

**VISURAY PLC**

**Annual Report  
and  
Consolidated Financial Statements**

**31 December 2016**

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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. Tore Hansen-Tangen  
Mr. Franck Biancheri  
Ms. Ondine Fleur Tamara de Rothschild  
Mr. Boris Ivanov

### **Company secretary**

Mr. Thomas Jacobsen

### **Registered Office**

Apartment 1  
Advance House, 375  
Manwel Dimech Street  
Sliema  
MALTA

### **Bankers**

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

DNB Nor Bank ASA  
Straden 21  
0021 Oslo  
NORWAY

### **Auditors**

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

## **DIRECTORS' REPORT**

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

### **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. The Group is currently in its start-up phase, while in 2015 the first prototype with commercial name VR90 was completed, it is anticipated that its full commercial introduction will take place in the second half of 2017. 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 EUR7,654,715 for the financial year ended 31 December 2016 (2015: EUR16,131,888).

### **Dividends**

During the year ended 31 December 2016, the Group did not propose a dividend on ordinary shares (2015: Nil).

### **Financial risk management**

Financial risk policies are described in the Note 23 to these 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 anticipates generating positive net cash flows as commercial tools are introduced to the market. This is expected to occur during 2020.

### **Directors**

During the year ended 31 December 2016 the directors were as listed on page 2.

### **Statement of directors' responsibilities**

The directors are required by the Companies Act (Cap. 386) to prepare 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 company at the end of each financial year and of the profit or loss of the company for the year then ended. In preparing the financial statements, the directors should:

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

**DIRECTORS' REPORT – continued**

**Statement of directors' responsibilities – continued**

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the 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 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 company, 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

12 September 2017



Ernst & Young Malta Limited  
Regional Business Centre  
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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 38, which comprise the statements of financial position as at 31 December 2016, the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("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.

#### **Emphasis of a matter paragraph**

We draw attention to Note 2 to the consolidated financial statements which indicates that due to the decline on oil prices, the market in which the Group operates remains extremely volatile and it is difficult for the Group to make any accurate future revenue predictions. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company'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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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

### **Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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 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 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.

## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Visuray PLC - continued

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

12 September 2017



**VISURAY PLC**  
**Annual Consolidated Financial Statements for the year ended 31 December 2016**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2016 EUR	2015 EUR
Other revenues	4	228,520	98,716
Direct expenditure		(1,686,259)	(3,255,893)
<b>Gross loss</b>		<b>(1,457,739)</b>	<b>(3,157,177)</b>
Share of profit / (losses) in associate	13	43,701	(376,145)
Administrative expenses	5	(12,727,298)	(15,813,405)
Other gains	7	5,840,086	-
<b>Operating loss</b>		<b>(8,301,250)</b>	<b>(19,346,727)</b>
Finance income	8	9,955	10,228
Finance costs	9	(87,392)	(76,958)
<b>Loss before tax</b>		<b>(8,378,687)</b>	<b>(19,413,457)</b>
Income tax credit/(expense)	10	15,941	(16,156)
<b>Loss for the year</b>		<b>(8,362,746)</b>	<b>(19,429,613)</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange difference on translation of foreign operations		717,500	3,347,181
Share in other comprehensive income / (loss) of associate	13		
Share in exchange differences on translation of foreign operations during the year		74,971	(49,456)
Less: reclassification adjustments for gains included in profit or loss		(84,440)	-
		<b>(9,469)</b>	<b>(49,456)</b>
<b>Total comprehensive loss for the year</b>		<b>(7,654,715)</b>	<b>(16,131,888)</b>

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

**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2016**

	Notes	2016 EUR	2015 EUR
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,676,441	1,903,335
Intangible assets	12	2,091,607	2,091,607
Investment in associate	13	327,798	3,012,970
Other non-current financial assets	15	962,329	953,164
		<b>5,058,175</b>	<b>7,961,076</b>
<b>Current assets</b>			
Trade and other receivables	14	736,968	1,100,025
Inventory	16	2,832,550	1,587,601
Cash and cash equivalents	17	479,133	2,009,102
		<b>4,048,649</b>	<b>4,696,728</b>
<b>TOTAL ASSETS</b>		<b>9,106,824</b>	<b>12,657,804</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		6,105,891	5,892,891
Share premium		68,515,279	62,280,132
Capital contribution reserve		5	3,170,006
Other capital reserve		5,953,552	5,483,233
Restructuring reserve		(12,572)	(12,572)
Foreign currency translation reserve		8,566,637	7,849,137
Accumulated losses		(84,740,285)	(76,377,539)
Other reserve		45,726	55,195
<b>Equity attributable to owners of the parent</b>	18	<b>4,434,233</b>	<b>8,340,483</b>
<b>Non-current liabilities</b>			
Loans and other borrowings	21	1,338,800	1,266,477
Deferred tax liability	20	13,488	33,175
		<b>1,352,288</b>	<b>1,299,652</b>
<b>Current liabilities</b>			
Trade and other payables	22	3,320,193	3,000,244
Income tax payable		110	17,425
		<b>3,320,303</b>	<b>3,017,669</b>
<b>Total liabilities</b>		<b>4,672,591</b>	<b>4,317,321</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,106,824</b>	<b>12,657,804</b>

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

The 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

12 September 2017

**VISURAY PLC**

**Annual Consolidated Financial Statements for the year ended 31 December 2016**

**STATEMENT OF CHANGES IN EQUITY**

**FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Issued capital EUR	Share premium EUR	Capital contribution reserve EUR	Other Capital reserve EUR	Accumulated losses EUR	Re-structuring reserve EUR	Foreign Currency translation EUR	Other Reserve EUR	Total Equity EUR
Balance at 1 January 2016	5,892,891	62,280,132	3,170,006	5,483,233	(76,377,539)	(12,572)	7,849,137	55,195	8,340,483
Loss for the year	-	-	-	-	(8,362,746)	-	-	-	(8,362,746)
Other comprehensive income / (loss)	-	-	-	-	-	-	717,500	(9,469)	708,031
<b>Total comprehensive loss</b>	-	-	-	-	(8,362,746)	-	717,500	(9,469)	(7,654,715)
Issue of share capital (note 18)	213,000	6,177,001	(3,170,001)	-	-	-	-	-	3,220,000
Exercise of share options (note 19)	-	-	-	-	-	-	-	-	-
Forfeited share options (note 19)	-	58,146	-	(58,146)	-	-	-	-	-
Share based payments (note 19)	-	-	-	528,465	-	-	-	-	528,465
<b>Balance at 31 December 2016</b>	<b>6,105,891</b>	<b>68,515,279</b>	<b>5</b>	<b>5,953,552</b>	<b>(84,740,285)</b>	<b>(12,572)</b>	<b>8,566,637</b>	<b>45,726</b>	<b>4,434,233</b>

**FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Balance at 1 January 2015	5,475,208	50,612,608	57,293	4,465,754	(56,947,927)	(12,572)	4,501,956	104,650	8,256,970
Loss for the year	-	-	-	-	(19,429,613)	-	-	-	(19,429,613)
Other comprehensive income / (loss)	-	-	-	-	-	-	3,347,181	(49,456)	3,297,725
<b>Total comprehensive (loss) / income</b>	-	-	-	-	(19,429,613)	-	3,347,181	(49,456)	(16,131,888)
Issue of share capital (note 18)	303,333	8,796,667	(57,293)	-	-	-	-	-	9,042,707
Exercise of share options (note 19)	114,350	2,806,036	-	(646,926)	-	-	-	-	2,273,460
Forfeited share options (note 19)	-	64,821	-	(64,821)	-	-	-	-	-
Share based payments (note 19)	-	-	-	1,729,225	-	-	-	-	1,729,225
Contribution by shareholders	-	-	3,170,006	-	-	-	-	-	3,170,006
<b>Balance at 31 December 2015</b>	<b>5,892,891</b>	<b>62,280,132</b>	<b>3,170,006</b>	<b>5,483,233</b>	<b>(76,377,539)</b>	<b>(12,572)</b>	<b>7,849,137</b>	<b>55,195</b>	<b>8,340,483</b>

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

## STATEMENT OF CASH FLOWS

	2016 EUR	2015 EUR
<b>Operating activities</b>		
Loss before tax	(8,378,687)	(19,413,457)
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>		
Depreciation of property, plant and equipment	460,108	327,193
Share of (income) / losses in associate	(43,701)	376,146
Gain from disposal of investments	(5,836,865)	-
Unrealised difference on exchange	762,583	3,386,489
Finance income	(9,955)	(10,228)
Finance costs	87,392	76,958
Share-based payments expenses	528,465	1,729,225
Movements in legal provision	190,180	263,295
<i>Working capital adjustments:</i>		
Increase in inventories	(1,244,949)	(1,164,014)
Increase/ (decrease) in trade and other receivables	361,720	(73,668)
Increase in trade and other payables	29,126	866,121
	<b>(13,094,613)</b>	<b>(13,635,940)</b>
Interest paid	-	(10,481)
Interest received	790	1,088
Income tax paid	(21,061)	(157,302)
<b>Net cash flows used in operating activities</b>	<b>(13,114,885)</b>	<b>(13,802,635)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(182,330)	(465,805)
Proceeds from disposal of property, plant and equipment	-	12,354
Acquisition of share in associate	(34,785)	(655,821)
Proceeds from sale of shares in associate	8,582,031	-
<b>Net cash flows from/ (used in) investing activities</b>	<b>8,364,916</b>	<b>(1,109,272)</b>
<b>Financing activities</b>		
Issue of share capital	3,220,000	14,486,100
Receipt of loans	-	1,200,000
<b>Net cash flows from financing activities</b>	<b>3,220,000</b>	<b>15,686,100</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(1,529,969)</b>	<b>774,193</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,009,102</b>	<b>1,244,183</b>
Net foreign exchange difference	-	(9,274)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (note 17)</b>	<b>479,133</b>	<b>2,009,102</b>

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

## **NOTES TO THE 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**

The Group incurred a loss before tax of EUR8,378,687 during the year ended 31 December 2016 (2015: EUR19,413,457) while its total assets exceeded total liabilities by EUR 4,434,233 (2015: EUR8,340,483). These results represent continuing research and development work on the companies’ products and are similar to prior year results. For 2017 the company is forecasting a reduction in losses as a result of the VR90 entering the market.

Notwithstanding the above, the revenue generation ability of the Group remains dependent on the short term market in which the Group operates which remains extremely volatile, as it is impacted by the decline in oil price, making it difficult for the company to make accurate future revenue predictions.

The Group is in the process of securing further funding combined with the launch of its VR90 from which revenue is expected to be generated. Accordingly the board of directors conclude that the going concern assumption remains appropriate. This notwithstanding, the above conditions indicate the existence of a material uncertainty that may cast significant doubt about the company’s ability to continue as a going concern.

## **NOTES TO THE FINANCIAL STATEMENTS - continued**

### **2.2 CHANGES IN ACCOUNTING POLICIES**

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

The accounting policies are consistent with those of the previous financial year, except for the following amendments to published standards effective during the year.

- IAS 19 (Amendments) - Defined benefit plans: Employee contributions
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation
- IFRS 11 (Amendments) Accounting for acquisitions of interests in joint operations
- IAS 27 (Amendments) - Equity method in separate financial statements
- IAS 16 and IAS 41 - Bearer Plants
- Annual Improvements to IFRSs 2012-2014 Cycle
- IAS 1 (Amendments) Disclosure initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
- Annual Improvements to IFRSs 2010-2012 Cycle

The adoption of these standards, interpretations and amendments did not have a significant impact on the financial statements of the Group.

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

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Group has not early adopted, but plans to adopt upon their effective date.

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Group. The new and amended standards are as follows:

- IFRS 9 Financial instruments (effective for financial year beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 (effective for financial year beginning on or after 1 January 2018)

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

- IFRS 14 - Regulatory deferral accounts (effective for financial years beginning on or after 1 January 2016)
- IFRS 16 – Leases (effective for financial years beginning on or after 1 January 2019)
- IFRS 17 - Insurance Contracts (effective for financial years beginning on or after 1 January 2021)
- IFRS 10 and IAS 28 (Amendments) Sale or contributions of assets between an investor and its associate or joint venture (effective date deferred)
- IAS 12 (amendments) – Recognition of deferred tax assets for unreleased losses (effective for financial years beginning on or after 1 January 2017)
- IAS 7 (amendments) – Disclosure initiative (effective for financial years beginning on or after 1 January 2017)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (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)

## **NOTES TO THE FINANCIAL STATEMENTS - continued**

### **2.2 CHANGES IN ACCOUNTING POLICIES – continued**

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

- Annual improvements to IFRS standards 2014 – 2016 Cycle (effective for financial years beginning on or after 1 January 2017 and 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective for financial years beginning on or after 1 January 2018)
- IFRIC 23 - Uncertainty over Income Tax Treatments (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 financial statements of the Group.

### **2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Revenue recognition**

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

#### *Provision of services*

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

#### *Interest income*

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

#### *Dividend income*

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Taxes**

*Current income tax*

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

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

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

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

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

*Value added tax*

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

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

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

**Currency translation**

The consolidated financial statements of the group are presented in its functional currency, the 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 FINANCIAL STATEMENTS - continued****2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****Currency translation - continued***Group companies*

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

**Trade and other receivables**

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

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

**Cash and cash equivalents**

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

**Trade and other payables**

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

**Investment in associate**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial assets**

*Initial recognition and measurement*

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

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

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

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

*Subsequent measurement*

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

*Loans and receivables*

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

*Derivative financial instruments*

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

*Derecognition*

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

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

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

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

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

*Impairment of financial assets*

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

**Financial liabilities***Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Loans and borrowings*

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

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

*Derecognition*

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Offsetting of the financial instruments**

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

**Inventories**

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

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

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

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

**Property, plant and equipment**

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued****2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****Intangible assets**

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

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

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

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

*Research and development ("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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Share-based payments - continued**

*Equity settled transactions - continued*

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

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

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**Impairment of non-financial assets**

The Group's impairment for 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'.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. OTHER REVENUES**

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

**5. EXPENSES BY NATURE**

	2016 EUR	2015 EUR
Auditor's remuneration	119,766	154,904
Professional fees	2,739,427	3,185,188
Repairs and maintenance	147,053	108,717
Salaries, wages and social security contribution (note 6)	5,421,008	5,288,417
Other staff costs	1,040,594	636,711
Travelling expenses	587,895	757,806
Legal fees	270,411	570,394
Rent	1,007,144	746,869
Depreciation (note 11)	460,108	327,193
Marketing and advertising	63,365	123,369
Unrealised difference on exchange	762,553	3,645,217
Realised difference on exchange	(121,616)	(26,209)
Other expenses	229,590	294,829
Total administrative expenses	<u>12,727,298</u>	<u>15,813,405</u>

Auditor's remuneration includes EUR16,222 for non-audit services provided during the year ended 31 December 2016 (2015: EUR45,312).

The amount of share based expenses included in professional fees and salary expenses totalled to EUR450,369 and EUR78,096, respectively (2015: EUR1,549,899 and EUR179,326, respectively) (note 19).

**6. EMPLOYEE INFORMATION**

**a. Staff costs**

	2016 EUR	2015 EUR
Wages and salaries	4,630,112	4,434,783
Social security costs	790,896	853,634
Total expenses (note 5)	<u>5,421,008</u>	<u>5,288,417</u>

**b. Headcount**

The average number of employees employed by the group during the year excluding directors was 50 (2015: 45).

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**7. OTHER GAINS**

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Result from disposal of ownership in associate (note i)	<b>5,836,865</b>	-
Other gain	<b>3,221</b>	-
	<hr/>	<hr/>
Total other gains incurred	<b>5,840,086</b>	-
	<hr/> <hr/>	<hr/> <hr/>

- i. In 2016 the Group sold part of its investment in Direct Conversion (formerly XCounter AB) with a total book value of EUR2,839,968 for a cash consideration of EUR8,582,031. This resulted in a realized gain of EUR5,836,865.

**8. FINANCE INCOME**

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Interest receivable on bank balances	<b>458</b>	1,088
Interest on loans to a shareholder	<b>9,497</b>	9,140
	<hr/>	<hr/>
	<b>9,955</b>	10,228
	<hr/> <hr/>	<hr/> <hr/>

**9. FINANCE COSTS**

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Interest payable on the loan from a shareholder	<b>72,556</b>	66,477
Other finance costs	<b>14,836</b>	10,481
	<hr/>	<hr/>
	<b>87,392</b>	76,958
	<hr/> <hr/>	<hr/> <hr/>



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**10. INCOME TAX**

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

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Current income tax charge	3,751	-
Adjustments in respect of current income tax of previous year	40	(1,197)
Deferred tax (credit)/expenses	<b>(19,732)</b>	17,353
Income tax (credit)/expenses	<b>(15,941)</b>	16,156

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% (2015: 35%) as follows:

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Accounting loss before tax	<b>(8,378,687)</b>	(19,413,457)
Theoretical taxation expense at 35%	<b>(2,932,540)</b>	(6,794,710)
Tax effect of		
- Non-allowable expenses	5,227,700	5,439,297
- Deferred tax asset not recognised	(16,766)	878,743
- Income not subject to tax	<b>(2,018,736)</b>	-
- Difference in tax rates	<b>(275,640)</b>	497,604
- Utilised Group tax losses	-	(848)
- Adjustment in respect of current income tax of previous year	41	(1,197)
- Other	-	(2,733)
Income tax (credit)/ expenses	<b>(15,941)</b>	16,156

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings EUR</b>	<b>Plant and equipment EUR</b>	<b>Furniture &amp; Fittings EUR</b>	<b>Computer equipment EUR</b>	<b>Construction in progress EUR</b>	<b>Total EUR</b>
<b>Cost</b>						
At 1 January 2015	210,125	1,217,694	144,813	432,890	135,160	2,140,682
Additions	-	411,284	15,332	39,189	-	465,805
Transfers	-	135,160	-	-	728,474	863,634
Disposals	-	(12,354)	-	-	-	(12,354)
Exchange differences	(5,509)	(21,243)	3,945	(11,830)	(979)	(35,617)
<b>At 31 December 2015</b>	<b>204,616</b>	<b>1,730,541</b>	<b>164,090</b>	<b>460,249</b>	<b>862,655</b>	<b>3,422,151</b>
Additions	-	111,449	3,697	7,173	60,012	182,331
Transfers	-	942,960	-	-	(942,960)	-
Exchange differences	10,591	79,929	6,311	17,695	20,293	134,819
<b>At 31 December 2016</b>	<b>215,207</b>	<b>2,864,879</b>	<b>174,098</b>	<b>485,117</b>	<b>-</b>	<b>3,739,301</b>
<b>Depreciation and impairment losses</b>						
At 1 January 2015	97,546	724,090	93,425	324,193	-	1,239,254
Depreciation charge for the year	43,977	196,282	21,648	65,286	-	327,193
Exchange differences	(3,073)	(31,218)	(62)	(13,278)	-	(47,631)
<b>At 31 December 2015</b>	<b>138,450</b>	<b>889,154</b>	<b>115,011</b>	<b>376,201</b>	<b>-</b>	<b>1,518,816</b>
Depreciation charge for the year	28,508	377,035	18,496	36,069	-	460,108
Exchange differences	7,469	55,483	5,595	15,389	-	83,936
<b>At 31 December 2016</b>	<b>174,427</b>	<b>1,321,672</b>	<b>139,102</b>	<b>427,659</b>	<b>-</b>	<b>2,062,860</b>
<b>Net book value</b>						
<b>At 31 December 2016</b>	<b>40,780</b>	<b>1,543,207</b>	<b>34,996</b>	<b>57,458</b>	<b>-</b>	<b>1,676,441</b>
At 31 December 2015	66,166	841,387	49,079	84,047	862,655	1,903,335

As at 31 December 2016 property plant and equipment with cost EUR1,042,964 were fully depreciated but still in use (2015: EUR849,764).

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**12. INTANGIBLE ASSETS**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Patents and trademarks	<b>2,091,607</b>	2,091,607

Intangible assets are 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 during the year ended 31 December 2016. Launch of the first generation tool is scheduled for the second half of 2017 which is expected to be amortization start date.

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 2016, the value in use of intangibles was determined to be at least EUR2,091,607 (2015: EUR2,091,607). As a result, no impairment (2015: EUR Nil) was recognized during the year.

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

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

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

**13. INVESTMENT IN ASSOCIATE**

The Group has 4.03% (2015: 42.54%) 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 holds 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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**13. INVESTMENT IN ASSOCIATE - continued**

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

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Non-current assets	9,905,365	8,231,860
Current assets	6,687,883	6,230,060
Non-current liabilities	(3,006,752)	(2,119,412)
Current liabilities	(2,503,114)	(2,903,165)
<b>Net assets</b>	<b>11,083,382</b>	<b>9,439,343</b>
Group's carrying amount of the investment	447,093	4,021,160
Revenue	12,432,067	12,882,733
Total comprehensive income / (loss)	463,729	(977,707)
<i>The amount at which the investment is carried in the statement of financial position is arrived at as follows:</i>		
Investment at cost	5,065,112	7,868,957
Loss brought forward	(4,855,987)	(4,430,386)
Share of current year post acquisition income / (losses)	43,701	(376,145)
Share of current year post acquisition other comprehensive income/(losses)	74,971	(49,456)
<b>Carrying amount of the investment</b>	<b>327,797</b>	<b>3,012,970</b>
Negative goodwill	119,295	1,021,160
<b>Share of associate in net assets</b>	<b>447,093</b>	<b>4,021,160</b>

550,000 shares in Direct Conversion (2015: 550,000 shares) were provided as pledge to the loan payable to one of the shareholders (Note 21).

**14. TRADE AND OTHER RECEIVABLES**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Prepayments (note ii)	355,509	560,141
VAT recoverable	116,323	149,970
Other receivables (note i)	265,134	389,914
	<b>736,966</b>	<b>1,100,025</b>

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**14. TRADE AND OTHER RECEIVABLES – continued**

- i. a. The balance as at 31 December 2016 included EUR138,242 (2015: EUR207,360) receivable from Norwegian Government (being tax reimbursements) in respect of research and development activity carried out by one of the Group's subsidiaries. The balance was received subsequently in 2016.
- b. The balance as at 31 December 2016 included EUR69,178 (2015: EUR100,603) 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 EUR37,151 (2015: EUR166,400) paid to a related party for R&D projects.

**15. OTHER NON-CURRENT FINANCIAL ASSETS**

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Loan to shareholder (note i)	<b>962,329</b>	953,163

- i. The balance comprises of principal and accrued interest of EUR914,000 and EUR48,329 (2015: EUR914,000 and EUR39,163), respectively. The loan is secured by a pledge over the shares owned by the party in Visuray PLC; bears interest of 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:

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Finished goods and other inventories	<b>2,177,078</b>	1,214,970
Work in progress	<b>655,472</b>	372,631
	<b>2,832,550</b>	1,587,601

During 2016, inventories used for the construction of tools with a carrying amount of EUR261,181 (2015: EUR268,083) were recorded at net realizable value. The respective expenses were recognized as part of direct expenditures of the Group.

**NOTES TO THE 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:

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Cash at banks and in hand	<b>479,133</b>	2,009,102

Cash at bank and in hand balance includes restricted cash of EUR103,153 (2015: EUR128,744) out of which balance of EUR103,153 (2015: EUR97,498) was kept in favour of ex-minorities as further explained in note 22.

**18. ISSUED CAPITAL AND RESERVES**

**Authorized and issued share capital**

**As at 31 December 2016:**

	Number of shares	Nominal value, EUR
Total authorised share capital	150,000,000	7,500,000
- <i>Ordinary shares</i>	27,882,175	1,394,109
- <i>Ordinary "A" shares</i>	122,117,825	6,105,891
Issued and fully paid capital		
- <i>Ordinary "A" shares</i>	122,117,825	6,105,891

**As at 31 December 2015:**

	Number of shares	Nominal value, EUR
Total authorised share capital	150,000,000	7,500,000
- <i>Ordinary shares</i>	32,142,175	1,607,109
- <i>Ordinary "A" shares</i>	117,857,825	5,892,891
Issued and fully paid capital		
- <i>Ordinary "A" shares</i>	117,857,825	5,892,891

All authorised, issued and fully paid shares of Visuray PLC as at 31 December 2016 and as at 31 December 2015 have a nominal value of EUR0.05 each.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18. ISSUED CAPITAL AND RESERVES - continued**

**2016**

	Issued capital EUR	Share premium EUR	Total EUR
<b><u>Ordinary shares</u></b>			
<b>As at 1 January 2016</b>	<b>5,892,891</b>	<b>62,280,132</b>	<b>68,173,023</b>
500,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 21 January 2016. These were paid in 2015	25,000	725,000	750,000
1,613,334 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 21 January 2016. These were paid in 2015	80,667	2,339,334	2,420,001
520,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 24 February 2016. These were paid in 2016	26,000	754,000	780,000
666,667 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 16 March 2016. These were paid in 2016	33,333	966,667	1,000,001
666,667 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 09 May 2016. These were paid in 2016	33,333	966,667	1,000,001
160,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 08 August 2016. These were paid in 2016	8,000	232,000	240,000
133,333 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 23 November 2016. These were paid in 2016	6,667	193,333	200,000
Non- Cash contribution being fair value of share options forfeited/expired during the year	-	58,146	58,146
<b>As at 31 December 2016</b>	<b>6,105,891</b>	<b>68,515,279</b>	<b>74,621,170</b>

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18. ISSUED CAPITAL AND RESERVES - continued**

**2015**

	Issued capital EUR	Share premium EUR	Total EUR
<b><u>Ordinary shares</u></b>			
<b>As at 1 January 2015</b>	<b>5,475,208</b>	<b>50,612,608</b>	<b>56,087,816</b>
125,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR0.75 per share issued on 12 January 2015. These were paid in 2015	6,250	93,969	100,219
400,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.06 per share issued on 11 February 2015. These were paid in 2015	20,000	425,604	445,604
1,562,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.22 per share issued on 23 March 2015. These were paid in 2015	78,100	1,912,256	1,990,356
2,666,667 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 28 April 2015. These were paid in 2015	133,333	3,866,667	4,000,000
350,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 8 June 2015. These were paid in 2015	17,500	507,500	525,000
200,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.46 per share issued on 14 July 2015. These were paid in 2015	10,000	292,004	302,004
2,000,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 14 Sep 2015. These were paid in 2015	100,000	2,900,000	3,000,000
1,050,000 ordinary "A" shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 12 Nov 2015. These were paid in 2015	52,500	1,522,500	1,575,000
Non- Cash contribution being fair value of share options forfeited/expired during the year	-	147,024	147,024
<b>As at 31 December 2015</b>	<b>5,892,891</b>	<b>62,280,132</b>	<b>68,173,023</b>



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18. ISSUED CAPITAL AND RESERVES - continued**

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

**Share premium**

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

**Capital contribution reserve**

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

During the year 2015, Visuray plc received capital contribution from a potential shareholder (being result of share option exercise) amounting to EUR3,170,006. The balance as at 31/12/2015 was fully converted into its share capital in January 2016 being equivalent of 2,113,334 Ordinary "A" shares, with nominal value of EUR0.05 issued at a premium of EUR1.45 per share. The issues were fully paid up and duly registered by Malta Stock Exchange PLC on 21 January 2016.

**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 proportion of cumulative other comprehensive gains and losses attributable to the Group from operations of the associate.

## NOTES TO THE 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 2016 the Group recognised the expenses from equity-settled share-based payment transactions for employees' and directors' services of EUR78,096 (2015: EUR179,326), and for consultants' services of EUR450,369 (2015: EUR1,549,899 (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>2016</u> WAEP	Number	<u>2015</u> WAEP
Outstanding at 1 January	15,426,275	EUR0.38	14,199,400	EUR0.36
Granted during the year	1,760,875	EUR0.30	4,396,875	EUR0.32
Forfeited during the year	(166,889)	EUR0.18	(140,000)	EUR0.31
Exercised during the year	-	-	(2,287,000)	EUR0.19
Expired during the year	(114,400)	EUR0.63	(743,000)	EUR0.09
Outstanding at 31 December	<b>16,905,861</b>	<b>EUR0.36</b>	15,426,275	EUR0.38
Exercisable at 31 December	<b>14,745,986</b>	<b>EUR0.37</b>	12,504,400	EUR0.36

The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 was 3 years (2015: 3 years). The exercise prices of options outstanding as at the end of the year ranged from EUR0.458 to EUR1.85 (2015: EUR0.458 to EUR1.85).

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

	<b>2016</b> EUR	2015 EUR
Expected volatility (%)	<b>35.0</b>	35.0
Risk free rate (%)	<b>1.0</b>	1.0
Dividend yield (%)	<b>Nil</b>	Nil
Stock price (EUR)	<b>1.85</b>	1.5
Expected life of share options (years)	<b>2-4</b>	2-4

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 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% (2015: 35%).

The total deferred tax liability arises as follows:

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Finance income, net	<b>13,488</b>	33,175

The movement for the year of EUR19,732 has been credited to the statement of comprehensive income being net finance costs accrued for the year ended 31 December 2016 (2015: a credit of EUR17,353 being result of interest income reversed during the year 2015) (note 10).

At 31 December 2016, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR6,289,720 (2015: EUR7,527,413). However the directors opted not to recognise the deferred tax asset in view of the fact that the Group is still in its start-up phase.

The total deferred tax asset arises as follows:

	<b>2016</b>	2015
	<b>EUR</b>	EUR
<b>Temporary differences on:</b>		
Unutilised tax losses	<b>4,582,358</b>	5,885,307
Unrealised losses on share options' valuation	<b>2,083,743</b>	1,919,131
Unutilised capital allowance	<b>42,782</b>	31,969
Property, plant and equipment	<b>761</b>	9,844
Unrealised exchange difference	<b>(419,924)</b>	(318,838)
	<b>6,289,720</b>	7,527,413

**21. LOANS AND OTHER BORROWINGS**

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Loan from the shareholder (note i)	<b>1,338,800</b>	1,266,477

- i. The loan bears interest at a rate of 6% p.a. and is due on 19 January 2018. The financing provided is convertible into share capital of the company during the maturity period upon the decision of the Lender at conversion rate EUR1.5/share. The loan is secured with shares owned in Direct Conversion (Note 13).

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**22. TRADE AND OTHER PAYABLES**

	<b>2016</b>	2015
	<b>EUR</b>	EUR
Trade payables (note i)	<b>1,282,041</b>	1,429,401
Amounts due to shareholders (note ii)	<b>10,000</b>	10,000
Amounts due to ex-minority (note iii)	<b>585,057</b>	370,831
Accruals	<b>280,301</b>	125,359
Other payables	<b>1,162,794</b>	1,064,651
	<b>3,320,193</b>	3,000,242

- 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 (note 17), 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. The amount includes the final amounts payable to the ex-minorities including outstanding legal and court's fees and interest charges.

**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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**e. Fair values**

At 31 December 2016 and 31 December 2015 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 primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value.

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Trade and other payables	<b>3,320,193</b>	3,000,244
Loans and other borrowings	<b>1,338,800</b>	1,266,477
Less: Cash and cash equivalents	<b>(479,133)</b>	(2,009,102)
<b>Net debt</b>	<b>4,179,860</b>	2,257,619
Total equity	<b>4,434,233</b>	8,340,483
<b>Capital and net debt</b>	<b>8,614,093</b>	10,598,102

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

**24. GROUP STRUCTURE**

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

<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
		<b>2016</b>	<b>2015</b>
<b>Direct subsidiaries</b>			
Visuray Limited	BVI	100	100
<b>Indirect subsidiaries</b>			
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	-

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**25. RELATED PARTIES**

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

		<b>Related party activity EUR</b>	<b>Total activity EUR</b>	<b>%</b>
<b>Other revenues:</b>				
- from an associate	<b>2016</b>	<b>129,094</b>	<b>228,520</b>	<b>56</b>
	<b>2015</b>	<b>98,716</b>	<b>98,716</b>	<b>100</b>
<b>Finance income:</b>				
- from a shareholder	<b>2016</b>	<b>9,165</b>	<b>9,955</b>	<b>92</b>
	<b>2015</b>	<b>9,140</b>	<b>10,228</b>	<b>89</b>
<b>Finance costs:</b>				
- due to a shareholder	<b>2016</b>	<b>72,556</b>	<b>87,392</b>	
	<b>2015</b>	<b>66,477</b>	<b>76,958</b>	<b>86</b>
<b>Professional fees and other recharges:</b>				
- from shareholders	<b>2016</b>	<b>761,378</b>	<b>2,739,427</b>	<b>28</b>
	<b>2015</b>	<b>953,013</b>	<b>3,523,595</b>	<b>27</b>
<b>Other gains from Investing activities:</b>				
- from shareholders	<b>2016</b>	<b>5,609,815</b>	<b>5,836,865</b>	<b>96</b>
	<b>2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

During 2016 the Group purchased materials for an associate amounting to EUR80,000 (2015: EUR80,000) which are used in construction of VR90 tools and related R&D activity.

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

Professional fees include EUR552,778 which were paid to the directors during the year ended 31 December 2016 (2015: EUR748,621) including compensation for consulting services provided and other remunerations.

Wages and salaries include EUR191,723 (2015: EUR265,219) which were paid to the general manager and other board members.

During 2016 and 2015 the Group granted share options to its directors and shareholders, total number of which and related expenses are disclosed in notes 5 and 19.

**NOTES TO THE 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. In this regards, it has an account of EUR103,153 (2015: EUR97,498) which is set aside for this purpose (note 17).

**Guarantees**

Direct Conversion (formerly known as XCounter AB), an associate of the Group, provided guarantees on behalf of its subsidiary for a loan taken from a third party. The associate guarantees repayment of the loan and any interest due, if its subsidiary fails to meet its obligations. The principal and interest accrued until repayment date at the end of August 2022 amounts to EUR1,027 thousand (2015: EUR1,207 thousand).

**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	<b>2016</b>	<b>477,452</b>	<b>253,871</b>
	2015	596,414	573,451
Payment obligations under R&D projects	<b>2016</b>	<b>2,244,293</b>	<b>700,000</b>
	2015	486,300	-
Payment obligations for working capital	<b>2016</b>	<b>177,647</b>	-
	2015	215,600	-

**27. SUBSEQUENT EVENTS**

In 2017 the Company increased its share capital by 6,460,001 Ordinary "A" shares, of EUR0.05 at premiums of EUR1.45 per share depending on terms of share capital issue. The issue was fully paid up till the end of June 2017.