

VISURAY PLC

**Annual Report and
Consolidated Financial Statements**

31 December 2021

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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 C52031.

Directors

Mr. Jean-Philippe Stork Flament
Mr. Franck Biancheri
Mr. Alexander Charles Moody-Stuart
Mr. David Kevin Kirshner
Mr. Scott Marshall Heck

Company secretary

Mr. Thomas Jacobsen

Registered Office

Apartment 1
Advance House, 375
Manwel Dimech Street
Sliema
MALTA

Banks

DNB Nor Bank ASA
Straden 21
0021 Oslo
NORWAY

Auditors

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

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Principal activities of the Group

Visuray plc is the holding company for all activities related to the development, marketing, operations and intellectual property of the Visuray Group of companies. The Visuray Group currently has one commercial product in the market VR90 and the second commercial product the VR360 will enter the market in 2023.

Performance review

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

The Group's consolidated financial statements show a total comprehensive loss of EUR9,229,795 (2020: EUR7,941,697) for the financial year ended 31 December 2021.

Dividends

During the year ended 31 December 2021, the Group did not propose a dividend on ordinary shares (2020: Nil).

Financial risk management

Financial risk policies are described in the Note 22 to these consolidated financial statements.

Post balance sheet events

Note 26 to the financial statements details the subsequent events requiring disclosure in these financial statements.

Going concern and Future developments

As disclosed in Note 2, in 2021 Visuray completed the engineering and building of three VR360 tools but have been delayed with field testing due to delays from the manufacturer of the VR360 tubes. A combination of material quality issues combined with manufacturer quality control issues resulted in delays of a fully working tube and at the beginning of 2022 Visuray took several steps to mitigate the risks involved here. The main risk mitigation was two-fold:

1. Visuray employees performed quality control checks on the parts before they went to the tube manufacturer for assembly.
2. Visuray also introduced modifications to the VR360 tube design.

As of now Visuray believes that all quality control issues have been identified and solutions implemented.

The larger diameter tubes are being built in H2 2022 with conditioning taking place in Q4 2022 and this will be followed by downhole testing at the Visuray wellsite in the US. Once testing is completed then the VR360 tools will be launched to the field and will also perform field testing relating to pre-existing client agreements in Norway. The smaller diameter tubes will continue to be built and conditioned for future use.

In 2021 Visuray PLC raised capital from current investors of Euro 6.0million, Euro 1.0million from Joint investment partners and a further Euro 0.3million related to VR90 revenue in the Middle East.

H1 2022 reflected a further Euro 3.0million raised from current investors combined with Euro 1.5million from joint investment partners. A further round of investor funding and /or debt funding will be required to provide sufficient working capital to see Visuray through to the deployment of the VR360 in the field and revenue generation.

DIRECTORS' REPORT – continued

Going concern and Future developments - continued

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

This notwithstanding, the long-term going concern of the Company remains dependent on the successful commercialisation of the tool and ability to secure additional investor funding. The revenue generating ability of the Company is dependent on the market in which the Company operates which remains volatile, as it may be impacted by oil prices.

Directors

During the year ended 31 December 2021 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.

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

Date: 13th October 2022

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 38, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and the Companies Act, Cap. 386 of the Laws of Malta (the “Companies Act”).

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to Note 2 to the financial statements which indicates that the going concern of the Group remains dependent on the successful commercialization of the tool and ability to secure additional investor funding.

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

Date: 13th October 2022

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2021

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
Revenue	4	303,439	180,075
Direct expenditure	5	(1,463,210)	(1,269,816)
Gross loss		(1,159,771)	(1,089,741)
Administrative expenses	5	(10,585,414)	(4,005,358)
Other income	7	94,382	56,362
Operating loss		(11,650,803)	(5,038,737)
Finance income	8	9,140	9,181
Finance costs	9	(40,452)	(58,339)
Loss before tax		(11,682,115)	(5,087,895)
Income tax expense	10	920	3,606
Loss for the year		(11,681,195)	(5,084,289)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange difference on translation of foreign operations		2,381,400	(2,857,408)
Total comprehensive loss for the year		(9,299,795)	(7,941,697)

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Notes	2021 EUR	2020 EUR
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	610,462	909,421
Right-of-use asset	21	665,592	592,184
Intangible assets	12	-	-
		<u>1,276,054</u>	<u>1,501,605</u>
Current assets			
Trade and other receivables	13	227,950	618,717
Inventory	15	2,037,471	2,217,473
Other current financial assets	14	962,946	953,806
Cash and cash equivalents	16	142,169	2,371,614
		<u>3,370,536</u>	<u>6,161,610</u>
TOTAL ASSETS		<u>4,646,590</u>	<u>7,663,215</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		38,414,264	36,506,614
Share premium		94,765,065	90,997,066
Capital contribution reserve		347,658	-
Other capital reserve		80,105	106,805
Restructuring reserve		(12,572)	(12,572)
Foreign currency translation reserve		5,935,205	3,553,805
Accumulated losses		(137,325,971)	(125,644,776)
Equity attributable to owners of the parent	17	<u>2,203,754</u>	<u>5,506,942</u>
Non-current liabilities			
Finance lease liability	21	266,152	258,601
Deferred tax liability	19	26,941	26,941
		<u>293,093</u>	<u>285,542</u>
Current liabilities			
Trade and other payables	20	1,676,579	1,510,978
Finance lease liability	21	473,164	359,753
		<u>2,149,743</u>	<u>1,870,731</u>
Total liabilities		<u>2,442,836</u>	<u>2,156,273</u>
TOTAL EQUITY AND LIABILITIES		<u>4,646,590</u>	<u>7,663,215</u>

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of the consolidated financial statements.

The consolidated financial statements on pages 8 to 38 have been authorised for issue by the Board of Directors, and were signed on its behalf by:



FRANCK BIANCHERI
Director



JEAN-PHILIPPE STORK FLAMENT
Director

Date: 13th October 2022

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2021

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	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	Total equity EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2021								
Balance at 1 January 2021	36,506,614	90,997,066	-	106,805	(125,644,776)	(12,572)	3,553,805	5,506,942
Loss for the year	-	-	-	-	(11,681,195)	-	-	(11,681,195)
Other comprehensive income	-	-	-	-	-	-	2,381,400	2,381,400
Total comprehensive loss	-	-	-	-	(11,681,195)	-	2,381,400	(9,299,795)
Issue of share capital (note 17)	1,907,650	3,700,300	-	-	-	-	-	5,607,950
Capital contribution not yet registered (note 17)	-	-	347,658	-	-	-	-	347,658
Exercise of share option	-	113	-	(113)	-	-	-	-
Expired share options (note 18)	-	67,586	-	(67,586)	-	-	-	-
Fair value adjustment	-	-	-	40,999	-	-	-	40,999
Balance at 31 December 2021	38,414,264	94,765,065	347,658	80,105	(137,325,971)	(12,572)	5,935,205	2,203,754
FINANCIAL YEAR ENDED 31 DECEMBER 2020								
Balance at 1 January 2020	26,142,337	87,930,146	366,273	3,136,279	(121,403,860)	(12,572)	7,254,586	3,413,189
Loss for the year	-	-	-	-	(5,084,289)	-	-	(5,084,289)
Other comprehensive income	-	-	-	-	-	-	(2,857,408)	(2,857,408)
Total comprehensive loss	-	-	-	-	(5,084,289)	-	(2,857,408)	(7,941,697)
Issue of share capital (note 17)	9,998,004	-	-	-	-	-	-	9,998,004
Capital contribution not yet registered (note 17)	366,273	-	(366,273)	-	-	-	-	-
Transfer between reserves	-	-	-	-	843,373	-	(843,373)	-
Expired share options (note 18)	-	3,066,920	-	(3,066,920)	-	-	-	-
Fair value adjustment	-	-	-	37,446	-	-	-	37,446
Balance at 31 December 2020	36,506,614	90,997,066	-	106,805	(125,644,776)	(12,572)	3,553,805	5,506,942

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of the consolidated financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	2021	2020
	EUR	EUR
Operating activities		
Loss before tax	(11,682,115)	(5,087,895)
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>		
Depreciation of property, plant and equipment	511,176	702,012
Depreciation of right-of-use assets	463,050	475,994
Inventory Provision	1,602,805	-
Provision on other receivables	114,036	-
Unrealised difference on exchange	2,517,713	(2,489,409)
Finance income	(9,140)	(9,181)
Finance costs	40,452	58,339
Share-based payments expenses	40,999	37,446
<i>Working capital adjustments:</i>		
Increase in inventories	(1,422,803)	(344,734)
Decrease/(increase) in trade and other receivables	285,201	(222,549)
Increase/ (decrease) in trade and other payables	123,972	(979,324)
Net cash flows used in operating activities	(7,414,655)	(7,859,301)
Investing activities		
Purchase of property, plant and equipment	(274,706)	(97,478)
Net cash flows from/(used in) investing activities	(274,706)	(97,478)
Financing activities		
Issue of share capital	5,955,608	9,998,004
Repayment of principal portion of lease liability	(495,692)	(506,932)
Net cash flows from financing activities	5,459,916	9,491,072
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(2,229,445)	1,534,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,371,614	837,321
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 16)	142,169	2,371,614

The accounting policies and explanatory notes on pages 12 to 38 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 23.

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 23.

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 2021, the company incurred a loss of EUR 11,682,115 (2020: EUR 5,087,895) and as of 31 December 2021, its total assets, exceeded its total liabilities EUR 2,203,754 (2020: EUR 5,506,942). The results of the Company are significantly impacted by all research and development being expensed.

In 2021 Visuray completed the engineering and building of three VR360 tools but have been delayed with field testing due to delays from the manufacturer of the VR360 tubes. A combination of material quality issues combined with manufacturer quality control issues resulted in delays of a fully working tube and at the beginning of 2022 Visuray took several steps to mitigate the risks involved here. The main risk mitigation was two fold.

- i. Visuray employees performed quality control checks on the parts before they went to the tube manufacturer for assembly.
- ii. Visuray also introduced modifications to the VR360 tube design.

As of now Visuray believes that all quality control issues have been identified and solutions implemented.

The larger diameter tubes are being built in H2 2022 with conditioning taking place in Q4 2022 and this will be followed by downhole testing at the Visuray wellsite in the US. Once testing is completed then the VR360 tools will be launched to the field and will also perform field testing relating to pre-existing client agreements in Norway. The smaller diameter tubes will continue to be built and conditioned for future use.

In 2021 Visuray PLC raised capital from current investors of Euro 6.0million, Euro 1.0million from Joint investment partners and a further Euro 0.3million related to VR90 revenue in the Middle East.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE - continued

Going concern - continued

H1 2022 reflected a further Euro 3.0million raised from current investors combined with Euro 1.5million from joint investment partners. A further round of investor funding and /or debt funding will be required to provide sufficient working capital to see Visuray through to the deployment of the Vr360 in the field and revenue generation.

This notwithstanding, the long-term going concern of the Company remains dependent on the successful commercialisation of the tool and ability to secure additional investor funding. The revenue generating ability of the Company is dependent on the market in which the Company operates which remains volatile, as it may be impacted by oil prices.

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

The accounting policies are consistent with those of the previous financial year, except for the following standards, interpretations and amendments effective as of 1 January 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)
- Amendment to IFRS 16: Leases Covid 19-Related Rent Concessions (issued on 28 May 2020)

The adoption of these standards, where applicable, did not have significant impact on the financial statements or performance of the Group.

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

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when these become effective. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Group.

- IFRS 17 Insurance Contracts (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021(issued on 31 March 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)

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

2.2 CHANGES IN ACCOUNTING POLICIES - continued

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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

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

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

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

Taxes

Current income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxes - continued

Deferred income tax

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

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

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

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

Value added tax

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

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

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

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

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

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

Currency translation

The consolidated financial statements of the Group are presented in its functional currency, the EURO (“EUR”), being the currency of the primary economic environment in which the Group operates and obtains financing.

Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Currency translation - continued

Group companies

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Trade and other payables

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

Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments -continued

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Financial assets at fair value through profit or loss - continued

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

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment of financial assets

The Group 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 Group 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

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

Offsetting of financial instruments

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

Inventories

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

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

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

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

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.

Leases

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

Group as a lessee

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

i) Right-of-use assets

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

Buildings	3 to 5 years
Software	2 to 4 years

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

ii) Lease liabilities

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

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

The Group's lease liabilities are included in other financial liabilities.

Intangible assets

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

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

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

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

Research and development ("R&D")

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

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

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

No amortization is charged on in-process developments until they are available for use. Subsequently to launch of the in-house technology, useful life of the R&D capitalized is expected over 8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payments

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

Equity settled transactions

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Impairment of non-financial assets

The Group's impairment for intellectual property is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the Visuray business plan for the next twelve years as approved by management and revenue projections are based on potential business growth, after which the terminal value was calculated. These budgets do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the Group. The recoverable amount is most sensitive to the growth rate used and the resulting future net cash-inflows, as well as discount rate used for the discounted cash flow model. In view of the delays experienced in marketing of the tool the intangible asset has been impaired in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Share-based payments

The Group measures the cost of the equity-settled transactions with employees and consultants by reference to the fair value of equity instruments as at date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the stock price of shares, expected life of the share option, volatility and dividend yield, and making assumptions about them (note 18).

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. REVENUE

Revenue generated in 2021 relates to VR90 services provided to customers located in Saudi Arabia.

5. EXPENSES BY NATURE

	2021	2020
	EUR	EUR
Direct Expenditure		
Materials expense	1,395,661	1,216,590
Freight & carriage	67,549	53,226
	1,463,210	1,269,816
Administrative Expenses		
Auditor’s remuneration	111,059	133,205
Professional fees	561,211	810,074
Repairs and maintenance	90,368	133,120
Salaries, wages and social security contribution (note 6)	3,427,505	3,438,450
Other staff costs	547,647	298,288
Travelling expenses	76,584	57,924
Legal fees	60,784	62,550
Variable lease payments	166,720	150,007
Depreciation (note 11)	511,176	702,012
Depreciation right-of-use asset (note 21)	463,050	475,994
Marketing and advertising	151	2,062
Provision on other assets	114,036	-
Inventory provision	1,602,805	-
Unrealised difference on exchange	2,517,713	(2,489,409)
Realised difference on exchange	(5,383)	(62,057)
Other expenses	339,988	293,138
	10,585,414	4,005,358
Total operating expenses	12,048,624	5,275,174

The amount of share-based expenses included in professional fees and salary expenses totalled to EUR15,686(2020: EUR12,931) and EUR25,313 (2020: EUR24,515), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

6. EMPLOYEE INFORMATION

a. Staff costs

	2021	2020
	EUR	EUR
Wages and salaries	3,052,971	3,063,267
Social security costs	374,534	375,183
Total expenses (note 5)	<u>3,427,505</u>	<u>3,438,450</u>

b. Headcount

The average number of employees employed by the Group during the year excluding Directors was 27 (2020: 29).

7. OTHER INCOME/(LOSSES)

	2021	2020
	EUR	EUR
Other income	94,382	56,362
Total other gains/(losses) incurred	<u>94,382</u>	<u>56,362</u>

8. FINANCE INCOME

	2021	2020
	EUR	EUR
Interest receivable on bank balances	-	16
Interest on loans to a shareholder	9,140	9,165
	<u>9,140</u>	<u>9,181</u>

9. FINANCE COSTS

	2021	2020
	EUR	EUR
Interest payable on loans and borrowings	-	1,351
Interest on lease liabilities	20,991	29,586
Other finance costs	19,461	27,402
	<u>40,452</u>	<u>58,339</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10. INCOME TAX

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

	2021	2020
	EUR	EUR
Current income tax benefit	920	3,606
Deferred tax expenses	-	-
Income tax expenses	<u>920</u>	<u>3,606</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% (2020: 35%) as follows:

	2021	2020
	EUR	EUR
Accounting loss before tax	<u>(11,681,195)</u>	<u>(5,084,298)</u>
Theoretical taxation expense at 35%	(4,088,418)	(1,779,504)
<i>Tax effect of:</i>		
- Non-allowable expenses	3,989,472	1,627,194
- Deferred tax asset not recognised	99,866	155,916
Income tax (credit)/ expenses	<u>920</u>	<u>3,606</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings EUR	Plant and equipment EUR	Furniture and Fittings EUR	Computer equipment EUR	Total EUR
Cost					
At 1 January 2020	199,013	4,741,718	204,367	474,599	5,619,697
Additions	-	97,478	-	-	97,478
Assets written-off	-	-	-	-	-
Exchange differences	-	(271,585)	(14,316)	(21,395)	(307,296)
At 31 December 2020	199,013	4,567,611	190,051	453,204	5,409,879
Additions	-	195,674	-	-	195,674
Asset written-off	-	(3,349)	-	-	(3,349)
Exchange differences	-	242,436	11,782	17,323	271,541
At 31 December 2021	199,013	5,002,372	201,833	470,527	5,873,745
Depreciation and impairment losses					
At 1 January 2020	199,013	3,284,984	168,385	467,442	4,119,824
Depreciation charge for the year	-	696,917	1,185	3,910	702,012
Depreciation charge released with assets written-off	-	-	-	-	-
Exchange differences	-	(289,031)	(11,390)	(20,957)	(321,378)
At 31 December 2020	199,013	3,692,870	158,180	450,395	4,500,458
Depreciation charge for the year	-	499,798	9,246	2,132	511,176
Exchange differences	-	223,342	10,307	18,000	251,648
At 31 December 2021	199,013	4,416,010	177,733	470,527	5,263,283
Net book value					
At 31 December 2021	-	586,362	24,100	-	610,462
At 31 December 2020	-	874,741	31,871	2,809	909,421

As at 31 December 2021, property plant and equipment with cost EUR1,979,964 (2020: EUR1,874,823) were fully depreciated but still in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. INTANGIBLE ASSETS

	2021	2020
	EUR	EUR
Patents and trademarks	2,091,607	2,091,607
Impairment of intangible assets	(2,091,607)	(2,091,607)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></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.

The intangible asset is tested for impairment annually. Based on the impairment test performed as at 31 December 2018, the intangible asset was impaired in full. No additional intangible assets were recognised during 2021 and therefore the balance remained fully written off.

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	EUR	EUR
Prepayments (note i)	207,256	497,075
VAT recoverable (note ii)	20,694	121,642
	<u>227,950</u>	<u>618,717</u>
	<u><u>227,950</u></u>	<u><u>618,717</u></u>

- i. Prepayments include a down-payment of EUR 20,479 (2020: EUR296,810) paid to a related party for R&D projects.
- ii. VAT receivable is being shown as net of provision of EUR114,036

14. OTHER FINANCIAL ASSETS

Current	2021	2020
	EUR	EUR
Loan to shareholder (note i)	1,008,054	998,914
Impairment of loan	(45,108)	(45,108)
	<u>962,946</u>	<u>953,806</u>
	<u><u>962,946</u></u>	<u><u>953,806</u></u>

- i. Loan receivable of EUR1,008,054 (2020: EUR998,914) is granted to a shareholder and comprises of principal and accrued interest of EUR914,000 (2020: EUR914,000) and EUR94,054 (2020: EUR84,914) respectively. The loan is secured by a pledge over the shares issued by Visuray plc to the shareholder, bears interest at 1% p.a. and is repayable upon maturity in 30 June 2022 subject to continued employment of the Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. INVENTORY

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

	2021	2020
	EUR	EUR
Finished goods and other inventories (note i)	960,270	2,124,319
Work in progress	1,077,201	93,154
	<u>2,037,471</u>	<u>2,217,473</u>

- i. Finished goods and other inventories are being shown as net of provision of EUR 1,602,805.

16. 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:

	2021	2020
	EUR	EUR
Cash at banks and in hand	142,169	2,371,614
	<u>142,169</u>	<u>2,371,614</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. ISSUED CAPITAL AND RESERVES

Authorised and issued share capital

	Number of shares	Nominal value, EUR
As at 31 December 2021		
Total authorised share capital	40,000,000	40,000,000
<i>Ordinary "A" shares</i>		
Issued and fully paid capital	38,414,265	38,414,265
As at 31 December 2020:		
	Number of shares	Nominal value, EUR
Total authorised share capital	800,000,000	40,000,000
- <i>Ordinary shares</i>	769,867,715	3,493,386
- <i>Ordinary "A" shares</i>	730,132,285	36,506,614
Issued and fully paid capital:		
Ordinary "A" shares	730,132,285	36,506,614

All authorised, issued and fully paid shares of Visuray PLC as at 31 December 2021 have a nominal value of EUR1.00 (2020: EUR0.05) each

On 30 August 2021, the shareholders at the Annual General Meeting held in Malta approved to redesignate the authorized share capital of the company by consolidating every twenty (20) A ordinary shares of a nominal value of EUR0.05 each into one (1) A Ordinary share of EUR1.00.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. ISSUED CAPITAL AND RESERVES - continued

2021

	Issued capital EUR	Share premium EUR	Total EUR
<u>Ordinary shares</u>			
As at 1 January 2021	36,506,614	90,997,066	127,503,680
115,000 ordinary "A" shares of a nominal value EUR1.00 per share and a premium of EUR1.00 issued on 18 March 2021. These were paid in 2021.	115,000	115,000	230,000
701,302 ordinary "A" shares of nominal value EUR1.00 per share and a premium of EUR2.00 issued on 12 May 2021. These were paid in 2021.	701,302	1,402,604	2,103,906
305,335 ordinary "A" shares of a nominal value EUR1.00 per share and a premium of EUR2.00 issued on 2 August 2021. These were paid.	305,335	610,670	916,005
786,013 ordinary "A" shares of a nominal value EUR1.00 per share and a premium EUR2.00 issued on 27 December 2021. These were paid.	786,013	1,572,026	2,358,039
Non- Cash contribution being fair value of share options exercised /forfeited and expired during the year	-	67,699	67,699
As at 31 December 2021	38,414,264	94,765,065	133,179,329

Additional shares issued subsequent to year end are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. ISSUED CAPITAL AND RESERVES - continued

2020

	Issued capital EUR	Share premium EUR	Total EUR
<u>Ordinary shares</u>			
As at 1 January 2020	26,142,337	87,930,146	114,072,483
19,802,775 ordinary "A" shares of a nominal value EUR0.05 issued on 14 January 2021. These were paid in 2021	990,139	-	990,139
19,405,000 ordinary "A" shares of a nominal value EUR0.05 issued on 6 May 2021. These were paid in 2021	970,250	-	970,250
7,500,000 ordinary "A" shares of a nominal value EUR0.05 issued on 25 June 2021. These were paid in 2021	375,000	-	375,000
115,127,711 ordinary "A" shares of a nominal value EUR0.05 issued on 17 July 2021. These were paid in 2021	5,756,388	-	5,756,388
15,050,000 ordinary "A" shares of a nominal value EUR0.05 issued on 18 September 2021. These were paid in 2021	752,500	-	752,500
30,400,000 ordinary "A" shares of a nominal value EUR0.05 issued on 24 November 2021. These were paid in 2021	1,520,000	-	1,520,000
Non- Cash contribution being fair value of share options forfeited/expired during the year	-	3,066,920	3,066,920
As at 31 December 2020	36,506,614	90,997,066	127,503,680

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

Share premium

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. ISSUED CAPITAL AND RESERVES - continued

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.

The balance as at 31 December 2021, the unregistered share capital amounted to EUR347,658 (2020: EUR0), which was converted into 115,886 Ordinary "A" Shares of a nominal value EUR1.00 per share and a premium of EUR2.00 in 2022.

Other capital reserve

Share based payments

The share-based payment reserve is used to recognise the value of the unexpired and unexercised equity settled share-based payments provided to employees, including key management personnel, and contractors as a part of their remuneration (note 18).

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.

18. 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 2021 the Group recognised the expenses from equity-settled share-based payment transactions for employees' and Directors' services of EUR25,313 (2020: EUR24,515), and for consultants' services of EUR15,686 (2020: EUR12,931) (note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. SHARE-BASED PAYMENTS - continued

Movements for the year

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

	2021		2020	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	23,869,702	EUR0.45	17,766,875	EUR0.35
Reverse stock split movement	(22,676,217)		-	
Total outstanding after split	1,193,485	EUR0.45	17,766,875	EUR0.35
Granted during the year	195,000	EUR3.00	11,073,452	EUR0.03
Forfeited during the year	(18,000)	EUR2.58	(305,000)	EUR0.40
Exercised during the year	(28,929)	EUR3.00	-	EUR0.00
Expired during the year	(27,238)	EUR34.45	(4,665,625)	EUR0.42
Outstanding at 31 December	1,314,318	EUR11.89	23,869,702	EUR0.45
Exercisable at 31 December	740,819	EUR20.17	18,942,675	EUR0.93

On 30 August 2021, the shareholders at the Annual General Meeting held in Malta approved to redesignate the authorized share capital of the company by consolidating every twenty (20) A ordinary shares of a nominal value of EUR0.05 each into one (1) A Ordinary share of EUR1.00. The reverse stock split did not cause an adjustment to the par value. As a result of the reverse stock split, the Group adjusted the share amounts under the Visuray Stock option program. All the outstanding number of shares have been retroactively adjusted to reflect the stock split and the newly issued shares were recorded with the updated par value.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 2 years (2020: 1 year). The exercise prices of options outstanding as at the end of the year ranged from EUR1.00 to EUR50.00 (2020: EUR0.05 to EUR2.50).

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

	2021	2020
	EUR	EUR
Expected volatility (%)	35.0	35.0
Risk free rate (%)	0.0	0.0
Dividend yield (%)	Nil	Nil
Stock price (EUR)	0.05-1.50	0.05-1.50
Expected life of share options (years)	1.5-4	1.5-4

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2020: 35%).

The total deferred tax liability arises as follows:

	2021	2020
	EUR	EUR
Finance income	<u>(26,941)</u>	<u>(26,941)</u>

At 31 December 2021, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR4,012,113 (2020: EUR3,912,247). 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:

	2021	2020
	EUR	EUR
Temporary differences on:		
Unutilised tax losses	3,881,867	3,636,156
Unutilised capital allowance	523,459	576,378
Property, plant and equipment	4,636	(1,635)
Unrealised exchange difference	(397,849)	(298,652)
	<u>4,012,113</u>	<u>3,912,247</u>

20. TRADE AND OTHER PAYABLES

	2021	2020
	EUR	EUR
Trade payables (note i)	514,379	469,132
Amounts due to shareholders (note ii)	20,925	10,000
Accrual	903,845	761,435
Other payables	237,430	270,411
	<u>1,676,579</u>	<u>1,510,978</u>

- 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.

21. LEASES

Group

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21. LEASES - continued

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

	2021	2020
	EUR	EUR
As at 1 January	592,184	1,093,025
Additions	550,107	16,357
Depreciation for the year	(463,050)	(475,994)
Exchange difference	(13,649)	(42,204)
As at 31 December	665,592	592,184

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021	2020
	EUR	EUR
As at 1 January	618,354	1,124,203
Additions	550,107	16,357
Interest expense on lease liabilities	20,991	20,586
Payments	(495,692)	(506,932)
Exchange differences	44,556	(35,860)
Total amount recognised in profit or loss	738,316	618,354

	2021	2020
	EUR	EUR
Current	473,164	359,753
Non-current	266,152	258,601

The following are the amounts recognised in profit or loss:

	2021	2020
	EUR	EUR
Depreciation expenses of right-of-use	463,050	475,994
Interest expense on lease liabilities	20,991	29,586
Expenses relating to leases of low value assets (Included in Administrative expenses)	166,720	150,007
Exchange differences	58,832	(3,655)
Total amount recognised in profit or loss	709,593	651,932

The Group had total cash outflows for leases of EUR496,692 in 2021 (2020: EUR506,932).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. 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. 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.

d. Fair values

At 31 December 2021 and 31 December 2020, 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 number of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

e. Credit risk

Financial assets which potentially might subject the Group to concentration of credit risk consist principally of cash at bank (note 16) and loans and other receivables (notes 13 and 14). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. 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
		2021/2020
Direct subsidiaries		
Visuray Limited	BVI	100
Indirect subsidiaries		
Visuray InTech Limited	BVI	100
Visuray Technology Limited	Malta	100
Visuray International (Malta) Limited	Malta	100
Visuray Holding AS	Norway	100
Visuray AS	Norway	100
Visuray LLC	United States of America	100
Visuray Oilfield Services PJSC	Russia	0/100

24. RELATED PARTIES

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

		Related party activity EUR	Total activity EUR	%
Finance income:				
- from a shareholder	2021	9,140	9,140	100
	2020	9,165	9,181	99.8
		=====	=====	=====
Professional fees and other recharges:				
- from shareholders	2021	620,536	561,211	111
	2020	1,508,842	801,074	188
		=====	=====	=====

Outstanding balances with related parties at the reporting date and respective terms are disclosed in notes 13, 14 and 20.

Professional fees include EUR327,361 (2020: EUR457,000) which were paid to the Directors during the year ended 31 December 2021 including compensation for consulting services provided and other remunerations.

In 2021, no wages and salaries were paid to the general manager and other board member (2020: EUR36,418).

During 2021 the Group granted share options to its Directors and shareholders, total number of which and related expenses are disclosed in notes 5 and 18.

NOTES TO THE FINANCIAL STATEMENTS - continued

25. COMMITMENTS AND CONTINGENCIES

Other financial obligation

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

		Up to 1 year	After 1 year
Payment obligations under R&D projects	2021	180,781	
	2020	1,077,824	-

26. SUBSEQUENT EVENTS

In 2022, the Company increased its issued share capital by 1,142,607 Ordinary “A” shares of EUR1.00 nominal per share and a premium of EUR2.00 per share. Funds for an additional 115,886 Ordinary “A” shares capitalised in 2022 were received in 2021 (Note 17).

Furthermore, in early 2022, the Russia/Ukraine crisis led to various sanctions being imposed against Russia by the European Union and the United States of America. These sanctions include, but are not limited to, a ban of transactions with Russia’s financial institutions, freezing of assets of banks and high-profile individuals, a ban on air traffic to and from Russia, as well as a ban on exports from EU to a wide range of Russian defense, naval transport, and communication companies.

The Group considers the conflict and imposed restrictions to be a non-adjusting post balance sheet event. The Group does not have any significant exposure in the region, however it will continue to monitor the situation in the context of its wider implication on the global economy.