OPTOS PLC

Preliminary Results FY14

Strong underlying revenue growth
Another record year for new installations
Marked increase in cash generation

LONDON, UK, 19 November 2014 – Optos plc (LSE: OPTS), the leading medical retinal imaging company, today announces its preliminary results for the financial year ended 30 September 2014 ("FY14"). All figures are reported in US$, the Company's reporting currency.

HIGHLIGHTS

Strong financial performance and cash generation

- Revenue and other operating income[1] was up 7% at $170.6m (FY13: $159.5m), up 3% excluding the early corporate account renewal
- 13% growth in underlying revenue[2]
- Adjusted profit before tax[3] doubled to $18.5m (FY13: $9.2m)
- Profit after tax increased to $8.5m (FY13: $6.4m)
- Cashflow before financing improved significantly up 176% to $29.0m (FY13: $10.5m)
- Improved profitability and inventory reduction helped reduce net debt by 69% to $12.2m (FY13: $39.4m)

Another record year for new product installations

- 1,536 new product installations (FY13: 1,271); Installed customer base up 24% to 7,376
- 1,640 Daytona devices installed this year; over 3,100 sold since launch and the year-end Daytona cost target achieved
- A strong year for sales of the clinical 200Tx device with 201 devices installed, increasing our penetration in Ophthalmology
- Continued progress with corporate contracts including the strategic early renewal of Lenscrafter in the US upgrading their stores to Daytona

Excellent progress on new product pipeline

- Post period; California was unveiled at the American Academy of Ophthalmology (AAO) meeting in October expanding our product portfolio in the ophthalmology market
- The unveiling of Lotte, our combined ultra-widefield retinal imaging technology with integrated optical coherence tomography (OCT), is anticipated for late FY15

Continued progress establishing optomap® as the retinal imaging standard

- During the year ultra wide-field imaging featured in 140 International Podium Presentations, 51 Peer Reviewed Papers and 74 papers at ARVO

Roy Davis, CEO of Optos, said:

"We continued to see strong demand for our products during the year, particularly Daytona. This has translated into another record year of placements with new customers. We have also delivered a robust cash performance through improved profitability and reduced inventory that has allowed us to reduce net debt significantly. Our pipeline of new products is also progressing to plan and we look forward to launching two important new devices, California and Lotte, over the next 12 months.

"With the continuing growth in our existing business, underpinned by an increasing body of supportive clinical evidence as well as the upcoming launch of new products, we are confident that the Company is well placed to drive customer growth, continued improvements in profitability and sustainable cash generation in FY15. We remain excited by the prospects for our future."

Notes

1 Other operating income represents income from the extension of previously recognised finance leases.
2 Underlying revenue growth is calculated by treating all payments receivable in the period from rental contracts as operating leases rather than finance leases.
3 Adjusted profit is profit before tax, exceptional & separately disclosed items (total $6.3m consisting of restructuring costs, intangible impairment and exchange rate translation on intercompany loans)

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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.

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.

Daytona represents the next generation of Optos ultra-widefield retinal imaging technology, and has been scaled to accommodate smaller office spaces while providing high resolution imaging, and adding new autofluorescence capabilities. Weighing only about 25 kg, Daytona's new, ergonomic body is designed to increase patient comfort, as well as make it easier to correctly position the eye. In addition to the smaller, sleeker design, Daytona features an improved user interface with its intuitive, workflow based software. Daytona also offers "plug-n-play" installation, a modular robust build-design to simplify product support, image review capabilities and electronic image storage options. Daytona was designed to allow the globalisation of the core Optos imaging technology, giving the opportunity to offer the benefits of **opto**maps® technology to more eyecare professionals and their patients around the world.

The acquisition of OPKO instrumentation in October 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 **opto**maps® 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.

Our expanded product range now includes ultra-widefield imaging, OCT, 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, for the second year running, a record increase in the number of customers, up 24% in the year. Daytona continues to be the key driver of new customer growth with over 1,600 devices installed this year. This takes the total number of Daytona customers to over 3,100 since its commercial launch less than 30 months ago and clearly validates Daytona as an excellent commercial product that we believe will continue to drive market penetration. Looking forward, Daytona remains core to our international expansion, margin enhancement and future product development.

We have also made good progress in the ophthalmology sector, with sales of the high-performance 200Tx device up by nearly 50% in the year. This market remains a strategic focus and we expect to see further growth through the continued sales of the 200Tx device and also the launch of the new California device in the first half of FY15.

Our expansion into new markets has continued as we have grown our global customer base. We now have 7,376 ultra-widefield (UWF) devices installed in optometry and ophthalmology practices worldwide, with International placements increasing by 41% and placements in the Americas by 19%.

We are pleased to report the continuing successful development of our clinical strategy with our highest reported number of clinical study results to date. During the year, more than 50 clinical papers featuring ultra-widefield imaging were published in peer-reviewed scientific journals. Our technology is now supported by over 300 completed and ongoing clinical studies, in over 60 retinal and systemic diseases. This growing body of evidence demonstrates the clinical significance of imaging the entire retina and will further support progress towards becoming the standard of retinal care.

As a result of the strong increase in new customers, combined revenue and other operating income increased to $170.6m for the year ended 30 September 2014, compared to $159.5m last year. On an underlying basis, treating all payments receivable in the period from rental contracts as operating leases, revenues grew 13%. We saw a further increase in demand from customers buying devices outright, with 80% of all new customers choosing to purchase this way.

Gross margins were maintained at 57% this year (FY13: 57%). Although we met our year-end cost reduction target for the Daytona product, there were some delays in the benefit being realised within the year. In addition, the mix of older devices and corporate accounts had a downward impact on overall margin. Overhead costs were again well controlled in the year.

As a result, profit before tax, exceptional and separately disclosed items doubled in the year to $18.5m (FY13: $9.2m) with basic earnings per share before tax and exceptional items increasing to 25.5c (FY13: 12.8c).

Exceptional and separately disclosed items were $6.3m (FY13: $0.3m credit) in the year. This was largely due to costs associated with restructuring ($2.1m), as announced at the half year, and an adverse exchange rate movement in the final quarter of the year relating primarily to the balance sheet translation of intercompany balances ($3.3m).

After exceptional and separately disclosed items reported profit before tax increased 28% to $12.2m (FY13: $9.5m) with basic earnings per share before tax increasing 27% to 16.8c (FY13: 13.2c). Profit after tax is up 32% to $8.5m (FY13: $6.4m).

Cash flow before financing improved significantly in the year, generating $29.0m, compared to $10.5m last year. As a result, we were able to reduce net debt to $12.2m from $39.4m at the end of the previous financial year. We also completed a new financing agreement including a $30m revolving credit facility with Bank of Scotland and new vendor financing of $48m.

I look forward with confidence to next year, with Daytona expected to remain the key driver of revenue growth underpinned by strong clinical data. The launch of the California device will help to further increase penetration in the ophthalmology segment and we also expect to unveil Lotte, our combined UWF / OCT, device towards the end of FY15.

As always, I would thank our investors for their continued 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
18 November 2014

Chief executive officer's review

Our strategy is based on leveraging our existing sales channel and growing both geographically and across different market segments.

We have seen another year of strong new customer growth, with Daytona being the key driver, but also increased sales of our 200Tx device into Ophthalmology. This translated to increased revenues and a doubling of adjusted[1] profit before tax. We also delivered strong cash generation which allowed us to reduce our net debt by 69%.

We have seen the trend for customers to buy devices outright continuing, with 80% of new customers choosing this model. This reflects the different segment mix, product offering and a lower cost of capital for customers.

Products

The Daytona device which we have been selling for just over two years has continued to perform strongly. Since launch, we have now installed over 3,100 devices including 1,640 this year alone both to new customers as well as upgrades. This clearly demonstrates that Daytona has been, and will continue to be, a game-changing device for the Company and our customers.

We also delivered solid growth in sales of our 200Tx device into Ophthalmology selling 201 new devices taking the total to 679 globally. We expect to continue this into FY15 through both the 200Tx and our latest device, California, which was unveiled at the American Academy of Ophthalmology (AAO) meeting in Chicago on 18 October 2014. California introduces the newest imaging modality; indocyanine green angiography (ICG) and includes all current colour imaging modalities, autofluorescence (AF) and fluorescein angiography (FA).

During the year, we have continued to make progress with Corporate Accounts including the completion of the OPSM roll out in Australia and expansion into Hong Kong; agreements with Grand Vision to supply their practices in Finland and Norway; a strategic early renewal of Lenscrafter in the US upgrading them to Daytona; as well as another successful year with Vision Source.

The near term focus is the successful delivery of the California device, expected to be available for commercial sale in the first half of FY15 which should provide the platform for continued growth within the Ophthalmology segment. We will also progress the development of Lotte, our combined UWF / OCT device, which we expect to unveil towards the end of the FY15.

Segments

Optometry currently remains our largest segment. However, during the year, we continued to develop the retinal specialist and ophthalmology segments and these segments now represent 23% of the installed base. To support this we have established a new sales team focused on this segment. We are also seeing a growing interest in the primary care segment including an important collaboration with the Joslin Diabetes Centre and the US Indian Health Service (a US Department of Health and Human Services agency providing healthcare to Native American and Alaskan Native peoples) to install Daytona devices into a teleophthalmology programme in primary health centres serving selected Native American communities.

In addition to these segments, corporate accounts, driven primarily by Daytona, still represent a significant opportunity for Optos.

Geographies

We continued to grow our installed base internationally, with territories outside North America contributing 28% of total revenue in FY14. The International installed base increased by 41% during the year. Distributors now represent 12% of all sales.

Americas

North America continues to be our main market with revenues increasing by 11% in the year (including the corporate account renewal) and the installed base by 19% which offset the reduced operating rental revenue. We expect to continue delivering growth through a combination of the wider product range and segment targets.

We have had a good first year in Latin & South America where we have established distributors in key markets. We expect to build on this platform in FY15 and grow revenues further in these markets.

International

In Europe, the picture has been mixed as we continue to see challenging economic conditions. Our German and Distribution business has been flat. Although we have seen reasonable new customer growth in the UK & Northern Europe, it was not as strong as we would have liked and therefore revenues were slightly lower. However, a notable success in the UK was a record year for sales into the NHS.

The Middle East represents a significant opportunity for us, in particular around diabetes. We have seen good growth in the region and expect this to continue.

The key international growth market remains Asia, where we have continued to expand our presence with increasing demand both for the 200Tx and Daytona devices. In Australia, we successfully completed the installation of the OPSM contracts as well as continuing to grow direct sales, particularly within Ophthalmology.

As a result of the sales performance in Europe and the reduced number of OPSM installs in year (as compared to FY13), International revenues were down 3%. The installed base continued to increase up 41% albeit lower than the prior year (FY13: 58%).

Choice of Business Models
In FY14, we have seen a continuation of the trend away from the traditional pay-per-patient model towards outright purchases of the devices. Capital sales increased by 29% and, as a result, represented 60% of total revenues in the year compared to 50% in FY13. This trend has been particularly notable for new customers where 80% have chosen to purchase the device. As a company, we continue to offer all business models to customers and remain neutral on which the customers choose.

The number of rental customers has fallen by 5% in the year and, while we have added new rental customers, we have seen an increasing number of customers choosing to purchase their device at the end of their contract.

The number of devices de-installed in the year remains low at just 105, compared to 101 in FY13 and 203 in FY12. This represents less than 2% of the installed base (FY13: 2%).

The change in mix, along with strong cost and inventory control, has resulted in a significantly improved cash performance compared to the previous year. Cash flow before financing activities saw a $29.0m inflow (FY13: $10.5m).

Research & Development
We have made excellent progress, both in terms of continued innovation within the research context and successful transfer of the resulting concepts and technologies into the development of new products.

California, our new product targeted at Ophthalmology and Vitreo Retinal Specialists, was unveiled in October. It supports Red, Green, Auto Fluorescence and Fluorescein Angiography imaging modes, with the addition of a new imaging modality, Indo Cyanine Green (ICG), which uses a longer wavelength Infra-Red Laser to view the deeper retinal choroidal structure. It is based on the Daytona concept designed with cost, size, weight and reliability at its core. California incorporates a novel optical component providing significant resolution enhancements in the image periphery.

Significant strides have also been made with the design of miniaturised, compact Optical Coherence Tomography (OCT) modules, software and subsequent prototype devices to enable the first integrated ultra-widefield Imaging and OCT.

The increasing importance of software is illustrated by the level of development and process activity in both the Research and New Product Development Groups which included the successful release of ProView software, comprising:

- image projection and registered image overlay for improved longitudinal tracking;
- diagnostics and treatment planning applications of a retinal measurement system that provides length and area measurements enabling accurate recording of disease extent; and
- correlation with treatment planning and determination of treatment efficacy for improved detection and management of retinal diseases.

Separately, Optos has been instrumental in the development of a DICOM (Digital Imaging and Communications in Medicine) supplement to include the Optos Measurement System within the globally-recognised DICOM standard. Optos has taken the lead role in the proposed development, collaborating with industry partners and competitors. This resulted in a motion being released for public comment during FY14.

Existing products have also been further enhanced with the design of new modules to improve cost, function and reliability. In addition, enhanced embedded software for Daytona has been developed and released, which includes Modality Work List support and the ability to enable eye-steered imaging.

External research collaboration also continues to yield good results with a successful bid for a £1.1m collaborative research grant in conjunction with Innovate UK, working with the University of Kent, Strathclyde University and NHS Scotland to develop technology for early detection and classification of retinal disease. Extended Research collaborations have continued with a number of leading academic institutions and international clinical researchers in the development and clinical validation of novel imaging technologies. Our IP position around ultra-widefield device platforms and associated imaging software technologies has also been strengthened with the filing of new patents during the year.

The Significance of the Peripheral Retina in Diabetic Retinopathy, Age Related Macular Degeneration (AMD) and other Retinal Diseases

We are committed to further strengthening our clinical evidence and expanding our disease indications whilst demonstrating the importance of imaging the entire retina. A key focus of our research and medical communication this year has been the clinical application of **opto**map® in high profile retinal diseases such as Diabetes, Age-related Macular Degeneration and Retinal Vein Occlusion. Underpinned by a strong foundation of published studies, this year we are pleased to announce our support of a number of strategic multicentre clinical studies in these three disease areas.

In Diabetic Retinopathy, an important 4 year follow-up study was presented at ARVO this year which found that diabetic lesions located peripheral to the ETDRS (Early Treatment Diabetic Retinopathy Study) gold standard fields predict a markedly increased risk of Diabetic Retinopathy progression. A large scale study has now been set-up with the primary endpoint to look at these earliest clinical changes in diabetic retinopathy, changes shown to be associated with a greater risk of disease progression and an increase in patient complications. We expect this study will confirm the importance of screening the peripheral retina in preventing vision loss associated with diabetes.

In Age-related Macular Degeneration the first presentations of the Optos Peripheral Retina (OPERA) Age Related Eye Disease Study 2 (AREDS2) Ancillary Study took place this year and established that peripheral retinal abnormalities are very common in eyes with age-related macular degeneration. Damaging retinal deposits associated with ageing were found by ultra-widefield imaging outside the traditional field of view in up to 75% of eyes studies.

In Retina Vein Occlusion, a clinical study published in the journal Retina focused on areas of peripheral retinal tissue that lack blood flow and cause vision loss. The study concluded that a peripheral component affects both the clinical course of the disease, and the patient's response to intravitreal injections of anti-VEGF treatment. A multicentre study is now underway to understand the importance of this peripheral factor and **opto**map® is being used to predict disease course and treatment responsiveness. The study is correlating areas of peripheral retinal nonperfusion with visual acuity and central retinal thickness, and outlining the prognostic value of this component in predicting disease course and treatment response to anti-VEGF treatment.

We remain committed to focusing our clinical research to strengthening the pillars of detection and prevention of blindness due to diabetic retinopathy, as well as other diseases, and in improving the standards of care.

Organisation

As announced earlier in the year, we have reduced the number of locations and further restructured the organisation resulting in a reduction in the average staff numbers employed from 435 to 391.

We have rationalised our operational footprint by:

- consolidating our US manufacturing operations into one facility in Marlborough, MA;
- consolidating our European customer service function into Dunfermline, Scotland;
- establishing a new customer service function for Asia in our Adelaide, Australia, location; and
- closing our Middle East sales office in Dubai.

We also reduced inventory by 35% whilst improving service levels.

Summary and Outlook

We delivered revenue growth of 7% (3% excluding the early corporate renewal) through continued customer growth, offset by reduced operating lease income. We also significantly improved profitability and cash generation during the year.

The 24% increase in our installed customer base to 7,376 including over 3,100 Daytona devices demonstrates the success of both the Daytona device and the increasing value of our proprietary technology to eye healthcare professionals globally.

The revenue growth combined with focus on cost control has delivered a 100% improvement in adjusted[1] profit before tax to $18.5m from $9.2m, as well as a 69% reduction in net debt to $12.2m.

Looking forward, we have a strong R&D pipeline with two important products scheduled to be launched in the year and a growing body of clinical evidence demonstrating the critical importance of diagnostics in the retinal periphery and for the treatment and management of diseases. During the next financial year we expect to:

- Deliver to the market the new California device
- Unveil Lotte, the combined OCT / UWF, device
- Promote additional growth in the installed base with an increasing penetration within Ophthalmology
- Continue to build the clinical evidence supporting UWF with a focus on specific disease areas

We expect to see continued new customer growth similar to FY14, delivering low single digit revenue growth in FY15. This would have been higher if not adjusted for the early corporate account renewal in FY14. Gross margin for the full year, on the basis of the anticipated mix of capital sales and rentals, is expected to improve to around 60%, exiting the year at a higher rate as we benefit from the new products. In future years, we anticipate further incremental improvements in gross and operating margins as we benefit from the new product platforms, as well as continued customer growth and continued renewal opportunities. As with previous years, revenue is to be heavily weighted to the second-half of the year with a consequential impact on profit and cash.

With strong sales of Daytona, our new products progressing well, the increasing body of clinical evidence and a broadened geographical reach, the Board is confident that Optos is well placed to drive customer growth, continued improvements in profitability and sustainable cash generation in FY15.

Roy Davis
Chief Executive Officer

Notes

1 Adjusted profit is profit before tax, exceptional & separately disclosed items (total $6.3m consisting of restructuring costs, intangible impairment and exchange rate translation on intercompany loans)

Financial review and KPIs

US$m *except per share data (cents)*	Year ended 30/09/2014	Year ended 30/09/2013	% Change
Revenue and other operating income	**170.6**	**159.5**	**7%**
Operating lease & variable revenues from rental of devices	8.6	18.6	-54%
Device sales – outright	102.0	79.5	28%
Device sales under finance leases	24.9	32.6	-24%
Service & warranty revenues	33.4	27.5	21%
Other operating income*	1.7	1.3	30%
Gross profit	**96.3**	**89.2**	**8%**
Operating profit before exceptional & separately disclosed items	**16.3**	**6.6**	**147%**
Profit before tax and exceptional & separately disclosed items	**18.5**	**9.2**	**101%**
Profit before tax	**12.2**	**9.5**	**28%**
Profit after tax	**8.5**	**6.4**	**33%**
EPS (diluted) – cents	**11.3**	**8.6**	**30%**
Cash before financing	**29.0**	**10.5**	**176%**
Net debt	**(12.2)**	**(39.4)**	**69%**

*This includes $0.4m (FY13: $0.1m) relating to capital sales and $1.3m (FY13: $1.2m) finance lease revenue

Profit and Loss Account

Revenues

The sum of revenues ($168.9m) and other operating income ($1.7m), in total $170.6m, were 7% higher than last year ($159.5m), excluding the early corporate renewal revenues were 3% higher. It is worth noting that revenue would have been a further $0.5m higher using constant currency (comparing the FY14 rate to the FY13 rate).

The outright sales of devices, including capital sales in Other Operating Income, increased by 29% to $102.4m (FY13: $79.6m), this compensated for lower finance lease revenue and also a further $10m reduction in the historic operating rental income. Finance leases were lower at $26.2m (FY12: $33.8m) due to the reduced number of new rental customers. Revenues from operating leases fell to $8.6m from $18.6m last year, reflecting the shift of rental classification into finance leases. Revenues from service and warranty once again increased in the year to $33.4m (FY13: $27.5m).

We have experienced some price erosion on the older devices, notably the 200Tx and 200Dx. The list price for Daytona has remained the same although the average selling price has reduced reflecting the increased corporate account and distributor mix.

We continued to see strong growth in new capital customers, up 42% (1,232 v 868) with Daytona being the main driver supported by strong sales of the 200Tx device. The number of new rentals fell by 25% (304 v 403) reflecting the change in customer preferences to outright ownership. The number of operating lease renewals, both rental extensions and capital conversions, were down again in the year. We are, however, seeing an increasing number of finance lease customers (including those with an RTO contract) upgrading their device, the main driver of this in the year were corporate accounts, in particular, the Lenscrafter upgrade renewal.

At the end of the year we had 3,167 rentals of which around 1,450 have a rent-to-own option. This compares to 3,329 rentals at the end of September, with lower number of RTOs, the change reflects reduced number of new rental customers and existing customers upgrading.

Adjusting revenues in both the current and prior financial year to treat all receipts under rental contracts as if they were operating leases would result in an underlying growth in revenues of 13%.

Our Americas markets generated revenues of $123.3m (FY13: $110.6m) an increase of 11% due to the growth in new customers and the early corporate account renewal. International market revenues (excluding inter-segment sales) fell to $47.3m (FY13: $48.9m) following continued challenging economic conditions in Europe as well as a reduced number of OPSM installs in Australia in the year which had a particularly strong comparable prior year . There was continued growth in Asia and Middle East. All areas delivered good installed base growth, with International now representing 25% of all installs (FY13: 22%)

We have $122m due under non-cancellable rental contracts, of which $75.8m is recognised in the balance sheet. The balance is committed service revenue that will be matched to the period in which the service is delivered and a small element of remaining operating leases ($0.7m). This is lower than last year (FY14: $144m) as a consequence of the reduced number of rental customers.

Customer Base
Our customer base for core Optos UWF scanning devices increased from 5,945 to 7,376 during the year, a growth of 24%.

There has been a significant change in mix of ownership with 57% of our devices now owned outright (4,209) as compared to 44% last year (2,616). We sold 1,536 devices in FY14, compared to 1,271 in FY13, of which 1,232 went to new customers. We also added 304 new rental customers (FY12: 403) the lower number reflecting the customers preference. In total, 43% of our total installed base (3,167 devices) remains on rental contract with the majority (3,069) classified as finance leases. This equates to a reduction of 162 rental customers.

Gross and Operating Profits and Net Finance Costs
Gross profits increased by $7.1m to $96.3m driven by the increased revenue, with a flat gross margin of 57% (FY13: 57%). Gross margin restated to include the release of finance lease interest was 59% (FY12: 58%). At a constant currency gross margin would have been $0.8m higher. The gross margin % was lower than we had expected for a number of reasons:

- Daytona cost: whilst we did meet the year-end target cost there were delays in benefit being realised in the year.
- Corporate accounts: the increased mix of corporate accounts, in particular the impact of early rental renewal which reduced the average finance lease booked revenue.
- Older products: we have experienced some price erosion on the older products which has reduced gross margin on these products. However the lower prices have enabled us to realise an inventory reduction and generate cash.

Overheads before exceptional & separately disclosed items were reduced again this year from $83.9m to $81.7m. Sales costs were higher ($36.2m v $32.4m) primarily due to the higher commission offsetting the reduced staff numbers. Administration costs are lower ($45.5m v $51.5m) due to the partial benefits from the restructuring in the second half of the year as well as increased research costs capitalisation as compared to prior year. The level of capitalisation in FY14 at $7.4m is at a similar level to FY12 & FY11 but higher than FY13 ($0.9m) due to additional third party expenditure and internal development associated with the new devices.

Operating margins before exceptional & separately disclosed items increased from 4% to 10% due to increased operational leverage, delivering a 147% increase in operating profits pre-exceptional & separately disclosed items to $16.3m (FY13: $6.6m). Operating margin including finance lease interest revenue increased to 12% (FY13: 7%). At a constant currency operating margin would have been $1.4m higher, mainly due to increased overhead costs result from the USD to GBP movement.

Average numbers of employees reduced by 10% from 435 to 391. The restructuring in the second half of the year has been implemented. Staff costs for the year were $55.0m compared to $50.1m in the previous year, the lower average staff numbers were offset by increased incentive payments, exchange rate, pay inflation and increased US healthcare costs.

Finance interest revenue of $4.8m (FY13: $5m) represents the implied discount within finance lease rental contracts and, therefore, is effectively a release of revenue.

Interest charges and other finance costs were slightly higher at $2.6m (FY13: $2.4m) due to the interest on the vendor financing which is front-end loaded.

Profit on Ordinary Activities before Tax
Profit on ordinary activities, before tax and exceptional & separately disclosed items, doubled to $18.5m as compared to $9.2m last year. Exceptional items and separately disclosed items were $6.3m, as detailed below, compared to a $0.3m credit in FY13, therefore profit before tax was $12.2m (FY13: $9.5m) an increase of 28%.

Exceptional and Separately Disclosed Items
Exceptional charges of $3.0m (FY13: $0.3m credit) and $3.3m relating to a separately disclosed items were incurred in the period, totalling $6.3m as detailed below:

$m	FY14	FY13
Exchange rate on translation*	3.3	2.3
Restructuring costs	2.1	0.8
Intangible (development) impairment	0.9	1.4
Opko royalty reduction		(4.8)
Total	**6.3**	**(0.3)**

*Due to the material and expected one off nature of the foreign exchange loss in 2013, this was presented as an exceptional item in that year's accounts. As a consequence of the adverse exchange rate movements discussed above and the continued existence of significant intercompany balances between group entities with a non-US$ functional currency, a material foreign exchange loss has again been recognised in the group accounts in respect of these balances. Given the reoccurrence of these exchange differences, it is no longer appropriate to present them as exceptional items. However in accordance with IAS 1, given the materiality and nature of these exchange differences, these items have been disclosed separately.

The balance sheet includes a number of currency balances, in particular long term intercompany loan balances. As a consequence of adverse exchange rate movements, in particular the USD to AUD and USD to EUR rate, there was again a material adverse charge of $3.3m relating to the translation of inter-company balances, all but $0.4m was incurred in Q4 and the majority in September. This adverse movement is in addition to the $2.3m incurred last year against the same balances. Given the timing, nature and size of this it was deemed material to the overall result. It should be noted that the impact of other exchange rate movements relating to profit & loss items have been taken through profit before exceptional & separately disclosed items.

As previously announced, restructuring was undertaken in the year relating to the reconfiguration of the International sales force, closure of satellite offices and reductions in the management organisation. Costs totalling $2.1m have been booked relating to this restructuring, this includes future rental and dilapidation commitments.

Lastly, during the second half of the year the decision was taken to limit the production lifetime of the standalone OCT device given the plan to launch the combined device in FY15. As a result, the intangible technology asset associated with the standalone OCT device was written off at cost of $0.9m.

The total charge of $3.7m for the year can be analysed as below:

$m	**Pre-Exceptional & Separately Disclosed**	**Exceptional & Separately Disclosed**	**Total**
Profit before tax	18.5	(6.3)	12.2
Tax (see breakdown below)	5.2	(1.5)	3.7
Effective rate	*28%*	*24%*	*30%*
Tax analysis			
Current – current year	1.8	(0.3)	1.5
Deferred tax year	3.4	(1.2)	2.2

The pre-exceptional & separately disclosed tax rate of 28% benefits from patent box and R&D relief in the UK but is adversely impacted by the overseas rates, in particular the US where the average rate is 40%. The exceptional rate is lower as the majority of these costs were incurred in the UK.

The resultant post-tax profit before exceptional & separately disclosed items was $13.3m (FY13: $7.7m), representing basic earnings per share of 18.4c compared with 10.7c, in the previous year.

Profit after Tax
The resultant post-tax profit after exceptional & separately disclosed items was $8.5m (FY13: $6.4m), representing basic earnings per share of 11.7c compared with 8.9c, in the previous year.

Cash Flow
Cash flow from operating activities before tax was an outflow of $3.2m compared to an outflow of $16.2m in FY13. However, a large proportion of cash received relates to finance leases (rental and imputed interest) which, although shown within investing activities, are a core part of operating activities.

$m	FY14	FY13	Mvt
Cash flow from operating activities	(3.2)	(16.2)	
Cash receipts from finance lease receivables	37.2	29.6	
Finance lease interest receivable	4.8	5.0	
Adjusted operating cash flow	**38.8**	**18.4**	**20.4**
Purchases of property, plant and equipment	(2.4)	(3.8)	
Expenditure on intangible assets	(7.7)	(1.1)	
Cash flow before tax and financing	**28.7**	**13.5**	**15.2**
Tax paid	0.3	(3.0)	
Cash flow before & financing	**29.0**	**10.5**	**18.5**
Financing activities	(24.1)	6.8	
Net increase in cash	*4.9*	*17.3*	
Foreign Exchange	*0.2*	*0.0*	
Increase in cash	*5.1*	*17.3*	

Cash flow before tax and financing activities was an inflow of $28.7m compared with an inflow of $13.5m in the previous year and therefore a $15.2m improvement. This was due to revenue mix (a higher proportion of capital sales), positive finance lease receipts and reduced inventory.

Excluding finance income and finance lease receipts, investing activities used $10.1m (FY13: $4.9m). Expenditure on intangible assets of $7.7m relates mainly to research and development associated primarily with the new California device. This was $6.6m higher than last year with expenditure returning to a similar level as FY12 and FY11. In FY13 the focus was on improving Daytona and therefore there was less time and third party costs associated with new product development. Cash investment in fixed assets fell from $3.8m to $2.4m, this related to assets used in the business with very few devices under operating leases.

Cash flow before interest paid and financing activities was $29.0m which is a 176% ($18.5m) improvement as compared to $10.5m in FY13.

Net cash flows from financing activities resulted in an outflow of $24.1m (FY13: $6.8m inflow). This reflects the $38m repayment of the revolving credit facility with Lloyds Bank, which was undrawn at the year end (FY13: $38m). We raised $47.6m on new vendor financing, the majority of which was untaken at the time of the refinancing in January; we have repaid $31.7m vendor financing therefore a net inflow of $15.9m in the year. Cash balances increased by $5.1m to $29.0m, resulting in net debt at the year end of $12.2m compared to $39.4m at the start of the year.

During the year, we agreed a new $30m RCF with Bank of Scotland which runs to January 2017.

Balance Sheet
Shareholders' equity increased to $135.5m in the year from $125.5m, principally reflecting the increase in retained profits. Finance lease receivables reduced to $75.8m (FY13: $86.2m) reflecting the reduced rental base.

Non-current assets fell again to $100.7m (FY13: $110.4m) due to a reduction in plant and machinery from the reduced operating leases and the lower finance lease receivable balance.

Current assets were broadly flat $117.0m (FY13: $116.7m). Inventory fell significantly by $11.8m (34%) with a focus on reducing inventory on older products and improving the Daytona supply chain. Debtors increased as a result of the timing of sales, cash balances also increased by $5.1m reflecting the improved cash generation.

Total liabilities reduced significantly to $82.2m from $101.6m due to reduction in debt, down $22.1m from $63.3m to $41.2m.

KPIs

We look at our performance in terms of revenues, customer growth, operating margins and cash generation, as follows.

	FY14	FY13	FY12
Revenue			
Revenue growth	7%	-19%	37%
Underlying revenue growth	13%	4%	15%
Customers			
Increase (net) in installed base	1,431	1,170	535
Increase (net) in installed base %	24%	25%	13%
Total number of customer sites	7,376	5,945	4,775
Number of rental customer sites	3,167	3,329	3,215
Number of capital devices	4,209	2,616	1,560
Margin			
Adjusted operating margin	12.3%	7.3%	14.6%
Cash			
Cash generated before tax, financing & acquisitions ($m)	28.7	13.5	(1.8)
Future contracted revenues ($m)	122.1	144.3	160.0
Net Debt ($m)	(12.2)	(39.4)	(47.9)

Definitions:

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.

Adjusted Operating margin is Operating profit before exceptional and separately disclosed items plus finance lease interest, divided by Revenue.

Consolidated income statement

For the year ended 30 September 2014

	Notes	**2014 Before exceptional and separately disclosed items $m**	**2014 Exceptional and separately disclosed items (Note 4) $m**	**2014 $m**	2013 Before exceptional and separately disclosed items $m	2013 Exceptional and separately disclosed items (Note 4) $m	2013 $m
Revenue	5	**168.9**	**-**	**168.9**	158.2	-	158.2
Cost of sales		**(72.6)**	**-**	**(72.6)**	(69.0)	-	(69.0)
Gross profit		**96.3**	**-**	**96.3**	89.2	-	89.2
Selling and distribution costs		**(36.2)**	**(1.9)**	**(38.1)**	(32.4)	-	(32.4)
Administrative and other expenses		**(45.5)**	**(4.4)**	**(49.9)**	(51.5)	0.3	(51.2)
Other operating income	5	**1.7**	**-**	**1.7**	1.3	-	1.3
Operating profit		**16.3**	**(6.3)**	**10.0**	6.6	0.3	6.9
Finance revenue	6	**4.8**	**-**	**4.8**	5.0	-	5.0
Finance costs	6	**(2.6)**	**-**	**(2.6)**	(2.4)	-	(2.4)
Profit from continuing operations before taxation		**18.5**	**(6.3)**	**12.2**	9.2	0.3	9.5
Tax (charge)/credit	8	**(5.2)**	**1.5**	**(3.7)**	(1.5)	(1.6)	(3.1)
Net profit for the year attributable to equity holders of the parent		**13.3**	**(4.8)**	**8.5**	7.7	(1.3)	6.4
Profit before taxation per ordinary share							
Basic	9	**25.5c**	**-**	**16.8c**	12.8c	-	13.2c
Diluted	9	**24.7c**	**-**	**16.2c**	12.4c	-	12.8c
Profit after taxation per ordinary share							
Basic	9	**18.4c**	**-**	**11.7c**	10.7c	-	8.9c
Diluted	9	**17.7c**	**-**	**11.3c**	10.4c	-	8.6c

Consolidated statement of comprehensive income

For the year ended 30 September 2014

	2014 $m	2013 $m
Profit for the year	**8.5**	6.4
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Exchange differences on foreign operations	**0.2**	0.3
Other comprehensive income for the year after tax	**0.2**	0.3
Total comprehensive income for the year	**8.7**	6.7

Consolidated balance sheet
As at 30 September 2014

	Notes	2014 $m	2013 $m
Assets			
Non-current assets			
Property, plant and equipment	10	**5.5**	9.0
Intangible assets	11	**44.8**	42.3
Investments in subsidiaries		**-**	-
Finance lease receivables	12	**47.2**	55.3
Deferred tax asset	8	**3.2**	3.8
Total non-current assets		**100.7**	110.4
Current assets			
Inventories	13	**22.8**	34.6
Tax receivable	8	**0.7**	2.3
Finance lease receivables	12	**28.6**	30.9
Trade and other receivables	14	**35.9**	25.0
Cash and cash equivalents		**29.0**	23.9
Total current assets		**117.0**	116.7
Total assets		**217.7**	227.1
Equity and liabilities			
Equity			
Issued capital		**2.6**	2.6
Share premium		**120.9**	120.3
Retained profit		**11.9**	2.7
Foreign exchange reserve		**0.1**	(0.1)
Total equity		**135.5**	125.5
Non-current liabilities			
Financial liabilities	15	**17.5**	13.8
Provisions	16	**0.4**	-
Government grants		**0.4**	-
Deferred tax liability	8	**2.4**	1.0
Total non-current liabilities		**20.7**	14.8
Current liabilities			
Trade and other payables	17	**36.5**	36.8
Tax Payable		**0.4**	-
Provisions	16	**0.9**	0.5
Financial liabilities	15	**23.7**	49.5
Government grants		**-**	-
Total current liabilities		**61.5**	86.8
Total liabilities		**82.2**	101.6
Total equity and liabilities		**217.7**	227.1

Approved by the Board of Directors on 18 November 2014 and signed on its behalf by:

ROBERT KENNEDY
DIRECTOR

Group statement of changes in equity
For the year ended 30 September 2014

	Notes	*Share capital $m*	*Share premium $m*	*Retained profit/(deficit) $m*	*Foreign exchange $m*	*Total $m*
At 1 October 2012		2.5	120.0	(3.5)	(0.4)	118.6
Other comprehensive income		—	—	—	0.3	0.3
Profit for the year		—	—	6.4	—	6.4
Total comprehensive income for year		**—**	**—**	**6.4**	**0.3**	**6.7**
Issue of ordinary share capital	18	0.1	0.3	-—	—	0.4
Deferred tax associated with share-based payment transactions		—	—	(0.5)	—	(0.5)
Share-based payments		—	—	0.3	—	0.3
At 30 September 2013		2.6	120.3	2.7	(0.1)	125.5
Other comprehensive income		-	-	-	0.2	0.2
Profit for the year		-	-	8.5	-	8.5
Total comprehensive income for year		**-**	**-**	**8.5**	**0.2**	**8.7**
Issue of ordinary share capital	18	-	0.6	-	-	0.6
Deferred tax associated with share-based payment transactions		-	-	0.3	-	0.3
Share-based payments		-	-	0.4	-	0.4
At 30 September 2014		**2.6**	**120.9**	**11.9**	**0.1**	135.5

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.

Group cash flow statement
For the year ended 30 September 2014

	2014 $m	*2013 $m*
Operating activities		
Profit for the year	**8.5**	6.4
Adjustments to reconcile profit for the year to net cash inflow from operating activities:		
Income tax charge	**3.7**	3.1
Net finance (revenue)/costs	**(2.2)**	(2.6)
Depreciation, amortisation and impairment of non-current assets	**9.1**	13.3
Loss on Property, plant and equipment scrapped	**0.9**	0.3
Intangibles held in software disposed of	**-**	0.1
Medical devices held in PPE disposed of	**1.1**	3.4
Share-based payments	**0.4**	0.3
Revenue recognised from device sales under finance leases	**(26.2)**	(33.8)
Increase/(Decrease) in trade and other receivables	**(11.3)**	4.5
Increase in Government grants	**0.4**	—
Decrease/(Increase) in inventories	**11.8**	(4.0)
Increase/(Decrease) in trade and other payables	**(0.3)**	(1.0)
Increase/(Decrease) in provisions	**0.8**	(6.2)
Cash flow from operating activities	**(3.2)**	(16.2)
Tax received/(paid)	**0.3**	(3.0)
Net cash flow from operating activities	**(2.9)**	(19.2)
Cash flow from investing activities		
Finance lease interest receivable	**4.8**	5.0
Purchases of property, plant and equipment	**(2.4)**	(3.8)
Expenditure on intangible assets	**(7.7)**	(1.1)
Cash receipts from finance lease receivables	**37.2**	29.6
Net cash flow from investing activities	**31.9**	29.7
Net cash flow from operating and investing activities	**29.0**	10.5
Cash flow from financing activities		
Proceeds from vendor finance	**47.6**	15.1
Repayment of vendor finance	**(31.7)**	(14.3)
Repayment of borrowings	**(38.0)**	8.0
Proceeds from share issues	**0.6**	0.4
Interest paid	**(2.6)**	(2.4)
Net cash flow from financing activities	**(24.1)**	6.8
Net increase/(decrease) in cash and cash equivalents	**4.9**	17.3
Effect of foreign exchange on cash and cash equivalents	**0.2**	—
Cash and cash equivalents at beginning of year	**23.9**	6.6
Cash and cash equivalents at end of year	**29.0**	23.9

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 this is the Group's functional currency, and all values are rounded to the nearest one hundred thousand except when otherwise indicated.

The financial information for the years ended 30 September 2014 and 2013 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 2013 have been delivered to the Registrar of Companies, and the accounts for the year ended 30 September 2014 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 2014 will be posted to shareholders in January 2015. The results for 2014 were approved by the Board of Directors on 18 November 2014 and are audited. The Annual General Meeting will take place on 19 February 2015.

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 19.

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 and the availability of other sources of debt capital including the $30m 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.

c) 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
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 7 (Amendment)	Financial Instruments: Disclosures	1 January 2013
IAS19 (Amendment)	Employee Benefits	1 January 2013

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

In assessing performance and making resource allocation decisions, the Executive Team (the Group's chief operating decision-making body) is provided with information only on a Group basis and reviews operating profit, assets and liabilities only at a consolidated 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.

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.

Analysis of this revenue and non-current by geographical area:

	UK *\$m*	*USA* *\$m*	*Rest of world* *\$m*	*Total* *\$m*
Revenue FY 2014[1]	**6.8**	**115.9**	**47.9**	**170.6**
Non-current assets[2]	**23.9**	**48.1**	**25.5**	**97.5**
Revenue FY 2013[1]	8.1	99.4	52.0	159.5
Non-current assets[2]	17.9	53.7	35.0	106.6

1 Revenues are attributed to countries on the basis of the customer's location

2 Non-current assets excludes deferred tax asset

The Group has a large and diverse customer base and there is no significant reliance on any single customer.

4 Exceptional and separately disclosed items

	2014 **\$m**	*2013* *\$m*
Royalty release	**-**	4.8
Restructuring costs	**(2.1)**	(0.8)
Development cost impairment	**(0.9)**	(1.4)
Foreign exchange loss[(1)]	**(3.3)**	(2.3)
Total recognised in the year	**(6.3)**	0.3

1 Separately disclosed items: due to the material and expected one off nature of the foreign exchange loss in 2013, this was presented as an exceptional item in that years accounts. As a consequence of the adverse exchange rate movements discussed below and the continued existence of significant intercompany balances between group entities with a non-US\$ functional currency, a material foreign exchange loss has again been recognised in the group accounts in respect of these balances. Given the reoccurrence of these exchange differences, it is no longer appropriate to present them as exceptional items. However in accordance with IAS 1, given the materiality and nature of these exchange differences, these items have been disclosed separately.

ROYALTY RELEASE

The Group reviews acquisitions at the end of each financial year.

As part of the OPKO instrumentation acquisition in September 2011, contingent royalties amounting to \$8.5m were payable on future product sales. At 30 September 2012, the fair value of this contingent royalty payment was revised downwards from \$8.5m to \$6.3m to reflect the revenue and product mix projections (see Note 18). As at 30 September 2013, an agreement has 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 in 2013.

RESTRUCTURING COSTS

In May 2014, the Group announced a restructuring which included the closure of three smaller offices along with some organisational changes. The cost of restructuring amounted to \$2.1m (2013: \$0.8m) and comprised redundancy costs of \$1.3m (2013: \$0.7m) and other closure costs of \$0.8m (2013: \$0.1m).

DEVELOPMENT COSTS

With the future introduction of the combined UWF/OCT device in FY 2015 and new regulation in Europe, Optos has decided to cease the manufacture of the standalone OCT devices during FY 2015. This has resulted in the impairment of the OCT technology intangible asset and, therefore, a \$0.9m charge in the year.

In FY 2013 the Group decided to stop the development of a new standalone OCT device, writing off the associated development costs \$1.4m.

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 $3.3m (2013: $2.3m recognised as an exceptional item) relating to the translation of inter-company balances. The adverse exchange movement has been treated as separately disclosed item this year, 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.

5 Revenue and expenses

	2014 $m	2013 $m
Revenue		
Operating lease and variable revenue from rental of devices	**8.6**	18.6
Device sales under finance leases	**24.9**	32.6
Device sales – outright	**102.0**	79.5
Service and warranty contracts	**33.4**	27.5
Revenue	**168.9**	158.2
Other operating income	**1.7**	1.3
Finance revenue	**4.8**	5.0
Total revenue	**175.4**	164.5
Cost of sales	**(72.6)**	(69.0)
Gross margin	**102.8**	95.5

No revenue was derived from exchanges of goods or services.

Operating lease and variable revenue from rental of devices includes $8.6m (2013: $18.6m) from rental contracts with customers where substantially all the risks and rewards of ownership remain with Optos, being $4.0m (2013: $12.2m) from fixed monthly minimum payments to which customers have contracted plus $4.6m (2013: $6.4m) from the variable per **opto**map 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 (capital and rental inclusive) to maintain and service the Company's devices.

Other operating income consists of $1.7m (2012: $1.3m) and 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:

	2014 $m	2013 $m
Not later than one year	**0.6**	4.3
After one year but not more than five years	**0.1**	1.6
After five years	**-**	-
	0.7	5.9

	Notes	**2014 $m**	*2013 $m*
Profit from continuing operations before taxation is stated after charging/(crediting):			
Depreciation charge for the period	10	**3.9**	7.5
R&D expenditure (1)		**3.0**	6.4
Amortisation of software (2)	11	**0.4**	0.5
Amortisation of other intangibles and development costs	11	**3.9**	3.9
Operating lease rentals(3)		**2.4**	1.9
Share-based payments		**0.4**	0.3
Foreign exchange differences		**4.7**	2.3

1 Includes $0.3m (2013; $nil) in respect of the Above The Line (ATL) R&D tax credit which is recognised in administrative and other expenses through the income statement. In addition, $7.4m (2013: $0.9m) 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.

3 Includes $0.6m (2013: $nil) of exception restructuring costs.

6 Financing

	2014 $m	*2013 $m*
Finance costs		
Finance lease interest payable	**2.3**	1.5
Bank interest payable	**0.3**	0.9
	2.6	2.4
Finance revenue		
Finance lease interest receivable	**4.8**	5.0
Bank interest receivable	**-**	-
	4.8	5.0

7 Directors and employees

	2014 $m	*2013 $m*
Staff costs for the Group during the year:		
Wages and salaries	**49.8**	44.9
Social security costs	**3.7**	3.8
Defined contribution pension costs	**1.1**	1.1
Share-based payments	**0.4**	0.3
	55.0	50.1

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

	2014 Number	*2013 Number*
Executive Directors	**2**	2
Field (sales and support)	**164**	183
Manufacturing and refurbishment	**113**	128
Product development	**51**	53
Central	**56**	58
Marketing	**6**	11
	391	435

The above tabulation excludes the Non-executive Directors.

The Directors' remuneration during the year:

	2014 $m	*2013 $m*
Directors' remuneration	**1.9**	1.5
Aggregate gains made by directors on the exercise of options	**-**	-
Pension contributions	**0.1**	0.1
Number of directors accruing benefits under: Defined contributions pension scheme	**2**	2

8 Taxation

Analysis of tax charge/(credit) in the year	2014 $m	*2013 $m*
Tax on profit on ordinary activities:		
Corporation tax at 22% (2013: 23.5%)		
Current year tax charge	**0.2**	-
Adjustment in respect of prior periods	**(0.1)**	0.1
Overseas taxes – prior year	**0.1**	0.7
Overseas taxes – current year	**1.3**	0.1
Current year tax charge	**1.5**	0.9
Deferred tax		
Origination and reversal of timing differences	**2.6**	1.1
Adjustment in respect of prior periods	**(0.2)**	0.9

Impact of tax rate change	**(0.2)**	0.2
Total deferred tax charge	**2.2**	2.2
Total income tax charge	**3.7**	3.1

The tax charge to the income statement includes a charge of $3.7m (2013: $3.1m), comprising a current tax charge of $1.5m (2013: $0.9m) and a deferred tax charge of $2.2m (2013: $2.2m). The tax charge to the income statement includes a credit of $1.5m (2013: $1.6m charge) in relation to exceptional and separately disclosed items.

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:

	2014	2013
Weighted average number of ordinary shares in issue	**72,430,142**	71,991,614
Effect of dilution: share options	**2,618,917**	2,233,625
Adjusted weighted average number of ordinary shares for diluted earnings per share	**75,049,059**	74,225,239
Profit before exceptional and separately disclosed items and taxation ($m)	**18.5**	9.2
Basic profit before exceptional and separately disclosed items and taxation per share (cents)	**25.5c**	12.8c
Diluted profit before exceptional and separately disclosed items and taxation per share (cents)	**24.7c**	12.4c
Profit before exceptional and separately disclosed items after taxation ($m)	**13.3**	7.7
Basic profit before exceptional and separately disclosed items after taxation per share (cents)	**18.4c**	10.7c
Diluted profit before exceptional and separately disclosed items after taxation per share (cents)	**17.7c**	10.4c
Profit before taxation ($m)	**12.2**	9.5
Basic profit before taxation per share (cents)	**16.8c**	13.2c
Diluted profit before taxation per share (cents)	**16.2c**	12.8c
Profit after taxation ($m)	**8.5**	6.4
Basic profit after taxation per share (cents)	**11.7c**	8.9c
Diluted profit after taxation per share (cents)	**11.3c**	8.6c

10 Property, plant and equipment

Group	*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	-	2.3	2.4
Transfer to inventory	-	-	-	-
Reclassification of asset	-	(1.0)	1.0	-
Disposals	-	(2.3)	(2.4)	(4.7)
Exchange adjustment	-	(0.3)	0.1	(0.2)
At 30 September 2014	**3.2**	**2.8**	**15.2**	**21.2**
Depreciation				
At 1 October 2013	2.0	3.3	9.4	14.7
Charge for year	0.4	1.1	2.4	3.9
Reclassification of asset	-	(0.4)	0.4	-
Disposals	-	(1.2)	(1.5)	(2.7)
Exchange adjustment	-	(0.2)	-	(0.2)
At 30 September 2014	2.4	2.6	10.7	15.7
Net book value at 30 September 2014	**0.8**	**0.2**	**4.5**	**5.5**
Cost				
At 1 October 2012	3.3	47.3	11.0	61.6
Additions	-	1.7	2.1	3.8
Transfer to inventory	-	(1.5)	-	(1.5)
Reclassified as intangible asset	(0.2)	(2.2)	2.4	-
Disposals	-	(38.8)	(1.3)	(40.1)
Exchange adjustment	-	(0.1)	-	(0.1)
At 30 September 2013	3.1	6.4	14.2	23.7
Depreciation				
At 1 October 2012	1.7	34.1	7.9	43.7
Charge for year	0.3	5.3	1.9	7.5
Reclassified as intangible asset	-	(0.6)	0.6	-
Disposals	-	(35.4)	(1.0)	(36.4)
Exchange adjustment	-	(0.1)	-	(0.1)
At 30 September 2013	2.0	3.3	9.4	14.7
Net book value at 30 September 2013	1.1	3.1	4.8	9.0

Medical devices refer to retinal examination equipment being used or expected to be used under operating lease agreements. The reduced net book value reflects the much lower number of operating leases that now exist. 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. Disposals primarily relates to devices where the remaining net book value is recognised as cost of goods sold as a result of the existing customer purchasing the device outright or renewing a rental contract as a finance lease.

The reclassification is in relation to retinal examination equipment now being used in clinical trials, demonstration and marketing devices as opposed to operating leases.

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 one and four 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.

The carrying value of plant and equipment and medical devices held subject to finance lease obligations at 30 September 2014 was $nil (2013: $0.5m) for the Group and $nil (2013: $nil) for the Company. Legal title to the leased assets transfers to the debt provider as security for the term of the agreement.

11 Intangible assets

Group	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	7.4	0.2	-	-	7.6
Additions – purchased externally	-	0.1	-	-	0.1
Disposals	-	(0.1)	-	-	(0.1)
At 30 September 2014	**42.4**	**4.9**	**7.0**	**25.1**	**79.4**
Accumulated amortisation					
At 1 October 2013	20.4	3.9	5.2	-	29.5
Amortisation in year	3.0	0.4	0.9	-	4.3
Impairment (Note 4)	0.9	-	-	-	0.9
Disposals	-	(0.1)	-	-	(0.1)
At 30 September 2014	**24.3**	**4.2**	**6.1**	-	**34.6**
Net carrying amount at 30 September 2014	**18.1**	**0.7**	**0.9**	**25.1**	**44.8**
Cost					
At 1 October 2012	34.1	5.1	7.0	25.1	71.3
Additions – internal development	0.9	-	-	-	0.9
Additions – purchased externally	-	0.2	-	-	0.2
Additions – reclassified from tangible assets	-	(0.6)	-	-	(0.6)
At 30 September 2012	35.0	4.7	7.0	25.1	71.8
Accumulated amortisation					
At 1 October 2012	16.0	3.9	4.3	-	24.2
Amortisation in year	3.0	0.5	0.9	-	4.4
Additions – reclassified from tangible assets	1.4	-	-	-	1.4
Impairment (Note 4)	-	(0.5)	-	-	(0.5)
At 30 September 2013	20.4	3.9	5.2	-	29.5
Net carrying amount at 30 September 2013	14.6	0.8	1.8	25.1	42.3

The Group capitalised $7.6m (2013: $0.9m) of expenditure incurred on intangible assets and acquired intangible assets of $0.1m (2013: $nil).

The main development assets relate to Daytona which is carried at $6.1m (2013: $7.3m) with a remaining useful economic life of five years and California which is carried at $5.9m (2013: $nil) and is still in development.

On 13 December 2010, the group acquired 100% of the share capital of Opto Global Holdings Pty Limited for $14.3m. At that date, the fair value of the net assets and liabilities in Opto Global equalled $3.8m and consequently there is goodwill of $10.5m. The group acquired the trade and assets of the instrumentation division of OPKO Health Inc on 11 October 2011. The fair value of the purchase consideration was $26m; at the date of acquisition the net assets equated to $11.4m and therefore goodwill of $14.6m.

The group therefore has goodwill of $25.1m on its balance sheet at the reporting date is required to test that goodwill for impairment.

For the purpose of impairment testing, the goodwill had previously been allocated to CGUs representing the Groups operating segments ('Americas' and 'International') to comply with the requirements of IAS 36 'Impairment of assets'. This requires that a CGU (or group of CGUs) cannot be larger than an operating segment as defined in IFRS 8 'Operating Segments'. The Group was required to make this allocation despite the fact that goodwill was only monitored for internal management purposes at an overall Group level.

Following the reassessment of the Group's operating segments (refer to Note 3), which has resulted in a change from two geographical operating segments to one operating segment that comprises the entire Group, the impairment testing is conducted at a Group level.

Testing goodwill at an overall Group level is consistent with the fact that this is the lowest level that goodwill is monitored for internal management purposes, and is representative of the fact that the synergies resulting from the business combinations that gave rise to the goodwill are of benefit to the Group overall.

In assessing whether goodwill has been impaired, the carrying value of the operating segment (including goodwill) is compared with the recoverable amount of the CGU. The recoverable amount is based on value in use using discounted risk-adjusted projections of the Group's pre-tax cash flows based on the future projections in line with the overall strategy. The projection is based on forward plans for the next five years with a perpetual 1% increase for future years on the basis the business expects to continue to trade. These projections are approved by senior management.

We use an appropriate discount rate reflecting those risks and tax effects. In arriving at the appropriate discount rate for cash flows, we adjust the Group's post-tax weighted average cost of capital of 9.7% (2013: 8%) to reflect the impact of relevant risks, the time value of money and tax effects. The weighted average pre-tax discount rate used was 13.7% (2013: between 11% and 12%).

As a further check, we compare our market capitalisation to the book value of our net assets and this indicates significant surplus at 30 September 2014.

The Group has also performed sensitivity analysis calculations on the projections. The Directors have concluded that, given the significant headroom that exists, and the results of the sensitivity analysis performed, there is no significant risk that reasonable changes in any key assumptions would cause the carrying value of goodwill to exceed its value in use.

No goodwill impairment was identified.

12 Finance lease receivables

	2014 $m	2013 $m
Within one year	**32.2**	35.3
Later than one year and not later than five years	**50.2**	58.9
Later than five years	**0.5**	1.0
Allowance for doubtful accounts	**(0.5)**	(0.4)
	82.3	94.8
Less: finance income allocated to future periods	**(6.5)**	(8.6)
Present value of minimum lease payments	**75.8**	86.2
Within one year	**28.6**	30.9
Later than one year and not later than five years	**46.7**	54.3
Later than five years	**0.5**	1.0
	75.8	86.2
Included within:		
Non-current assets	**47.5**	55.5
Current assets	**28.8**	31.1
Allowance for doubtful debts	**(0.5)**	(0.4)
	75.8	86.2

	2014 $m	2013 $m
Ageing of impaired but not yet past due finance lease receivables:		
Within one year	**(0.2)**	(0.2)
Later than one year and not later than five years	**(0.3)**	(0.2)
Later than five years	**-**	-
	(0.5)	(0.4)

During the year the Group recognised finance lease agreements with customers totalling $26.2m. Variable rentals from finance leases amounted to $4.2m. The average effective interest rate in relation to finance leases is 5.5%.

13 Inventories

	2014 $m	2013 $m
Raw materials, spares and consumables	**14.6**	17.3
Work in progress	**0.4**	1.6
Medical devices for sale	**7.8**	15.7
	22.8	34.6

14 Trade and other receivables

	2014 $m	2013 $m
Trade debtors	**34.1**	22.7
Allowance for doubtful debts	**(1.5)**	(2.3)
	32.6	20.4
Amounts due from Group undertakings	**-**	—
Value-added tax recoverable	**1.1**	1.7
Prepayments	**1.6**	2.3
Other receivables	**0.6**	0.6
	35.9	25.0

15 Financial liabilities

	2014 $m	2013 $m
Bank loan		
Current	-	38.0
Non-current	-	-
	-	38.0

	2014 $m	2013 $m
Obligations under vendor financing		
Current	**23.7**	11.5
Non-current	**17.5**	13.8
	41.2	25.3

	2014 $m	2013 $m
Amounts payable:		
Within one year	**25.0**	12.5
Between one and two years	**18.1**	14.4
Between two and five years	**0.3**	0.3
	43.4	27.2
Less: finance charges allocated to future periods	**(2.2)**	(1.9)
	41.2	25.3

16 Provisions

	2014 $m	2013 $m
At 1 October	**0.5**	6.7
Provided in the year	**0.8**	0.2
Released in the year	**-**	(4.9)
Reclassified to trade and other payables	**-**	(1.5)
At 30 September	**1.3**	0.5
Current	**0.9**	0.5
Non-current	**0.4**	-
	1.3	0.5

Provisions include $0.4m (2013: $0.2m) in relation to a voluntary disclosure to US Customs under the Customs' Reconciliation program, the costs of which are expected to be incurred in FY 2015, $0.5m (2013: $nil) in relation to the dilapidation and rental costs as part of the restructure and are expected to be incurred by the end of September 2016. The remaining balances relate to social security contributions on share options (2013: $0.3m).

17 Trade and other payables

	2014 **$m**	2013 $m
Bank overdraft	**-**	—
Trade payables	**9.3**	14.4
Amounts due to Group undertakings	**-**	—
Other taxes and social security costs	**1.9**	1.3
Other payables	**0.3**	1.5
Deferred income	**13.2**	11.0
Accruals	**11.8**	8.6
	36.5	36.8

18 Called up share capital

Equity share capital	***2014 Number (million)***	*2013 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.

	2014	2013
At 1 October, ordinary shares of 2p each issued and fully paid up	**72,211,933**	71,589,046
Exercise of employee share options	**379,585**	622,887
At 30 September, ordinary shares of 2p each	**72,591,518**	72,211,933

Consideration received on issue of shares	***Share capital 2014 $m***	***Share premium 2014 $m***	Share capital 2013 $m	Share premium 2013 $m
Issue of ordinary share capital for acquisition			_	-
Exercise of employee share options	**-**	**0.6**	0.1	0.3
Total	**-**	**0.6**	0.1	0.3
Consideration received	**-**	**0.6**	0.1	0.3

19 Principal risks and uncertainties

The principal 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	Status
Product portfolio risk The Daytona product has been very successful and is now the biggest selling product. Although we do continue to sell other devices, in Europe we are unable to do so because of RoHS (new legislation restricting the use of certain substances). The majority of devices are now bought.	There remains a strong demand for Daytona, we are also developing a number of new products (see below) and software tools to further differentiate our products.	Stable – the original risk was a reliance on the older devices, which has now moved to the reliance on Daytona. The impact of this risk will reduce as the other new products come to the market.
New product launches We are planning to launch two important products in California and the combined UWF / OCT device in FY15. We need to launch these to required specification, time and cost. A key element of this risk is obtaining the appropriate regulatory clearances. The introduction of new products increases the potential risk of inventory obsolescence for the older products	We have a strong development team supported by appropriate project management. We have also learnt lessons from the Daytona project. The regulatory risk is understood and we have are taking a proactive position with the key regulatory agencies. A combination of inventory controls along with specific marketing plans	New – this is a new risk which will be carefully monitored and managed during the year.
Market concentration The Company continues to generate most of its revenue in the optometry sector within North America.	The Company continues to develop it International markets. In the year we have restructured the International direct sales force and established new distributors.	Stable – the growth in the International customer base has continued but is mixed, in particular within Europe. There remains significant opportunity in these markets.

Section 2: Operations

Principal risk	Mitigating factors	Status
Device complexity The Company's devices are complex, and growth is dependent on it being able to manufacture and service its devices in a cost-effective and repeatable way. Reliability issues would clearly have an impact on reputation and cost. Software is becoming increasingly important in product performance.	The Daytona design is modular, and is, therefore, easier to manufacture and maintain than existing products. The new products are being developed in a similar basis. Where a product is single-sourced, the Company seeks to hold sufficient inventories to manage expected demand. We are continuing to strengthen both our quality and customer support processes.	Improving – this year was much better than the previous year given the initial issues with the Daytona device. There remain opportunities to continue to reduce complexity and improve reliability.
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 Company's business.	The Company 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 Company has also invested in demonstrating the clinical efficacy and superiority of its devices.	Stable – Although we have seen a competitor developing their devices to increase the field of view on their device it is limited in application. The field of view remains substantially better in the Optos. This risk will be mitigated further by the new products.

Section 3: Regulatory

Principal risk	Mitigating factors	Status
Increasing regulation The Company's medical devices are subject to strict US Federal Food and Drug Administration ("FDA") regulations and the requirements of similar foreign regulatory bodies. Failing to satisfy regulatory requirements or regulation changes could result in the imposition of sanctions, cause the Company to be unable to sell its product in certain markets or face adverse publicity. New legislation restricting the use of certain substances, referred to as the "RoHS 2 Directive", applies 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. This risk increases as we enter into more countries which can have different regulatory requirements.	The Company operates to relevant ISO guidelines and monitors and anticipates developments in regulatory thinking. The Company has a dedicated Regulatory team who work closely with both external bodies and internally, particularly with the sales teams, to ensure we are able to meet current and new regulations RoHS has not had a significant impact in Europe as Daytona is the main device sold in these markets. The 200Tx replacement, California, will be available in this year. .	Increasing - The regulatory framework is becoming ever more complex such as with the introduction of the USA Sunshine Act and HIPPA, and ROSH compliance within the EU We continue to monitor and react as required to the meet the changing requirements.
Litigation risk Technology-based companies are frequently subject to litigation with respect to patent and other intellectual property rights. Any litigation to determine the validity of third-party infringement claims or defend the Company's Intellectual Property could, at a minimum, be costly. The Company's business exposes it to the risk of certain litigation. For example, a patient suffering harm during the image process or the Company's retinal image system not identifying an underlying medical problem.	The Company believes the core patent protection around its product is strong and is not aware of any significant actual or pending suits. The Company does not offer diagnostic or treatment services and its customers are all qualified eyecare clinicians who are fully trained in the use and interpretation of the **opto**map product. The Company maintains product liability insurance although there can be no certainty the insurance coverage would be sufficient to meet the cost of any claims.	Stable – there have been no substantive challenges to our IP position.

Section 4: Financial Risk

Principal risks	Mitigating factors	Status
Consumer pressures In common with other consumer businesses, the Company is subject to pricing pressures and relies in part on reimbursement agreements with insurers and government health authorities. The Company is subject to evolving healthcare-related taxes imposed by government agencies. In the year we have seen increased pressure on medical reimbursement. 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.	The success of the Company's business depends on consumers understanding the benefit of regular **opto**map® examinations. The Company seeks to drive adoption and awareness of its product through strong educational programmes and compelling evidence from clinical studies. We actively monitor reimbursement 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.	Stable – the continued growth in new customers demonstrates that customers and consumers increasingly understand the benefit of the **opto**map® examinations, This is also supported by a growing body of clinical evidence. We are actively monitoring developments in medical reimbursement, particularly in the US.
Economic environment The Company's operating results and financing capacity could be adversely affected by the current world economic outlook. This risk is heightened as, in recent years a high proportion of the revenues and profits have been delivered in the last quarter. This can lead to volatility and put pressure on the Company's financing arrangements and forecasting.	The Company offers customers alternative ways to access its technology, including pay-per-patient rental, fixed rental, rent-to-own and outright purchase. We continue to look to diversify geographically and segments, as well as reviewing commissions plans to flatten revenue where possible. The Company has financing in place and it closely monitors its covenant compliance.	Stable – although we still see difficult economic conditions in Europe The cash position has improved substantially over the past 18 months which has reduced pressure on financing arrangements

Exchange rate risk The Company operates in several countries and currencies and its results are impacted by changes in currency exchange rates. The Company reports its results in US$, the currency in which the majority of its revenues and costs arise. The Company has a number of material balance sheet currency positions relating primarily to long term intercompany balances. The Company has an exposure between GBP costs and USD revenues.	The Group monitors its non-US$ foreign currency exposure. Wherever possible the majority of cash balances are maintained in US$ to mitigate the impact of currency fluctuations. In this year we have implemented a new hedging policy and will begin to take out hedges to cover transactional risk relating to the GBP / USD. We are also working to maximise any natural hedge as well as reviewing hedging polices.	Increasing – due recent currency volatility we have seen significant adverse movement in particular on the balance sheet positions.