Company Registration No. C 52031

VISURAY PLC

Annual Report
and
Consolidated Financial Statements

31 December 2013

CONTENTS

GENERAL INFORMATION

Registration

Visuray plc, ("the Company") is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta on 17 February 2011. The company's registration number is C 52031.

Directors

Mr. Jean-Philippe Stork Flament	
Mr. Thor Kristian Haugnaess	
Mr. Tore Hansen-Tangen	
Mr. Franck Biancheri	
Mr. Geir Aune	(resigned on 25th June 2013)
Ms. Marie-Laurence Mora	(appointed on 25th June 2013)

Company secretary

Mr. Thomas Jacobsen

Registered Office

Apartment 1
Advance House, 375
Manwel Dimech Street
Sliema
MALTA

Bankers

Bank of Valletta
45, Republic Street
Valletta, VLT 1113
MALTA

DNB Nor Bank ASA
Straden 21
0021 Oslo
NORWAY

Auditors

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
MALTA

DIRECTORS' REPORT

The directors submit their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Principal activity of the group

Visuray plc is the holding company for all activities related to the development, marketing, operations and intellectual property of the Visuray Group. The Group also makes strategic investments in suppliers and key technology developers to ensure the success of the Group. The Group is currently in its start-up phase, developing the first prototypes of the Visuwell, the Group's first product to market and anticipates full commercial introduction at the beginning of 2015.

Review of the business

The statement of comprehensive income is set out on page 7.

The Group's consolidated financial statements show a total comprehensive loss of EUR 13,259,006 (2012: EUR11,472,902) for the financial year ended 31 December 2013.

Future developments

The net cash flows for the Group will continue to be negative through the Visuwell development phase and the field trial in 2014. The Group anticipates generating positive net cash flows in 2015 as commercial tools are introduced into the market.

Directors

During the year ended 31 December 2013 the directors were as listed on page 2.

Statement of directors' responsibilities

The Companies Act, Cap. 386 of the Laws of Malta requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss for that year.

The directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements are prepared on the basis that the group must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act, Cap. 386 of the Laws of Malta. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT - continued

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The directors' report was approved by the board of directors and was signed on its behalf by:

FRANCK BIANCHERI Director	**JEAN-PHILIPPE STORK FLAMENT** Director

Date: July 23, 2014

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VISURAY PLC

We have audited the consolidated financial statements of Visuray PLC and its subsidiaries ("the Group") set out on pages 7 to 35 which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

As described in the statement of directors' responsibilities on page 3, the directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act, Cap. 386 of the Laws of Malta and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements:

- give a true and fair view of the financial position the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VISURAY PLC - continued

Report on other Legal and Regulatory Requirements

We also have responsibilities under the Companies Act, Cap. 386 of the Laws of Malta to report to you if in our opinion:

- The information given in the directors' report is not consistent with the consolidated financial statements.
- Adequate accounting records have not been kept.
- The consolidated financial statements are not in agreement with the accounting records.
- We have not received all the information and explanations we require for our audit.
- If certain disclosures of directors' remuneration specified by law are not made in the consolidated financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

This copy of the audit report has been signed by Anthony Doublet for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

23 July 2014

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 EUR	2012 EUR
Direct expenditure		**(2,385,820)**	(548,549)
Gross loss		**(2,385,820)**	(548,549)
Share of losses in associate	13	**(1,647,518)**	(452,181)
Administrative expenses	5	**(10,067,750)**	(7,255,404)
Impairment of intangible assets	12	**-**	(2,621,149)
Other gains and losses	7	**371,985**	56,132
Operating loss		**(13,729,103)**	(10,821,151)
Finance income	8	**46,873**	32,938
Finance costs	9	**(16,260)**	(216,737)
Loss before tax		**(13,698,490)**	(11,004,950)
Income tax expense	10	**(267,588)**	(353,189)
Loss for the year		**(13,966,078)**	(11,358,139)
Other comprehensive income			
Exchange difference on translation of foreign operations		**707,072**	(114,763)
Total comprehensive loss for the year		**(13,259,006)**	(11,472,902)

The accounting policies and explanatory notes on pages 11 to 35 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Notes	2013 EUR	2012 EUR
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	11	**1,018,275**	624,502
Intangible assets	12	**2,091,607**	2,091,607
Investment in associate	13	**1,638,092**	3,142,987
Other non-current financial assets	15	**934,884**	925,743
		5,682,858	6,784,839
Current assets			
Trade and other receivables	14	**2,296,377**	975,094
Inventory	16	**559,484**	-
Cash and cash equivalents	17	**4,576,504**	7,881,604
		7,432,365	8,856,698
TOTAL ASSETS		**13,115,223**	15,641,537
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**5,037,825**	4,398,753
Share premium	18	**40,041,668**	31,094,660
Capital contribution reserve	18	**2,012,155**	1,386,121
Other capital reserve	18	**1,824,799**	818,733
Retained earnings	18	**(38,236,040)**	(24,269,962)
Restructuring reserve	18	**(12,572)**	(12,572)
Foreign currency translation reserve	18	**589,011**	(118,061)
Equity attributable to owners of the parent		**11,256,846**	13,297,672
Non-current liabilities			
Deferred tax liability	20	**412,282**	306,953
		412,282	306,953
Current liabilities			
Trade and other payables	21	**1,267,659**	1,414,294
Income tax payable		**178,436**	150,510
Interest-bearing loans and borrowings	22	**-**	472,108
		1,446,095	2,036,912
Total liabilities		**1,858,377**	2,343,865
TOTAL EQUITY AND LIABILITIES		**13,115,223**	15,641,537

The accounting policies and explanatory notes on pages 11 to 35 form an integral part of the financial statements.

The financial statements on pages 7 to 35 have been authorised for issue by the Board of Directors, and were signed on its behalf by:

FRANCK BIANCHERI
Director

JEAN-PHILIPPE STORK FLAMENT
Director

Date: July 23, 2014

STATEMENT OF CHANGES IN EQUITY

	Issued capital EUR	Share premium EUR	Capital contribution reserve EUR	Other capital reserve EUR	Retained earnings EUR	Re-structuring reserve EUR	Foreign currency translation EUR	Total Equity EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2013								
As at 1 January 2013	4,398,753	31,094,660	1,386,121	818,733	(24,269,962)	(12,572)	(118,061)	13,297,672
Loss for the year	-	-	-	-	(13,966,078)	-	-	(13,966,078)
Other comprehensive income	-	-	-	-	-	-	707,072	707,072
Total comprehensive income	-	-	-	-	(13,966,078)	-	707,072	(13,259,006)
Issue of share capital (note 18)	639,072	8,947,008	(1,386,121)	-	-	-	-	8,199,959
Share based payments (note 19)	-	-	-	1,006,066	-	-	-	1,006,066
Contribution by shareholders	-	-	2,012,155	-	-	-	-	2,012,155
Balance at 31 December 2013	**5,037,825**	**40,041,668**	**2,012,155**	**1,824,799**	**(38,236,040)**	**(12,572)**	**589,011**	**11,256,846**
FINANCIAL YEAR ENDED 31 DECEMBER 2012								
As at 1 January 2012	3,058,467	12,151,905	1,593,827	-	(12,911,823)	(12,572)	(3,298)	3,876,506
Loss for the year	-	-	-	-	(11,358,139)	-	-	(11,358,139)
Other comprehensive income	-	-	-	-	-	-	(114,763)	(114,763)
Total comprehensive income	-	-	-	-	(11,358,139)	-	(114,763)	(11,472,902)
Issue of share capital (note 18)	1,340,286	18,942,755	(1,593,827)	-	-	-	-	18,689,214
Share based payments (note 19)	-	-	-	818,733	-	-	-	818,733
Contribution by shareholders	-	-	1,386,121	-	-	-	-	1,386,121
Balance at 31 December 2012	**4,398,753**	**31,094,660**	**1,386,121**	**818,733**	**(24,269,962)**	**(12,572)**	**(118,061)**	**13,297,672**

The accounting policies and explanatory notes on pages 11 to 35 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	2013 EUR	2012 EUR
Operating activities		
Loss before tax	**(13,698,490)**	(11,004,950)
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	**318,947**	256,625
Impairment of intangible assets	**-**	2,621,149
Share of losses in associate	**1,647,518**	452,181
Loss from disposal of shares in associate	**56,319**	-
Unrealised difference on exchange	**989,222**	(263,178)
Finance revenue	**(46,872)**	(32,938)
Finance expense	**16,260**	216,737
Share-based payments	**1,006,066**	818,733
Working capital adjustments:		
Increase in inventories	**(559,484)**	-
Decrease/(Increase) in trade and other receivables	**217,584**	(709,894)
(Decrease)/Increase in trade and other payables	**(137,308)**	52,374
	(10,190,239)	(7,593,161)
Interest paid	**(160,093)**	(27,589)
Income tax paid	**(134,332)**	-
Net cash flows used in operating activities	**(10,484,664)**	(7,620,750)
Investing activities		
Interest received	**-**	23,773
Purchase of property, plant and equipment	**(782,464)**	(331,236)
Development expenditures	**-**	(168,497)
Acquisition of share in associate	**(968,278)**	(811,876)
Proceeds from sale of shares in associate	**445,625**	-
Loans advanced	**(1,400,000)**	-
Net cash flows used in investing activities	**(2,705,117)**	(1,287,836)
Financing activities		
Issue of share capital	**10,212,106**	16,044,623
Proceeds from borrowings	**-**	2,832,972
Repayment of loans	**(327,425)**	(2,598,357)
Net cash flows generated from financing activities	**9,884,681**	16,279,238
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**(3,305,100)**	7,370,652
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,881,604**	510,952
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 17)	**4,576,504**	7,881,604

The accounting policies and explanatory notes on pages 11 to 35 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

Visuray plc ("the Company") was incorporated on 17 February 2011. The Company's main activity is the management of directly and indirectly owned subsidiaries.

Up to 28 June 2011 the "Group" comprised of Visuray Holding AS and its subsidiaries, Visuray AS, Latent AS and XR Invest AS. Following incorporation of Visuray plc, there was a reorganisation of the Group, whereby Visuray plc acquired Visuray Holding AS from the previous shareholders by issuing shares in exchange for the existing shares in Visuray Holding AS. In mid-2013 both Latent AS and XR Investment AS were dissolved into Visuray Holdings AS.

As a result, Visuray plc directly or indirectly controls a number of subsidiaries as disclosed in note 24.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared under the historical cost convention. These consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta.

These consolidated financial statements are presented in Euro, which is the Group's functional and presentation currency.

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of Visuray plc and its subsidiary companies as disclosed in note 24.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Going concern

The Group incurred a loss before tax of EUR13,698,490 during the year ended 31 December 2013 (2012: EUR11,004,950). As at year end the Group was still at the development stage of its first prototype, therefore, significant investment will be required before the device is commercially launched and the Group is able to start generating revenue. In such circumstances, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements have been prepared on a going concern basis which assumes that the Group will continue in existence for the foreseeable future. The validity of this assumption is dependent on the shareholders' commitment to continue to provide financial support to the Group. Such support is forthcoming through a further injection of share capital.

The shareholders of Visuray PLC have confirmed in writing its commitment to continue to provide financial support in the foreseeable future so as to ensure that the Group continues as a going concern. Accordingly, the directors conclude that the going concern assumption remains appropriate.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013.

- IAS 1 Amendments – Presentation of items of other comprehensive income
- IAS 12 (Amendments) – Deferred tax: Recovery of underlying assets
- IAS 19 Amendments – Employee Benefits
- IFRS 7 Amendment – Financial Instruments: Disclosures – Offsetting of financial assets and financial liabilities
- IFRS 13 Fair Value Measurement
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Improvements to IFRSs 2009-2011 effective for financial years beginning on or after 1 January 2013)

The adoption of the standards or interpretations above did not have an impact on the financial statements or performance of the Group.

Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Group has not early adopted, but plans to adopt upon their effective date. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Group. The new and amended standards are as follows:

- IFRS 10 Consolidated financial statements (effective for financial years beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (effective for financial years beginning on or after 1 January 2014)
- IFRS 12 Disclosures of interests in other entities(effective for financial years beginning on or after 1 January 2014)
- IAS 27 (Revised) – Separate financial statements (effective for financial years beginning on or after 1 January 2014)
- IAS 28 (Revised) – Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2014)
- IAS 32 (Amendments) – Financial Instruments – Presentation – Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014)
- IAS 36 Recoverable Amount for Non-Financial Assets (effective for financial years beginning on or after 1 January 2014)
- IAS 39 (Amendments) Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years on or after 1 January 2014)
- IFRIC 21 Levies (effective for financial years beginning on or after 1 January 2014)
- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for financial years beginning on or after 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective for financial year beginning on or after 1 January 2014)

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU

- IFRS 9 Financial Instruments – Including subsequent amendments to IFRS 9 and IFRS 7 (the effective date for financial years beginning on or after 1 January 2015 was removed on 19 November 2013 by the IASB and an effective date was not yet decided)
- IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017)
- IFRS 11 (Amendments): Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 38 (Amendments): Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 41 (Amendments): Bearer Plants (effective for financial years beginning on or after 1 January 2016)
- IAS 19 (Amendments) Defined Benefit Plans: Employee Contribution (effective for financial years beginning in or after 1 July 2014)
- Annual Improvements to IFRSs 2010-2013 Cycle (effective for financial years beginning in or after 1 July 2014)
- Annual Improvements to IFRSs 2011-2013 Cycle (effective for financial years beginning in or after 1 July 2014)

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. The following specific recognition criteria must also be met before revenue is recognised:

Provision of services

Revenue from the provision of services is recognised in the year in which the service is rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Taxes

Current income tax

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

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

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

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

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Currency translation

The consolidated financial statements of the group are presented in its functional currency, the EUR, being the currency of the primary economic environment in which the group operates.

Transactions and balances

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at the year end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in the profit or loss. Foreign exchange gains or losses are included with other operating income and expenses, respectively.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Currency translation - continued

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On the disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts due from related parties are recognised and carried at cost.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and deposits at bank with a maturity of three month and less.

Trade and other payables

Liabilities for trade and other accounts payable are carried at cost which is the fair value of the consideration to be paid, in the future for goods and services received, whether or not billed to the Group.

Investment in an associate

An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

The group's investment in its associate is accounted for using the equity method of accounting. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the results of operation in the associated company. Where there has been a change recognised directly in the equity of the associate, the company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the company for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between recoverable amount of the associate and its carrying value.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investments at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds upon disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables and loans and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at their fair value. Fair values are obtained from valuation techniques including discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value if positive and as liabilities when fair value is negative. Changes in fair value of derivatives are recognised in the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets – continued

Derecognition - continued

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables; bank loans and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Offsetting of the financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Inventories

Inventories are valued at the lower of cost and net realisable value.

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

- Raw materials: purchase costs on first in first out basis;
- Finished goods and work in progress: cost of direct materials and labour, and a proportion of production overheads based on the normal operating capacity.

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

Property, plant and equipment

The group's property, plant and equipment are classified into the following classes – Buildings (including capital improvements); Plant and Equipment; Furniture and Fittings; and Computer equipment.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of the property, plant and equipment is recognised as an expense when incurred.

Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings and capital improvements	25% per annum
Plant and equipment	10% per annum
Furniture & fittings	15-20% per annum
Computer equipment	20% per annum

The depreciation method applied, the residual value and the useful life are reviewed and adjusted if appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, development expenditures are carried out at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of future consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in the accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure is recognised in the statement of comprehensive income when incurred.

Research and development

Research costs, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

No amortization is charged on in-process developments until they are available for use.

Share-based payments

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

Equity settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payments - continued

Equity settled transactions - continued

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the changes become known.

Impairment of non-financial assets

The Group's impairment for IP is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the Visuray business plan for the next thirteen years as approved by management and revenue projections are based on potential business growth, after which the terminal value was calculated. These budgets do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the Group. The recoverable amount is most sensitive to the growth rate used and the resulting future net cash-inflows, as well as discount rate used for the discounted cash flow model. (note 12)

Share-based payments

The Group measures the cost of the equity-settled transactions with employees and consultants by reference to the fair value of equity instruments as at date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the stock price of shares, expected life of the share option, volatility and dividend yield, and making assumptions about them. (note 19)

In the opinion of the directors, the accounting estimates, assumptions and judgements made in the course of preparing these consolidated financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (Revised)- 'Presentation of Financial Statements'.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. REVENUE

Revenue represents fees generated from the provision of services to clients. The Group is still in its start-up phase. No revenues have been recognized within the year ended 31 December 2013.

5. EXPENSES BY NATURE

	2013 EUR	2012 EUR
Auditor's remuneration	**184,147**	186,166
Salaries, wages and social security contribution (note 6)	**3,785,806**	2,646,568
Professional fees	**2,704,407**	2,766,858
Travelling expenses	**606,218**	501,154
Other staff costs	**443,535**	339,752
Rent	**404,205**	278,179
Depreciation (note 11)	**318,947**	256,625
Legal fees	**128,050**	69,485
Marketing and advertising	**1,858**	19,392
Unrealised difference on exchange	**989,222**	(4,594)
Realised difference on exchange	**134,841**	(223,524)
Other expenses	**366,514**	419,343
Total administrative expenses	**10,067,750**	7,255,404

Auditor's remuneration includes EUR 33,944 (2012: EUR51,805) in respect of services provided other than the audit of financial statements.

The amount of share based expenses included in professional fees and salary expenses totalled to EUR44,107 and EUR961,959, respectively (2012: EUR 289,140 and EUR 529,593) (note 19).

6. EMPLOYEE INFORMATION

a. Staff costs

	2013 EUR	2012 EUR
Wages and salaries	**3,414,449**	2,305,748
Social security costs	**371,357**	340,820
Total administrative expenses (note 5)	**3,785,806**	2,646,568

b. Staff numbers

The average number of employees employed by the group during the year excluding directors was 27 (2012: 23).

NOTES TO THE FINANCIAL STATEMENTS - continued

7. OTHER LOSSES AND GAINS

	2013 EUR	2012 EUR
Loss on disposal of ownership in associate (note i)	**(56,319)**	-
Other gains	**428,304**	56,132
Total other gains incurred	**371,985**	56,132

i. In December 2013, the Group sold part of its investment in XCounter AB of total value EUR850,069 to some of its shareholders for a consideration of EUR793,750. This resulted in a total loss recognised in current year from disposal of investment of EUR56,319.

8. FINANCE INCOME

	2013 EUR	2012 EUR
Interest receivable on bank balances	**11,399**	23,773
Interest on loans to a shareholder and related parties	**35,474**	9,165
	46,873	32,938

9. FINANCE COSTS

	2013 EUR	2012 EUR
Interest paid on loans	**15,410**	214,496
Other finance costs	**850**	2,241
	16,260	216,737

10. INCOME TAX EXPENSE

The tax charge for the year is comprised of the following:

	2013 EUR	2012 EUR
Current income tax charge	**162,259**	152,013
Deferred tax charge	**105,329**	201,176
	267,588	353,189

NOTES TO THE FINANCIAL STATEMENTS - continued

10. INCOME TAX EXPENSE - continued

The taxation on profit on ordinary activities differs from the theoretical taxation expense that would apply on the Group's profit on ordinary activities before taxation using the applicable tax rate in Malta of 35% as follows:

	2013 EUR	2012 EUR
Accounting loss before tax	**(13,698,490)**	(11,004,950)
Theoretical taxation expense at 35%	**(4,794,472)**	(3,851,733)
Tax effect of		
- Non-allowable expenses	**4,374,080**	2,664,879
- Deferred tax asset not recognized	**857,930**	1,453,932
- Income not subject to tax	**50,531**	(135,795)
- Difference in tax rates	**35,151**	222,279
- Utilized tax losses	**(277,583)**	-
- Other	**21,951**	(373)
Tax charge	**267,588**	353,189

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings EUR	Plant and equipment EUR	Furniture & Fittings EUR	Computer equipment EUR	Total EUR
Cost					
At 1 January 2012	78,585	504,148	156,133	287,349	1,026,215
Additions	4,192	153,089	22,306	151,649	331,236
Transfer from intangible assets (note 12)	-	42,841	-	-	42,841
Exchange differences	2,273	50,669	391	4,147	57,480
At 31 December 2012	**85,050**	**750,747**	**178,830**	**443,145**	**1,457,772**
Additions	148,256	488,975	50,463	94,770	782,464
Exchange differences	(2,842)	(153,485)	(4,076)	(21,742)	(182,145)
At 31 December 2013	**230,464**	**1,086,237**	**225,217**	**516,173**	**2,058,091**
Depreciation and impairment losses					
At 1 January 2012	38,716	287,638	96,172	120,501	543,027
Depreciation charge for the year	20,629	82,755	54,944	98,297	256,625
Exchange differences	1,435	26,785	2,644	2,754	33,618
At 31 December 2012	**60,780**	**397,178**	**153,760**	**221,552**	**833,270**
Depreciation charge for the year	50,812	172,999	49,249	45,887	318,947
Exchange differences	(5,348)	(80,089)	(13,408)	(13,556)	(112,401)
At 31 December 2013	**106,244**	**490,088**	**189,601**	**253,883**	**1,039,816**
Net book value					
At 31 December 2013	**124,220**	**596,149**	**35,616**	**262,290**	**1,018,275**
At 31 December 2012	24,270	353,569	25,070	221,593	624,502

NOTES TO THE FINANCIAL STATEMENTS - continued

12. INTANGIBLE ASSETS

	Development costs EUR	Patent and royalties EUR	Total EUR
At 1 January 2012	4,157,129	239,705	4,396,834
Additions	39,355	129,142	168,497
Transfer to plant and equipment (note 11)	(1,724,969)	1,682,128	(42,841)
Impairment	(2,621,149)	-	(2,621,149)
Exchange difference	149,634	40,632	190,266
At 31 December 2012	-	**2,091,607**	**2,091,607**
Additions	-	-	-
Impairment	-	-	-
At 31 December 2013	-	**2,091,607**	**2,091,607**
Net book value			
At 31 December 2013	-	**2,091,607**	**2,091,607**
At 31 December 2012	-	2,091,607	2,091,607

As at 31 December 2013, intangible assets are made up of patents and royalties (2012: patents and royalties and development costs). Development costs are stated net of a subsidy received from the Norwegian Government. No development costs were capitalized during 2013 (2012: EUR Nil). The Group's R&D activity concentrates on the development of next-generation multi-purpose well diagnostics and logging devices.

No amortization of intangible assets has been charged to date as these assets are still under development.

The Group performed its annual impairment test as at 31 December 2013. Since management only monitors revenue and directly attributable costs of its business units separately, while the decision making process is managed on a Group basis, the Group was considered to be a single cash generating unit.
The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a thirteen year period based on the future business development and growth once the technology is in the market place.

The key assumptions used in the value in use calculation are most sensitive to the following assumptions:

- Revenue forecast is based on potential business growth once the technology is in the market.
- Pre-tax WACC rate used is 20%.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based, would not cause its current or updated carrying amount to exceed its recoverable amount.

Based on the impairment test performed as at 31 December 2013, the value in use of intangibles was determined to be at least EUR2,091,607 (2012: EUR2,091,607). As a result of impairment test carried out, no impairment (2012: EUR2,621,149) was recognized during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INVESTMENT IN AN ASSOCIATE

The Group has 30.17%% (2012: 46.9%) interest in XCounter AB, which is a technology leader in direct conversion digital x-ray imaging for medical, dental and industrial markets. XCounter AB was founded in 1997 and is listed on the Nasdaq OMX First North.

The following illustrates summarized financial information of the Group's investment in XCounter AB:

	2013 EUR	2012 EUR
Share of the associate's statement of financial position:		
Non-current assets	**2,268,277**	5,516,734
Current assets	**1,902,470**	1,572,041
Non-current liabilities	**(738,801)**	(1,516,517)
Current liabilities	**(960,635)**	(1,093,641)
Net assets	**2,471,311**	4,478,617
Share of the associate's revenue and profit:		
Revenue	**4,550,005**	3,994,606
Total comprehensive losses	**(1,662,044)**	(452,181)
The amount at which the investment is carried in the statement of financial position is arrived at as follows:		
Investment at cost	**4,981,170**	4,824,021
Loss brought forward	**(1,681,034)**	(1,228,853)
Share of current year post acquisition losses	**(1,647,518)**	(452,181)
Share of current year post acquisition other comprehensive income	**(14,526)**	-
Carrying amount of the investment	**1,638,092**	3,142,987
Negative goodwill	**833,219**	1,335,630
Share of associate in net assets	**2,471,311**	4,478,617

14. TRADE AND OTHER RECEIVABLES

	2013 EUR	2012 EUR
Loans receivable (note iii)	**1,426,333**	-
Prepayments	**272,017**	951,600
VAT recoverable	**101,656**	16,851
Other receivables (note i and ii)	**496,371**	6,643
	2,296,377	975,094

i. The balance as at 31 December 2013 included EUR131,532 (2012: EUR Nil) receivable from being tax reimbursements from Norwegian Government in respect of research and development activity o carried out by one of the Group's subsidiaries. The balance was received subsequently in 2014.

NOTES TO THE FINANCIAL STATEMENTS - continued

14. TRADE AND OTHER RECEIVABLES

ii. The balance as at 31 December 2013 included EUR 348,125 due from the shareholders of the Group. The balance is interest free, unsecured and settled on demand.

iii. The loan receivable is due from the Group's associate. The balance is repayable as at 31 August 2014, and bears interest of 6% per annum. Total limit of the loan facility granted by the Group is equal to EUR 37 mln. The loan is secured with assets of the associate.

15. OTHER NON-CURRENT FINANCIAL ASSETS

	2013 EUR	2012 EUR
Loan to shareholder (note i)	**934,884**	925,743

i. This loan is unsecured, bears interest at a rate of 1% and is repayable at the earliest by 2016 unless shareholding in Visuray plc ceases before that date.

16. INVENTORY

Inventory balance comprises the following amounts included in the statement of financial position:

	2013 EUR	2012 EUR
Tools and other inventories	**379,531**	-
Work in progress	**179,953**	-
	559,484	-

During 2013, tubes with carrying amount of EUR 693,600 were recorded at net realizable value. The respective expenses were recognized as a part of direct expenditures of the Group.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts included in the statement of financial position:

	2013 EUR	2012 EUR
Cash at banks and in hand	**4,576,504**	7,881,604

Cash at bank and in hand balance includes restricted cash of EUR111,052 (2012 EUR120,429) as further explained in note 25.

NOTES TO THE FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES

	2013 EUR	2012 EUR
Authorised		
16,560,636 ordinary shares of EUR0.05c each	**828,032**	828,032
103,439,364 ordinary 'A' shares of EUR0.05c each	**5,171,968**	5,171,968
	6,000,000	6,000,000
Issued and fully paid		
100,756,493 (2012: 87,975,054) ordinary "A" shares of EUR0.05c each	**5,037,825**	4,398,753

Visuray plc was incorporated on 17 February 2011. Following incorporation of Visuray plc, in 2012 there was a re-organisation of the Group whereby, Visuray plc acquired Visuray Holding AS from the previous shareholders by issuing shares in Visuray plc.

The movement in the issued share capital was as follows:

<u>Ordinary shares</u>	Issued capital EUR	Share premium EUR	Total EUR
As at 1 January 2013	4,398,753	31,094,660	35,493,413
1,981,494 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on 1 February 2013for cash	99,075	1,387,046	1,486,121
2,666,629 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on 8 February 2013 for cash	133,331	1,866,640	1,999,971
1,466,667 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on on 22 March for cash	73,333	1,026,667	1,100,000
1,333,333 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 4 July 2013 for cash	66,667	933,333	1,000,000
1,333,295 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 5 September 2013 for cash	66,665	933,307	999,972
2,666,688 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 11 October 2013 for cash	133,334	1,866,682	2,000,016
1,333,333 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 4 November 2013 for cash	66,667	933,333	1,000,000
As at 31 December 2013	**5,037,825**	**40,041,668**	**45,079,493**

NOTES TO THE FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

2012

Ordinary shares	Issued capital EUR	Share premium EUR	Total EUR
At 1 January 2012	3,058,467	12,151,905	15,210,372
1,875,090 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.8 per share issued on 5 January 2012 in exchange of issued share capital in XCounter AB	93,755	1,500,072	1,593,827
30,000 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.4083 per share issued on 7 March 2012 for cash	1,500	12,249	13,749
5,374,284 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on 12 June 2012 in respect of loan capitalisations	268,714	3,761,998	4,030,712
19,342,667 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 12 June 2012 for cash	967,133	13,539,867	14,507,000
183,670 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium or EUR0.7 per share issued on 3 August 2012 for cash	9,184	128,569	137,753
As at 31 December 2012	4,398,753	31,094,660	35,493,413

The holders of Ordinary A shares shall have the right to receive notice of and vote on all Ordinary and Extraordinary resolutions. Ordinary A shareholders shall also have the right to receive dividends and to participate in the profits of the company.

Share premium

In terms of the Companies Act, Cap.386 of the Laws of Malta, this reserve is non distributable by way of dividends. It may be applied by the company in paying up unissued shares of the company as fully paid bonus shares to the shareholders of the company or to provide for the premium payable on redemption of any redeemable preference shares or of any debentures of the company.

Capital contribution reserve

The reserve represents amount of capital contributions received from current or potential shareholders of Visuray PLC which was not registered properly as a share capital at year end.

During this year, Visuray plc received capital contribution from shareholders amounting to EUR2,012,155 (2012: EUR1,386,121). The balance was fully converted into its share capital in January 2014 being equivalent of 2,682,871 Ordinary "A" shares, with nominal value of EUR0.05 issued at a premium of EUR0.70 per share. The issues were fully paid up and duly registered by Malta Stock Exchange PLC by 28 January 2014.

NOTES TO THE FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

Other capital reserve

Share based payments

The share based payment reserve is used to recognise the value of the equity settled share-based payments provided to employees, including key management personnel, and contractors as a part of their remuneration (note 19).

Retained earnings

The reserve represents accumulated consolidated losses of the Group up to the reporting date.

Restructuring reserve

During the reorganisation of the Group the share capital and the share premium of Visuray Holding AS, was eliminated whilst the share capital and share premium of Visuray Plc was accounted for. The difference between the share capital and share premium of Visuray Plc and Visuray Holding AS was accounted for as a restructuring reserve.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

19. SHARE-BASED PAYMENTS

General share option plan

The Group grants share options of the parent to its directors, non-executive employees and major consultants. The employees and the consultants are to remain in services with the Group for the period of 3 years from the date of grant to be eligible to exercise their respective share options, while directors generally have a right to exercise their share options immediately upon award. The fair value of share options is estimated at the grant date using the Black-Scholes model. The model takes into account share price volatility, current market value of equity compared to its exercise price as per option agreement, duration left till its expiry, dividend policy of the Group and current cost of risk-free investments.

The contractual term of share options is 5 years and there are no cash settlement alternatives. The Group does not have a past practice of cash settlement of share options.

During the year ended 31 December 2013 the Group recognised the expenses from equity-settled share-based payment transactions for employees' and directors' services of EUR961,959 (2012: EUR529,593), and for consultants' services of EUR44,107 (2012: EUR289,140) (note 5).

NOTES TO THE FINANCIAL STATEMENTS - continued

19. SHARE-BASED PAYMENTS - continued

Movements for the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in share options during the years:

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding at 1 January	**5,032,400**	**EUR0.20**	-	-
Granted during the year	**5,860,000**	**EUR0.18**	7,759,900	EUR0.15
Forfeited during the year	-	-	(380,000)	EUR0.12
Exercised during the year	-	-	(2,347,500)	EUR0.03
Outstanding at 31 December	**10,892,400**	**EUR0.19**	5,032,400	EUR0.20
Exercisable at 31 December	**8,267,400**	**EUR0.21**	2,214,000	EUR0.16

The weighted average remaining contractual life for the share options outstanding as at 31 December 2013 was 4.25 years (2012: 3.1 years). The exercise prices of options outstanding as at the end of the year ranged from EUR0.458 to EUR1.5 (2012: EUR0.458 to EUR1.15).

The following table lists the inputs to the Black-Scholes model used to value share options as at year end dated 31 December:

	2013 EUR	2012 EUR
Expected volatility (%)	**45,0**	45,0
Risk free rate (%)	**1,0**	1,0
Dividend yield (%)	**0,0**	0,0
Stock price (EUR)	**0.75**	0,75
Expected life of share options (years)	**3,2**	2,7

The expected life of share options is based on current expectations of management and is not necessary indicative of exercise pattern that may occur. The expected volatility reflects the assumption that the volatility of comparable peer group adjusted to reflect the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

20. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principle tax rate of 35%.

The total deferred tax liability arises as follows:

	2013 EUR	2012 EUR
Finance income	**412,282**	306,953

The movement for the year of EUR105,329 (2012: EUR201,176), has been debited to the statement of comprehensive income (note 10).

NOTES TO THE FINANCIAL STATEMENTS - continued

20. DEFERRED TAXATION - continued

At 31 December 2013, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR 5,270,067 (2012: EUR4,850,651). However the directors opted not to recognise the deferred tax asset in view of the fact that the Group is still in its start-up phase.

The total deferred tax asset arises as follows:

	2013 EUR	2012 EUR
Temporary differences on:		
Unutilised tax losses	**4,622,180**	4,583,979
Unrealized losses on share options' valuation	**610,734**	258,611
Unutilised capital allowance	**9,698**	8,727
Property, plant and equipment	**(4,973)**	942
Unrealised exchange difference	**32,428**	(1,608)
	5,270,067	4,850,651

21. TRADE AND OTHER PAYABLES

	2013 EUR	2012 EUR
Current payables		
Trade payables (note i)	**254,108**	710,420
Amounts due to shareholders (note ii)	**10,000**	10,000
Amounts due to ex-minority (note iii)	**110,831**	120,429
Amounts due to associate (note iv)	**-**	66,000
Accruals	**57,000**	54,000
Other payables	**835,720**	453,445
	1,267,659	1,414,294

i. Trade payables are non-interest bearing and are normally on 30 day term.

ii. Amounts due to shareholders are unsecured, non-interest bearing and repayable on demand.

iii. Under the Norwegian Public Liability Companies Act (section 4-25), the company can force the purchase of minority shares in a subsidiary. When a company decides to take over shares according to these provisions, the combined offer price is paid into a special bank account and can only be retrieved by the previous minority shareholder. A payable for the same purpose is also recorded in the books of the company (note 25).

iv. Amounts due to associate incurs within normal course of R&D activity, and are unsecured, non-interest bearing and are normally settled on 30 days term.

NOTES TO THE FINANCIAL STATEMENTS - continued

22. INTEREST-BEARING LOANS AND BORROWINGS

At 31 December, interest-bearing loans and borrowings were as follows:

	2013 EUR	2012 EUR
Current		
Loans from shareholders	-	472,108

Loans from shareholders

The Group received loans facilities from shareholders for the purposes of financing the ordinary business of Visuray plc and its subsidiaries, which was amounting of EUR472,104 as at 31 December 2012. These loan facilities were unsecured and bear interest at the rate of 7% per annum. The outstanding balance of loans due was fully settled within the year ended 31 December 2013 for cash consideration.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has financial assets and other receivables and cash and short-term deposits that derive directly from its operations.

a. **Timing of cash flows**

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

b. **Interest rate risk**

The Group's exposure to market risk for changes in interest rates relates primarily to the Groups's short term debt obligations. Interest rates are however fixed by contract in place with the lenders and have a short maturity. The Group had no unsettled interest bearing balances due as at 31 December 2013 (note 22).

c. **Credit risk**

Financial assets which potentially might subject the Group to concentration of credit risk consist principally of cash at bank and loans and receivables. The Group's cash equivalents are placed with quality financial institutions. All material receivables as at year end are due from related parties and shareholders of the Group. The directors consider the risk of default by related parties to be highly remote.

d. **Liquidity risk**

Liquidity risk principally relates to the Group's payment obligations for repayments on loans and borrowings. The timing of cash flows received on the Group's operating activities matches the timing of these payment obligations. The Group settled its liabilities on borrowings within 2013 within the schedule committed. There were no outstanding loans payable as at year end (note 22).

NOTES TO THE FINANCIAL STATEMENTS - continued

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

e. **Fair values**

At 31 December 2013 and 31 December 2012 the carrying amounts of cash and cash equivalents, receivables, payables and accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings were not materially different from their carrying amounts.

f. **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares.

24. RELATED PARTIES

The consolidated financial statements include the financial statements of Visuray plc and the subsidiaries listed in the following table:

		% equity interest	
Name	**Country of incorporation**	**2013**	**2012**
Direct subsidiaries			
Visuray Limited	BVI	**100**	100
Visuray InTech Limited	BVI	**100**	100
Indirect subsidiaries			
Visuray Technology Limited	Malta	**100**	100
Visuray International (Malta) Limited	Malta	**100**	100
Visuray Holding AS	Norway	**100**	100
Visuray AS	Norway	**100**	100
Latent AS (note i)	Norway	-	100
XR Invest AS (note i)	Norway	-	100
Visuray LLC	United States of America	**100**	100

i. Latent AS and XR Invest AS were dissolved as at 31 August 2013. Remained net assets of the companies were allocated to Visuray Holding AS, immediate parent of the companies.

NOTES TO THE FINANCIAL STATEMENTS - continued

24. RELATED PARTIES - continued

Details of transactions carried out during the financial year with related parties are as follows:

		Related party activity EUR	Total activity EUR	%
Finance income	**2013**	**35,473**	**46,872**	**76**
	2012	9,165	32,938	28
Finance costs	**2013**	**15,410**	**16,260**	**95**
	2012	188,517	216,737	87
Professional fees	**2013**	**678,043**	**2,704,407**	**25**
	2012	651,938	2,766,858	24

Outstanding balances with related parties at the reporting date and respective terms are disclosed in notes 14, 15, 21 and 22.

Professional fees include EUR467,979 (2012: EUR349,217) which were paid to directors.

Wages and salaries include EUR399,956 (2012: EUR347,999) which were paid to the general manager and other board members.

During 2013 the Group granted share options to its directors, total number of which and related expenses are disclosed in notes 5 and 19.

25. COMMITMENTS AND CONTINGENCIES

Restricted cash

As disclosed in note 21, during 2011 Visuray plc has forced the acquisition of minority stakeholdings in a subsidiary. In this regards, it has an account of EUR111,052 (2012: EUR120,429) which is set aside for this purposed.

Contingent liability

As part of the minority acquisition procedures, two stakeholders have objected to the price offered by the Group. The outcome of such objections is still unknown to date.

Guarantees

XCounter AB, an associate of the Group, provided guarantees on behalf of its subsidiary for a loan taken from a third party. The associate guarantees repayment of the loan and any interest due, if its subsidiary fails to meet its obligations. The principal and interest accrued until repayment date at the end of August 2016 amounts to EUR1,634 million.

NOTES TO THE FINANCIAL STATEMENTS - continued

25. COMMITMENTS AND CONTINGENCIES - continued

Other financial obligation

The Group had the following financial obligations under future payments as at 31 December:

		Up to 1year	After 1 year
Payment obligations under rental payments	**2013**	**189,899**	**539,500**
	2012	43,609	83,286

26. SUBSEQUENT EVENTS

Subsequent to the reporting date the Group awarded its directors and employees with 3,500,000 and 530,000 share options, respectively. Share options are exercisable in 3 years from the award date. The theoretical fair value of these share options is estimated to be EUR0.2 per share at award date.

In March 2014 the Company increased its share capital by 4,199,331 Ordinary "A" shares, of EUR0.05 at a premium of EUR1.45 per share. The issue was fully paid up within April-May 2014.

Subsequently to the year end the Group has approved conversion of the loan due from XCounter AB, its associate; the principal together with interest accrued up till the date of the conversion was exchanged for share capital of the associate which increased stake of the Group by 42%.

VISURAY

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Certified Public Accountants
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Msida MSD1751
Malta

23 July 2014

This representation letter is provided in connection with your audit of the consolidated financial statements of Visuray plc and its subsidiaries ("the Group") for the year ended 31 December 2013. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated financial statements give a true and fair view of the financial position of Visuray plc as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and Malta Companies Act, Chapter 386.

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 20 March 2014, for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Malta Companies Act, Chapter 386.

2. We acknowledge, as members of management of the Group, our responsibility for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with International Financial Reporting Standards as adopted by the EU and Malta Companies Act, and are free of material misstatements, including omissions. We have approved the consolidated financial statements.

3. The significant accounting policies adopted in the preparation of the consolidated financial statements are appropriately described in the consolidated financial statements.

4. As members of management of the Group, we believe that the Group has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Malta Companies Act, Chapter 386, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated financial statements or otherwise affect the financial reporting of the Group.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters

   - Additional information that you have requested from us for the purpose of the audit and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors and summaries of actions of recent meetings for which minutes have not yet been prepared held through the year up to the issue of these consolidated financial statements.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Equity

1. We have disclosed to you complete information on share options awarded to employees, directors and consultants of the Group. We have properly recorded and disclosed in the consolidated financial statements the share options awarded/forfeited/exercised by beneficiaries, and major judgments made by us to value the share options impact on the consolidated financial statements for the year ended 31 December 2013.

F. Ownership of Assets

1. The Group has satisfactory title to all assets appearing in the consolidated statement of financial position, and there are no liens or encumbrances on the Group's assets, nor has any asset been pledged as collateral other than disclosed in the Note 17.

2. There are no formal or informal compensating balance arrangements with any of our cash accounts.

G. Intangible assets

1. We confirm that the recoverable amount of intangible assets (being patents and royalties) as at 31 December 2013 was EUR 2,091,607. As at year end we have carried out an impairment test on intangible assets; concluded that no impairment indicators existed as at 31 December 2013 and that carrying cost of intangible assets as at 31 December 2013 equaled or exceeded its recoverable amount as at reporting date. Therefore, no impairment loss was recognized for the year ended as at 31 December 2013.

H. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 25 to the consolidated financial statements all guarantees that we have given to third parties.

I. Going Concern

1. Note 2 to the consolidated financial statements discloses all of the matters of which we are aware that are relevant to the Group's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

2. We confirm that the shareholders have corroborated their commitment to continue to provide financial support to the Group for at least 12 months from the balance sheet date.

J. Subsequent Events

1. Other than described in Note 26 to the consolidated financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated financial statements or notes thereto.

Yours truly,

Franck Biancheri

Director

Jean-Philippe Stork Flament

Director