

VISURAY PLC

**Annual Report and
Consolidated Financial Statements**

31 December 2018

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

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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 C 52031.

Directors

Mr. Jean-Philippe Stork Flament
Mr. Thor Kristian Haugnaess
Mr. Franck Biancheri
Ms. Ondine Fleur Tamara de Rothschild
Mr. Boris Ivanov (resigned on 11th October 2018)
Mr. Tore Hansen-Tangen (resigned on 29th July 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 Bank ASA
Dronning Eufemias gate 30
0191 Oslo
NORWAY

Auditors

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

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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. The Group also makes strategic investments in suppliers and key technology developers to ensure the success of the Group. In 2015, the Group completed the first prototype with commercial name VR90, whilst in 2018 it provided its first services of commercial nature. The other technologies of the Group are still being developed.

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 EUR13,095,889 (2017: EUR14,997,022) for the financial year ended 31 December 2018.

Dividends

During the year ended 31 December 2018, the Group did not propose a dividend on ordinary shares (2017: Nil).

Financial risk management

Financial risk policies are described in the Note 23 to these consolidated financial statements.

Post balance sheet events

There were no events subsequently to the year-end other than described in the Note 27.

Future developments

The Group is currently fully focused on the development of the VR360 tools which are due to enter the market in Q1 of 2021.

Directors

During the year ended 31 December 2018 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.

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

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



JEAN-PHILIPPE STORK FLAMENT
Director

4 October 2019



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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 41, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements which indicates that the going concern of the Group remains dependent on the ability to secure further funding to tool completion and eventual 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

4 October 2019

VISURAY PLC
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STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 EUR	2017 EUR
Other revenues	4	432,251	297,845
Direct expenditure		(1,676,787)	(1,408,277)
Gross loss		(1,244,536)	(1,110,432)
Share of profit in associate		-	15,016
Administrative expenses	5	(13,557,356)	(9,901,080)
Other gains	7	863,578	244,618
Movement in expected credit losses	15	(45,108)	-
Operating loss		(13,983,422)	(10,751,878)
Finance income	8	9,316	9,595
Finance costs	9	(900,945)	(99,101)
Loss before tax		(14,875,051)	(10,841,384)
Income tax expense	10	(90,196)	(9,697)
Loss for the year		(14,965,247)	(10,851,081)
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		1,869,358	(4,107,767)
Share in other comprehensive income / (loss) of associate			
Share in exchange differences on translation of foreign operations during the year		-	(7,182)
Less: reclassification adjustments for gains included in profit or loss		-	(30,992)
		-	(38,174)
Total comprehensive loss for the year		(13,095,889)	(14,997,022)

The accounting policies and explanatory notes on pages 12 to 41 form an integral part of the consolidated financial statements.


VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 EUR	2017 EUR
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	1,872,518	1,773,665
Intangible assets	12	-	2,091,607
Investment in associate	13	-	337,625
Deferred tax asset	20	-	78,453
Other non-current financial assets	15	935,501	971,469
		2,808,019	5,252,819
Current assets			
Trade and other receivables	14	398,600	538,022
Inventory	16	2,400,756	2,677,441
Cash and cash equivalents	17	325,252	448,894
		3,124,608	3,664,357
TOTAL ASSETS		5,932,627	8,917,176
EQUITY AND LIABILITIES			
Equity			
Share capital		6,702,867	6,601,160
Share premium		86,461,071	82,702,367
Capital contribution reserve		-	241,284
Other capital reserve		4,631,955	5,918,689
Restructuring reserve		(12,572)	(12,572)
Foreign currency translation reserve		6,328,228	4,458,870
Accumulated losses		(110,549,061)	(95,591,366)
Other reserve		-	7,552
Equity attributable to owners of the parent	18	(6,437,512)	4,325,984
Non-current liabilities			
Deferred tax liability	20	26,941	-
		26,941	-
Current liabilities			
Loans and other borrowings	21	8,420,636	1,266,800
Trade and other payables	22	3,922,562	3,322,395
Income tax payable		-	1,997
		12,343,198	4,591,192
Total liabilities		12,370,139	4,591,192
TOTAL EQUITY AND LIABILITIES		5,932,627	8,917,176

The accounting policies and explanatory notes on pages 12 to 41 form an integral part of the consolidated financial statements.

The consolidated financial statements on pages 8 to 41 have been authorised for issue by the Board of Directors, and were signed on its behalf by:


FRANCK BIANCHERI
 Director


JEAN-PHILIPPE STORK FLAMENT
 Director

4 October 2019

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

STATEMENT OF CHANGES IN EQUITY

	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
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)
FINANCIAL YEAR ENDED 31 DECEMBER 2017									
Balance at 1 January 2017	6,105,891	68,515,279	5	5,953,552	(84,740,285)	(12,572)	8,566,637	45,726	4,434,233
Loss for the year	-	-	-	-	(10,851,081)	-	-	-	(10,851,081)
Other comprehensive loss	-	-	-	-	-	-	(4,107,767)	(38,174)	(4,145,941)
Total comprehensive loss	-	-	-	-	(10,851,081)	-	(4,107,767)	(38,174)	(14,997,022)
Issue of share capital (note 18)	495,269	13,273,851	241,279	-	-	-	-	-	14,010,399
Exercise of share options (note 19)	-	498,225	-	(498,225)	-	-	-	-	-
Expired share options (note 19)	-	415,012	-	(415,012)	-	-	-	-	-
Share based payments (note 19)	-	-	-	878,374	-	-	-	-	878,374
Balance at 31 December 2017	6,601,160	82,702,367	241,284	5,918,689	(95,591,366)	(12,572)	4,458,870	7,552	4,325,984

The accounting policies and explanatory notes on pages 12 to 41 form an integral part of the consolidated financial statements.

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STATEMENT OF CASH FLOWS

	2018 EUR	2017 EUR
Operating activities		
Loss before tax	(14,875,051)	(10,841,384)
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>		
Depreciation of property, plant and equipment	745,895	628,705
Share of income in associate	-	(15,016)
Gain from disposal of investments	(854,549)	(100,838)
Unrealised difference on exchange	1,629,752	(3,719,490)
Finance income	(9,316)	(9,595)
Finance costs	900,945	99,101
Share-based payments expenses	243,608	878,374
Movements in legal provision	-	(57,444)
Impairment loss on intangible assets	2,091,607	-
Movement in expected credit losses	45,108	-
<i>Working capital adjustments:</i>		
Decrease in inventories	276,684	155,109
Decrease in trade and other receivables	139,423	20,610
Increase in trade and other payables	(522,910)	(202,167)
	(10,188,804)	(13,164,035)
Interest paid	(13,564)	(27,101)
Interest received	176	455
Income tax credit	13,233	-
Net cash flows used in operating activities	(10,188,959)	(13,190,681)
Investing activities		
Purchase of property, plant and equipment	(881,217)	(839,383)
Proceeds from disposal of property, plant and equipment	-	-
Proceeds from sale of shares in associate	1,191,196	140,000
Net cash flows from/(used in) investing activities	309,979	(699,383)
Financing activities		
Issue of share capital	1,305,401	13,859,825
Proceeds from borrowings	8,965,000	-
Borrowings repaid	(515,063)	-
Net cash flows from financing activities	9,755,338	13,859,825
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(123,642)	(30,239)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	448,894	479,133
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 17)	325,252	448,894

The accounting policies and explanatory notes on pages 12 to 41 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 24.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

Basis of consolidation

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

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

Going concern

During the year ended 31 December 2018, the Group incurred a loss of EUR 14.9million and as at 31 December 2018, its total liabilities exceeded its total assets by EUR 6.4million.

The results for 2018 reflect the continuing research and development work on the Group's products similar to prior years, combined with losses incurred on the VR90 commercial tool primarily impacted by the low oil prices within the industry. In mid-2019 Visuray plc, through an EGM, obtained approval to extend and change the conditions of its external loans from investors and at the same time raise further capital at a lower stock price. Both of these actions were accomplished in July 2019 with approval for the external debt to be converted at the new stock price before the end of Q3 2019. At the same time a further Euro 7.2million has been raised for future development work on the VR360 project.

Finally, Visuray also placed a temporary close down on its Norwegian facility and stacked the VR90 tools until the oil price became more favorable to reopen the operations and will continue to monitor this over the coming year. The company is now fully focused on the development of the Vr360 tools which are due to enter the market in Q1-2021. Accordingly, the board of directors conclude that the going concern assumption remains appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES

Going concern – continued

This notwithstanding, the above 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 ability to secure further funding to tool completion and the eventual commercialization of the tool. The Directors realise that the company is not viable if such funding is not achieved.

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 2018.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration effective for financial year beginning on or after (effective for financial year beginning on or after 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective for financial year beginning on or after 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for financial year beginning on or after 1 January 2018)
- IFRS 9 – Financial instruments (effective for financial years beginning on or after 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years beginning on or after 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

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 9 is described below.

IFRS 9 – Financial instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that has replaced IAS 39 for annual periods on or after 1 January 2018. The Group has initially adopted IFRS 9 Financial Instruments in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for the year ended 31 December 2017 has not been restated and continues to be reported under IAS 39 Financial Instruments: Recognition and Measurement. Additionally, the disclosure requirements resulting from the consequential amendments to IFRS 7 have not generally been applied to comparative information. The significant accounting policies under IAS 39 continue to apply to the comparative figures.

Classification and measurement

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories have been replaced by: Fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 allows entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities is largely the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES – continued

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

FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

The Group has concluded that the financial assets previously classified as loans and receivables under IAS 39 are measured at amortised cost under IFRS 9. There is no financial impact arising as the accounting measurement is the same as under IAS39.

Impairment of financial assets

IFRS 9 has fundamentally changed the impairment methodology. The standard replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months (12-month ECL) unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset (lifetime ECL).

The general principle of IFRS 9 is that ECL accounting requires that the credit risk of financial instruments within the scope of impairment to be assessed for significant increase since initial recognition at each reporting sheet date. If there is a significant increase in credit risk, lifetime ECL is recognised. The principle of significant deterioration in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

Considering the nature of the Group's financial assets, IFRS 9 did not materially impact the impairment calculation of the Group.

IFRS 15 – Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue and related interpretations and it applies, with limited exception, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group have initially adopted IFRS 15 (as amended in April 2016 by Clarifications to IFRS 15) in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for the year ended 31 December 2017 has not been restated and continues to be reported under IAS 18 Revenue. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The significant accounting policies under IAS 18 continue to apply to the comparative figures. The adoption of IFRS 15 did not have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES – continued

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

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.

- IFRS 16: Leases (effective for financial years beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019)
- IFRIC 23: Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019)
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2019)
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (effective for financial years beginning on or after 1 January 2019)
- Annual improvements to IFRS Standards 2015-2017 Cycle (effective for financial years beginning on or after 1 January 2019)

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

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

- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendment to References to the Conceptual Framework in IFRS standards (effective for financial years beginning on or after 1 January 2020).
- Amendments to IFRS3: Business Combinations (effective for financial years beginning on or after 1 January 2020)
- IFRS17 Insurance Contracts (effective for financial years beginning on or after 1 January 2021)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition - continued

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.

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

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

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

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

Value added tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Currency translation - continued

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

From 1 January 2018 the Group had adopted the following accounting policies to its financial instruments:

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

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 (BIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments -continued

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments -continued

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

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments -continued

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.

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.

Prior to its adoption of IFRS 9 in 2018, the Group had applied IAS 39. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

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.

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.

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

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).

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

	2018	2017
	EUR	EUR
Auditor's remuneration	175,105	125,155
Professional fees	298,450	3,501,066
Repairs and maintenance	215,304	148,681
Salaries, wages and social security contribution (note 6)	4,911,952	5,304,622
Other staff costs	1,083,510	1,283,373
Travelling expenses	660,899	715,538
Legal fees	293,923	229,733
Rent	1,157,208	1,195,565
Depreciation (note 11)	745,895	628,705
Marketing and advertising	107,579	113,508
Impairment of intangible assets (note 12)	2,091,607	-
Unrealised difference on exchange	1,629,752	(3,719,490)
Realised difference on exchange	131,208	(4,855)
Other expenses	54,964	379,479
Total administrative expenses	13,557,356	9,901,080

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

5. EXPENSES BY NATURE - continued

Auditor's remuneration includes EUR22,715 (2017: EUR20,560) for non-audit services provided during the year ended 31 December 2018.

The amount of share-based expenses included in professional fees and salary expenses totalled to EUR163,174 (2017: EUR802,795) and EUR82,406 (2017: EUR75,579), respectively.

6. EMPLOYEE INFORMATION

a. Staff costs

	2018 EUR	2017 EUR
Wages and salaries	4,268,171	4,497,702
Social security costs	643,781	806,920
Total expenses (note 5)	<u>4,911,952</u>	<u>5,304,622</u>

b. Headcount

The average number of employees employed by the group during the year excluding directors was 50 (2017: 49).

7. OTHER GAINS

	2018 EUR	2017 EUR
Result from disposal of ownership in associate (note i)	854,549	100,838
Other gain	9,029	143,780
Total other gains incurred	<u>863,578</u>	<u>244,618</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 (2017: EUR39,162) for a cash consideration of EUR1,191,196 (2017: EUR140,000). This resulted in a realized gain of EUR854,549 (2017: EUR100,838).

8. FINANCE INCOME

	2018 EUR	2017 EUR
Interest receivable on bank balances	176	455
Interest on loans to a shareholder	9,140	9,140
	<u>9,316</u>	<u>9,595</u>

VISURAY PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

9. FINANCE COSTS

	2018 EUR	2017 EUR
Interest payable on loans and borrowings	887,381	78,257
Other finance costs	13,564	20,844
	<u>900,945</u>	<u>99,101</u>

10. INCOME TAX

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

	2018 EUR	2017 EUR
Current income tax benefit	(15,198)	(3,756)
Adjustments in respect of current income tax of previous year	-	-
Deferred tax expenses	105,394	13,453
Income tax expenses	<u>90,196</u>	<u>9,697</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% (2017: 35%) as follows:

	2018 EUR	2017 EUR
Accounting loss before tax	(14,875,051)	(10,841,384)
Theoretical taxation expense at 35%	(5,206,268)	(3,794,484)
Tax effect of		
- Non-allowable expenses	5,306,117	4,871,117
- Deferred tax asset not recognised	8,412	451,983
- Income not subject to tax	(18,065)	(1,518,919)
Income tax (credit)/ expenses	<u>90,196</u>	<u>9,697</u>

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings EUR	Plant and equipment EUR	Furniture & Fittings EUR	Computer equipment EUR	Total EUR
Cost					
At 1 January 2017	215,207	2,864,879	174,098	485,117	3,739,301
Additions	-	811,667	10,293	17,423	839,383
Transfers	-	-	-	-	-
Exchange differences	(18,485)	(223,124)	(16,861)	(30,677)	(289,147)
At 31 December 2017	196,722	3,453,422	167,530	471,863	4,289,537
Additions	-	854,648	26,569	-	881,217
Transfers	-	-	-	-	-
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
Depreciation and Impairment losses					
At 1 January 2017	174,427	1,321,672	139,102	427,659	2,062,860
Depreciation charge for the year	28,117	551,263	18,956	30,369	628,705
Exchange differences	(16,827)	(118,147)	(13,683)	(27,036)	(175,693)
At 31 December 2017	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
Net book value					
At 31 December 2018	266	1,811,927	42,152	18,173	1,872,518
At 31 December 2017	11,005	1,698,634	23,155	40,871	1,773,665

As at 31 December 2018, property plant and equipment with cost EUR1,158,915 (2017: EUR1,158,915) were fully depreciated but still in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. INTANGIBLE ASSETS

	2018	2017
	EUR	EUR
Patents and trademarks	2,091,607	2,091,607
Impairment of intangible assets	(2,091,607)	-
	<u>-</u>	<u>2,091,607</u>

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.

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 has 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 2017, 550,000 shares in Direct Conversion were provided as pledge to the loan payable to one of the shareholders (Note 21).

During the year, 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 is included as part of the other gains (note 7).

VISURAY PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13. INVESTMENT IN ASSOCIATE - continued

The following illustrates summarized financial information of the Group's investment in Direct Conversion:

	2018 EUR	2017 EUR
Non-current assets	-	12,496,597
Current assets	-	7,958,614
Non-current liabilities	-	(4,104,817)
Current liabilities	-	(3,093,216)
Net assets	-	13,257,178
Group's carrying amount of the investment	-	488,530
Revenue	-	12,412,442
Total comprehensive income	-	611,209
<i>The amount at which the investment is carried in the statement of financial position is arrived at as follows:</i>		
Investment at cost	-	5,052,741
Loss brought forward	-	(4,737,314)
Share of current year post acquisition income / (losses)	-	15,016
Other comprehensive income/(losses)	-	7,182
Carrying amount of the investment	-	337,625
Negative goodwill	-	151,883
Share of associate in net assets	-	488,530

14. TRADE AND OTHER RECEIVABLES

	2018 EUR	2017 EUR
Prepayments (note ii)	211,832	338,199
VAT recoverable	60,043	75,769
Other receivables (note i)	126,725	124,054
	398,600	538,022

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. TRADE AND OTHER RECEIVABLES – continued

- i.
 - a. The balance as at 31 December 2017 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 2017 included EUR50,516 due from the related party of the Group. The balance is interest free, unsecured and settled on demand.
 - c. The remaining other receivable balances are due from third parties. The balances are interest free, unsecured and receivable on demand.
- ii. Prepayment include a down-payment of EUR5,280 (2017: EUR Nil) paid to a related party for R&D projects.

15. OTHER NON-CURRENT FINANCIAL ASSETS

	2018 EUR	2017 EUR
Loan to shareholder (note i)	980,609	971,469
Impairment of loan	(45,108)	-
	935,501	971,469

- i. The balance comprises of principal and accrued interest of EUR914,000 (2017: EUR914,000) and EUR66,609 (2017: EUR57,469) respectively. The loan is secured by a pledge over the shares owned by the party in Visuray Plc; bears interest of 1% p.a. (2017: 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:

	2018 EUR	2017 EUR
Finished goods and other inventories	2,134,747	2,244,105
Work in progress	266,009	433,336
	2,400,756	2,677,441

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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:

	2018 EUR	2017 EUR
Cash at banks and in hand	325,252	448,894

18. ISSUED CAPITAL AND RESERVES

Authorised and issued share capital

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:

- <i>Ordinary "A" shares</i>	134,057,340	6,702,867
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As at 31 December 2017:

	Number of shares	Nominal value, EUR
Total authorised share capital	175,000,000	8,750,000
- <i>Ordinary shares</i>	41,175,993	2,058,800
- <i>Ordinary "A" shares</i>	133,824,007	6,691,200

Issued and fully paid capital:

- <i>Ordinary "A" shares</i>	132,023,199	6,601,160
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All authorised, issued and fully paid shares of Visuray Plc as at 31 December 2018 have a nominal value of EUR0.05c (2017: EUR0.05c) each.

VISURAY PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

2018

<u>Ordinary shares</u>	Issued capital EUR	Share premium EUR	Total EUR
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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

2017

	Issued capital EUR	Share premium EUR	Total EUR
As at 1 January 2017	6,105,891	68,515,279	74,621,170
707,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.41 per share issued on 6 March 2017. These were paid in 2017	35,350	290,710	326,060
400,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.10 per share issued on 6 June 2017. These were paid in 2017	20,000	440,000	460,000
53,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.86 per share issued on 9 June 2017 These were paid in 2017	2,650	45,350	48,000
300,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.84 per share issued on 4 July 2017. These were paid in 2017	15,000	252,000	267,000
866,667 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.45 per share issued on 9 June 2017. These were paid in 2017	43,333	1,256,667	1,300,000
3,133,334 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 9 June 2017. These were paid in 2017	156,667	4,543,334	4,700,001
999,999 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 4 July 2017. These were paid in 2017	50,000	1,449,999	1,499,999
400,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 28 August 2017. These were paid in 2017	20,000	580,000	600,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

2017 - continued

	Issued capital EUR	Share premium EUR	Total EUR
275,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.86 per share issued on 18 September 2017. These were paid in 2017	13,750	398,750	412,500
883,333 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.41 per share issued on 25 October 2017. These were paid in 2017	44,167	1,280,833	1,325,000
460,457 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.10 per share issued on 11 December 2017 These were paid in 2017	23,023	667,663	690,686
1,426,583 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.84 per share issued on 21 December 2017. These were paid in 2017	71,329	2,068,545	2,139,874
Non- Cash contribution being fair value of share options forfeited/expired during the year	-	913,237	913,237
As at 31 December 2017	6,601,160	82,702,367	89,303,528

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

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 2018 there were no (2017: EUR241,284) unregistered contribution received by Visuray plc from shareholders. The balance as at 31 December 2017 was fully converted into its share capital subsequently to the year-end being equivalent of 215,000 Ordinary "A" shares, with nominal value of EUR0.05 issued at a premium varying between EUR0.95 and EUR1.10 per share. The issues were fully paid up and duly registered by Malta Stock Exchange PLC in 2018.

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 2018 the Group recognised the expenses from equity-settled share-based payment transactions for employees' and directors' services of EUR (239,003) (2017: EUR801,456), and for consultants' services of EUR (4,605) (2017: EUR277,900) (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>2018</u> WAEP	Number	<u>2017</u> WAEP
Outstanding at 1 January	17,352,913	EUR0.35	17,005,861	EUR0.36
Granted during the year	9,038,000	EUR0.00	3,509,163	EUR0.26
Forfeited during the year	(30,000)	EUR0.14	(179,000)	EUR0.12
Exercised during the year	(408,075)	EUR0.39	(1,695,000)	EUR0.30
Expired during the year	(3,268,163)	EUR0.18	(1,308,111)	EUR0.31
Outstanding at 31 December	22,684,675	EUR0.21	17,332,913	EUR0.35
Exercisable at 31 December	22,641,175	EUR0.21	15,875,413	EUR0.36

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 2 years (2017: 1 year). The exercise prices of options outstanding as at the end of the year ranged from EUR0.46 (2017: EUR0.75) to EUR2.5 (2017: EUR2.2).

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

	<u>2018</u> EUR	2017 EUR
Expected volatility (%)	35.0	35.0
Risk free rate (%)	1.0	1.0
Dividend yield (%)	Nil	Nil
Stock price (EUR)	0.05	1.5
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.

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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% (2017: 35%).

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

	2018 EUR	2017 EUR
Finance income	(26,941)	78,453

The movement for the year of EUR 105,394 (2017: EUR13,453) has been debited to the statement of comprehensive income being net finance costs accrued for the year ended 31 December 2018 (note 10).

At 31 December 2018, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR 5,956,465 (2017: EUR5,948,053). 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:

	2018 EUR	2017 EUR
Temporary differences on:		
Unutilised tax losses	3,806,051	4,161,598
Unrealised losses on share options' valuation	2,285,275	2,071,515
Unutilised capital allowance	298,192	46,725
Property, plant and equipment	(35,655)	583
Unrealised exchange difference	(397,398)	(332,368)
	<u>5,956,465</u>	<u>5,948,053</u>

21. LOANS AND BORROWINGS

	2018 EUR	2017 EUR
Loan from the shareholder (note i)	2,649,926	1,266,800
Loan from third parties (note ii)	5,770,710	-
	<u>8,420,636</u>	<u>1,266,800</u>

- i. During the year, the loan which amounted to EUR1,266,800 as at 31 December 2017, was converted into share capital of the company at conversion rate EUR 1.50/share (2017: EUR1.50/share). The current loans bear a fixed interest rate between 5.5% to 18%, are unsecured and repayable within 1 year. Part of the loan amounting to EUR 1,200,000 was converted into ordinary shares of the Company subsequent after year end.
- ii. The loans from related party bear interest at a rate of between 6% and 12% p.a. and are repayable within 1 year. The financing provided is convertible into share capital of the company during the maturity period upon the decision.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. TRADE AND OTHER PAYABLES

	2018 EUR	2017 EUR
Trade payables (note i)	1,894,040	1,117,606
Amounts due to shareholders (note ii)	10,000	10,000
Amounts due to ex-minority (note iii)	-	297,570
Accruals	1,132,787	655,271
Other payables	885,735	1,241,848
	3,922,562	3,322,395

- i. Trade payables are non-interest bearing and are normally on 30-day term.
- ii. Amounts due to shareholders are unsecured, non-interest bearing and repayable on demand.
- iii. Under the Norwegian Public Liability Companies Act (section 4-25), the company can force the purchase of minority shares in a subsidiary. In 2011 the company took over shares according to these provisions, and as a result an offer price was paid into a special bank account, which can only be retrieved by the previous minority shareholders. In May 2017 the final court decision was released and in this respect the provision was revised accordingly. All amounts were settled during 2018.

23. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

e. Fair values

At 31 December 2018 and 31 December 2017, 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.

24. 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	
		2018	2017
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 LLC	Russia	100	100

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NOTES TO THE FINANCIAL STATEMENTS - continued

25. 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:				
- from an associate	2018	221,120	432,251	51
	2017	173,621	297,845	58
Finance income:				
- from a shareholder	2018	9,140	9,316	98
	2017	9,140	9,595	95
Finance costs:				
- due to a shareholder	2018	303,584	1,229,804	25
	2017	78,685	99,101	79
Professional fees and other recharges:				
- from shareholders	2018	1,069,551	298,450	358
	2017	1,142,074	3,501,066	33
Other gains from Investing activities:				
- from shareholders	2018	854,549	854,549	100
	2017	100,838	100,838	100

During 2017 the Group purchased materials for an associate amounting to EUR46,393 which were used in construction of VR90 tools and related R&D activity. No similar activity took place during the year.

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

Professional fees include EUR318,951 (2017: EUR781,383) which were paid to the directors during the year ended 31 December 2018 including compensation for consulting services provided and other remunerations.

Wages and salaries include EUR95,878 (2017: EUR99,925) which were paid to the general manager and other board members.

During 2017, the associate Direct Conversion AB, bought 950,000 shares in the company for the amount of EUR1,425,000.

During 2018 and 2017 the Group granted share options to its directors and shareholders, total number of which and related expenses are disclosed in notes 5 and 19.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

26. COMMITMENTS AND CONTINGENCIES

Restricted cash

As disclosed in note 22, during 2011 Visuray plc has forced the acquisition of minority stakeholdings in a subsidiary. Restricted cash in this respect is disclosed in Note 17.

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	2018	479,486	1,494,871
	2017	469,863	888,948
Payment obligations under R&D projects	2018	930,000	372,500
	2017	610,300	1,276,200

27. SUBSEQUENT EVENTS

In July 2019 Mr. Tore Hansen -Tangen resigned from his role as director of the Company. Subsequent to year end Visuray PLC has reached an agreement with its lenders to convert all interest bearing loans and borrowings into share capital

28. COMPARATIVE INFORMATION

Comparative figures disclosed in the main components of these consolidated financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.