

OPTOS PLC

Interim Results for the six months to 31 March 2014

Continued strong customer growth and debt reduction

LONDON, UK, 15 May 2014 – Optos plc (LSE: OPTS), a leading medical retinal imaging company, today publishes its interim results for the first half of its financial year ending 30 September 2014 (H1 FY14). All figures are reported in US\$ and are unaudited.

US\$m <i>except per share data (cents)</i>	Six Months to 31 March 2014	Six Months to 31 March 2013	Change
Revenue and other operating income⁽¹⁾	72.7	73.0	(0.3)
Gross profit⁽¹⁾	43.8	42.8	1.0
Operating profit / (loss)	0.5	(0.6)	1.1
Profit before tax	1.6	0.7	0.9
Profit after tax	1.0	0.4	0.6
EPS (diluted) – cents	1.3	0.5	0.8
Cash flow before tax and financing	3.8	(4.7)	8.5
Net debt	(35.5)	(55.8)	20.3

Overview

Today we report headline revenue⁽¹⁾ for H1 FY14 of \$72.7m in line with expectations and comparable to last year (\$73.0m) up 8% on an underlying⁽²⁾ basis, with an improved cash position.

During H1 FY14 we:

- Continued to deliver strong growth in new customers adding 628 in the period
- Grew the overall installed base of ultra-widefield (“UWF”) devices 10% since the start of the year to 6,515, and 27% from the same time last year
- Increased gross margins from 59% to 60%
- Improved cash flow and reduced net debt to \$35.5m, some \$20.3m lower than at the same point last year
- Further progressed the development of the next generation products, the 200TX replacement and an integrated UWF and optical coherence tomography (“OCT”) device

Daytona continues to be well received by the market and is the main driver of our new customer growth. Since the market launch just under 2 years ago, we have placed over 2,000 Daytona devices and now represent over 30% of the installed base. We have continued to make good progress on reducing the Daytona unit cost.

Roy Davis, CEO of Optos, commented:

“We are pleased to report another strong increase in the number of new customers and our installed base of devices, principally as a result of Daytona’s continuing traction in the market place. Our financial discipline has allowed us to achieve this while keeping costs flat resulting in improved cash flow and a marked reduction in net debt, a trend we expect to continue. Our R&D pipeline is progressing well and we remain excited by its potential.

“As we flagged in our preliminary results, and in line with previous years, we expect a significant second-half weighting to our business. As we progress through this period, the visibility on our order book, coupled with an ongoing focus on reducing the cost of Daytona and improving operational effectiveness suggests we are well positioned to meet our expectations for the full year.”

Financial Highlights (comparisons are to H1 FY13)

- Underlying revenue⁽²⁾ was up 8%, with capital sales up 22% to \$38.7m and service and warranty revenue increasing by 23% to \$16.1m
- Gross margins improved to 60% from 59%
- Good control of operating expenses; these were flat at \$43.3m (H1 FY13: \$43.4m) despite adverse currency movements
- Operating profit was \$0.5m (H1 FY13: \$0.6m loss) and profit before tax was \$1.6m (H1 FY13: \$0.7m)
- Cash flow before tax and financing was up \$8.5m on the previous year with an inflow of \$3.8m (H1 FY13: \$4.7m outflow)
- Net debt at period end was \$35.5m, down from \$39.4m at the end of FY13 and \$20.3m lower than at the same time last year (H1 FY13: \$55.8m)

Operational Highlights

- The installed base of ultra-widefield devices has increased 10% to 6,515 units in the period (5,945 units at the end of FY13; H1 FY13: 5,130 units)
- Daytona installed base has increased to 2,046 units in the period (end FY13 1,474 units; H1 FY13 729 units)
- Increase of 628 new customers in H1 FY14 (H1 FY13: 492)
- The rental vs capital sales mix is now 51% to 49% respectively (H1 FY13: 63% to 37%)
- Production cost of Daytona continues to be reduced
- Further validation with the publication of clinical studies demonstrating the value of ultra-widefield imaging
- Continued advancement on development of product pipeline including the integrated UWF and OCT device and a replacement 200Tx, using the Daytona platform

Outlook FY14

We remain confident in our future prospects:

- We have a large market opportunity and low market share in key markets
- We are making good progress on reducing the Daytona device cost and expect to be on track to achieve the target cost by the end of the year
- We continue to focus on improving operational effectiveness. We are currently implementing changes which we anticipate will deliver overhead cost savings of at least 5% (\$4m) in the following financial year
- Our clinical research programmes continue to demonstrate the value of our technology
- We have an exciting pipeline of new products, including the 200Tx replacement and the integrated UWF / OCT device which are both currently expected to come to market in FY15, subject to achieving regulatory clearance

We expect to meet the guidance given at the start of the year.

Definitions

- (1) Revenue and gross profit include other operating income
(2) Underlying revenue treats all finance leases as if they were operating leases

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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 (**optomaps**®) of approximately 82% of the retina, something no other device is capable of doing in any one image. Our acquisition of OPKO instrumentation in 2011 brought 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 **optomap** 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. In 2012 we 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.

OPTOS PLC
Interim Results for the six months to 31 March 2014
Business Review

Overview

We have made a good start to the year with excellent customer growth, good financial discipline and progress across our pipeline of new products, validated by clinical studies demonstrating the importance of full retina imaging.

The installed base increased by 10% to 6,515 world-wide from 5,945 at the start of the year and 5,130 at end of H1 FY13. We have added 628 new customers in the period (H1 FY13: 492).

Daytona continues to be well received by the market and is the main driver of new customer growth. Since the market launch just under 2 years ago, we have placed over 2,000 Daytona devices.

Strong capital sales resulted in an 8% increase in underlying revenue⁽²⁾ for the first half of FY14, with headline revenue⁽¹⁾ in line with expectations and prior year at \$72.7m (H1 FY13: \$73.0m), generating \$1.6m of profit before tax (H1 FY13: £0.7m). This profit is after incurring an adverse exchange rate impact of \$1.1m (H1 FY13: \$0.3m).

Cash flow has also improved with a cash inflow before tax and financing of \$3.8m, as compared to a \$4.7m outflow for the equivalent period last year. This has resulted in a further reduction in net debt, down to \$35.5m which is \$3.9m lower than at the start of the year and \$20.3m lower than at the same time last year.

We are making good progress on reducing the Daytona device cost and still expect to be on track to achieve the target cost by the end of the year. As stated previously the timing of when the full benefit of this cost reduction is achieved is dependent on the supply chain timing, as we balance the need for continuity of supply through this cost reduction process.

As the business develops we continue to look to simplify and improve operational effectiveness. To this end we have begun to implement, and will continue to implement in H2, changes to the organisational structure and the number of locations which we anticipate will deliver overhead cost savings of at least 5% (\$4m) in the following financial year (FY15). These changes will underpin improving profitability in future years.

Revenue

\$m	H1 FY14	H1 FY13	Change
Operating lease & variable revenues from rental of devices	5.6	11.0	(5.4)
Device sales – outright	38.7	31.7	7.0
Device sales under finance leases	11.5	16.4	(4.9)
Service & warranty revenues	16.1	13.1	3.0
Other operating income ⁽³⁾	0.8	0.8	0.0
Revenue and other operating income	72.7	73.0	(0.3)

Revenue mix continued to shift towards capital sales and away from lease income; 75% of new customers opted for a capital purchase, increasing capital revenue by 22% to \$38.7m from \$31.7m in H1 FY13. We sold 479 devices to new customers, plus capital conversions, increasing the installed capital base to 3,191 from 2,616 at the start of the year. The average selling price was slightly lower than last year at \$67k v \$69k.

We continue to see a reduction in operating lease revenue as the remainder transition either to a finance lease or capital purchase upon renewal. As a consequence, operating lease revenue decreased 50% to \$5.6m from \$11.0m in H1 FY13. The number of operating leases now stands at just 224.

Finance lease revenue, including other operating income, decreased 29% to \$12.1m from \$17.1m, with 149 new rental contracts (H1 FY13: 162). The revenue reduction was largely the result of a reduced number of renewal opportunities as expected. The total number of rental (finance & operating lease) customers remained stable (3,324 v 3,329 at the start of the year).

Service revenue was \$16.1m, up from \$13.1m in H1 FY13, driven by the increased capital base.

Product and Geography Segmentation

Daytona continues to be the main driver of new customer growth. We are also seeing existing P200 customers upgrade to the Daytona device. We have now installed 2,046 Daytona devices which account for just over 30% of all devices, up from 1,474 at the start of the year.

Sales of the 200Tx remain steady. We increased the installed base by 75 in the first half to 553; this is up on the same period last year (57) and at a similar level to H2 FY13. These are all capital sales, primarily in Asia and the US.

P200 / 200Dx still make up just over half of the installed base with 3,446 (53%) units globally which is a slight decline since the start of the year (3,513). There continues to be some new placements but this has been offset by customers upgrading to Daytona.

Deinstalls remain at low levels with 58 in the first half (H1 FY13: 51).

We continue to roll out OptosAdvance software, which is a more intuitive workflow-based software package for reviewing and storing images. We are developing customised OptosAdvance applications to meet corporate customer needs and improve patient retention.

We have seen growth in the core Americas market with revenue increasing by 3% to \$50.8m as compared to \$49.5m for the equivalent period last year. We are making headway opening up new markets in Latin America.

The non-Americas market fell back 8% to \$21.7m (H1 FY13: \$23.5m). The main cause was reduced revenue in Australia due to timing of the OPSM installations which are expected to be completed in the second half of this financial year. Overall, Asia continues to perform well but parts of Europe remain soft.

Clinical evidence and research and development

We aim to firmly establish our technology as the clinical standard of care across multiple sight threatening diseases. We have continued to demonstrate the clinical significance of imaging the entire retina and have published over 40 peer-reviewed clinical papers and scientific articles that demonstrate our ability to detect more pathology and support better treatment outcomes.

A recent clinical study focused on areas of peripheral retinal tissue that lack blood flow in patients with a condition known as Retinal Vein Occlusion. The study concluded that this peripheral component affects both the clinical course of the disease and the patient's response to intravitreal injections of anti-VEGF treatment. The importance of this peripheral factor to improved treatment outcomes is only just being realised with the utilisation of Optos standard of care retinal imaging.

We also have another 50 clinical studies accepted for the May 2014 ARVO (the Association for Research in Vision and Ophthalmology) meeting. Key clinical study results prove that our technology is raising the standards in over 40 diseases with its essential role in screening, diagnosis and follow-up of diabetic retinopathy a key research focus. Additionally, further important clinical results will be presented in Age-related Macular Degeneration, Retinal Vein Occlusion, Uveitis and Alzheimer's.

The new product pipeline remains strong. Research and Development activities continue to focus on a replacement 200Tx, using the Daytona platform, which we expect to launch during FY15, and the integrated UWF / OCT device, initially focused on posterior pole OCT, which is also targeted for launch in FY15. These dates are subject to achieving appropriate regulatory approvals.

We are also developing new software tools and will be rolling out ProView, a new image projection method, which provides the foundation for later features which may include measurement, improved registration for longitudinal tracking and montage.

Financial review

Revenues⁽¹⁾ were broadly flat at \$72.7m as compared to \$73.0m for H1 FY13. Underlying revenue, treating all rentals as if they were operating rentals, grew 8% over the comparator period driven by higher capital sales.

Other operating income was \$0.8m, this relates to additional income derived from the extension of existing finance leases.

Gross margin⁽¹⁾ was 60% (H1 FY13: 59%, FY FY13 57%). We benefited from the mix of capital sales and a reducing Daytona product cost, although selling prices were slightly lower than this time last year (but in line with the full year).

Reducing the cost of Daytona remains a key focus. We have made good progress in the first half and remain on track to meeting the year-end target.

The first half operating expenses have been kept flat period-on-period at \$43.3m (H1 FY13: \$43.4m). We have been negatively impacted by currency movements with an exchange rate loss related to balance sheet items of \$0.7m (H1 FY13: \$0.3m), as well as a strengthening GBP:USD rate which has increased GBP-denominated costs, particularly in the second quarter. Costs have increased by around \$0.4m as compared to last year due to the stronger GBP. If we exclude the currency effects, operating expenses would have been \$1.1m lower at \$42.2m (H1 FY13: \$43.1m).

The increased gross margin on flat sales and operating expenses resulted in an increased operating profit of \$0.5m as compared to an operating loss in H1 FY13 of \$0.6m.

Finance interest revenue which is derived from finance leases was flat at \$2.5m. Finance costs increased slightly from \$1.2m to \$1.4m. Net finance revenue and costs resulted in a credit of \$1.1m (\$1.3m in H1 FY13).

Profit before tax rose to \$1.6m (\$0.7m in H1 FY13) and basic EPS increased to 2.3c (1.0c in H1 FY13). This profit is after incurring an adverse exchange rate impact of \$1.1m (H1 FY13: \$0.3m).

The tax charge in the period was \$0.6m including \$0.1m relating to share based payments. The effective tax rate, excluding share based payments, was 30%.

Cash flow, cash balances and financing

Cash inflow before tax & financing was \$3.8m, compared to an outflow of \$4.7m in H1 FY13, a year-on-year improvement of \$8.5m. This was driven by the capital sales mix and a positive finance lease cash movement offset by a reduction in creditors.

\$m	H1 FY14	H1 FY13	Change
Cash flows from operating activities	(13.5)	(17.5)	4.0
Cash from finance lease receivables	17.4	12.6	4.8
Finance lease interest receivable	2.5	2.3	0.2
Adjusted operating cash flow	6.4	(2.6)	9.0
Capital expenditure	(0.7)	(1.1)	0.4
Capitalised development	(1.9)	(1.0)	(0.9)
Cash flow before tax & financing	3.8	(4.7)	8.5

Finance lease receivables fell to \$80.4m in the first half, from \$86.2m at the end of FY13. This resulted from new finance leases of \$12.1m offset by receipts. This reflected the reduced number of new rentals and renewals in the half and consequently a reduction in finance lease revenue booked. Total future receipts from contracted rentals are \$131m at the end of the first half.

As previously reported, we agreed in January a new \$30m revolving credit facility with Bank of Scotland which runs to January 2017. As part of the renewal process, we also completed a new vendor financing deal with Key Equipment Finance raising \$46.8m. In the first half we have repaid \$13.4m in vendor financing, with total vendor finance commitments outstanding at 31 March of \$60.6m (H1 FY13 \$30.3m). We had cash balances of \$25.1m

(H1 FY13 \$12.5m) with no debt drawn against the revolving credit facility (H1 FY13 \$38m), resulting in net debt of \$35.5m which is \$3.9m lower than at the start of the year and \$20.3m lower than at the same time last year.

Assets, liabilities and shareholders' funds

Property, plant and equipment fell to \$6.6m from \$11.8m at H1 FY13, with the net book value of medical devices now just \$1m, reflecting the reduced number of devices on operating rentals. There was no significant movement in intangible assets, leaving the March FY14 balance at \$42.2m (HY1 FY13 \$45.7m). As noted earlier, finance lease receivables have fallen to \$80.4m from \$86.7m at the end of H1 FY13.

Principal risks and uncertainties

The principal risks and uncertainties facing the business remain largely the same as those described in the FY13 Annual Report. In addition to these risks:

- Currency movements are having an increasing impact on results due to AUD and CAD balance sheet positions, and a currency exposure resulting from a partial GBP cost base selling primarily in USD. We are working to maximise any natural hedge as well as reviewing hedging policies.
- Pressure on medical reimbursement. While many of our customers derive revenue from the use of our technology in a patient-pay screening environment, where a patient has a medically reimbursable condition many of our customers in North America make use of insurance re-imbusement codes for appropriate procedures. Given global healthcare cost pressures the use and amount of such codes are reviewed from time to time and may be subject to change which could impact the business case for our technology. We actively monitor this and work with appropriate bodies to ensure clarity around the use of such codes wherever possible and conduct clinical studies to demonstrate the importance of UWF technology in identifying and managing eye disease.
- New legislation restricting the use of certain substances, commonly referred to as the "RoHS 2 Directive", will apply to medical devices in the European Union (EU) from 22 July 2014. This affects the P200 devices, such that they cannot be sold into the market from this date. We do not anticipate this to have a significant impact in H2 as Daytona is the main device sold in these markets and the 200Tx replacement will be available in the following year.

Summary

We have seen positive trends in many of our key metrics, including an increase of 10% in the installed base adding 628 new customers. We have now installed over 2,000 Daytona devices globally and have seen steady 200Tx sales. We continue to make good progress in reducing the cost of Daytona.

Cash flow improved significantly in this half, as compared to the equivalent period last year, and net debt is \$20m lower than a year ago at \$35m. We also have \$131m of contracted cash flow from lease contracts.

We remain confident in our future prospects:

- We have a large market opportunity and low market share in key markets
- We are reducing the Daytona device cost and continue to focus on improving operational effectiveness
- Our clinical research programmes continue to demonstrate the value of our technology
- We have an exciting pipeline of new products, including the 200Tx replacement and the integrated UWF / OCT device coming to market in FY15, subject to achieving regulatory clearance

We expect to meet the guidance given at the start of the year.

(1) Revenue and gross profit include other operating income

(2) Underlying revenue treats all finance leases as if they were operating leases

(3) Other operating income consists of \$0.6m finance lease renewals (H1 FY13: \$0.7m) and \$0.2m capital conversions (H1 FY13: \$0.1m)

OPTOS PLC
Interim Results

Condensed Consolidated Income Statement
For the six months ended 31 March 2014

	Notes	Year ended 30 September 2013				
		Six months ended H1 2014 (Unaudited) ¹	Six months ended H1 2013 (Unaudited) ¹	Before exceptional items (Audited)	Exceptional items (Note 4) (Audited)	Total (Audited)
		\$m	\$m	\$m	\$m	\$m
Revenue	5	71.9	72.2	158.2	-	158.2
Cost of sales		(28.9)	(30.2)	(69.0)	-	(69.0)
Gross profit		43.0	42.0	89.2	-	89.2
Selling & distribution costs		(19.2)	(18.5)	(32.4)	-	(32.4)
Administrative & other costs		(24.1)	(24.9)	(51.5)	0.3	(51.2)
Other operating income		0.8	0.8	1.3	-	1.3
Operating profit/(loss)		0.5	(0.6)	6.6	0.3	6.9
Finance revenue		2.5	2.5	5.0	-	5.0
Finance costs		(1.4)	(1.2)	(2.4)	-	(2.4)
Profit before taxation		1.6	0.7	9.2	0.3	9.5
Taxation	7	(0.6)	(0.3)	(1.5)	(1.6)	(3.1)
Net profit for the period attributable to equity holders of the parent		1.0	0.4	7.7	(1.3)	6.4
Profit before taxation per ordinary share						
Basic	8	2.3c	1.0c	12.8c	-	13.2c
Diluted	8	2.2c	1.0c	12.4c	-	12.8c
Profit after taxation per ordinary share						
Basic	8	1.3c	0.7c	10.7c	-	8.9c
Diluted	8	1.3c	0.5c	10.4c	-	8.6c

All activity arose from continued operations.

¹ There are no exceptional items in the period.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2014

	Six months ended 31 March 2014 (Unaudited) \$m	Six months ended 31 March 2013 (Unaudited) \$m	Year ended 30 September 2013 (Audited) \$m
Profit for the period	1.0	0.4	6.4
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on foreign operations	(0.1)	0.1	0.3
<i>Other comprehensive income not being reclassified to profit or loss in subsequent periods:</i>			
Deferred tax associated with share-based payment transactions	-	(0.5)	-
Other comprehensive income for the period	(0.1)	(0.4)	0.3
Total comprehensive income for the period	0.9	-	6.7

**Condensed Consolidated Balance Sheet
As at 31 March 2014**

	Notes	As at 31 March 2014 (Unaudited) \$m	As at 31 March 2013 (Unaudited) \$m	As at 30 September 2013 (Audited) \$m
ASSETS				
Non-current assets				
Property, plant and equipment	9	6.6	11.8	9.0
Intangible assets	10	42.2	45.7	42.3
Finance lease receivables	11	48.9	57.9	55.3
Deferred tax asset	7	3.8	5.0	3.8
Total non-current assets		101.5	120.4	110.4
Current assets				
Inventories		35.2	36.4	34.6
Tax receivable		1.6	2.6	2.3
Finance lease receivables	11	31.5	28.8	30.9
Trade and other receivables		22.5	20.3	25.0
Cash and cash equivalents	12	25.1	12.5	23.9
Total current assets		115.9	100.6	116.7
Total assets		217.4	221.0	227.1
EQUITY AND LIABILITIES				
Equity				
Issued capital		2.6	2.6	2.6
Share premium		120.8	120.2	120.3
Retained profit/(deficit)		4.1	(3.3)	2.7
Foreign exchange reserve		(0.2)	(0.3)	(0.1)
Total equity		127.3	119.2	125.5
Non-current liabilities				
Financial liabilities	13	29.1	55.1	13.8
Provisions		-	6.6	-
Government grants		-	-	-
Deferred tax liability		1.3	-	1.0
Total non-current liabilities		30.4	61.7	14.8
Current liabilities				
Trade and other payables		27.7	26.5	36.8
Financial liabilities	13	31.5	13.2	49.5
Provisions		0.5	0.3	0.5
Government grants		-	0.1	-
Total current liabilities		59.7	40.1	86.8
Total liabilities		90.1	101.8	101.6
Total equity and liabilities		217.4	221.0	227.1

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 March 2014

	Note	Six months ended 31 March 2014 (Unaudited) \$m	Six months ended 31 March 2013 (Unaudited) \$m	Year ended 30 September 2013 (Audited) \$m
Operating activities				
Profit for the period		1.0	0.4	6.4
Adjustments to reconcile profit for the period to net cash inflow from operating activities:				
Income tax charge		0.6	0.3	3.1
Net finance revenue		(1.1)	(1.3)	(2.6)
Depreciation, amortisation and impairment of non-current assets		4.2	7.1	13.3
Property plant & equipment scrapped		0.1	0.3	0.3
Intangibles held in software disposed of		-	-	0.1
Medical devices held in PPE disposed of		0.7	0.8	3.4
Share-based payments		0.3	0.3	0.3
Revenue recognised from device sales under finance leases		(12.1)	(17.1)	(33.8)
Decrease in trade and other receivables		2.4	9.2	4.5
Government grants amortisation		-	-	-
Decrease in inventories		(0.6)	(5.9)	(4.0)
Decrease in trade and other payables		(9.0)	(11.8)	(1.0)
Increase in provisions		-	0.2	(6.2)
Cash flows from operating activities		(13.5)	(17.5)	(16.2)
Tax refunded/(paid)		0.7	(2.6)	(3.0)
Net cash flows from operating activities		(12.8)	(20.1)	(19.2)
Cash flows used in investing activities				
Cash flows used in investing activities				
Bank interest receivable		-	0.2	-
Finance lease interest receivable		2.5	2.3	5.0
Cash receipts from finance lease receivables		17.4	12.6	29.6
Purchases of property, plant and equipment		(0.7)	(1.1)	(3.8)
Expenditure on intangible assets		(1.9)	(1.0)	(1.1)
Net cash flows used in investing activities		17.3	13.0	29.7
Cash flows from financing activities				
Cash flows from financing activities				
Proceeds from vendor finance	13	48.6	12.8	15.1
Repayment of vendor finance	13	(13.4)	(6.9)	(14.3)
(Repayment)/proceeds from revolving credit facility		(38.0)	8.0	8.0
Proceeds from share issues		0.5	0.3	0.4
Interest paid		(1.4)	(1.2)	(2.4)
Net cash flows from financing activities		(3.7)	13.0	6.8
Net increase in cash and cash equivalents		0.8	5.9	17.3
Effect of exchange on cash and cash equivalents		0.4	-	-
Cash and cash equivalents at beginning of period		23.9	6.6	6.6
Cash and cash equivalents at end of period		25.1	12.5	23.9

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2014

	Share capital \$m	Share premium \$m	Retained earnings \$m	Foreign exchange \$m	Total \$m
At 1 October 2012	2.5	120.0	(3.5)	(0.4)	118.6
Other comprehensive income	-	-	(0.5)	0.1	(0.4)
Profit for the period	-	-	0.4	-	0.4
Total comprehensive income for the period	-	-	(0.1)	0.1	-
Issue of ordinary share capital	0.1	0.2	-	-	0.3
Share-based payments	-	-	0.3	-	0.3
At 31 March 2013	2.6	120.2	(3.3)	(0.3)	119.2
Other comprehensive income	-	-	-	0.2	0.2
Profit for the period	-	-	6.0	-	6.0
Total comprehensive income for the period	-	-	6.0	0.2	6.2
Issue of ordinary share capital	-	0.1	-	-	0.1
Share-based payments	-	-	-	-	-
At 30 September 2013	2.6	120.3	2.7	(0.1)	125.5
Other comprehensive income	-	-	-	(0.1)	(0.1)
Profit for the period	-	-	1.0	-	1.0
Total comprehensive income for the period	-	-	1.0	(0.1)	0.9
Issue of ordinary share capital	-	0.5	-	-	0.5
Deferred tax associated with share-based payment transactions	-	-	0.1	-	0.1
Share-based payments	-	-	0.3	-	0.3
At 31 March 2014	2.6	120.8	4.1	(0.2)	127.3

**Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2014**

1 Statement of compliance and approval of financial statements

These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2013.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 March 2014 were approved by the Board on 14 May 2014.

2 Basis of preparation and accounting policies

a) Basis of preparation

The condensed consolidated interim financial statements are unaudited but have been formally reviewed by the auditors and their report to the Company is included on page 19. The comparative figures shown for the year ended 30 September 2013 do not constitute the Group's statutory Financial Statements as defined in Section 435 of the Companies Act 2006 and have been extracted from the Group's 2013 Annual Report and Accounts which have been reported on by the Group's auditor and have been filed with the Registrar of Companies. The Independent Auditor's Report on the financial statements contained within the Group's 2013 Annual Report and Accounts was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

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

b) Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those set out in the Group's statutory financial statements for the year ended 30 September 2013 which were prepared under International Financial Reporting Standards as adopted by the European Union, except for the impact of the adoption of the standards and interpretations described below

i) New standards and interpretations

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

International Accounting Standards (IFRS/IAS)		Effective date for periods commencing
IAS 12 (amendment)	Recovery of Underlying Assets	1 January 2013
IAS 1 (amendment)	Presentation of Other Items of Comprehensive Income	1 July 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 7 (Amendment)	Financial Instruments: Disclosures	1 January 2013
IAS19 (Amendment)	Employee Benefits	1 January 2013
	Improvements to IFRSs (issued May 2013)	various

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

c) Impact of future tax rate changes

The main rate of corporation tax reduced to 21% from 1 April 2014 and will change to 20% from 1 April 2015. UK deferred tax has been measured at 20%.

Notes to the Condensed Consolidated Financial Statements (continued)

d) Going concern and liquidity

The Group's business activities and principal risks and uncertainties are detailed in the Business Review on pages 2 to 30 in the Annual Report and Accounts for the year ended 30 September 2013.

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

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

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

3 Segmental disclosures

In assessing performance and making resource allocation decisions, the Executive Team (the Group's chief operating decision-making body) reviews revenue, operating profit, assets and liabilities only at a Group level. 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, regulatory and support functions are managed and operate on a global basis and are not specific to individual markets or products.

Following changes in the management and organisational structures within the Group, the Board has undertaken a review of its segmental reporting disclosures. As a result of this review the Board has determined that the Group has one operating segment as defined under IFRS 8 'Operating Segments', comprising the group as a whole. Previously the Group determined that it had two operating segments based on geographical lines ('Americas' and 'International'). As a result of this change no further detailed segmental information is provided in this note.

4 Exceptional items

	Six months ended 31 March 2014 (Unaudited) \$m	Six months ended 31 March 2013 (Unaudited) \$m	Year ended 30 September 2013 (Audited) \$m
Royalty release	-	-	4.8
Restructuring costs	-	-	(0.8)
Foreign exchange loss	-	-	(2.3)
Development cost impairment	-	-	(1.4)
Exceptional charges recognised in the period	-	-	0.3

There are no exceptional items in the period ended 31 March 2014.

Royalty release and intangible asset impairment

As part of the OPKO instrumentation acquisition contingent royalties were payable on future product sales. As at 30 September 2013, an agreement had been reached with OPKO to settle the future royalty payments associated with the acquisition for \$1.5m resulting in \$4.8m release of the provision.

Restructuring costs

On 1 May 2013, the Group announced a restructuring of sales into two regional businesses (Americas and International). As part of this restructuring, the R&D facility in Canterbury and the OCT manufacturing site in Miami were closed, moving production to the existing UWF site in Boston. The cost of restructuring amounted to \$0.8m and comprised redundancy costs of \$0.7m and other of \$0.1m.

Foreign exchange loss

As a consequence of adverse exchange rate movements, in particular the USD to AUD rate, the Group incurred a material adverse charge of \$2.3m relating to the translation of inter-company balances as at 30 September 2013. The adverse exchange movement was treated as exceptional due to the material level of the exchange loss recognised and its overall impact on the accounts in comparison to the profit for the year ended 30 September 2013. The material level of exchange difference was considered to be one off in nature.

Development costs

As at 30 September 2013, the Group has taken the decision to stop development of the existing stand-alone OCT device and therefore wrote off the associated development costs of \$1.4m.

5 Revenue

The group's revenue arises from the sale of a range diagnostic and treatment devices to healthcare professionals globally, either directly or through arrangements with distributors.

	Six months ended 31 March 2014 (Unaudited) \$m	Six months ended 31 March 2013 (Unaudited) \$m	Year ended 30 September 2013 (Audited) \$m
Revenue			
Operating lease revenue from rental of devices	5.6	11.0	18.6
Device sales under finance leases	11.5	16.4	32.6
Device sales – outright	38.7	31.7	79.5
Services and warranty contracts	16.1	13.1	27.5
Revenue	71.9	72.2	158.2
Other operating income	0.8	0.8	1.3
Finance revenue	2.5	2.5	5.0
Total revenue	75.2	75.5	164.5

No revenue was derived from exchanges of goods or services.

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

6 Share-based payments

The Company has operated discretionary share option arrangements, details of which can be found on pages 107 to 110 of the Group's Annual Report and Accounts for the year ended 30 September 2013.

The total charge for share-based payments for the six months ended 31 March 2014 was \$0.3m (H1 FY13: \$0.4m charge; FY13: \$0.3m charge) including \$0.1m in respect of National Insurance contributions potentially payable on option gains (H1 FY13: \$0.1m charge; FY13: \$0.2m credit).

7 Taxation

The tax charge for the interim period was \$0.6m (H1 2013: \$0.3m; FY13 \$3.1m) comprising a current tax charge of \$0.1m (H1 2013 \$0.3m; FY13 \$0.9m) and a deferred tax charge of \$0.5m (H1 2013 \$nil; FY13 \$2.2m). In the six months ended 31 March 2014, \$nil (H1 2013 \$2.6m; FY13 \$3.0m) was paid in the US and Canada in respect of taxes levied by the tax authorities.

Deferred tax assets totalling \$3.8m (H1 2013 \$5.0m; FY13 \$2.8m) have been recognised as there is sufficient evidence to conclude that these temporary differences, including tax losses, will be recoverable in the future. The continued availability of tax losses is subject to conditions being met and the level of tax losses being successfully challenged by the relevant tax authorities.

The movement in deferred tax balances in the period includes a credit of \$0.1m (H1 2013 \$0.5m charge; FY13 \$nil) to retained earnings.

8 Profit per ordinary share

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

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

	Six months ended 31 March 2014 (Unaudited) Number	Six months ended 31 March 2013 (Unaudited) Number	Year ended 30 September 2013 (Audited) Number
Weighted average number of ordinary shares in issue	72,319,787	71,803,996	71,991,614
Effect of dilution: share options	2,286,570	2,617,777	2,233,625
Adjusted weighted average number of ordinary shares for diluted earnings per share	74,606,357	74,421,773	74,225,239
Profit before exceptional items & tax (\$m)	1.6	0.7	9.2
Basic profit before exceptional items & tax per share	2.3c	1.0c	12.8c
Diluted profit before exceptional items & tax per share	2.2c	1.0c	12.4c
Profit before exceptional items & after tax (\$m)	1.0	0.4	7.7
Basic profit before exceptional items & after tax per share	1.3c	0.7c	10.7c
Diluted profit before exceptional items & after tax per share	1.3c	0.5c	10.4c
Profit before taxation (\$m)	1.6	0.7	9.5
Basic profit before tax per share	2.3c	1.0c	13.2c
Diluted profit before tax per share	2.2c	1.0c	12.8c
Profit after tax (\$m)	1.0	0.4	6.4
Basic profit after tax per share	1.3c	0.7c	8.9c
Diluted profit after tax per share	1.3c	0.5c	8.6c

9 Property, plant and equipment

	Leasehold improvements \$m	Medical devices \$m	Plant and Equipment \$m	Total \$m
Cost				
At 1 October 2013	3.1	6.4	14.2	23.7
Additions	0.1	0.2	0.5	0.8
Disposals	-	(1.8)	(0.3)	(2.1)
Transfers	-	(1.7)	1.7	-
Exchange adjustment	-	(0.1)	-	(0.1)
At 31 March 2014	3.2	3.0	16.1	22.3
Accumulated depreciation				
At 1 October 2013	2.0	3.3	9.4	14.7
Charge for period	0.2	0.9	1.2	2.3
Disposals	-	(1.1)	(0.2)	(1.3)
Transfers	-	(1.1)	1.1	-
Exchange adjustment	-	-	-	-
At 31 March 2014	2.2	2.0	11.5	15.7
Net book value at 31 March 2014	1.0	1.0	4.6	6.6
Net book value at 30 September 2013	1.1	3.1	4.8	9.0
Net book value at 31 March 2013	1.3	7.0	3.5	11.8

During the six months to 31 March 2014, the Group incurred \$0.8m of expenditure on additions to property plant and equipment (H1 2013: \$1.1m; FY 2013: \$3.8m). Depreciation charges in the period were \$2.3m (H1 2013: \$4.7m; FY 2013: \$7.5m). There were no impairment charges to property, plant and equipment.

10 Intangible assets

	Development costs \$m	Software costs \$m	Licences and relationship costs \$m	Goodwill costs \$m	Total \$m
Cost					
At 1 October 2013	35.0	4.7	7.0	25.1	71.8
Additions – internal development	1.8	-	-	-	1.8
Additions – acquired	-	0.1	-	-	0.1
At 31 March 2014	36.8	4.8	7.0	25.1	73.7
Accumulated amortisation					
At 1 October 2013	20.4	3.9	5.2	-	29.5
Amortisation in year	1.4	0.1	0.5	-	2.0
At 31 March 2014	21.8	4.0	5.7	-	31.5
Net carrying amount at 31 March 2014	15.0	0.8	1.3	25.1	42.2
Net carrying amount at 30 September 2013	14.6	0.8	1.8	25.1	42.3
Net carrying amount at 31 March 2013	17.3	1.1	2.2	25.1	45.7

During the six months to 31 March 2014, the Group capitalised \$1.8m of expenditure incurred on intangible assets (H1 2013: \$0.8m; FY 2013: \$0.9m) and acquired intangible assets of \$0.1m (H1 2013: \$0.2m; FY 2013: \$0.2m). Amortisation charges in the period were \$2.0m (H1 2013: \$2.4m; FY 2013: \$4.4m).

During the year ended 30 September 2013 the Group impaired \$1.4m of intangible assets related to development costs (Note 4). There were no impairment charges to intangible assets in the period ended 31 March 2014.

11 Finance lease receivables

During the six months ended 31 March 2014, the Group recognised \$12.1m of finance lease agreements with customers (H1 2013: \$17.1m; FY 2013: \$33.8m) and received payments from customers of \$17.4m (H1 2013: \$12.6m; FY 2013: \$29.6m) together with receipts in respect of finance income of \$2.5m (H1 2013:\$2.5m, FY 2013: \$5.0m). The average effective interest rate in relation to finance leases is 5.6%.

As at 31 March 2014, the carrying value of finance lease receivables was \$80.4m (H1 2013: \$86.7m; FY 2013: \$86.2m) of which \$31.5m (H1 2013: \$28.8m; FY 2013: \$30.9m) was current. At 31 March 2014, \$0.3m of finance lease receivable balance has been provided for (H1 2013: \$nil; FY 2013: \$0.4m).

12 Cash and cash equivalents

	Six months ended 31 March 2014 (Unaudited) \$m	Six months ended 31 March 2013 (Unaudited) \$m	Year ended 30 September 2013 (Audited) \$m
Cash at bank and in hand	23.3	12.4	23.8
Short-term deposits	1.8	0.1	0.1
Cash and cash equivalents	25.1	12.5	23.9

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

13 Financial Liabilities

During the six months to 31 March 2014, the Group raised additional funding through vendor finance of \$46.8m (H1 2013: \$12.8m; FY 2013: \$15.1m) and made repayments to third-party providers of vendor finance of \$13.4m (H1 2013: \$6.9m; FY 2013: \$14.3m). Total vendor finance commitments outstanding at 31 March 2014 were \$60.6m (H1 2013: \$30.3m; FY 2013: \$25.3m) of which \$31.5m is current (H1 2013: \$13.2m, FY2013: \$11.5m).

At 30 September 2013, the Group had in place a revolving credit facility (RCF) of up to \$50.0m. During the six months to 31 March 2014 the balance of \$38m on the RCF was repaid leaving a balance of \$nil at 31 March 2014 (H1 2013: \$38.0m drawn down; FY13: \$38.0m drawn down). The RCF of up to \$30m was extended to January 2017. Amounts outstanding under the RCF incur interest between 1.5% and 2.0% above LIBOR, or in relation to any loan in Euro, EURIBOR or, in relation to any loan in Canadian Dollars, CDOR or, in relation to any loan in Australian Dollars, BBSW.

14 Related party transactions

During the six months to 31 March 2014, revenue totalling \$nil (H1 2013: \$94,923; FY 2013: \$110,862) at normal market prices was received by Group companies from Kehoe Eye Care PC, of which Peter Kehoe is a Director and controlling shareholder. There was \$nil outstanding at 31 March 2014 (outstanding within terms of trade: H1 2013: \$nil; FY 2013: \$nil). No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

15 Financial Instruments

The carrying value of the Group's financial assets and liabilities are not materially different from their fair value.

**Directors' Responsibility Statement
For the period ended 31 March 2014**

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

The Directors of Optos plc at 14 May 2014 are listed below.

The Directors confirm to the best of their knowledge that:

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

BY ORDER OF THE BOARD

Robert Kennedy
Company Secretary
14 May 2014

**Independent Review Report to Optos plc
For the period ended 31 March 2014**

Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the interim financial report for the six months ended 31 March 2014 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Changes in Equity, and the related notes 1 to 15. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim financial report for the six months ended 31 March 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Glasgow

14 May 2014

Directors of Optos plc

Dr Peter Fellner, Non-executive Chairman
Roy Davis, Chief Executive Officer
Robert Kennedy, Chief Financial Officer

Non-executive Directors

John Goddard
Peter Kehoe
David Wilson
Roselyn Wilton

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SC139953

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