

**VISURAY PLC**

**Annual Report  
and  
Consolidated Financial Statements**

**31 December 2015**

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**VISURAY PLC**  
**Annual Consolidated Financial Statements for the year ended 31 December 2015**

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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. Marie-Laurence Mora (resigned 25 June 2015)  
Ms. Ondine Fleur Tamara de Rothschild  
Mr. Boris Ivanov (appointed 25 June 2015)

**Company secretary**

Mr. Thomas Jacobsen

**Registered Office**

Apartment 1  
Advance House, 375  
Manwel Dimech Street  
Sliema  
MALTA

**Bankers**

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

DNB Nor Bank ASA  
Straden 21  
0021 Oslo  
NORWAY

**Auditors**

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

## **DIRECTORS' REPORT**

The directors submit their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

### **Principal activity of the group**

Visuray plc is the holding company for all activities related to the development, marketing, operations and intellectual property of the Visuray Group. The Group also makes strategic investments in suppliers and key technology developers to ensure the success of the Group. The Group is currently in its start-up phase, 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 2016. The other technologies of the Group are still being developed.

### **Review of the business**

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

The Group's consolidated financial statements show a total comprehensive loss of EUR16,131,888 for the financial year ended 31 December 2015 (2014: EUR14,694,292).

### **Future developments**

The net cash flows for the Group will continue to be negative up to VR90 official launch in 2016 while positive net cash flows are anticipated to be generated as from 2017 as tools are established at the market.

### **Directors**

During the year ended 31 December 2015 the directors were as listed on page 2.

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

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

The directors are responsible for ensuring that:

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

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



**VISURAY PLC**  
**Annual Consolidated Financial Statements for the year ended 31 December 2015**

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**DIRECTORS' REPORT - continued**

**Auditors**

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

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



**FRANCK BIANCHERI**  
Director

16 August 2016



**JEAN-PHILIPPE STORK FLAMENT**  
Director

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VISURAY PLC**

We have audited the consolidated financial statements of Visuray PLC and its subsidiaries ("the Group") set out on pages 7 to 37 which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements:

- give a true and fair view of the financial position the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

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

### **Emphasis of matter paragraph**

We draw attention to Note 2 to the financial statements which indicates that due to the decline in 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.

### **Report on other Legal and Regulatory Requirements**

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

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

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



*This copy of the audit report has been signed by  
Christopher Portelli for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

16 August 2016

**VISURAY PLC**  
**Annual Consolidated Financial Statements for the year ended 31 December 2015**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2015 EUR	2014 EUR
Other revenues	4	98,716	103,197
Direct expenditure		(3,255,893)	(2,424,546)
<b>Gross loss</b>		<b>(3,157,177)</b>	<b>(2,321,349)</b>
Share of losses in associate	13	(376,145)	(1,191,958)
Administrative expenses	5	(15,813,405)	(15,709,037)
Other gains	7	-	98,327
<b>Operating loss</b>		<b>(19,346,727)</b>	<b>(19,124,017)</b>
Finance income	8	10,228	37,878
Finance costs	9	(76,958)	(3,546)
<b>Loss before tax</b>		<b>(19,413,457)</b>	<b>(19,089,685)</b>
Income tax (expense)/credit	10	(16,156)	377,798
<b>Loss for the year</b>		<b>(19,429,613)</b>	<b>(18,711,887)</b>
<b>Other comprehensive income</b>			
Exchange difference on translation of foreign operations		3,347,181	3,912,945
Other comprehensive income	13	(49,456)	104,650
<b>Total comprehensive loss for the year</b>		<b>(16,131,888)</b>	<b>(14,694,292)</b>

*The accounting policies and explanatory notes on pages 11 to 37 form an integral part of the financial statements.*



**VISURAY PLC**  
**Annual Consolidated Financial Statements for the year ended 31 December 2015**

**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2015**

	Notes	2015 EUR	2014 EUR
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,903,335	901,428
Intangible assets	12	2,091,607	2,091,607
Investment in associate	13	3,012,970	2,787,750
Other non-current financial assets	15	953,164	944,024
		<b>7,961,076</b>	<b>6,724,809</b>
<b>Current assets</b>			
Trade and other receivables	14	1,100,025	1,038,471
Inventory	16	1,587,601	1,287,221
Cash and cash equivalents	17	2,009,102	1,244,183
		<b>4,696,728</b>	<b>3,569,875</b>
<b>TOTAL ASSETS</b>		<b>12,657,804</b>	<b>10,294,684</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	5,892,891	5,475,208
Share premium	18	62,280,132	50,612,608
Capital contribution reserve	18	3,170,006	57,293
Other capital reserve	18	5,483,233	4,465,754
Restructuring reserve	18	(12,572)	(12,572)
Foreign currency translation reserve	18	7,849,137	4,501,956
Accumulated losses	18	(76,377,539)	(56,947,927)
Other reserve	18	55,195	104,650
<b>Equity attributable to owners of the parent</b>		<b>8,340,483</b>	<b>8,256,970</b>
<b>Non-current liabilities</b>			
Loans and other borrowings	21	1,266,477	-
Deferred tax liability	20	33,175	15,822
		<b>1,299,652</b>	<b>15,822</b>
<b>Current liabilities</b>			
Trade and other payables	22	3,000,244	1,843,555
Income tax payable		17,425	178,337
		<b>3,017,669</b>	<b>2,021,892</b>
<b>Total liabilities</b>		<b>4,317,321</b>	<b>2,037,714</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,657,804</b>	<b>10,294,684</b>

*The accounting policies and explanatory notes on pages 11 to 37 form an integral part of the financial statements.*

*The financial statements on pages 7 to 37 have been authorised for issue by the Board of Directors, and were signed on its behalf by:*

  
**FRANCK BIANCHERI**  
 Director  
 16 August 2016

  
**JEAN-PHILIPPE STORK FLAMENT**  
 Director



**VISURAY PLC**

**Annual Consolidated Financial Statements for the year ended 31 December 2015**

**STATEMENT OF CHANGES IN EQUITY**

	Issued capital EUR	Share premium EUR	Capital contribution reserve EUR	Other Capital reserve EUR	Retained earnings EUR	Re-structuring reserve EUR	Foreign Currency translation EUR	Other Reserve EUR	Total Equity EUR
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2015</b>									
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	-	-	-	-	-	-	3,347,181	(49,456)	3,297,725
<b>Total comprehensive loss</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>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2014</b>									
Balance at 1 January 2014	5,037,825	40,041,668	2,012,155	1,824,799	(38,236,040)	(12,572)	589,011	-	11,256,846
Loss for the year	-	-	-	-	(18,711,887)	-	-	-	(18,711,887)
Other comprehensive income	-	-	-	-	-	-	3,912,945	104,650	4,017,595
<b>Total comprehensive loss</b>	-	-	-	-	(18,711,887)	-	3,912,945	104,650	(14,694,292)
Issue of share capital (note 18)	414,110	9,997,038	(2,012,155)	-	-	-	-	-	8,398,993
Exercise of share options (note 19)	23,273	329,600	-	(140,551)	-	-	-	-	212,322
Forfeited share options (note 19)	-	244,302	-	(244,302)	-	-	-	-	-
Share based payments (note 19)	-	-	-	3,025,808	-	-	-	-	3,025,808
Contribution by shareholders	-	-	57,293	-	-	-	-	-	57,293
<b>Balance at 31 December 2014</b>	<b>5,475,208</b>	<b>50,612,608</b>	<b>57,293</b>	<b>4,465,754</b>	<b>(56,947,927)</b>	<b>(12,572)</b>	<b>4,501,956</b>	<b>104,650</b>	<b>8,256,970</b>

*The accounting policies and explanatory notes on pages 11 to 37 form an integral part of the financial statements.*

**VISURAY PLC**

**Annual Consolidated Financial Statements for the year ended 31 December 2015**

**STATEMENT OF CASH FLOWS**

	2015 EUR	2014 EUR
<b>Operating activities</b>		
Loss before tax	(19,413,457)	(19,089,685)
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>		
Depreciation of property, plant and equipment	327,193	337,391
Share of losses in associate	376,146	1,191,958
(Gain)/loss from investing activities	-	(98,327)
Other gains from assets contributed	-	(120,000)
Unrealised difference on exchange	3,386,489	3,847,230
Finance income	(10,228)	(37,878)
Finance costs	76,958	3,546
Share-based payments expenses	1,729,225	3,025,808
Movements in legal provision	263,295	-
<i>Working capital adjustments:</i>		
Increase in inventories	(1,164,014)	(607,737)
Increase in trade and other receivables	(73668)	(168,427)
Increase in trade and other payables	866,121	575,819
	<b>(13,635,940)</b>	<b>(11,140,302)</b>
Interest paid	(10,481)	(3,546)
Interest received	1,088	5,172
Income tax paid	(157,302)	(18,099)
<b>Net cash flows used in operating activities</b>	<b>(13,802,635)</b>	<b>(11,156,775)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(465,805)	(239,122)
Proceeds from disposal of property, plant and equipment	12,354	9,250
Acquisition of share in associate	(655,821)	(1,085,168)
Proceeds from sale of shares in associate	-	454,030
<b>Net cash flows used in investing activities</b>	<b>(1,109,272)</b>	<b>(861,010)</b>
<b>Financing activities</b>		
Issue of share capital	14,486,100	8,668,615
Receipt of loans	1,200,000	-
<b>Net cash flows from financing activities</b>	<b>15,686,100</b>	<b>8,668,615</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>774,193</b>	<b>(3,349,170)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,244,183</b>	<b>4,576,504</b>
Net foreign exchange difference	(9,274)	16,849
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (note 17)</b>	<b>2,009,102</b>	<b>1,244,183</b>

*The accounting policies and explanatory notes on pages 11 to 37 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 EUR19,413,457 during the year ended 31 December 2015 (2014: EUR19,089,685) while its total assets exceeded total liabilities by EUR 8,340,483 (2014 EUR 8,256,972). These results represent continuing research and development work on the companies’ products and are similar to prior year results. For 2016 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.

**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 standards, interpretations and amendments effective as of 1 January 2015.

- Annual Improvements to IFRSs 2011 – 2013 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 11 (Amendments) - Accounting for acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016)
- IAS 1 (Amendments) - Disclosure Initiative (effective for financial years beginning on or after 1 January 2016)
- IAS 19 (Amendments) - Defined Benefit Plans: Employee Contributions (effective for financial years beginning on or after 1 February 2015)
- IAS 27 (Amendments) - Equity Method in Separate Financial Statements (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 38 (Amendments) - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 41 (Amendments) - Bearer Plants (effective for financial years beginning on or after 1 January 2016)
- Annual Improvements to IFRSs 2010-2012 Cycle (effective for financial years beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective for financial years beginning on or after 1 January 2016)



## **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**

- IFRS 9 - Financial instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 14 - Regulatory Deferral Accounts (effective date deferred)
- IFRS 15 - Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)
- IFRS 16 - Leases (effective for financial years beginning on or after 1 January 2019)
- IFRS 10, IFRS 12 and IAS 28 (Amendments) - Investment Entities: Applying the Consolidation Exception (effective for financial years beginning on or after 1 January 2016)
- IFRS 10 and IAS 28 (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred)
- IAS 7 (Amendments) – Disclosure Initiative (effective for financial years beginning on or after 1 January 2017)
- IAS 12 (Amendments) - Recognition of Deferred Tax Assets for Unrealised losses (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)
- IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions (effective for financial years beginning on or after 1 January 2018)

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

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



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

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

#### **Intangible assets**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. OTHER REVENUE**

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

**5. EXPENSES BY NATURE**

	2015 EUR	2014 EUR
Auditor's remuneration	154,904	158,835
Professional fees	3,523,595	4,264,597
Salaries, wages and social security contribution (note 6)	5,288,417	4,389,513
Other staff costs	636,711	491,820
Travelling expenses	757,806	788,694
Legal fees	570,394	206,413
Rent	517,179	513,717
Depreciation (note 11)	327,193	337,391
Marketing and advertising	123,369	141,499
Unrealised difference on exchange	3,645,217	3,847,230
Realised difference on exchange	(26,209)	690
Other expenses	294,829	568,638
<b>Total administrative expenses</b>	<b>15,813,405</b>	<b>15,709,037</b>

Auditor's remuneration includes EUR45,312 for non-audit services provided during the year ended 31 December 2015 (2014: EUR51,636).

The amount of share based expenses included in professional fees and salary expenses totalled to EUR1,549,899 and EUR179,326, respectively (2014: EUR2,682,832 and EUR342,976, respectively) (note 19).

**6. EMPLOYEE INFORMATION**

**a. Staff costs**

	2015 EUR	2014 EUR
Wages and salaries	4,434,783	3,905,025
Social security costs	853,634	484,488
<b>Total expenses (note 5)</b>	<b>5,288,417</b>	<b>4,389,513</b>

**b. Headcount**

The average number of employees employed by the group during the year excluding directors was 45 (2014: 35).



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**NOTES TO THE FINANCIAL STATEMENTS - continued**

**7. OTHER GAINS**

	2015 EUR	2014 EUR
Result from disposal of ownership in associate (note i)	-	155,927
Result from investing activity	-	(57,600)
Total other gains incurred	-	98,327

- i. In 2014 the Group sold part of its investment in XCounter AB of total value EUR298,103 for cash consideration of EUR454,030 to some of its shareholders which resulted in gain recognised of EUR155,927.

**8. FINANCE INCOME**

	2015 EUR	2014 EUR
Interest receivable on bank balances	1,088	5,172
Interest on loans to a shareholder and related parties	9,140	32,706
	10,228	37,878

**9. FINANCE COSTS**

	2015 EUR	2014 EUR
Interest paid on loans	66,477	-
Other finance costs	10,481	3,546
	76,958	3,546

**10. INCOME TAX**

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

	2015 EUR	2014 EUR
Current income tax charge	-	18,662
Adjustments in respect of current income tax of previous year	(1,197)	-
Deferred tax expenses/ (credit)	17,353	(396,460)
Income tax expenses/(credit)	16,156	(377,798)

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 10. INCOME TAX - continued

The taxation on profit on ordinary activities differs from the theoretical taxation expense that would apply on the Group's profit on ordinary activities before taxation using the applicable tax rate in Malta of 35% (2014: 35%) as follows:

	2015 EUR	2014 EUR
Accounting loss before tax	(19,413,457)	(19,089,685)
Theoretical taxation expense at 35%	(6,794,710)	(6,681,390)
Tax effect of		
- Non-allowable expenses	5,439,297	4,708,778
- Deferred tax asset not recognized	878,743	1,131,401
- Income not subject to tax	-	2,058
- Difference in tax rates	497,604	433,356
- Utilized Group tax losses	(848)	-
- Adjustment in respect of current income tax of previous year	(1,197)	-
- Other	(2,734)	27,999
Income tax expenses/ (credit)	<u>16,156</u>	<u>(377,798)</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

	Buildings EUR	Plant and equipment EUR	Furniture & Fittings EUR	Computer equipment EUR	Construction in progress EUR	Total EUR
<b>Cost</b>						
At 1 January 2014	224,825	1,198,737	132,730	397,185	-	1,953,477
Additions	3,776	56,569	9,330	21,261	146,285	237,221
Disposals	(9,250)	-	-	-	-	(9,250)
Exchange differences	(9,226)	(37,612)	2,753	14,444	(11,125)	(40,766)
<b>At 31 December 2014</b>	<b>210,125</b>	<b>1,217,694</b>	<b>144,813</b>	<b>432,890</b>	<b>135,160</b>	<b>2,140,682</b>
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	(11,831)	(979)	(35,617)
<b>At 31 December 2015</b>	<b>204,616</b>	<b>1,730,541</b>	<b>164,090</b>	<b>460,248</b>	<b>862,655</b>	<b>3,422,150</b>
<b>Depreciation and impairment losses</b>						
At 1 January 2014	48,282	615,303	60,985	244,803	-	969,373
Depreciation charge for the year	51,732	156,748	35,039	93,872	-	337,391
Exchange differences	(2,468)	(47,961)	(2,599)	(14,482)	-	(67,510)
<b>At 31 December 2014</b>	<b>97,546</b>	<b>724,090</b>	<b>93,425</b>	<b>324,193</b>	<b>-</b>	<b>1,239,254</b>
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>
<b>Net book value</b>						
At 31 December 2015	<b>66,166</b>	<b>841,387</b>	<b>49,079</b>	<b>84,047</b>	<b>862,655</b>	<b>1,903,334</b>
At 31 December 2014	112,579	493,604	51,388	108,697	135,160	901,428

As at 31 December 2015 property plant and equipment with cost EUR 849,764 were fully depreciated but still in use (2014: EUR 665,638).



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**12. INTANGIBLE ASSETS**

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Patents and trademarks	<b>2,091,607</b>	<b>2,091,607</b>

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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 2015. Launch of the first generation tool is scheduled for the second half of 2016 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 2015, the value in use of intangibles was determined to be at least EUR2,091,607 (2014: EUR2,091,607). As a result, no impairment (2014: 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.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 13. INVESTMENT IN ASSOCIATE

The Group has 42.54% (2014: 42.54%) interest in XCounter AB, which is a technology leader in direct conversion digital x-ray imaging for medical, dental and industrial markets. XCounter AB was founded in 1997 and is listed on the Nasdaq OMX First North.

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

	2015 EUR	2014 EUR
Non-current assets	8,231,860	7,702,119
Current assets	6,230,060	5,360,268
Non-current liabilities	(2,119,412)	(2,284,148)
Current liabilities	(2,903,165)	(2,104,120)
<b>Net assets</b>	<b>9,439,343</b>	<b>8,674,119</b>
<b>Group's carrying amount of the investment</b>	<b>4,021,160</b>	<b>3,680,429</b>
Revenue	12,882,733	8,133,978
Total comprehensive loss	(977,707)	(2,543,386)
<i>The amount at which the investment is carried in the statement of financial position is arrived at as follows:</i>		
Investment at cost	7,868,957	7,218,136
Loss brought forward	(4,430,386)	(3,343,078)
Share of current year post acquisition losses	(376,145)	(1,191,958)
Share of current year post acquisition other comprehensive (losses)/ income	(49,456)	104,650
<b>Carrying amount of the investment</b>	<b>3,012,970</b>	<b>2,787,750</b>
Negative goodwill	1,021,160	897,679
<b>Share of associate in net assets</b>	<b>4,021,160</b>	<b>3,680,429</b>

5,500,000 shares in XCounter AB (out of 6,102,540 shares owned by the Group as at 31 December 2015) were provided as pledge to the loan payable to one of the shareholders (Note 21).

## 14. TRADE AND OTHER RECEIVABLES

	2015 EUR	2014 EUR
Prepayments (note ii)	560,141	470,230
VAT recoverable	149,970	120,622
Other receivables (note i)	389,914	447,619
	<b>1,100,025</b>	<b>1,038,471</b>



**NOTES TO THE FINANCIAL STATEMENTS - continued**

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

- i. a. The balance as at 31 December 2015 included EUR207,360 (2014: EUR114,978) 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 2015 included EUR100,603 (2014: EUR194,780) 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 EUR166,400 (2014: EUR150,000) paid to a related party for R&D projects.

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

	2015 EUR	2014 EUR
Loan to shareholder (note i)	953,164	944,024

- i. The balance comprises of principal and accrued interest of EUR 914,000 and EUR 39,163 (2014: EUR 914,000 and EUR 30,024), 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:

	2015 EUR	2014 EUR
Finished goods and other inventories	1,214,970	605,442
Work in progress	372,631	681,779
	<u>1,587,601</u>	<u>1,287,221</u>

During 2015, inventories used for construction of tools with carrying amount of EUR268,083 (2014: EUR60,000) were recorded at net realizable value. The respective expenses were recognized as a part of direct expenditures of the Group.

**17. CASH AND CASH EQUIVALENTS**

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

	2015 EUR	2014 EUR
Cash at banks and in hand	2,009,102	1,244,183

Cash at bank and in hand balance includes restricted cash of EUR128,744 (2014: EUR105,584) out of which balance of EUR 97,498 (2014: EUR105,584) was kept in favour of ex-minorities as further explained in note 21.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18. ISSUED CAPITAL AND RESERVES**

**Authorized and issued share capital**

**As at 31 December 2015:**

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

**As at 31 December 2014:**

	Number of shares	Nominal value, EUR
Total authorised share capital	150,000,000	7,500,000
- <i>Ordinary shares</i>	40,495,842	2,024,792
- <i>Ordinary "A" shares</i>	109,504,158	5,475,208
Issued and fully paid capital		
- <i>Ordinary "A" shares</i>	109,504,158	5,475,208

All authorised, issued and fully paid shares of Visuray PLC up till 31 December 2015 has a nominal value of EUR0.05c each (2014: a nominal value of EUR0.05c each).



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**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>			
As at 1 January 2015	5,475,208	50,612,608	56,087,816
125,000 ordinary "A" shares of a nominal value EUR 0.05 and at a premium of EUR 0.75 per share issued on 12 January 2015. These were paid in 2014	6,250	93,969	100,219
400,000 ordinary "A" shares of a nominal value EUR 0.05 and at a premium of EUR 1.06 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 EUR 0.05 and at a premium of EUR 1.22 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 EUR 0.05 and at a premium of EUR 1.45 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 EUR 0.05 and at a premium of EUR 1.45 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 EUR 0.05 and at a premium of EUR 1.46 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 EUR 0.05 and at a premium of EUR 1.45 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 EUR 0.05 and at a premium of EUR 1.45 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>

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**NOTES TO THE FINANCIAL STATEMENTS - continued**

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

**2014**

	<b>Issued capital EUR</b>	<b>Share premium EUR</b>	<b>Total EUR</b>
<b><u>Ordinary shares</u></b>			
As at 1 January 2014	5,037,825	40,041,668	45,079,493
1,349,538 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.70 per share issued on 10 January 2014. These were paid in 2013 but registered in 2014.	67,477	944,677	1,012,154
1,333,333 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.70 per share issued on 28 January 2014. These were paid in 2013 but registered in 2014.	66,667	933,332	999,999
4,265,998 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 11 June 2014 for cash.	213,300	6,185,697	6,398,997
666,666 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 1 September 2014 for cash.	33,333	966,666	999,999
465,464 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.42 per share issued on 1 September 2014 for cash.	23,273	190,039	213,312
Additional non-cash contribution transferred <i>(being fair value of share options exercised)</i>	-	139,561	139,561
666,666 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR1.45 per share issued on 9 October 2014 for cash.	33,333	966,666	999,999
Non-cash contribution being fair value of 583,000 share options forfeited during the year	-	244,302	244,302
<b>As at 31 December 2014</b>	<b>5,475,208</b>	<b>50,612,608</b>	<b>56,087,816</b>

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.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

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

**Capital contribution reserve – continued**

During this year, Visuray plc received capital contribution from a potential shareholder (being result of share option exercise) amounting to EUR3,170,006. The balance was fully converted into its share capital in January 2015 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).

**Retained earnings and 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.

**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 2015 the Group recognised the expenses from equity-settled share-based payment transactions for employees’ and directors’ services of EUR179,326 (2014: EUR342,976), and for consultants’ services of EUR1,549,899 (2014: EUR2,682,832) (note 5).

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**NOTES TO THE FINANCIAL STATEMENTS - continued**

**19. SHARE-BASED PAYMENTS - continued**

*Movements for the year*

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

	<u>2015</u>		<u>2014</u>	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	14,199,400	EUR0.36	10,892,400	EUR0.19
Granted during the year	4,396,875	EUR0.32	5,100,000	EUR0.53
Forfeited during the year	(140,000)	EUR0.31	(917,536)	EUR0.19
Exercised during the year	(2,287,000)	EUR0.19	(465,464)	EUR0.30
Expired during the year	(743,000)	EUR0.09	(410,000)	EUR0.35
Outstanding at 31 December	15,426,275	EUR0.38	14,199,400	EUR0.36
Exercisable at 31 December	12,504,400	EUR0.36	11,144,400	EUR0.33

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 was 3 years (2014: 3years). The exercise prices of options outstanding as at the end of the year ranged from EUR0.458 to EUR1.85 (2014: EUR0.458 to EUR1.5).

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

	<u>2015</u>	2014
	EUR	EUR
Expected volatility (%)	35.0	35.0
Risk free rate (%)	1.0	1.0
Dividend yield (%)	0.0	0.0
Stock price (EUR)	1.5	1,5
Expected life of share options (years)	2-4	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.

**20. DEFERRED TAX**

Deferred income taxes are calculated on all temporary differences under the liability method using a principle tax rate of 35% (2014: 35%).

The total deferred tax liability arises as follows:

	<u>2015</u>	2014
	EUR	EUR
Finance income	33,175	15,822



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**20. DEFERRED TAX - continued**

The movement for the year of EUR17,353, has been debited to the statement of comprehensive income being interest income accrued for the year ended 31 December 2015 (2014: a credit of EUR396,460 being result of interest income reversed during the year 2014) (note 10).

At 31 December 2015, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR7,527,413 (2014: EUR6,380,247). 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:

	2015 EUR	2014 EUR
<b>Temporary differences on:</b>		
Unutilised tax losses	5,885,307	4,858,573
Unrealised losses on share options' valuation	1,919,131	1,669,767
Unutilised capital allowance	31,969	30,120
Property, plant and equipment	9,844	26,461
Unrealised exchange difference	(318,838)	(204,674)
	<u>7,527,413</u>	<u>6,380,247</u>

**21. LOANS AND BORROWINGS**

	2015 EUR	2014 EUR
Loan from the shareholder (note i)	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 EUR1.75/share. The loan is secured with shares owned in XCounter AB (Note 13).

**22. TRADE AND OTHER PAYABLES**

	2015 EUR	2014 EUR
Trade payables (note i)	1,429,401	807,551
Amounts due to shareholders (note ii)	10,000	10,000
Amounts due to ex-minority (note iii)	370,831	110,831
Accruals	125,359	71,601
Other payables	1,064,651	843,572
	<u>3,000,242</u>	<u>1,843,555</u>

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**22. TRADE AND OTHER PAYABLES - continued**

- 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 2015 provision was revised being a result of court decision released. The company is appealing the decision.

**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.

**e. Fair values**

At 31 December 2015 and 31 December 2014 the carrying amounts of cash and cash equivalents, receivables, payables and accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

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

**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.

	2015 EUR	2014 EUR
Trade and other payables	3,000,244	1,843,555
Loans and other borrowings	1,266,477	-
Less: Cash and cash equivalents	<u>(2,009,102)</u>	<u>(1,244,183)</u>
<b>Net debt</b>	<b>2,257,619</b>	<b>599,372</b>
Total equity	<u>8,340,483</u>	<u>8,256,970</u>
<b>Capital and net debt</b>	<b><u>10,598,102</u></b>	<b><u>8,856,342</u></b>

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:

Name	Country of incorporation	% equity interest	
		2015	2014
<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

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**25. RELATED PARTIES**

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

		Related party activity EUR	Total activity EUR	%
<b>Other revenues:</b>				
- from an associate	2015	98,716	98,716	100
	2014	96,851	103,197	94
<b>Finance income:</b>				
- from a shareholder	2015	9,140	10,228	89
	2014	32,707	37,878	86
<b>Finance costs:</b>				
- due to a shareholder	2015	66,477	76,958	86
	2014	-	3,546	-
<b>Professional fees and other recharges:</b>				
-from shareholders	2015	953,013	3,523,595	27
-from shareholders	2014	795,895	4,264,597	19
-from an associate		32,062		

During 2015 the Group purchased materials for an associate amounting to EUR80,000 (2014: EUR180,000) 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 and 22.

Professional fees include EUR748,621 which were paid to the directors during the year ended 31 December 2015 (2014: EUR639,995) including compensation for consulting services provided and other remunerations.

Wages and salaries include EUR265,170 (2014: EUR323,219) which were paid to the general manager and other board members.

During 2015 and 2014 the Group granted share options to its directors, 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 EUR97,498 (2014: EUR105,584) which is set aside for this purpose (note 17).

**Guarantees**

XCounter AB, an associate of the Group, provided guarantees on behalf of its subsidiary for a loan taken from a third party. The associate guarantees repayment of the loan and any interest due, if its subsidiary fails to meet its obligations. The principal and interest accrued until repayment date at the end of August 2022 amounts to EUR 1,207 thousand (2014: EUR1,397 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>2015</b>	<b>596,414</b>	<b>573,451</b>
	2014	386,984	726,822
Payment obligations under R&D projects	<b>2015</b>	<b>486,300</b>	-
	2014	1,978,880	-
Payment obligations for working capital	<b>2015</b>	<b>215,600</b>	-
	2014	348,000	-

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**27. SUBSEQUENT EVENTS**

In January 2016 the company incorporated a new subsidiary, Visuray Oilfield Services LLC, and invested RUR 10,000,000 (being approximately EUR 140,000). The main operating activity of the company is to carry out wireline x-ray image works in the territory of Russian Federation.

In 2016 the Company increased its share capital by 1,853,334 Ordinary "A" shares, of EUR0.05 at premiums of EUR1.45 per share depending on terms of the share capital issue. The issue was fully paid up till the end of May 2016.

In June 2016 the company sold 1,850,000 shares owned in its associate to one of the shareholders for a cash consideration of EUR 2,775,000.