank Christine Soden for her contributions as Chief Financial Officer to the growth and development of the Group, and to warmly welcome Louisa Burdett to the Board as her successor. As always, I would also thank our investors for their support during the past year, and our employees for their outstanding efforts which have underpinned the advances achieved within the business.

Dr Peter Fellner
Chairman
20 November 2012

(1) Other operating income represents income derived from the extension of existing finance leases

Business Review

Chief Executive Officer's Review

Overview

The successful execution of our strategy in the past year has delivered strong growth of 37% in headline revenue and other operating income, increasing from $143.3m in FY11 to $196.4m this year.

Expanding our Product Range
We are proud to have achieved manufacturing scale-up and market roll-out of Daytona, our next generation ultra-widefield retinal imaging device. Daytona has been designed to accommodate smaller office spaces and to increase patient comfort, whilst still providing high resolution imaging and adding new auto-fluorescence capabilities. During the year, we were delighted to enter into a two year agreement for 160 units with OPSM, the leading optometry chain in Australia and New Zealand. Total sales of 329 Daytona units in the year exceeded expectation and market reaction to the device has been very positive. Our near term focus is to drive the deployment of Daytona in all our key markets and continue to improve the efficiency of manufacture.

Geographic Expansion
We are expanding into new geographies, with territories outside of North America contributing 25% of total sales in FY12 (up from 18% last year). Our European presence was further strengthened in Finland and Denmark. We are encouraged by new distributor business in the Middle East, notably in Saudi Arabia, UAE and Kuwait, and continue to see the benefits of our direct footprint in Australia, both of which were brought to us through the Opto Global acquisition. We are investing in our sales capability in Asia, where we are already seeing traction in South Korea, Hong Kong and Taiwan. The 200Tx product continues to sell well in Japan, with over 100 machines now in the field. Our direct sales team is now over 100 strong, supported by clinical experts and comprehensive training, providing our sales representatives with the capabilities to deliver excellent support to our customers.

Expanding into Ophthalmology
During the year we have focused significant efforts on the ophthalmologist and retinal specialist sectors with the promotion of the 200Tx device solely to those customers. A specialist sales team was established last year to lead the sales efforts into this marketplace in North America. We now have 322 200Tx devices across the world, in key ophthalmology centres in the USA, Germany, Jeddah, Dubai, Abu Dhabi, as well as Japan. The additional Opto Global products used by ophthalmologists, including treatment lasers and surgical microscopes, continue to cement Optos's position in this sector.

Choice of Business Models
Our customers continue to respond well to the alternative business models we offer. The trend away from the traditional pay-per-patient model and towards fixed rental contracts, rent-to-own or outright purchases of the devices continues based on customer choice. Our wider portfolio of products and software allows the sales team to attract new customers and retain existing relationships. Our renewal programmes encourage customers to retain their current products as an alternative to adopting the new premium priced Daytona. Low levels of customers (4% in FY12, compared to 5% in FY11 and 10% in FY10) chose to de-install their devices this year indicating the success of these programmes.

Growing Body of Clinical Data
We continue to invest in clinical studies to confirm the critical importance of UWF imaging in retinal diagnostics. During the year we published the results of a clinical validation study comparing our ultra-widefield imaging to Early Treatment Diabetic Retinopathy Study (ETDRS) protocol fundus photography. ETDRS photos have long been the imaging benchmark for assessing diabetic retinopathy severity. This study, completed by the Joslin Diabetes Centre, reports that our ultra-widefield non-dilated **opto**map® image is equivalent to the gold standard in determining clinical severity of diabetic retinopathy and diabetic macular edema. In the past year we collaborated with 50 academic institutes in 15 countries to study over 7,000 eyes, researching 28 different eye diseases. 30 medical journal publications were delivered, which included 12 clinical peer-reviewed study papers. Internationally, over 100 scientific presentations were made outlining the importance of Optos's medical technology. We will continue to strengthen and expand our clinical indications across the continuum of patient care. This will further extend the application of our technology in Optometrist-led screening of healthy and referable eyes, through to Ophthalmology-led "see more and treat more" approaches that use directed interventions with pharmaceuticals or lasers.

Research and Development
Customers are already using our OptosAdvance software to review **opto**maps®. Version 2 of OptosAdvance will allow multi-modality review of ophthalmology image data, review of data from other vendors, automatic off-site archiving and easy use through a web browser. It is the first piece of Optos software to gain 510k regulatory approval. Separately, we have also demonstrated indo-cyanine green angiography ("ICG") capability on our devices, which is important for imaging the deeper choroidal vessels in the eye, and is also an important screen for age related macular degeneration and is used extensively in Asian markets. We continue to make progress on combining our widefield retinal imaging technology with ocular coherence tomography ("OCT") into a single device, which has the potential to offer eyecare professionals a powerful enabling tool for disease diagnosis and management.

Summary and Outlook

During the last financial year we have delivered a significant increase in revenues and grown profits whilst making important investments for the long term growth of the business. We are absolutely delighted with the response to Daytona which we believe will be central to the international expansion of the business and will enable Optos to achieve a further major transition. Our growing body of clinical evidence demonstrates the critical importance of retinal diagnostics in the periphery. Looking forward to the next financial year, our priority will be to execute on Daytona and continue our expansion into the ophthalmology market with the 200Tx device.

Roy Davis
Chief Executive Officer
20 November 2012

Financial Review

Profit and Loss Account

As described in previous years, our financial results have been significantly influenced by changes in our business models. An increasing number of customers now acquire their devices outright or through finance leases. The use of our pay-per-patient rental model is declining.

Revenues

In the year ended 30th September 2012, the sum of revenues ($193.2m) and other operating income ($3.2m) grew by 37% to $196.4m (FY11: $143.3m). Outright sales of devices were $64.2m (FY11: $37.6m). New sales under finance leases were $64.1m (FY11: $19.8m). Revenues from operating leases fell to $52.5m from $81.2m last year. As more customers enter into service contracts, recurring revenues from service and warranty were $15.6m (FY11: $4.7m).

Adjusting revenues in both the current and prior financial year to treat all receipts under rental contracts as if they were operating leases resulted in underlying growth in revenues of 15%. Like-for-like revenue growth, excluding acquisitions, was 11%.

Our core North American markets generated revenues and other operating income of $147.8m (FY11: $117.1m), an increase of 26%, with our markets outside North America growing strongly by 85% from $26.2m to $48.6m. This growth included expansion in our direct markets in Europe, sales through new distributor relationships in the Middle East and Asia and sales to OPSM, the leading optometry chain in Australia and New Zealand.

$160.0m is due from customers under non-cancellable finance lease contracts, of which only $82.2m is recognised in the balance sheet (current $25.0m and non-current $57.2m). The balance of $77.8m includes committed service revenue and amounts receivable from customers with non-cancellable operating lease contracts (FY12 $25.0m; FY11 $105.9m) that will be matched to the future period in which the service is provided.

Customer Base

Our customer base for core Optos UWF scanning devices increased from 4,240 to 4,689 during the year, an increase of 11%.

Approximately 30% of our devices are owned outright by customers (1,474). We sold 663 devices in FY12 compared to 529 in FY11. Of this year's sales, 387 customers chose our "capital conversion" business models, with sales through distributors and direct to new customers accounting for the remainder.

Approximately 70% of our total installed base (3,215 devices) remains on rental contract, with the majority 2,373 classified as finance leases. This is a significant increase over last year (FY11: 505). The growth of 1,868 includes 291 new finance lease contracts and 1,577 renewals, reflecting the large number of customers under operating leases converting to finance leases in the year. 842 operating lease arrangements remain in place.

Gross and Operating Profits and Net Finance Costs

Including other operating income, gross profits increased by $20.5m to $111.9m, but representing a lower gross margin of 57% compared to 64% in FY11. The main reasons for this were, firstly, Daytona manufacture only reached scale at the end of the year; secondly, renewal programmes at the end of the year encouraged those customers who wished to renew and retain their existing technology instead of upgrading to a premium priced Daytona; lastly, investment in the 200Tx also had an impact.

Overheads before exceptional items increased from $66.3m in FY11 (46% of revenues) to $86.0m (44% of revenues and other operating income). This increase can be attributed to the incremental overheads from the OPKO acquisition, investment in Daytona manufacture; increased volumes of device build and refurbish; increased selling costs; commissions on higher sales; and investment in our R&D, clinical and marketing functions.

Including other operating income, operating margins before exceptional costs decreased from 17.5% to 13.2% this year, delivering pre-exceptional operating profits of $25.9m.

Average numbers of employees increased from 364 to 426. Staff costs for the year were $55.2m compared to $44.4m in the previous year, reflecting higher staff numbers and incentive payments.

Interest charges and other finance costs reduced from $3.3m in FY11 to $2.4m reflecting the change in mix of vendor finance and bank debt. Finance revenue of $2.8m (FY11: $0.9m) represents the annual release of the implied discount within finance lease rental contracts.

Profit on Ordinary Activities before Tax, Taxation and Post Tax Profits

The Group made a pre-exceptional profit on ordinary activities before tax of $26.3m and a profit of $23.4m after exceptional items, compared to $22.0m in the prior year.

A tax charge of $5.8m arose in the year (FY11: tax credit of $0.8m). This comprises a current tax charge of $1.2m, relating mainly to overseas tax liabilities, and a deferred tax charge of $4.6m. The total tax charge includes a credit of $1.7m relating to exceptional items. This equates to an effective tax rate of 28.5% on a pre-exceptional basis, and 24.8% after exceptional items.

The resultant post-tax profit after exceptional items was $17.6m, representing basic earnings per share of 24.6 cents compared with 32.1 cents in the previous year, while diluted EPS was 23.9 cents (2011: 31.8 cents).

Exceptional Items

Exceptional charges of $2.9m arose in the period (charge of $1.2m after tax) relating to five areas.

1. The remaining provision for deferred consideration for the Opto Global acquisition of $0.8m was released because the performance over the measurement period fell short of the base target.
2. Acquisition-related costs of $1.0m were incurred in the period in relation to the completion and integration of the OPKO instrumentation acquisition.
3. Certain US-based field service employees recently filed a class action against the Group asserting that their employment status under the Fair Labor Standards Acts is wrongly classified as exempt rather than non-exempt. Non-exempt employees are entitled to overtime pay. The Group has made a provision for $1.6m before tax. The case has been agreed by both parties, and is expected to be finalised through judicial review this calendar year.
4. When Optos acquired the assets and trade of OPKO in September 2011, $8.5m of contingent consideration was recognised to reflect royalties payable on future sales of OPKO OCT products, or products using that technology. The liability has been reassessed to reflect a higher mix of sales from devices currently in development (which command a lower royalty), as opposed to current devices. As a consequence the estimated fair value of the royalty payment falls from $8.5m to $6.3m. This results in a non-cash exceptional credit of $2.2m.
5. As part of the acquisition of Opto Global Holdings Pty Ltd, intangible assets were recognised relating to a number of key supplier relationships. Due to difficult trading circumstances at one of these suppliers, the carrying value of an intangible asset attributed to this supplier, and related trading balances, have been deemed impaired and $3.3m has been charged to the profit and loss account.

Cash Flow

Cash flow from operating activities was $3.6m, compared to $37.2m in FY11, largely due to the higher number of finance lease contracts where revenue recognised in advance of cash receipts totalled $64.1m, an increase of $44.3m.

FY12 was another year of investment for the Group. During FY12 we continued to invest cash in the scale-up of Daytona manufacture, entering new geographies and on research and development projects. In FY12 we built significant numbers of new Daytona and 200Tx devices and inventories remained fairly high to facilitate this. A higher capital sales mix towards the end of the year increased our trade debtors.

Net of finance income and finance lease receipts, investing activities used $24.2m (FY11: $37.8m). We acquired the instrumentation division of OPKO Health for $17.5m. Expenditure on intangible assets of $6.7m related primarily to internal research and development project costs for Daytona and development of our OCT devices. Under our pay per patient model, devices were treated as plant and equipment. With the reduction in these business models, and the increase of finance leases where the devices are treated

inventory, cash investment in fixed assets has fallen from $24.0m to $9.9m. Lower business capital spend also contributes to this reduction.

Net cash flows from financing activities resulted in a net cash inflow of $17.0m (FY11: an outflow of $30.7m). This includes a $30m drawn on the revolving credit facility with Lloyds Bank. Vendor finance repayments fell to $23.2m from $31.5m.

Cash balances fell by $3.6m in the year to $6.6m, whilst finance lease obligations were reduced by $10.9m from $35.4m to $24.5m, giving net debt at the year-end of $47.9m compared to $25.2m at the start of the year.

Balance Sheet

Shareholders' equity increased to $118.6m in the year from $100.5m.

Non-current assets increased to $127.7m (FY11: $97.6m) driven by three principal movements. Increased finance lease receivables due to the sales mix; secondly, intangible assets arising on R&D projects and the OPKO acquisition; offset by a reduction in property, plant and equipment ("PPE") as far fewer of our devices are built and refurbished through PPE.

Current assets increased to $90.4m from $66.5m with increases in finance lease receivables and inventories of $18.4m and $4.5m respectively. Trade receivables have risen by $4.4m, reflecting high capital sales towards the year end.

The increase of $11.6m within trade and other payables includes a $6.2m increase in deferred income with some $14.9m of future revenue secured (most relating to service and warranty contracts).

Louisa Burdett
Chief Financial Officer
20 November 2012

Key Performance Indicators

The expansion of our business to cover a range of products and business models means that we tend to look at our performance in terms of overall growth in revenues, operating margins and cash generation together with the maintenance and expansion of the customer base, as follows.

	FY12	FY11	FY10
Revenue growth	37%	35%	9%
Underlying revenue growth	15%	26%	1.5%
Operating margin (before exceptional items)	13.2%	17.5%	16%
Adjusted operating cashflow per share	16.5c	56.7c	66.2c
Cash equivalents at end of year	$6.6m	$10.2m	$27.7m
Total number of customer sites at year end	4,689	4,240	3,912
Number of rental customer sites at year end	3,215	3,429	3,630
% of customers deinstalling	4%	5%	10%

Revenue is defined as the sum of revenue plus other operating income.

Revenue growth versus prior year is the total revenue for the year divided by the total revenue for the prior year.

Underlying revenue growth is calculated by treating all payments receivable in the period from rental contracts as operating leases, including revenues from outright device sales and service contracts but excluding revenues from Opto Global and Accutome products.

Operating margin before exceptional items is the gross profit less selling, distribution and administrative expenses, excluding exceptional costs divided by revenues.

Adjusted operating cashflow per share is the cash flow from operating activities plus cash receipts from finance lease receivables in the period divided by the average number of shares in issue for the year as used in calculating the diluted earnings per share.

Consolidated income statement
For the year ended 30 September 2012

	Notes	2012 Before exceptional items $m	2012 Exceptional items (Note 4) $m	2012 $m	2011 Before exceptional items $m	2011 Exceptional items (Note 4) $m	2011 $m
Revenue	5	**193.2**	**-**	**193.2**	143.3	-	143.3
Cost of sales		**(84.5)**	**-**	**(84.5)**	(51.9)	-	(51.9)
Gross profit		**108.7**	**-**	**108.7**	91.4	-	91.4
Selling and distribution costs		**(34.8)**	**-**	**(34.8)**	(28.4)	-	(28.4)
Administrative and other expenses		**(51.2)**	**(2.9)**	**(54.1)**	(37.9)	(0.7)	(38.6)
Other operating income	5	**3.2**	**-**	**3.2**	-	-	-
Operating profit		**25.9**	**(2.9)**	**23.0**	25.1	(0.7)	24.4
Finance revenue	6	**2.8**	**-**	**2.8**	0.9	-	0.9
Finance costs	6	**(2.4)**	**-**	**(2.4)**	(3.3)	-	(3.3)
Profit from continuing operations before taxation	5	**26.3**	**(2.9)**	**23.4**	22.7	(0.7)	22.0
Tax charge	8	**(7.5)**	**1.7**	**(5.8)**	0.5	0.3	0.8
Net profit for the year attributable to equity holders of the parent		**18.8**	**(1.2)**	**17.6**	23.2	(0.4)	22.8
Profit before taxation per ordinary share							
Basic	9	**36.8c**	**-**	**32.7c**	31.9c	-	31.0c
Diluted	9	**35.7c**	**-**	**31.7c**	31.7c	-	30.7c
Profit after taxation per ordinary share							
Basic	9	**26.3c**	**-**	**24.6c**	32.6c	-	32.1c
Diluted	9	**25.6c**	**-**	**23.9c**	32.4c	-	31.8c

Consolidated statement of comprehensive income
For the year ended 30 September 2012

	2012 $m	2011 $m
Profit for the year	**17.6**	22.8
Other comprehensive income:		
Exchange differences on foreign operations	**-**	(0.2)
Deferred tax associated with share-based payment transactions	**0.1**	0.5
Other comprehensive income for the year after tax	**0.1**	0.3
Total comprehensive income for the year	**17.7**	23.1

Consolidated balance sheet
As at 30 September 2012

	Notes	**2012** **$m**	2011 $m
Assets			
Non-current assets			
Property, plant and equipment	10	**17.9**	41.3
Intangible assets	11	**47.1**	27.1
Finance lease receivables	12	**57.2**	19.2
Deferred tax asset		**5.5**	10.0
Total non-current assets		**127.7**	97.6
Current assets			
Inventories	13	**29.1**	24.6
Tax receivable		**0.2**	-
Finance lease receivables	12	**25.0**	6.6
Trade and other receivables	14	**29.5**	25.1
Cash and cash equivalents		**6.6**	10.2
Total current assets		**90.4**	66.5
Total assets		**218.1**	164.1
Equity and liabilities			
Equity			
Issued capital		**2.5**	2.5
Share premium		**120.0**	119.7
Retained deficit		**(3.5)**	(21.3)
Foreign exchange reserve		**(0.4)**	(0.4)
Total equity		**118.6**	100.5
Non-current liabilities			
Financial liabilities	15	**42.7**	14.2
Provisions	16	**6.4**	0.2
Government grants		**-**	0.1
Total non-current liabilities		**49.1**	14.5
Current liabilities			
Trade and other payables	17	**38.3**	26.7
Provisions	16	**0.3**	0.2
Financial liabilities	15	**11.8**	22.0
Government grants		**-**	0.2
Total current liabilities		**50.4**	49.1
Total liabilities		**99.5**	63.6
Total equity and liabilities		**218.1**	164.1

Approved by the Board of Directors on 20 November 2012 and signed on its behalf by:

Louisa Burdett
Director

Consolidated statement of changes in equity
For the year ended 30 September 2012

	Notes	Share capital $m	Share premium $m	Retained (deficit)/profit $m	Foreign exchange $m	Total $m
At 1 October 2010		2.5	118.2	(45.5)	(0.2)	75.0
Other comprehensive income		—	—	0.5	(0.2)	0.3
Profit for the year		—	—	22.8	—	22.8
Total comprehensive income for year		—	—	23.3	(0.2)	23.1
Issue of ordinary share capital	19	—	1.5	—	—	1.5
Share-based payments		—	—	0.9	—	0.9
At 30 September 2011		2.5	119.7	(21.3)	(0.4)	100.5
Other comprehensive income		-	-	0.1	-	0.1
Profit for the year		-	-	17.6	-	17.6
Total comprehensive income for year		-	-	17.7	-	17.7
Issue of ordinary share capital	19	-	0.3	-	-	0.3
Share-based payments		-	-	0.1	-	0.1
At 30 September 2012		**2.5**	**120.0**	**(3.5)**	**(0.4)**	**118.6**

Share premium
Share premium comprises the cumulative difference between the net proceeds and nominal value of the Company's issued equity share capital.

Foreign exchange reserve
This reserve includes all cumulative differences on the translation of the Group's net investment in foreign operations. Optos elected to deem the cumulative differences on the retranslation into US dollars of the Group's net investment in foreign operations to be $nil as at 1 October 2004. As a result, in the event of any future disposal of a foreign operation, any gain or loss on disposal will include cumulative translation differences arising only on or after 1 October 2004.

Consolidated cash flow statement

For the year ended 30 September 2012

	2012	2011
	$m	$m
Operating activities		
Profit for the year	**17.6**	22.8
Adjustments to reconcile profit for the year to net cash inflow from operating activities:		
Income tax charge/(credit)	**5.8**	(0.8)
Finance costs net of finance revenue	**(0.4)**	3.2
Depreciation, amortisation and impairment of non-current assets	**26.7**	28.0
Contingent consideration	**(0.8)**	(1.7)
Property, plant and equipment scrapped	**0.5**	0.5
Medical devices held in PPE disposed of	**14.1**	12.2
Share-based payments	**0.1**	0.9
Revenue recognised from device sales under finance leases	**(64.1)**	(19.8)
Increase in trade and other receivables	**(3.0)**	(11.5)
Amortisation of government grants	**(0.3)**	(0.2)
Increase in inventories	**(0.7)**	(8.0)
Increase in trade and other payables	**11.5**	11.7
(Decrease)/Increase in provisions	**(2.1)**	0.3
Cash flow from operating activities	**4.9**	37.6
Tax paid	**(1.3)**	(0.4)
Net cash flow from operating activities	**3.6**	37.2
Cash flow from investing activities		
Bank interest receivable	**-**	0.1
Finance lease interest receivable	**2.8**	0.8
Purchases of property, plant and equipment	**(9.9)**	(24.0)
Business acquisitions net of cash acquired	**(17.5)**	(10.8)
Expenditure on intangible assets	**(6.7)**	(6.5)
Cash receipts from finance lease receivables	**7.1**	2.6
Net cash flow from investing activities	**(24.2)**	(37.8)
Cash flow from financing activities		
Proceeds from vendor finance	**12.3**	3.6
Repayment of vendor finance	**(23.2)**	(31.5)
Proceeds from new borrowings	**30.0**	-
Proceeds from share issues	**0.3**	0.5
Interest paid	**(2.4)**	(3.3)
Net cash flow from financing activities	**17.0**	(30.7)
Net decrease in cash and cash equivalents	**(3.6)**	(31.3)
Effect of foreign exchange on cash and cash equivalents	**-**	0.3
Cash and cash equivalents at beginning of year	**10.2**	41.2
Cash and cash equivalents at end of year	**6.6**	10.2

1 Basis of preparation

a) Basis of preparation

The financial statements have been prepared in accordance with the Group's accounting policies which are based on International Financial Reporting Standards ("IFRS") and IFRIC interpretations as endorsed by the European Union ("EU") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are presented in US dollars as that is the Group's functional currency and all values are rounded to the nearest one hundred thousand ($0.0m) except when otherwise indicated.

The financial information for the years ended 30 September 2012 and 2011 set out above does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 ("the Act"). Statutory accounts for the year ended 30 September 2011 have been delivered to the Registrar of Companies, and the accounts for the year ended 30 September 2012 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

The Annual Report and Accounts for the year ended 30 September 2012 will be posted to shareholders in January 2013. The results for 2012 were approved by the Board of Directors on 20 November 2012 and are audited. The Annual General Meeting will take place on 21 February 2013.

Interim and preliminary announcements notified to the London Stock Exchange are available on the internet at www.optos.com.

b) Going Concern

The Group's business activities and principal risks and uncertainties are set out in Note 21.

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

This conclusion has been reached having considered the effect of liquidity risk on the Group's ability to operate effectively. Currently, liquidity risk is not considered a significant business risk to the Group given its level of cash, available debt facilities and cash flow projections. The key liquidity risks faced by the Group are considered to be the failure of banks where funds are deposited and the inability to secure additional debt finance in order to facilitate the expansion of the Group's business or to introduce new or improved products. As part of this review the Directors considered the current levels of available debt facilities, the structure of the debt finance being multiple asset-backed arrangements that are non-recourse on the Company, and the availability of other sources of debt capital including the $41.5m revolving credit facility. The Directors also considered the levels of future cash flows guaranteed under its rental customer agreements and the pattern of future debt repayments associated with current finance obligations.

2 Basis of consolidation

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

3 Segmental analysis

The Group has two reportable segments, being North America and Rest of World markets. In assessing performance and making resource allocation decisions, the Operating Board (which is the Group's chief operating decision-making body) and the Board review revenues and gross profits by segment. Optos sells a range of diagnostic and treatment devices to healthcare professionals globally, either directly or through arrangements with distributors. Cash flow is generated through the rental or sale of devices and related software and support services. The business is managed on an integrated basis, with functions managed globally and decisions reached through cross-functional committees. In particular, Research and Development is actively targeted at new products and at enhancing the existing product for all markets. Manufacturing, marketing, sales, regulatory and support functions are managed and operate on a global basis and are not specific to individual markets or products. Transfer prices between segments are set in accordance with the Group's transfer pricing policy. Segment revenue, segment expense and segment result include transfers between geographical segments. Those transfers are eliminated on consolidation.

An analysis by operating segment is given below for the year ended 30 September 2012:

	North America	Rest of World	Eliminations	Total
	2012	2012	2012	2012
	$m	$m	$m	$m
Revenue				
Operating lease and variable revenue from rental of devices	**45.1**	**7.4**	—	**52.5**
Device sales under finance leases	**48.4**	**15.7**	—	**64.1**
Device sales – outright	**40.7**	**23.5**	—	**64.2**
Service and warranty contracts	**13.6**	**2.0**	—	**15.6**
Inter-segment sales	**-**	**29.9**	**(29.9)**	**-**
Segment revenue[1]	**147.8**	**78.5**	**(29.9)**	**196.4**
Operating lease and servicing costs	**(20.5)**	**(8.8)**	—	**(29.3)**
Cost of goods of device sales under finance leases	**(16.1)**	**(7.9)**	—	**(24.0)**
Cost of goods of outright device sales	**(16.3)**	**(14.9)**	—	**(31.2)**
Inter-segment costs	**(29.9)**	—	**29.9**	**-**
Segment gross profit[1]	**65.0**	**46.9**	**-**	**111.9**
Selling and distribution costs				**(34.8)**
Administrative and other expenses				**(54.1)**
Operating profit				**23.0**
Net finance costs				**0.4**
Profit from continuing operations before taxation				**23.4**
Taxation				**(5.8)**
Net profit for the year				**17.6**
Assets and liabilities				
Segment assets	**129.5**	**159.0**	**(113.2)**	**175.3**
Unallocated assets				**45.3**
Total assets				**220.6**
Segment liabilities	**98.0**	**52.6**	**(113.2)**	**37.4**
Unallocated liabilities				**62.0**
Total liabilities				**99.4**
Other segment information				
Capital expenditure:				
Property, plant and equipment	**4.9**	**5.1**	**-**	**10.0**
Intangible fixed asset	**7.8**	**21.1**	**-**	**28.9**
Depreciation	**11.8**	**5.0**	**-**	**16.8**
Amortisation	**1.5**	**5.9**	**-**	**7.4**
Loss on disposal of non-current assets	**0.2**	**-**	**-**	**0.2**
Exceptional items	**2.0**	**(2.4)**	**-**	**(0.4)**

[1] Segmental revenue and gross margin includes other operating income of $3.2m which relates to income derived from extension of existing finance lease contracts. This presented as other income on the face of the income statement.

Unallocated assets primarily comprise cash and short-term deposits and deferred tax assets. Unallocated net liabilities comprise financial liabilities and taxation.

An analysis by operating segment is given below for the year ended 30 September 2011:

	North America	Rest of World	Eliminations	Total
	2011	2011	2011	2011
	$m	$m	$m	$m
Revenue				
Operating lease and variable revenue from rental of devices	70.2	11.0	—	81.2
Device sales under finance leases	14.6	5.2	—	19.8
Device sales – outright	27.8	9.8	—	37.6
Service and warranty contracts	4.5	0.2	—	4.7
Inter-segment sales	—	30.9	(30.9)	—
Segment revenue	117.1	57.1	(30.9)	143.3
Operating lease costs	(21.1)	(5.0)	—	(26.1)
Cost of goods of device sales under finance leases	(4.0)	(2.2)	—	(6.2)
Cost of goods of outright device sales	(12.3)	(7.3)	—	(19.6)
Inter-segment costs	(30.9)	—	30.9	—
Segment gross profit	48.8	42.6	—	91.4
Selling and distribution costs				(28.4)
Administrative and other expenses				(38.6)
Operating profit				24.4
Net finance costs				(2.4)
Profit from continuing operations before taxation				22.0
Taxation				0.8
Net profit for the year				22.8
Assets and liabilities				
Segment assets	94.2	139.8	(90.1)	143.9
Unallocated assets				20.2
Total assets				164.1
Segment liabilities	76.3	42.2	(90.1)	28.4
Unallocated liabilities				35.2
Total liabilities				63.6
Other segment information				
Property, plant and equipment	15.4	8.7	—	24.1
Intangible fixed assets	3.6	19.4	—	23.0
Depreciation	18.5	5.5	—	24.0
Amortisation	—	4.0	—	4.0
Property, plant and equipment scrapped	0.4	0.1	—	0.5
Exceptional items	—	0.7	—	0.7

Unallocated assets primarily comprise cash and short-term deposits and deferred tax assets. Unallocated net liabilities comprise financial liabilities and taxation.

4 Exceptional items

	2012 $m	2011 $m
Employee overtime claims	**(1.6)**	-
Acquisition costs	**(1.0)**	(2.4)
Contingent consideration	**0.8**	1.7
Royalty release	**2.2**	-
Intangible asset and related trading balances impairment	**(3.3)**	-
Total exceptional charges recognised in the year	**(2.9)**	(0.7)

Employee overtime claims

A number of current and former US-based employees of Optos Inc. have filed a claim against the Company that their employed status should be non-exempt, thus entitling them to be paid on an hourly basis rather than on a salaried basis and to be paid additional sums for overtime. The Company has been advised that, in common with similar cases arising over recent periods, the employees have a legitimate claim and the cost of settling this claim for prior periods will be in the region of $1.6m, consequently an accrual has been made for this amount with a corresponding charge to the profit and loss.

Acquisition costs

In the year to 30 September 2011, the Group incurred acquisition costs of $1.1m in respect of its acquisition of Opto Global Holdings Pty Ltd which included $0.5m of one-off retention payments, the balance being professional fees. The Group also incurred $1.3m of professional fees in relation to its acquisition of the assets and business of the instrumentation division of OPKO Health, Inc which completed in October 2011. During the year ended 30 September 2012 the Group incurred a further $1.0m of acquisition costs in respect of the OPKO Health transaction.

Contingent consideration

As noted, the Group acquired 100% of the share capital of Opto Global Holdings Pty Ltd on 13 December 2010 for $14.3m. The purchase consideration included an estimated $2.5m relating to the fair value of the contingent consideration. The expectation at 30 September 2011 was that the conditions relating to the contingent consideration would no longer be met and $1.7m was released at that time. This year, the fair value of the contingent consideration was further reassessed at zero resulting in a credit of $0.8m to the income statement and no payment was made. This is due to lower than expected sales primarily the result of delays in the integration of the products/distributors, as well as the time taken to obtain regulatory approval.

Royalty release and intangible asset impairment

At 30th September 2012, the Group has reviewed its two acquisitions.

(a) As part of the OPKO instrumentation acquisition, contingent royalties are payable on future product sales. The product mix has a direct impact on level of royalty due. The fair value of this contingent royalty payment (see note 18, provisions) has been revised downwards in the year from $8.5m to $6.3m to reflect the latest revenue and product mix projections.

(b) As part of the acquisition of Opto Global Holdings Pty Ltd, intangible assets were recognised relating to a number of key supplier relationships. Due to difficult trading circumstances at one of these suppliers, the carrying value of the intangible asset attributed to this supplier is impaired at 30th September 2012. Trading balances also exist between group companies and this supplier. To reflect the uncertainty as to when these amounts may be recoverable, a position has been taken to charge the full amount of $3.3m in the period as an exceptional item. This charge is made up of a non-cash item of $2.5m relating to the supplier intangible asset, and $0.8m relating to the trading amount.

5 Revenue and expenses

	2012 $m	2011 $m
Revenue		
Operating lease and variable revenue from rental of devices	**52.5**	81.2
Device sales under finance leases	**61.9**	19.8
Device sales – outright	**63.2**	37.6
Service and warranty contracts	**15.6**	4.7
Revenue	**193.2**	143.3
Other operating income	**3.2**	-
Finance revenue	**2.8**	0.9
Total revenue	**199.2**	144.2

No revenue was derived from exchanges of goods or services.

Operating lease and variable revenue from rental of devices includes $52.5m (2011: $81.2m) from rental contracts with customers where substantially all the risks and rewards of ownership remain with Optos, being $43.1m (2011: $65.9m) from fixed monthly minimum payments to which customers have contracted plus $9.4m (2011: $15.3m) from the variable per Optomap® revenue for tests performed over the monthly minimum levels.

Revenue from the sales of devices classified as finance leases is the lower of an amount equal to the fair value of the asset or the present value of the minimum leased payments from rental contracts where the rental agreement has been assessed as a finance lease. Service and warranty contracts relate to revenues from contracts to maintain and service the Company's devices.

Other operating income of $3.2m relates to additional income from contracts that had been previously recognised as finance leases.

Certain of the contractual arrangements with the customers fall as being operating leases. Future minimum rentals receivable under non-cancellable operating leases with customers are as follows:

	2012	2011
	$m	$m
Not later than one year	**15.0**	52.5
After one year but not more than five years	**10.0**	51.8
After five years	**-**	1.6
	25.0	105.9

		2012	2011
	Note	**$m**	$m
The profit from continuing operations before taxation is stated after charging/(crediting):			
Depreciation charge for the period	10	**16.8**	24.0
R&D expenditure[1]		**8.5**	6.0
Amortisation of software[2]	11	**0.5**	0.3
Amortisation of intangibles and development cost	11	**6.9**	3.7
Operating leases		**1.5**	1.1
Share-based payments		**0.2**	1.2
Foreign exchange differences		**1.2**	(0.9)

1 Includes $ 5.7m (2011: $3.1m) in respect of the amortisation of intangible assets which is recognised in administrative and other expenses through the income statement. In addition, $6.4m (2011: $6.4m) of R&D expenditure was incurred which has not been charged in arriving at the pre-tax profit for the period as it has been capitalised as an intangible asset. Further information is included in Note 11 to the Group Financial Statements.

2 Amortisation of software and acquired intangibles is recognised in administrative and other expenses through the income statement.

6 Financing

	2012	2011
	$m	$m
Finance costs		
Finance lease interest payable	**1.9**	3.3
Bank interest payable	**0.5**	-
	2.4	3.3
Finance revenue		
Finance lease interest receivable	**2.8**	0.8
Bank interest receivable	**-**	0.1
	2.8	0.9

7 Directors and employees

	2012	2011
	$m	$m
Staff costs for the Group during the year:		
Wages and salaries	**50.0**	39.6
Social security costs	**4.4**	3.4
Defined contribution pension costs	**0.6**	0.5
Share-based payments	**0.2**	0.9
	55.2	44.4

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

	2012	2011
	Number	Number
Executive Directors	**2**	2
Field (sales and support)	**187**	176
Manufacturing and refurbishment	**110**	97
Product development	**50**	33
Central	**65**	48
Marketing	**12**	8
	426	364

8 Taxation

Analysis of tax charge/(credit) in the year	**$m**	$m
Tax on profit on ordinary activities:		
Corporation tax at 25% (2011: 27%)		
Current year tax charge	**-**	-
Adjustment in respect of prior periods	**-**	-
Overseas taxes – prior year	**0.3**	(0.9)
Overseas taxes – current year	**0.9**	0.4
Current year tax charge/(credit)	**1.2**	(0.5)
Deferred tax		
Origination and reversal of timing differences	**4.2**	(0.9)
Impact of tax rate change	**0.4**	0.6
Total deferred tax charge/(credit)	**4.6**	(0.3)
Total income tax charge/(credit)	**5.8**	(0.8)

The charge to tax for the year was $5.8m (2011: credit of $0.8m), comprising a current tax charge of $1.2m (2011: credit of $0.5m) and a deferred tax charge of $4.6m (2011: credit of $0.3m). The current tax charge relates primarily to overseas tax liabilities for the current year and adjustments in respect of prior periods.

The tax charge to the income statement includes a credit of $1.7m in relation to exceptional items (2011: $0.3m in relation to acquisition costs).

9 Profit per ordinary share

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

Diluted earnings per share amounts are calculated by dividing the profit before taxation and the profit after taxation for the financial year by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options). In the case of a loss, no impact for further dilution is reflected as this would not have the effect of increasing the loss per share and is therefore not dilutive.

The profit per ordinary share is calculated as follows:

	2012	2011
Weighted average number of ordinary shares in issue	**71,463,266**	71,057,274
Effect of dilution: share options	**2,189,043**	593,191
Adjusted weighted average number of ordinary shares for diluted earnings per share	**73,652,309**	71,650,465
Profit before exceptional items and taxation ($m)	**26.3**	22.7
Basic profit before exceptional items and taxation per share (cents)	**36.8c**	31.9c
Diluted profit before exceptional items and taxation per share (cents)	**35.7c**	31.7c
Profit before exceptional items after taxation ($m)	**18.8**	23.2
Basic profit before exceptional items after taxation per share (cents)	**26.3c**	32.6c
Diluted profit before exceptional items after taxation per share (cents)	**25.6c**	32.4c
Profit before taxation ($m)	**23.4**	22.0
Basic profit before taxation per share (cents)	**32.7c**	31.0c
Diluted profit before taxation per share (cents)	**31.7c**	30.7c
Profit after taxation ($m)	**17.6**	22.8
Basic profit after taxation per share (cents)	**24.6c**	32.1c
Diluted profit after taxation per share (cents)	**23.9c**	31.8c

10 Property, plant and equipment

	Leasehold improvements $m	Medical devices $m	Plant and equipment $m	Total $m
Cost				
At 1 October 2011	2.1	133.4	11.6	147.1
Additions	1.2	7.4	1.4	10.0
Transfer to inventory	-	(0.6)	-	(0.6)
Reclassified as intangible asset	-	-	(1.5)	(1.5)
Disposals	-	(92.1)	(0.5)	(92.6)
Exchange adjustment	-	(0.8)	-	(0.8)
At 30 September 2012	**3.3**	**47.3**	**11.0**	**61.6**
Depreciation				
At 1 October 2011	1.2	96.8	7.8	105.8
Charge for year	0.5	15.5	0.8	16.8
Reclassified as intangible asset	-	-	(0.5)	(0.5)
Disposals	-	(77.7)	(0.2)	(77.9)
Exchange adjustment	-	(0.5)	-	(0.5)
At 30 September 2012	**1.7**	**34.1**	**7.9**	**43.7**
Net book value at 30 September 2012	**1.6**	**13.2**	**3.1**	**17.9**
Cost				
At 1 October 2010	1.6	209.8	8.9	220.3
Additions	0.5	20.8	2.8	24.1
Transfer to inventory	—	(44.6)	—	(44.6)
Disposals	—	(54.5)	(0.1)	(54.6)
Exchange adjustment	—	1.9	—	1.9
At 30 September 2011	2.1	133.4	11.6	147.1
Depreciation				
At 1 October 2010	1.0	149.2	6.7	156.9
Charge for year	0.2	22.7	1.1	24.0
Transfer to inventory	—	(34.4)	—	(34.4)
Disposals	—	(41.9)	—	(41.9)
Exchange adjustment	—	1.2	—	1.2
At 30 September 2011	1.2	96.8	7.8	105.8
Net book value at 30 September 2011	0.9	36.6	3.8	41.3

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

The Group has reviewed the economic useful lives of all assets and has determined that certain elements of medical devices (for example installation costs, computer and other peripherals) have a useful economic life of between two and five years depending on the specific circumstances of the assets, including the period over which the medical device is expected to be maintained at a particular customer site.

These peripheral components do not have a cost that is significant in relation to the total cost of the device and the medical device itself is still considered to have a useful economic life of between two and five years.

The carrying value of plant and equipment and medical devices held subject to finance lease obligations at 30 September 2012 was $1.9m (2011: $13.7m). Legal title to the leased assets transfers to the debt provider as security for the term of the agreement.

11 Intangible assets

	Development costs $m	Software costs $m	Licences and relationship costs $m	Goodwill costs $m	Total $m
Cost					
At 1 October 2011	21.1	3.3	6.0	10.5	40.9
Additions – internal development	6.4	0.3	—	—	6.7
Additions – purchased externally	6.6	—	1.0	14.6	22.2
Additions – reclassified from tangible assets	—	1.5	—	—	1.5
At 30 September 2012	**34.1**	**5.1**	**7.0**	**25.1**	**71.3**
Accumulated amortisation					
At 1 October 2011	10.3	2.9	0.6	—	13.8
Amortisation in year	5.7	0.5	1.2	—	7.4
Additions – reclassified from tangible assets	-	0.5	-	-	0.5
Impairment (Note 4)	-	-	2.5	-	2.5
At 30 September 2012	**16.0**	**3.9**	**4.3**	**—**	**24.2**
Net carrying amount at 30 September 2012	**18.1**	**1.2**	**2.7**	**25.1**	**47.1**
Cost					
At 1 October 2010	14.7	3.2	—	—	17.9
Additions – internal development	6.4	—	—	—	6.4
Additions – purchased externally	—	0.1	6.0	10.5	16.6
At 30 September 2011	21.1	3.3	6.0	10.5	40.9
Accumulated amortisation					
At 1 October 2010	7.2	2.6	—	—	9.8
Amortisation in year	3.1	0.3	0.6	—	4.0
At 30 September 2011	10.3	2.9	0.6	—	13.8
Net carrying amount at 30 September 2011	10.8	0.4	5.4	10.5	27.1

The Group capitalised $6.7m (2011: $6.4m) of expenditure incurred on intangible assets and acquired intangible assets of $22.2m (2011: 16.6m) as part of the business combination. The main development asset relates to Daytona which are carried at $9.5m which has useful economic life of 7 years.

12 Finance lease receivables

	2012 $m	2011 $m
Amounts receivable:		
Within one year	**29.1**	7.8
Later than one year and not later than five years	**60.9**	20.5
Later than five years	**1.0**	0.5
	91.0	28.8
Less: finance income allocated to future periods	**(8.8)**	(3.0)
Present value of minimum lease payments	**82.2**	25.8
Within one year	**25.0**	6.6
Later than one year and not later than five years	**56.2**	18.8
Later than five years	**1.0**	0.4
	82.2	25.8
Included within:		
Non-current assets	**57.2**	19.2
Current assets	**25.0**	6.6
	82.2	25.8

During the year the Group recognised finance lease agreements with customers totalling $64.1m. Variable rentals from finance leases amounted to $3.4m. The average effective interest rate in relation to finance leases is 6.0%.

All finance lease receivables are considered to be recoverable and therefore no provision for impairment is required. The fair value of finance lease receivables is considered not to be materially different to the carrying value in the balance sheet.

13 Inventories

	2012	2011
	$m	$m
Raw materials, spares and consumables	**21.8**	16.9
Work in progress	**1.2**	1.2
Medical devices for sale	**6.1**	6.5
	29.1	24.6

14 Trade and other receivables

	2012	2011
	$m	$m
Trade debtors	**26.3**	19.8
Allowance for doubtful debts	**(1.3)**	(0.8)
	25.0	19.0
Value-added tax recoverable	**0.9**	0.1
Prepayments	**3.4**	5.8
Other receivables	**0.2**	0.2
	29.5	25.1

15 Financial liabilities

	2012	2011
	$m	$m
Bank loan		
Current	-	-
Non-current	30.0	-
	30.0	**-**

	2012	2011
	$m	$m
Contingent consideration		
Current	—	0.8
Non-current	—	—
	—	0.8

	2012	2011
	$m	$m
Obligations under vendor financing		
Current	**11.8**	21.2
Non-current	**12.7**	14.2
	24.5	35.4

	2012	2011
	$m	$m
Amounts payable:		
Within one year	**12.8**	23.7
Between one and two years	**7.9**	11.1
Between two and five years	**5.5**	3.6
	26.2	38.4
Less: finance charges allocated to future periods	**(1.7)**	(2.2)
	24.5	36.2

16 Provisions

	2012	2011
	$m	$m
At 1 October	**0.4**	0.1
Provided in the year	**6.3**	0.3
At 30 September	**6.7**	0.4
Current	**0.3**	0.2
Non-current	**6.4**	0.2
	6.7	0.4

Provisions include $6.3m of fair value contingent royalty payment in relation to the OPKO instrumentation division acquisition.

17 Trade and other payables

	2012	2011
	$m	$m
Trade payables	**8.8**	6.7
Other taxes and social security costs	**1.6**	1.0
Other payables	**0.1**	-
Deferred income	**14.9**	8.7
Accruals	**12.9**	10.3
	38.3	26.7

18 Business combinations

On 11 October 2011 the Group completed the acquisition of the trade and assets of the instrumentation division of OPKO Health Inc for an initial consideration of $17.5m, settled in cash, together with deferred consideration payable in the form of royalties, at a rate of 2.5% or 5% on sales of certain products from the second anniversary of the date of completion. The maximum cumulative sum of royalties payable is set at an aggregate of $22.5m, over an indefinite time period.

The assets acquired included the rights to technology, know-how and intellectual property as well tangible fixed and current assets. The acquisition gave the Group access to established optical coherence tomography (“OCT”) and ultrasound products. OCT is a diagnostic product producing a cross-sectional image of the retina. The ultrasound system provides high-resolution imaging of the retina. Both products are used by the ophthalmic and optometric professions in the diagnosis and management of eye disease and conditions. The combination of Optos’ core widefield technology and OCT technology has been identified as a powerful diagnostic and disease management tool for ophthalmologists and optometrists. Costs directly attributable to the acquisition of $1.0m were incurred in the year ended 30 September 2012 and $1.3m in the period to 30 September 2011, each included as exceptional costs in the respective period.

In the period from the date of acquisition to 30 September 2012, revenues related to the acquired products were $5.0m. As the assets acquired have been fully integrated into the Group, including the Group sales and distribution channels, it is impractical to calculate a standalone profit or loss related to the acquired assets.

The details of net assets acquired and goodwill are as follows:

	$m
Cash paid	17.5
Fair value of future royalties included in provision	8.5
Total purchase consideration	26.0

The assets and liabilities as of 11 October 2011 arising from the acquisition are as follows:

	Book value $m	Fair value $m
Know-how in existing products		1.6
Know-how and intellectual property in development stage products		5.0
Distributer relationships		1.0
Total intangible assets		7.6
Inventories	3.8	3.4
Trade and other receivables	1.4	0.9
Trade and other payables	(0.5)	(0.5)
Net assets	4.7	11.4
Goodwill arising on acquisition		14.6
Purchase consideration		26.0
Purchase consideration settled in cash		17.5
Cash and cash equivalents in subsidiary acquired		—
Cash outflow on acquisition		17.5

Following an updated review, the estimate of the deferred tax liability arising on acquisition has been adjusted from $2.9m to nil, with a corresponding adjustment to goodwill.

19 Called up share capital

Equity share capital	**2012 Number (million)**	2011 Number (million)
Authorised share capital		
Ordinary shares of 2p each	**90**	90

The Company has one class of ordinary share which carries no rights to fixed income.

	2012	2011
At 1 October, ordinary shares of 2p each issued and fully paid up	**71,263,926**	70,557,475
Issued on acquisition of subsidiary	**-**	434,487
Exercise of employee share options	**325,120**	271,964
At 30 September, ordinary shares of 2p each	**71,589,046**	71,263,926

Consideration received on issue of shares	**Share capital 2012 $m**	**Share premium 2012 $m**	Share capital 2011 $m	Share premium 2011 $m
Issue of ordinary share capital for acquisition	**-**	**-**	—	1.0
Exercise of employee share options	**-**	**0.3**	—	0.5
Total	**-**	**0.3**	—	1.5
Consideration received	**-**	**0.3**	—	0.5

20 Related party transactions

Compensation of key management personnel

	2012	2011
	$m	$m
Short-term employee benefits	**3.6**	3.3
Post-employment benefits	**0.2**	0.2
Termination payments	**0.3**	-
Share-based payments	**0.1**	0.7
	4.2	4.2

There were eleven (2011: eleven) key management personnel in 2012.

21 Principal Risks and Uncertainties

Our principal risks and uncertainties are outlined below. These are the most significant risks that may adversely affect our business strategy, financial position or future performance. It is not possible to identify every risk that could affect our business, and the actions taken to mitigate the risks described below cannot provide absolute assurance that a risk will not materialise.

Section 1: business risks

Principal risk	Mitigating factors
Market success of new products The Group has recently launched a new device branded "Daytona". Success and uptake of this device (and future derivatives of it) in our key markets is critical to the long term growth of the Group.	The Daytona device has been developed to deliver practitioner and patient benefit, including: images of an equal or better quality to the current P200C device; the same widefield view of the retina; auto-fluorescent imaging; new software; robust and smaller size allows use regardless of practice size or physical / climatic environment.
Product portfolio risk The Group derives the majority of its revenue from its P200 and P200C medical devices. There is a risk that success of Daytona could result in significantly reduced demand for these products.	The Group derives an increasing share of revenue from other products, including Daytona, the 200Tx for the ophthalmology market, OCT devices and various other precision optometric and ophthalmic instruments. The Group has taken specialist marketing advice on how best to position Daytona to reduce the risk of P200/C cannibalisation. Pricing programmes have been established in the market place.
Geographic dependency The Group currently generates most of its revenue in the optometry sector within North America	The Group is investing in direct sales and distributor relationships outside North America, as well as building sales capability for ophthalmology and other specialist markets.

Section 2: supply risks

Principal risk	Mitigating factors
The Group's devices are complex, expensive to build and rely on a number of specialist components and parts The growth of the Group's business is dependent on it being able to manufacture and service its devices in a cost-effective and repeatable way.	The Group's development team runs projects to reduce the cost of building devices. The Daytona design is modular, relies on readily available components and technologies and is therefore easier to manufacture than existing products. To improve security of supply, the Group is able to manufacture, repair and refurbish its devices at both its manufacturing sites and will hold supplies of parts at dual locations. Where a product is single-sourced, the Group seeks to hold sufficient inventories to manage expected demand.
Technology and competition If a third party produces a more advanced device with improved functionality, or a similar device with significantly lower build costs, this could have a material adverse effect on the Group's business.	The Group continually develops the quality and functionality of its products, as well as investing approximately 5% of revenue per annum in R&D to bring new products to market. The Group has also invested in demonstrating the clinical efficacy and superiority of its devices.

Section 3: regulatory and legal risks

Principal risk	Mitigating factors
The Group operates in a highly regulated industry The Group'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 Group's devices are currently FDA cleared to market, if the Group or its third party manufacturers fail to satisfy regulatory requirements or regulations change, this could result in the imposition of sanctions, cause the Group to be unable to sell its product in certain markets or face adverse publicity.	The Group operates to relevant ISO guidelines and monitors and anticipates developments in regulatory thinking.
Intellectual property suits that are brought against the Group may significantly harm the business, as could significant 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 Group's Intellectual Property could at a minimum be costly.	The Group believes the core patent protection around its product is strong and is not aware of any significant actual or pending suits. The Group's business exposes it to the risk of certain litigation, for example, a patient suffering harm during the image process or the Group's retinal image system not identifying an underlying medical problem. The Group 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 **opto**map® product. The Group maintains product liability insurance although there can be no certainty the insurance coverage would be sufficient to meet the cost of any claims.

Section 4: pricing and financial risk

Principal risk	Mitigating factors
In common with other consumer businesses, the Group is subject to pricing pressures and relies in part on reimbursement agreements with insurers and government health authorities There is no guarantee that the Group can deliver continued increases in revenue, nor can there be any certainty that the **opto**map® image or any other procedure will continue to qualify under health reimbursement schemes or that the reimbursement rates will not decrease. The Group may also be subject to healthcare-related taxes imposed by government agencies.	The near-term success of the Group's business depends on consumers understanding the benefit of regular **opto**map® examinations at the price offered by the Group and healthcare professionals. The Group seeks to drive adoption and awareness of its product through strong educational programmes and compelling evidence from clinical studies. The Group continues to work with regulatory agencies to demonstrate the clinical effectiveness of the device and so seek to maintain reimbursement rates.
The Group's operating results and financing capacity could be adversely affected by the current world economic outlook Continued stagnation and any further downturn in world markets could adversely impact on a practitioner's desire or ability to enter into a device contract with the Group. In addition, a reduction in patient disposable income may result in reduced demand for the Group's products at optometrists' offices.	The Group offers customers alternative ways to access its technology, including pay-per-patient rental, fixed rental, rent-to-own and outright purchase. Customers have responded well to these alternative business models and this contributes to the low de-install rate for devices. The Group benefits from good visibility of secured forward revenues and cash through service and rental contracts, the latter typically having a term of around three years. The Group has financing in place and it closely monitors its covenant compliance.
The Group operates in several countries and currencies and its results are impacted by changes in currency exchange rates The Group reports its results in $US, the currency in which the majority of its revenues and costs arise.	The Group monitors its non-US$ 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. Wherever possible the majority of cash balances are maintained in US$ to mitigate the impact of currency fluctuations.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

The Directors together confirm that to the best of their knowledge:

The financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

The Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Roy Davis	Chief Executive Officer
Louisa Burdett	Chief Financial Officer