

Company Registration No. C 52031

VISURAY PLC

**Annual Report and
Consolidated Financial Statements**

31 December 2019

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2019

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VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2019

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. The company's registration number is C52031.

Directors

Mr. Jean-Philippe Stork Flament
Mr. Thor Kristian Haugnaess (resigned 31st October 2019)
Mr. Franck Biancheri
Ms. Ondine Fleur Tamara de Rothschild
Mr. Tore Hansen Tangen (resigned on 29th July 2019)
Mr. Alexander Charles Moody-Stuart (appointed on 31st October 2019)
Mr. David Kevin Kirshner (appointed on 31st October 2019)
Mr. Scott Marshall Heck (appointed on 31st October 2019)

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 present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal activities 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 of companies. The Visuray Group currently has one commercial product in the market VR90 and the second commercial product the VR360 will enter the market at the end of Q1 2021. The Group's started providing the first VR90 services of a commercial nature in 2017.

Performance review

The statement of comprehensive income is set out on page 8.

The Group's consolidated financial statements show a total comprehensive loss of EUR9,928,441 (2018: EUR13,095,889) for the financial year ended 31 December 2019.

Dividends

During the year ended 31 December 2019, the Group did not propose a dividend on ordinary shares (2018: Nil).

Financial risk management

Financial risk policies are described in the Note 24 to these consolidated financial statements.

Post balance sheet events

Note 28 to the financial statements explains the impact of Covid-19 on the operations of the company.

Future developments

The company anticipates the latest set of X-Ray tools [V360] to be in the Market end of quarter one in 2021 and generating positive cashflows in 2022.

Directors

During the year ended 31 December 2019 the directors were as listed on page 2.

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the group at the end of each financial year and of the profit or loss of the group for the year then ended. In preparing the consolidated financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the group will continue in business as a going concern;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

DIRECTORS' REPORT – continued

Statement of directors' responsibilities – continued

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the group and which enable the directors to ensure that the consolidated financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors 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.

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

14 August 2020



JEAN-PHILIPPE STORK FLAMENT
Director

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Visuray plc

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Visuray plc and its subsidiaries (the "Group"), set on pages 8 to 43, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 2 to the financial statements which indicates that the going concern of the Group remains dependent on the successful commercialization of the tool.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not qualified in respect to this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Visuray plc - continued

Report on the audit of the consolidated financial statements - continued

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Visuray plc – continued

Report on the audit of the consolidated financial statements -continued

Auditor's responsibilities for the audit of the consolidated financial statements - continued

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- proper returns adequate for our audit have not been received from branches not visited by us;
- the consolidated financial statements are not in agreement with the accounting records and returns;
- we have not received all the information and explanations we require for our audit.

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



*The partner in charge of the audit resulting in this independent auditor's report is
Christopher Portelli for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

14 August 2020

VISURAY PLC**Annual Consolidated Financial Statements for the year ended 31 December 2019****STATEMENT OF COMPREHENSIVE INCOME**

| | Notes | 2019 EUR | 2018 EUR |
|---|-------|---------------------|---------------------|
| Other revenues | 4 | 180,836 | 432,251 |
| Direct expenditure | | (976,941) | (1,676,787) |
| Gross loss | | (796,105) | (1,244,536) |
| Share of profit in associate | | | - |
| Administrative expenses | 5 | (8,859,906) | (13,557,356) |
| Other (losses)/gains | 7 | (184,109) | 863,578 |
| Movement in expected credit losses | 15 | - | (45,108) |
| Operating loss | | (9,840,120) | (13,983,422) |
| Finance income | 8 | 9,356 | 9,316 |
| Finance costs | 9 | (1,024,035) | (900,945) |
| Loss before tax | | (10,854,799) | (14,875,051) |
| Income tax expense | 10 | - | (90,196) |
| Loss for the year | | (10,854,799) | (14,965,247) |
| Other comprehensive income | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Exchange difference on translation of foreign operations | | 926,358 | 1,869,358 |
| Total comprehensive loss for the year | | (9,928,441) | (13,095,889) |

The accounting policies and explanatory notes on pages 12 to 43 form an integral part of the consolidated financial statements.

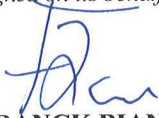
VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2019

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019


| | Notes | 2019 EUR | 2018 EUR |
|--|-------|------------------|--------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,499,873 | 1,872,518 |
| Right-of-use Asset | 23 | 1,093,025 | - |
| Intangible assets | 12 | - | - |
| Investment in associate | 13 | - | - |
| Other non-current financial assets | 15 | 944,641 | 935,501 |
| | | 3,537,539 | 2,808,019 |
| Current assets | | | |
| Trade and other receivables | 14 | 396,168 | 398,600 |
| Inventory | 16 | 1,872,739 | 2,400,756 |
| Cash and cash equivalents | 17 | 837,321 | 325,252 |
| | | 3,106,228 | 3,124,608 |
| TOTAL ASSETS | | 6,643,767 | 5,932,627 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 26,142,337 | 6,702,867 |
| Share premium | | 87,930,146 | 86,461,071 |
| Capital contribution reserve | | 366,273 | - |
| Other capital reserve | | 3,136,279 | 4,631,955 |
| Restructuring reserve | | (12,572) | (12,572) |
| Foreign currency translation reserve | | 7,254,586 | 6,328,228 |
| Accumulated losses | | (121,403,860) | (110,549,061) |
| Equity attributable to owners of the parent | 18 | 3,413,189 | (6,437,512) |
| Non-current liabilities | | | |
| Finance Lease Liability | 23 | 634,872 | - |
| Deferred tax liability | 20 | 26,941 | 26,941 |
| | | 661,813 | 26,941 |
| Current liabilities | | | |
| Loans and other borrowings | 21 | - | 8,420,636 |
| Trade and other payables | 22 | 2,079,434 | 3,922,562 |
| Finance Lease Liability | 23 | 489,331 | - |
| Income tax payable | | - | - |
| | | 2,568,765 | 12,343,198 |
| Total liabilities | | 3,230,578 | 12,370,139 |
| TOTAL EQUITY AND LIABILITIES | | 6,643,767 | 5,932,627 |

The accounting policies and explanatory notes on pages 12 to 43 form an integral part of the consolidated financial statements.

The consolidated financial statements on pages 8 to 43 have been authorised for issue by the Board of Directors, and were signed on its behalf by:


FRANCK BIANCHERI
Director

14 August 2020


JEAN-PHILIPPE STORK FLAMENT
Director

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2019

STATEMENT OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Issued capital EUR | Share premium EUR | Capital contribution reserve EUR | Other Capital reserve EUR | Accumulated losses EUR | Re-structuring reserve EUR | Foreign Currency translation EUR | Other Reserve EUR | Total Equity EUR |
|---|-----------------------|----------------------|--|------------------------------|---------------------------|-------------------------------|-------------------------------------|----------------------|---------------------|
| Balance at 1 January 2019 | 6,702,867 | 86,461,071 | - | 4,631,955 | (110,549,061) | (12,572) | 6,328,228 | - | (6,437,512) |
| Loss for the year | - | - | - | - | (10,854,799) | - | - | - | (10,854,799) |
| Other comprehensive income | - | - | - | - | - | - | 926,358 | - | 926,358 |
| Total comprehensive loss | - | - | - | - | (10,854,799) | - | 926,358 | - | (9,928,441) |
| Issue of share capital (note 18) | 19,439,470 | - | - | - | - | - | - | - | 19,439,470 |
| Capital contribution not yet registered (note 18) | - | - | 366,273 | - | - | - | - | - | 366,273 |
| Expired share options (note 19) | - | 1,469,075 | - | (1,469,075) | - | - | - | - | - |
| Fair value adjustment | - | - | - | (26,601) | - | - | - | - | (26,601) |
| Balance at 31 December 2019 | 26,142,337 | 87,930,146 | 366,273 | 3,136,279 | (121,403,860) | (12,572) | 7,254,586 | - | (3,413,189) |

FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | | | | | | | | |
|-------------------------------------|------------------|-------------------|-----------|------------------|----------------------|-----------------|------------------|----------|--------------------|
| Balance at 1 January 2018 | 6,601,160 | 82,702,367 | 241,284 | 5,918,689 | (95,591,366) | (12,572) | 4,458,870 | 7,552 | 4,325,984 |
| Loss for the year | - | - | - | - | (14,965,247) | - | - | - | (14,965,247) |
| Other comprehensive income | - | - | - | - | - | - | 1,869,358 | - | 1,869,358 |
| Total comprehensive loss | - | - | - | - | (14,965,257) | - | 1,869,358 | - | (13,095,889) |
| Issue of share capital (note 18) | 90,957 | 2,485,044 | - | - | - | - | - | - | 2,576,001 |
| Transfer between reserves | 10,750 | 230,534 | (241,284) | - | 7,552 | - | - | (7,552) | - |
| Exercise of share options (note 19) | - | 159,012 | - | (159,012) | - | - | - | - | - |
| Expired share options (note 19) | - | 884,114 | - | (884,114) | - | - | - | - | - |
| Fair value adjustment | - | - | - | (243,608) | - | - | - | - | (243,608) |
| Balance at 31 December 2018 | 6,702,867 | 86,461,071 | - | 4,631,955 | (110,549,061) | (12,572) | 6,328,228 | - | (6,437,512) |

The accounting policies and explanatory notes on pages 12 to 43 form an integral part of the consolidated financial statements.

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2019

STATEMENT OF CASH FLOWS

| | 2019 EUR | 2018 EUR |
|--|--------------------|---------------------|
| Operating activities | | |
| Loss before tax | (10,854,799) | (14,875,051) |
| <i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i> | | |
| Depreciation of property, plant and equipment | 861,738 | 745,895 |
| Depreciation of Right-of-use Assets | 480,629 | - |
| Assets written off | 200,167 | - |
| Gain from disposal of investments | - | (854,549) |
| Unrealised difference on exchange | 1,060,004 | 1,629,752 |
| Finance income | (9,356) | (9,316) |
| Finance costs | 1,024,035 | 900,945 |
| Share-based payments expenses | (26,601) | 243,608 |
| Movements in legal provision | - | - |
| Impairment loss on intangible assets | - | 2,091,607 |
| Movement in expected credit losses | - | 45,108 |
| <i>Working capital adjustments:</i> | | |
| Decrease in inventories | 528,020 | 276,684 |
| Decrease in trade and other receivables | 2,432 | 139,423 |
| Increase in trade and other payables | (1,983,923) | (522,910) |
| | (8,717,654) | (10,188,804) |
| Interest paid | - | (13,564) |
| Interest received | 216 | 176 |
| Income tax credit | - | 13,233 |
| Net cash flows used in operating activities | (8,717,438) | (10,188,959) |
| Investing activities | | |
| Purchase of property, plant and equipment | (698,895) | (881,217) |
| Proceeds from disposal of property, plant and equipment | - | - |
| Proceeds from sale of shares in associate | - | 1,191,196 |
| Net cash flows from/(used in) investing activities | (698,895) | 309,979 |
| Financing activities | | |
| Issue of share capital | 5,985,433 | 1,305,401 |
| Capital Contribution | 366,273 | - |
| Proceeds from borrowings | 4,139,900 | 8,965,000 |
| Repayment of principal portion of lease liability | (503,805) | - |
| Borrowings repaid | (59,399) | (515,063) |
| Net cash flows from financing activities | 9,928,402 | 9,755,338 |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | 512,069 | (123,642) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 325,252 | 448,894 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (note 17) | 837,321 | 325,252 |

The accounting policies and explanatory notes on pages 12 to 43 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 25.

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 25.

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

During the year ended 31 December 2019, the Group incurred a loss of EUR10.9million (2018: EUR14.9million) and its total assets, exceeded its total liabilities by EUR 3.4million. The results of the Group are significantly impacted by all research and development being expensed.

In the second part of 2019 Visuray restructured the business to downsize and concentrate on the VR360 development, with this restructuring being fully completed by December 2019. The results for 2019 reflect the restructured company and the continuing development work on the VR360 tool, with the aim being for the tool to be in the field by the end of Q1 2021 and working on projects for Equinor and ConacoPhillips in the field.

In mid 2019 Visuray PLC obtained EGM approval to increase its authorized share capital following an agreement with creditors to extend and amend the conditions of its external loans by lowering the conversion price of the loans to 0.05 euro per share. At the same time Visuray PLC provided existing shareholders the opportunity to participate at the same terms with the aim to raise further capital. Both of these actions were accomplished in July 2019. The existing shareholders subscribed for new shares for a total of Euro 7.3 million.

In 2020 Visuray PLC raised further capital from current investors of Euro 7.5million which will provide sufficient working capital to see the project through to deployment of the VR360 tool in the field.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES

Going concern – continued

In 2020 Visuray has also been dealing with the Covid-19 pandemic and as of to date, the Company has not encountered any delays which would require a rethink of timelines. During this period, employees were able to work from home with no impact when required, and now that the offices are fully open Visuray has implemented strict protocols to ensure our employees have a safe working environment. Based on the above, the board of directors conclude that the going concern assumption remains appropriate.

This notwithstanding, the long term going concern of the Group remains dependent on the successful commercialisation of the tool. The revenue generating ability of the Group is dependent on the market in which the Group operates which remains extremely volatile, as it may be impacted by oil prices. In the current market conditions, the Group has decided to shift its resources to the development of the V360.

These conditions indicated the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business, which is dependent upon the eventual commercialization of the tool.

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

The accounting policies are consistent with those of the previous financial year, except for the following standards, interpretations and amendments effective as of 1 January 2019.

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for financial year beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial year beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial year beginning on or after 1 January 2019)
- IFRS 16 Leases (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS12 Income Taxes Annual Improvements to IFRSs 2015-2017 Cycle, Income tax consequences of payments on financial instruments classified as equity
- Amendments to IAS23 Income Taxes Annual Improvements to IFRSs 2015-2017 Cycle, Borrowing costs eligible for capitalization
- Amendments to IFRS 3 and IFRS 11 Annual Improvements to IFRSs 2015-2017 Cycle, Previously held interest in a joint operation

Other than what is disclosed below, the adoption of these standards, where applicable, did not have significant impact on the consolidated financial statements or performance of the Group. The nature and effect of the changes as a result of adoption of IFRS 16 is described below.

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES – continued

IFRS 16 – Leases - continued

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

| | €000 |
|-----------------------------|-------------|
| Assets | |
| Right-of-use assets | 1,568,409 |
| Liabilities | |
| Other financial liabilities | (1,568,409) |

The Group has lease contracts in place mainly for IT servers and office buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Refer to Note 2.3 Leases for the accounting policy before and after 1 January 2019.

- Leases previously classified as finance leases.

The Group did not have any finance leases on its books at the date of initial application.

- Leases previously accounted for as operating leases.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES – continued

IFRS 16 – Leases – continued

Based on the above, as at 1 January 2019:

- Right-of-use assets of EUR1,568,409 were recognised and presented separately in the statement of financial position.
- Lease liabilities of EUR1,568,409 (included in Interest bearing loans and borrowings) were recognised.
- There were no difference recognised in retained earnings as the Group adopted the approach whereby the right-of-use assets are initially measured equal to the lease liability.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| | Eur |
|--|------------------|
| Assets | |
| Operating lease commitments as at 31 December 2018 | 1,974,357 |
| Weighted average incremental borrowing rate at 1 January 2019 | 4% |
| Discounted using incremental borrowing rate as at 1 January 2019 | 1,568,409 |
| Lease liabilities as at 1 January 2019 | 1,568,409 |

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

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when these become effective.

- Amendment to IAS 1 and IAS 8: Definition of Material (effective for financial year beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial year beginning on or after 1 January 2020)
- Amendment to IFRS 3 Business Combinations Definition of a Business (issued on 22 October 2018)
- Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform (issued on 26 September 2019)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES – continued

Standards, interpretations and amendments that are not yet adopted by the EU

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020)
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020)
- IFRS17 Insurance Contracts (effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)

The changes resulting from these standards are not expected to have a material effect on the consolidated 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

Revenues include all revenues from the ordinary business activities of the Company and are recorded net of value added tax. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income earned upon the delivery of service. Revenue is recognised when the risks and rewards of the products has been transferred to the customer and collectability is reasonably assured.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The Company has identified one performance obligation, being the performance of the service. The transaction price follows a fee structure which is known at the date of delivery and thus no significant estimates are required in this respect.

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxes – continued

Deferred income tax

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
- Where receivables and payables 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.

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 EURO ("EUR"), being the currency of the primary economic environment in which the group operates and obtains financing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Currency translation – continued

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Currency translation – continued

Investment in associate- – continued

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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments -continued

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group holds no financial assets classified under this category.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments -continued**

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group holds no financial assets classified under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Group holds no financial assets classified under this category.

Derecognition

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

- The rights to receive cash flows from the asset have expired
- or
- 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.

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 Group continues to recognise the transferred asset to the extent of its continuing involvement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments -continued

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments -continued

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 profit or loss 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 as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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. Fixed assets which have not been yet put into operation as at reporting date are classified into "Construction in progress" class.

Property, plant and equipment are initially measured at cost less any accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in assets' carrying amount when it is probable that future economic benefits associated with items 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment -continued

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 | 20% per annum |
| Plant and equipment | 20%-50% per annum |
| Furniture and fittings | 20% per annum |
| Computer equipment | 33.33% per annum |

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|-----------|--------------|
| Buildings | 3 to 5 years |
| Software | 2 to 4 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other Financial Liabilities.

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 ("R&D")

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. Subsequently to launch of the in-house technology, useful life of the R&D capitalized is expected over 8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 consolidated 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 intellectual property 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 twelve 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

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, other 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’.

4. OTHER REVENUE

Revenues represent various consulting fees and other services recharged to related parties during the respective year.

5. EXPENSES BY NATURE

| | 2019 | 2018 |
|---|-----------|------------|
| | EUR | EUR |
| Auditor’s remuneration | 115,084 | 175,105 |
| Professional fees | 303,745 | 298,450 |
| Repairs and maintenance | 144,638 | 215,304 |
| Salaries, wages and social security contribution (note 6) | 4,273,063 | 4,911,952 |
| Other staff costs | 601,182 | 1,083,510 |
| Travelling expenses | 381,528 | 660,899 |
| Legal fees | 84,278 | 293,923 |
| Rent | 426,795 | 1,157,208 |
| Depreciation (note 11) | 861,739 | 745,895 |
| Depreciation right-of-use asset(note 23) | 480,629 | - |
| Marketing and advertising | 38,373 | 107,579 |
| Impairment of intangible assets (note 12) | - | 2,091,607 |
| Unrealised difference on exchange | 1,060,004 | 1,629,752 |
| Realised difference on exchange | 32,353 | 131,208 |
| Other expenses | 56,495 | 54,964 |
| Total administrative expenses | 8,859,906 | 13,557,356 |

Auditor’s remuneration includes EUR8,040 (2018: EUR22,715) for non-audit services provided during the year ended 31 December 2019.

The amount of share-based expenses included in professional fees and salary expenses totalled to EUR357 (2018: EUR163,174) and EUR 26,244 (2018: EUR82,406), respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

6. EMPLOYEE INFORMATION

a. Staff costs

| | 2019 | 2018 |
|-------------------------|------------------|------------------|
| | EUR | EUR |
| Wages and salaries | 3,759,254 | 4,268,171 |
| Social security costs | 513,809 | 643,781 |
| Total expenses (note 5) | <u>4,273,063</u> | <u>4,911,952</u> |

b. Headcount

The average number of employees employed by the group during the year excluding directors was 38 (2018: 50).

7. OTHER (LOSSES)/ GAINS

| | 2019 | 2018 |
|---|------------------|----------------|
| | EUR | EUR |
| Result from disposal of ownership in associate (note i) | - | 854,549 |
| Other gain | 16,058 | 9,029 |
| Assets Written-off | (200,167) | - |
| Total other (losses)/gains incurred | <u>(184,109)</u> | <u>863,578</u> |

- i. In 2018 the Group sold the remainder of its investment in Direct Conversion (formerly XCounter AB) with a total book value of EUR336,647 for a cash consideration of EUR1,191,196. This resulted in a realized gain of EUR854,549.

8. FINANCE INCOME

| | 2019 | 2018 |
|--------------------------------------|--------------|--------------|
| | EUR | EUR |
| Interest receivable on bank balances | 216 | 176 |
| Interest on loans to a shareholder | 9,140 | 9,140 |
| | <u>9,356</u> | <u>9,316</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

9. FINANCE COSTS

| | 2019 EUR | 2018 EUR |
|--|------------------|----------------|
| Interest payable on loans and borrowings | 962,683 | 887,381 |
| Interest on lease liabilities | 46,691 | - |
| Other finance costs | 14,661 | 13,564 |
| | <u>1,024,035</u> | <u>900,945</u> |

10. INCOME TAX

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

| | 2019 EUR | 2018 EUR |
|----------------------------|-------------|---------------|
| Current income tax benefit | - | (15,198) |
| Deferred tax expenses | - | 105,394 |
| Income tax expenses | <u>-</u> | <u>90,196</u> |

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% (2018: 35%) as follows:

| | 2019 EUR | 2018 EUR |
|-------------------------------------|--------------|---------------|
| Accounting loss before tax | (10,854,799) | (14,875,051) |
| Theoretical taxation expense at 35% | (3,799,180) | (5,206,268) |
| Tax effect of | | |
| - Non-allowable expenses | 3,714,039 | 5,306,117 |
| - Deferred tax asset not recognised | 85,141 | 8,412 |
| - Income not subject to tax | - | (18,065) |
| Income tax (credit)/ expenses | <u>-</u> | <u>90,196</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT

| | Buildings EUR | Plant and equipment EUR | Furniture and Fittings EUR | Computer equipment EUR | Total EUR |
|---|--------------------------|--|---|---------------------------------------|----------------------|
| Cost | | | | | |
| At 1 January 2018 | 196,722 | 3,453,422 | 167,530 | 471,863 | 4,289,537 |
| Additions | - | 854,648 | 26,569 | - | 881,217 |
| Exchange differences | 164 | 48,878 | 3,341 | (752) | 51,631 |
| At 31 December 2018 | 196,886 | 4,356,948 | 197,440 | 471,111 | 5,222,385 |
| Additions | - | 694,845 | 4,050 | - | 698,895 |
| Assets written-off | - | (361,021) | - | - | (361,021) |
| Exchange differences | 2,127 | 50,946 | 2,877 | 3,488 | 59,438 |
| At 31 December 2019 | 199,013 | 4,741,718 | 204,367 | 474,599 | 5,619,697 |
| Depreciation and impairment losses | | | | | |
| At 1 January 2018 | 185,717 | 1,754,788 | 144,375 | 430,992 | 2,515,872 |
| Depreciation charge for the year | 11,008 | 703,966 | 7,974 | 22,947 | 745,895 |
| Exchange differences | (105) | 86,267 | 2,939 | (1,001) | 88,100 |
| At 31 December 2018 | 196,620 | 2,545,021 | 155,288 | 452,938 | 3,349,867 |
| Depreciation charge for the year | 267 | 839,264 | 11,060 | 11,148 | 861,739 |
| Depreciation charge released with assets written-off | - | (160,854) | - | - | (160,854) |
| Exchange differences | 2,126 | 61,553 | 2,037 | 3,356 | 69,072 |
| At 31 December 2019 | 199,013 | 3,284,984 | 168,385 | 467,442 | 4,119,824 |
| Net book value | | | | | |
| At 31 December 2019 | - | 1,456,734 | 35,982 | 7,157 | 1,499,873 |
| At 31 December 2018 | 266 | 1,811,927 | 42,152 | 18,173 | 1,872,518 |

As at 31 December 2019, property plant and equipment with cost EUR 1,916,609 (2018: EUR1,158,915) were fully depreciated but still in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. INTANGIBLE ASSETS

| | 2019 EUR | 2018 EUR |
|---------------------------------|-------------|-------------|
| Patents and trademarks | 2,091,607 | 2,091,607 |
| Impairment of intangible assets | (2,091,607) | (2,091,607) |
| | - | - |

Intangible assets were made up of patents and trademarks as recorded at fair value of the assets established as at 31 December 2012. 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 were still under development.

Management monitors revenue and directly attributable costs of its business units separately, while the decision-making process is managed on a Group basis; the Visuray Group is 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 twelve-year period based on the future business development and growth once the technology is in the market.

The intangible asset is tested for impairment annually. Based on the impairment test performed as at 31 December 2018, the intangible asset was impaired in full. No additional intangible assets were recognised during 2019 and therefore the balance remained fully written off.

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%.

Management 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.

13. INVESTMENT IN ASSOCIATE

In 2017, the group held 3.69% interest in Direct Conversion (formerly Xcounter AB), a technology leader in direct conversion digital x-ray imaging for medical, dental and industrial markets. Direct Conversion was founded in 1997 and is listed on the Nasdaq OMX First North. Although the Group held less than 20% of the ownership interest and voting control of Direct Conversion, the Group had the ability to exercise significant influence through both its shareholding and its nominated directors' active participation on the Board of Directors of Direct Conversion.

During 2018, the group fully disposed of its investments in Direct Conversion. The group realized a capital gain on the sale of Direct Conversion amounting to EUR854,549 which was included as part of the other gains (note 7).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|----------------------------|----------------|---------|
| | EUR | EUR |
| Prepayments (note ii) | 284,726 | 211,832 |
| VAT recoverable | 111,442 | 60,043 |
| Other receivables (note i) | - | 126,725 |
| | 396,168 | 398,600 |

- i. a. The balance as at 31 December 2018 included EUR21,951 receivable from Norwegian Government (being tax reimbursements) in respect of research and development activity carried out by one of the Group's subsidiaries.
- b. The balance as at 31 December 2018 included EUR50,516 due from the related party of the Group. The balance was interest free, unsecured and settled on demand.
- c. The remaining other receivable balances are due from third parties. The balances were interest free, unsecured and receivable on demand.
- ii. Prepayment include a down-payment of EUR37,505 (2018: EUR5,280) paid to a related party for R&D projects.

15. OTHER NON-CURRENT FINANCIAL ASSETS

| | 2019 | 2018 |
|------------------------------|-----------------|----------|
| | EUR | EUR |
| Loan to shareholder (note i) | 989,749 | 980,609 |
| Impairment of loan | (45,108) | (45,108) |
| | 944,641 | 935,501 |

- i. The balance comprises of principal and accrued interest of EUR EUR914,000 (2018: EUR914,000) and EUR75,749 (2018: EUR66,609) respectively. The loan is secured by a pledge over the shares owned by the party in Visuray Plc; bears interest of 1% p.a. (2018: 1% p.a.) and is repayable in 2021, subject to continued employment of the director.

16. INVENTORY

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

| | 2019 | 2018 |
|--------------------------------------|------------------|-----------|
| | EUR | EUR |
| Finished goods and other inventories | 1,807,759 | 2,134,747 |
| Work in progress | 64,980 | 266,009 |
| | 1,872,739 | 2,400,756 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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:

| | 2019 | 2018 |
|---------------------------|----------------|---------|
| | EUR | EUR |
| Cash at banks and in hand | 837,321 | 325,252 |

18. ISSUED CAPITAL AND RESERVES

Authorised and issued share capital

As at 31 December 2019:

| | Number of shares | Nominal value, EUR |
|---------------------------------------|-------------------------|---------------------------|
| Total authorised share capital | 600,000,000 | 30,000,000 |
| - <i>Ordinary shares</i> | 77,153,261 | 3,857,663 |
| - <i>Ordinary "A" shares</i> | 522,846,739 | 26,142,337 |

Issued and fully paid capital:

| | | |
|------------------------------|--------------------|-------------------|
| - Ordinary "A" shares | 522,846,739 | 26,142,337 |
|------------------------------|--------------------|-------------------|

As at 31 December 2018:

| | Number of shares | Nominal value, EUR |
|---------------------------------------|-------------------------|---------------------------|
| Total authorised share capital | 200,000,000 | 10,000,000 |
| - <i>Ordinary shares</i> | 65,942,660 | 3,297,133 |
| - <i>Ordinary "A" shares</i> | 134,057,340 | 6,702,867 |

Issued and fully paid capital:

| | | |
|------------------------------|--------------------|------------------|
| - Ordinary "A" shares | 134,057,340 | 6,702,867 |
|------------------------------|--------------------|------------------|

All authorised, issued and fully paid shares of Visuray Plc as at 31 December 2019 have a nominal value of EUR0.05 (2018: EUR0.05c) each.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

| 2019 | Issued capital EUR | Share premium EUR | Total EUR |
|--|--------------------------|-------------------------|--------------|
| <u>Ordinary shares</u> | | | |
| As at 1 January 2019 | 6,702,867 | 86,461,071 | 93,163,938 |
| 245,080,737 ordinary "A" shares of a nominal value EUR0.05 issued on 17 February 2019. These were paid in 2019 | 12,254,037 | - | 12,254,037 |
| 24,000,000 ordinary "A" shares of a nominal value EUR0.05 issued on 31 July 2019. These were paid in 2019 | 1,200,000 | - | 1,200,000 |
| 85,978,661 ordinary "A" shares of a nominal value EUR0.05 issued on 23 August 2019. These were paid in 2019 | 4,298,933 | - | 4,298,933 |
| 14,930,000 ordinary "A" shares of a nominal value EUR0.05 issued on 15 October 2019. These were paid in 2019 | 746,500 | - | 746,500 |
| 18,800,000 ordinary "A" shares of a nominal value EUR0.05 issued on 4 November 2019. These were paid in 2019 | 940,000 | - | 940,000 |
| Non- Cash contribution being fair value of share options forfeited/expired during the year | | 1,469,075 | 1,469,075 |
| As at 31 December 2019 | 26,142,337 | 87,930,146 | 114,072,483 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

| 2018 | Issued capital EUR | Share premium EUR | Total EUR |
|--|-----------------------------------|----------------------------------|----------------------|
| <u>Ordinary shares</u> | | | |
| As at 1 January 2018 | 6,601,160 | 82,702,367 | 89,303,527 |
| 250,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.05 per share issued on 31 January 2018. These were paid in 2018 | 12,500 | 262,500 | 275,000 |
| 200,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 31 January 2018. These were paid in 2018 | 10,000 | 290,000 | 300,000 |
| 847,067 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 1 February 2018. These were paid in 2018 | 42,353 | 1,228,247 | 1,270,600 |
| 110,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 9 February 2018. These were paid in 2018 | 5,500 | 159,500 | 165,000 |
| 150,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.10 per share issued on 8 March 2018. These were paid in 2018 | 7,500 | 165,000 | 172,500 |
| 66,666 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 7 May 2018. These were paid in 2018 | 3,333 | 96,666 | 99,999 |
| 177,075 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.98310038 per share issued on 7 May 2018. These were paid in 2018 | 8,854 | 174,082 | 182,936 |
| 233,333 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 9 July 2018. These were paid in 2018 | 11,667 | 338,333 | 350,000 |
| Non- Cash contribution being fair value of share options forfeited/expired during the year | | 1,044,376 | 1,044,376 |
| As at 31 December 2018 | 6,702,867 | 86,461,071 | 93,163,938 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

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.

During 2019 the Company has converted all of its loans payable into equity (note 15), this conversion amounted to EUR13,454,037. Share capital issued for cash consideration during 2019 amounted to EUR5,985,433.

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.

As at 31 December 2019 the unregistered contribution received by Visuray plc from shareholders amounted to EUR 366,273 (2018: NIL).

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).

Accumulated losses

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.

Other reserve

The reserve represents a proportion of cumulative other comprehensive gains and losses attributable to the Group from operations of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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 2019 the Group recognised the expenses from equity-settled share-based payment transactions for employees' and directors' services of EUR 26,220(2018: (239,003)), and for consultants' services of EUR357 (2018: EUR (4,605)) (note 5).

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:

| | Number | <u>2019</u> WAEP | Number | <u>2018</u> WAEP |
|----------------------------|--------------------|-----------------------------|---------------|-----------------------------|
| Outstanding at 1 January | 22,684,675 | EUR0.35 | 17,352,913 | EUR0.35 |
| Granted during the year | 6,875 | EUR0.00 | 9,038,000 | EUR0.00 |
| Forfeited during the year | (1,120,175) | EUR0.00 | (30,000) | EUR0.14 |
| Exercised during the year | - | EUR0.00 | (408,075) | EUR0.39 |
| Expired during the year | (3,804,500) | EUR0.39 | (3,268,163) | EUR0.18 |
| Outstanding at 31 December | 17,766,875 | EUR0.18 | 22,684,675 | EUR0.21 |
| Exercisable at 31 December | 20,502,175 | EUR0.21 | 22,641,175 | EUR0.21 |

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 1 year (2018: 2 years). The exercise prices of options outstanding as at the end of the year ranged from EUR0.46 (2018: EUR0.46) to EUR2.5 (2018: EUR2.5).

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

| | <u>2019</u> EUR | 2018 EUR |
|--|----------------------------|---------------------|
| Expected volatility (%) | 35.0 | 35.0 |
| Risk free rate (%) | 1.0 | 1.0 |
| Dividend yield (%) | Nil | Nil |
| Stock price (EUR) | 0.05-1.50 | 0.05-1.50 |
| Expected life of share options (years) | 1.5-4 | 1.5 - 4 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principle tax rate of 35% (2018: 35%).

The total deferred tax (liability) /assets arises as follows:

| | 2019 | 2018 |
|----------------|-----------------|-----------------|
| | EUR | EUR |
| Finance income | (26,941) | (26,941) |

At 31 December 2019, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR3,756,331 (2018: EUR3,671,910). However, the directors opted not to recognise the deferred tax asset in view of doubtful recoverability of the assets.

The total deferred tax asset arises as follows:

| | 2019 | 2018 |
|----------------------------------|------------------|------------------|
| | EUR | EUR |
| Temporary differences on: | | |
| Unutilised tax losses | 3,722,851 | 3,806,051 |
| Unutilised capital allowance | 449,446 | 298,192 |
| Property, plant and equipment | (3,326) | (35,655) |
| Unrealised exchange difference | (412,640) | (397,398) |
| | 3,756,331 | 3,671,190 |

21. LOANS AND BORROWINGS

| | 2019 | 2018 |
|-------------------------------------|-------------|-------------|
| | EUR | EUR |
| Loan from the shareholder (note i) | - | 2,649,926 |
| Loan from related parties (note ii) | - | 5,770,710 |
| | - | 8,420,636 |

- i. During the year, additional loans from shareholders amounted to EUR 3,702,857. The total loans amounted to EUR6,352,783 and were fully converted into share capital of the company at conversion rate EUR 0.05/share (2018: EUR1.50/share). The loans had a fixed interest rate between 5.5% to 18%.
- ii. During the year, additional loans from related parties amounted to EUR1,330,545. The total loans therefore amounted to EUR7,101,255 and were fully converted into share capital of the company at conversion rate EUR 0.05/share (2018: EUR1.50/share). The loans has interest at a rate of between 6% and 12% p.a.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. TRADE AND OTHER PAYABLES

| | 2019 EUR | 2018 EUR |
|---------------------------------------|-------------|-------------|
| Trade payables (note i) | 485,952 | 1,894,040 |
| Amounts due to shareholders (note ii) | 10,000 | 10,000 |
| Accrual | 956,823 | 1,132,787 |
| Other payables | 626,659 | 885,735 |
| | 2,079,434 | 3,922,562 |

- 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.

23. LEASES

Group

In 2019, the Group has lease contracts for various items of IT Servers and building used in its operations. Leases of buildings generally have lease terms between 3 and 5 years, whereas the IT Servers generally have lease terms between 2 and 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

| Year ended 31 December 2019 | Land and Buildings Eur |
|-------------------------------|------------------------------|
| As at 1 January 2019 | 1,568,409 |
| Additions | - |
| Depreciation expense (Note 5) | (480,629) |
| Exchange difference | 5,245 |
| As at 31 December 2019 | 1,093,025 |

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

| | 2019 Eur |
|-----------------------|-------------|
| As at 1 January | 1,568,409 |
| Additions | - |
| Accretion of interest | 46,606 |
| Exchange difference | 12,993 |
| Payments | (503,805) |
| As at 31 December | 1,124,203 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. LEASES - continued

| | 2019 |
|-------------|----------------|
| | Eur |
| Current | 489,331 |
| Non-current | 634,872 |

The following are the amounts recognised in profit or loss:

| | 2019 |
|--|----------------|
| | Eur |
| Depreciation expense of right-of-use assets (Note 5) | 480,629 |
| Interest expense on lease liabilities | 46,604 |
| Variable lease payments | 138,831 |
| Exchange differences | 7,748 |
| Total amount recognised in profit or loss | 673,812 |

The Group had total cash outflows for leases of EUR503,805 in 2019.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of trade and other payables while financial assets' structure of the Group includes other receivables and cash and short-term deposits that derive directly from its operations and investors' contributions.

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 Group's long term debt obligations. Interest rates as fixed by contract in place with the lenders were negotiated at arm's length rates as prevailed as at conclusion date. The Group considers its risk from fluctuating market interest rates as low.

c. Credit risk

Financial assets which potentially might subject the Group to concentration of credit risk consist principally of cash at bank (note 17) and loans and other receivables (notes 14 and 15). 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 trade and other payables. The timing of cash flows received on the Group's operating activities matches the timing of these payment obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

e. Fair values

At 31 December 2019 and 31 December 2018, the carrying amounts of receivables, payables and accrued expenses approximated their fair values due to the short-term maturities of these assets and liabilities.

f. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

25. GROUP STRUCTURE

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

| Name | Country of incorporation | % equity interest | |
|---------------------------------------|--------------------------|-------------------|------|
| | | 2019 | 2018 |
| Direct subsidiaries | | | |
| Visuray Limited | BVI | 100 | 100 |
| Indirect subsidiaries | | | |
| Visuray InTech Limited | BVI | 100 | 100 |
| Visuray Technology Limited | Malta | 100 | 100 |
| Visuray International (Malta) Limited | Malta | 100 | 100 |
| Visuray Holding AS | Norway | 100 | 100 |
| Visuray AS | Norway | 100 | 100 |
| Visuray LLC | United States of America | 100 | 100 |
| Visuray Oilfield Services PJSC | Russia | 100 | 100 |

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NOTES TO THE FINANCIAL STATEMENTS - continued

26. RELATED PARTIES

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

| | | Related party activity EUR | Total activity EUR | % |
|---|-------------|---|-----------------------------------|----------|
| Other revenues: | | | | |
| - <i>from an associate</i> | 2019 | - | - | - |
| | 2018 | 221,120 | 432,251 | 51 |
| Finance income: | | | | |
| - <i>from a shareholder</i> | 2019 | 9,140 | 9,357 | 98 |
| | 2018 | 9,140 | 9,316 | 98 |
| Finance costs: | | | | |
| - <i>due to a shareholder</i> | 2019 | 395,417 | 1,024,035 | 39 |
| | 2018 | 303,584 | 1,229,804 | 25 |
| Professional fees and other recharges: | | | | |
| - <i>from shareholders</i> | 2019 | 1,140,497 | 303,745 | 375 |
| | 2018 | 1,069,551 | 298,450 | 358 |
| Other gains from Investing activities: | | | | |
| - <i>from shareholders</i> | 2019 | - | - | - |
| | 2018 | 854,549 | 854,549 | 100 |

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

Professional fees include EUR 485,112 (2018: EUR318,951) which were paid to the directors during the year ended 31 December 2019 including compensation for consulting services provided and other remunerations.

Wages and salaries include EUR 91,878 (2018: EUR95,878) which were paid to the general manager and other board members.

During 2019 and 2018 the Group granted share options to its directors and shareholders, total number of which and related expenses are disclosed in notes 5 and 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. COMMITMENTS AND CONTINGENCIES

Other financial obligation

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

| | | Up to 1 year | After 1 year |
|---|-------------|-----------------|------------------|
| Payment obligations under rental agreements | 2019 | 527,087 | 586,905 |
| | 2018 | 479,486 | 1,494,871 |
| Payment obligations under R&D projects | 2019 | 766,200 | - |
| | 2018 | 930,000 | 372,500 |

28. SUBSEQUENT EVENTS

With the recent development of the Covid-19 outbreak subsequent to year end, many Governments have implemented travel restrictions and quarantine measures that required entities to limit or suspend business operations.

The Group has also been dealing with the Covid-19 pandemic and as of to date, in view of the operating cycle of the company, no major impact has been experienced. The company has not encountered any delays which would require a rethink of timelines. Furthermore, during this period, employees were able to work from home with no impact when required.

In 2020, the authorised share capital of the Company was increased to 700,000,000 Ordinary shares with a nominal value of EUR0.05 per share. In addition to this, the Company also increased its issued share capital by 27,302,774 Ordinary "A" shares of EUR0.05 per share. The issued shares were fully paid by the end of July 2020



14 August 2020

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This letter of representations is provided in connection with your audit of the consolidated financial statements of Visuray plc ("the Company") for the year ended 31 December 2019. We recognize 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 2019 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. Consolidated Financial Statements and Financial Records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 18th May 2020 for the preparation of the consolidated 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 Company, 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 Company

in accordance with International Financial Reporting Standards as adopted by the EU and Malta Companies Act, Chapter 386, 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 Company, we believe that the Company has a system of internal controls adequate to enable the preparation of accurate consolidated 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. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Company's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations including fraud that may have affected the Company (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties;
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Company's consolidated financial statements;
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated financial statements, but compliance with which may be fundamental to the operations of the Company's business, its ability to continue in business, or to avoid material penalties;
 - Involving management, or employees who have significant roles in internal control, or others;
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. 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 consolidated 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 consolidated financial statements, including those related to the COVID-19 pandemic.
 3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors held through the year to the most recent meeting held up to date.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Company'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 period 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 Company 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.

D. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of International Financial Reporting Standards as adopted by the EU and Malta Companies Act, Chapter 386.
2. We confirm that the disclosures made in the consolidated financial statements with respect to the accounting estimates are complete and made in accordance with International Financial Reporting Standards as adopted by the EU and Malta Companies Act, Chapter 386.
3. We confirm that the significant assumptions used in determining fair value of share options granted to employees, management, consultants and investors of Visuray Group appropriately reflect movements in other contribution reserve for the year ended as at 31st December 2019 as recognized in Visuray plc.
4. We confirm that we have disclosed to you complete information on share options awarded to the management, employees and consultants of the Company and its subsidiaries during the year ended, and were valid as at 31 December 2019.
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated financial statements due to subsequent events including the COVID-19 pandemic.

E. 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 Company's assets..
2. There are no formal or informal compensating balance arrangements with any of our cash accounts.

3. In our opinion, the carrying value of the current and non-current financial assets and trade and other receivables are expected to be recovered in full at the amounts at which these are stated, and the necessary impairment or provision is accounted for as at 31 December 2019.
4. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realizable value.

F. Equity

1. We have properly recorded or disclosed in the consolidated financial statements the share/capital stock repurchase options and agreements, and shares/capital stock reserved for options, warrants, conversions and other requirements.

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 26 to the consolidated financial statements all guarantees that we have given to third parties.

I. Income and Indirect Taxes

1. We acknowledge our responsibility for the tax accounting methods adopted by the Company, which have been consistently applied in the current period, and for the current year income tax provision calculation.
2. We also acknowledge our responsibility for the plans with respect to future taxable income, which represent our estimates as to the outcome of those plans, based on available evidence, and for the significant assumptions used in our analysis. We would implement such strategies as necessary to prevent a tax operating loss or credit carryforward from expiring.
3. We have disclosed to you all tax opinions, correspondence with tax authorities, or other appropriate information that served as support for the accounting for potentially material matters.

J. 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 Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

K. Subsequent Events

1. Other than described in Note 28 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.

L. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of the Directors' report.

2. We confirm that the content contained within the other information is consistent with the consolidated financial statements.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Franck', with a horizontal line above it.

Franck Biancheri

Director

A handwritten signature in blue ink, appearing to read 'Jean-Philippe Stork Flament', with a horizontal line below it.

Jean-Philippe Stork Flament

Director