

Company Registration No. C 52031

VISURAY PLC

**Annual Report
and
Consolidated Financial Statements**

31 December 2014

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2014

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VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2014

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
Ms. Ondine Fleur Tamara de Rothschild (appointed on 9 September 2014)

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

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2014

DIRECTORS' REPORT

The directors submit their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

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, developing the first prototype with commercial name VR90, the Group's first product to market and anticipates full commercial introduction at the second half of 2015.

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 EUR14,694,292 for the financial year ended 31 December 2014 (2013: EUR13,259,006).

Future developments

The net cash flows for the Group will continue to be negative through VR90 development phase and the field trial in 2015. The Group anticipates generating positive net cash flows in 2016 as commercial tools are introduced into the market.

Directors

During the year ended 31 December 2014 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
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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



JEAN-PHILIPPE STORK FLAMENT
Director

25 June 2015

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 36 which comprise the consolidated statement of financial position as at 31 December 2014 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 pages 3-4, 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 2014, 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

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
Anthony Doublet for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

25 June 2015

VISURAY PLC**Annual Consolidated Financial Statements for the year ended 31 December 2014****STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2014 EUR	2013 EUR
Other revenues	4	103,197	-
Direct expenditure		(2,424,546)	(2,385,820)
Gross loss		(2,321,349)	(2,385,820)
Share of losses in associate	13	(1,191,958)	(1,647,518)
Administrative expenses	5	(15,709,037)	(10,067,750)
Other gains	7	98,327	371,985
Operating loss		(19,124,017)	(13,729,103)
Finance income	8	37,878	46,873
Finance costs	9	(3,546)	(16,260)
Loss before tax		(19,089,685)	(13,698,490)
Income tax credit/(expense)	10	377,798	(267,588)
Loss for the year		(18,711,887)	(13,966,078)
Other comprehensive income			
Exchange difference on translation of foreign operations		3,912,945	707,072
Other comprehensive income	13	104,650	-
Total comprehensive loss for the year		(14,694,292)	(13,259,006)

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

VISURAY PLC

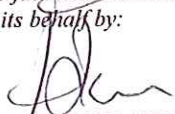
Annual Consolidated Financial Statements for the year ended 31 December 2014

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2014**

	Notes	2014 EUR	2013 EUR
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	11	901,428	1,018,275
Intangible assets	12	2,091,607	2,091,607
Investment in associate	13	2,787,750	1,638,092
Other non-current financial assets	15	944,024	934,884
		6,724,809	5,682,858
Current assets			
Trade and other receivables	14	1,038,471	2,296,377
Inventory	16	1,287,221	559,484
Cash and cash equivalents	17	1,244,183	4,576,504
		3,569,875	7,432,365
TOTAL ASSETS		10,294,684	13,115,223
EQUITY AND LIABILITIES			
Equity			
Share capital	18	5,475,208	5,037,825
Share premium	18	50,612,608	40,041,668
Capital contribution reserve	18	57,293	2,012,155
Other capital reserve	18	4,465,754	1,824,799
Restructuring reserve	18	(12,572)	(12,572)
Foreign currency translation reserve	18	4,501,956	589,011
Accumulated losses	18	(56,947,927)	(38,236,040)
Other reserve	18	104,650	-
Equity attributable to owners of the parent		8,256,970	11,256,846
Non-current liabilities			
Deferred tax liability	20	15,822	412,282
		15,822	412,282
Current liabilities			
Trade and other payables	21	1,843,555	1,267,659
Income tax payable		178,337	178,436
		2,021,892	1,446,095
Total liabilities		2,037,714	1,858,377
TOTAL EQUITY AND LIABILITIES		10,294,684	13,115,223

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

The financial statements on pages 7 to 36 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

25 June 2015

VISURAY PLC

Annual Consolidated Financial Statements for the year ended 31 December 2014

STATEMENT OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED 31 DECEMBER 2014

	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
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
Total comprehensive loss	-	-	-	-	(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
Balance at 31 December 2014	5,475,208	50,612,608	57,293	4,465,754	(56,947,927)	(12,572)	4,501,956	104,650	8,256,970

FINANCIAL YEAR ENDED 31 DECEMBER 2013

Balance at 1 January 2013	4,398,753	31,094,660	1,386,121	818,733	(24,269,962)	(12,572)	(118,061)	-	13,297,672
Loss for the year	-	-	-	-	(13,966,078)	-	-	-	(13,966,078)
Other comprehensive income	-	-	-	-	-	-	707,072	-	707,072
Total comprehensive loss	-	-	-	-	(13,966,078)	-	707,072	-	(13,259,006)
Issue of share capital (note 18)	639,072	8,947,008	(1,386,121)	-	-	-	-	-	8,199,959
Share based payments (note 19)	-	-	-	1,006,066	-	-	-	-	1,006,066
Contribution by shareholders	-	-	2,012,155	-	-	-	-	-	2,012,155
Balance at 31 December 2013	5,037,825	40,041,668	2,012,155	1,824,799	(38,236,040)	(12,572)	589,011	-	11,256,846

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2014

STATEMENT OF CASH FLOWS

	2014 EUR	2013 EUR
Operating activities		
Loss before tax	(19,089,685)	(13,698,490)
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>		
Depreciation of property, plant and equipment	337,391	318,947
Share of losses in associate	1,191,958	1,647,518
(Gain)/loss from investing activities	(98,327)	56,319
Other gains from assets contributed	(120,000)	-
Unrealised difference on exchange	3,847,230	989,222
Finance income	(37,878)	(46,873)
Finance costs	3,546	16,260
Share-based payments expenses	3,025,808	1,006,066
<i>Working capital adjustments:</i>		
Increase in inventories	(607,737)	(559,484)
(Increase)/decrease in trade and other receivables	(168,427)	217,584
Increase/(Decrease) in trade and other payables	575,819	(137,308)
	<u>(11,140,302)</u>	<u>(10,190,239)</u>
Interest paid	(3,546)	(160,093)
Interest received	5,172	-
Income tax paid	(18,099)	(134,332)
	<u>(11,156,775)</u>	<u>(10,484,664)</u>
Net cash flows used in operating activities		
Investing activities		
Purchase of property, plant and equipment	(239,122)	(782,464)
Proceeds from disposal of property, plant and equipment	9,250	-
Acquisition of share in associate	(1,085,168)	(968,278)
Proceeds from sale of shares in associate	454,030	445,625
Loans advanced	-	(1,400,000)
	<u>(861,010)</u>	<u>(2,705,117)</u>
Net cash flows used in investing activities		
Financing activities		
Issue of share capital	8,668,615	10,212,106
Repayment of loans	-	(327,425)
	<u>8,668,615</u>	<u>9,884,681</u>
Net cash flows generated from financing activities		
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	<u>(3,349,170)</u>	<u>(3,305,100)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,576,504	7,881,604
Net foreign exchange difference	16,849	-
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 17)	<u>1,244,183</u>	<u>4,576,504</u>

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

VISURAY PLC

Annual Consolidated Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

Visuray plc ("the Company") was incorporated on 17 February 2011. The Company's main activity is the management of directly and indirectly owned subsidiaries.

Up to 28 June 2011 the "Group" comprised of Visuray Holding AS and its subsidiaries, Visuray AS, Latent AS and XR Invest AS. Following incorporation of Visuray plc, there was a reorganisation of the Group, whereby Visuray plc acquired Visuray Holding AS from the previous shareholders by issuing shares in exchange for the existing shares in Visuray Holding AS. In mid-2013 both Latent AS and XR Investment AS were dissolved into Visuray Holdings AS.

As a result, Visuray plc directly or indirectly controls a number of subsidiaries as disclosed in note 23.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of Visuray plc and its subsidiary companies as disclosed in note 23.

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

Going concern

The Group incurred a loss before tax of EUR19,089,685 during the year ended 31 December 2014 (2013: EUR13,698,490). As at year end the Group was still at the development stage of its first prototype, therefore, significant investment will be required before the device is commercially launched and the Group is able to start generating revenue. In such circumstances, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements have been prepared on a going concern basis which assumes that the Group will continue in existence for the foreseeable future. The validity of this assumption is dependent on the shareholders' commitment to continue to provide financial support to the Group. Such support is forthcoming through a further injection of share capital.

The shareholders of Visuray PLC have confirmed in writing their commitment to continue to provide financial support in the foreseeable future so as to ensure that the Group continues as a going concern. Accordingly, the 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 adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014. The adoption of these standards or interpretations did not have a material impact on the financial statements or performance of the Company.

- IFRS 10 - Consolidated financial statements (effective for financial years beginning on or after 1 January 2014)
- IFRS 11 - Joint Arrangements (effective for financial years beginning on or after 1 January 2014)
- IFRS 12 - Disclosures of interests in other entities (effective date for financial years beginning on or after 1 January 2014)
- IAS 27 Revised - Separate financial statements (effective for financial years beginning on or after 1 January 2014)
- IAS 28 Revised - Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2014)
- IAS 32 Amendments - Financial instruments – Presentation – Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014)
- IAS 36 Recoverable Amount for Non-Financial Assets (effective for financial years beginning on or after 1 January 2014)
- IAS 39 Amendments – Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years beginning on or after 1 January 2014)
- IFRIC 21 Levies (effective for financial years beginning on or after 1 January 2014)
- IFRS 10, IFRS 12, and IAS 27 (Amendments) Investment Entities (effective for financial years beginning on or after 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective for financial year beginning on or after 17 June 2014)

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:

- IAS 19 Amendments – Defined benefit plans: employee contributions (as endorsed by the EU with delayed effective date for financial years beginning on or after 1 February 2015)
- Annual improvements to IFRSs 2010-2012 Cycle (as endorsed by the EU with delayed effective date for financial years beginning on or after 1 February 2015)
- Annual improvements to IFRSs 2011-2013 Cycle (as endorsed by the EU with delayed effective date for financial years beginning on or after 1 February 2015)

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES

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 for financial years beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017)
- 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)
- IAS 1(Amendments): Disclosure Initiative (effective for financial years beginning on or after 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (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 for financial years beginning on or after 1 January 2016)
- IAS 27 (Amendments): Equity method in Separate Financial Statements Cycle (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)
- 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)
- IFRS 11 (Amendments): Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016)

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 EUR, being the currency of the primary economic environment in which the group operates.

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 an 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% 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

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.

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. REVENUE

Revenue for 2014 represents various consulting fees and other services recharged to related parties during the year.

5. EXPENSES BY NATURE

	2014 EUR	2013 EUR
Auditor's remuneration	158,835	184,147
Salaries, wages and social security contribution (note 6)	4,389,513	3,785,806
Professional fees	4,264,597	2,704,407
Travelling expenses	788,694	606,218
Rent	513,717	404,205
Other staff costs	491,820	443,535
Depreciation (note 11)	337,391	318,947
Legal fees	206,413	128,050
Marketing and advertising	141,499	1,858
Unrealised difference on exchange	3,847,230	989,222
Realised difference on exchange	690	134,841
Other expenses	568,638	366,514
Total administrative expenses	<u>15,709,037</u>	<u>10,067,750</u>

Auditor's remuneration includes EUR51,636 for non-audit services provided during the year ended 31 December 2014 (2013: EUR33,944).

The amount of share based expenses included in professional fees and salary expenses totalled to EUR2,682,832 and EUR342,976, respectively (2013: EUR961,959 and EUR44,107, respectively) (note 19).

6. EMPLOYEE INFORMATION

a. Staff costs

	2014 EUR	2013 EUR
Wages and salaries	3,905,025	3,414,449
Social security costs	484,488	371,357
Total administrative expenses (note 5)	<u>4,389,513</u>	<u>3,785,806</u>

b. Staff numbers

The average number of employees employed by the group during the year excluding directors was 35 (2013: 27).

VISURAY PLC
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NOTES TO THE FINANCIAL STATEMENTS - continued

7. OTHER GAINS

	2014	2013
	EUR	EUR
Result from disposal of ownership in associate (note i)	155,927	(56,319)
Result from investing activity	(57,600)	428,304
Total other gains incurred	<u>98,327</u>	<u>371,985</u>

- i. In 2014 the Group sold part of its investment in XCounter AB of total value EUR298,103 (2013: EUR850,069) for cash consideration of EUR454,030 (2013: EUR793,750) to some of its shareholders which resulted in gain recognised of EUR155,927. (2013: loss of EUR56,319).

8. FINANCE INCOME

	2014	2013
	EUR	EUR
Interest receivable on bank balances	5,172	11,399
Interest on loans to a shareholder and related parties	32,706	35,474
	<u>37,878</u>	<u>46,873</u>

9. FINANCE COSTS

	2014	2013
	EUR	EUR
Interest paid on loans	-	15,410
Other finance costs	3,546	850
	<u>3,546</u>	<u>16,260</u>

10. INCOME TAX

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

	2014	2013
	EUR	EUR
Current income tax charge	18,662	162,259
Deferred tax (credit)/charge	(396,460)	105,329
Income tax (credit)/charge	<u>(377,798)</u>	<u>267,588</u>

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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% (2013: 35%) as follows:

	2014	2013
	EUR	EUR
Accounting loss before tax	(19,089,685)	(13,698,490)
Theoretical taxation expense at 35%	(6,681,390)	(4,794,472)
Tax effect of		
- Non-allowable expenses	4,708,778	4,374,080
- Deferred tax asset not recognized	1,131,401	857,930
- Income not subject to tax	2,058	50,531
- Difference in tax rates	433,356	35,151
- Utilized tax losses	-	(277,583)
- Other	27,999	21,951
Tax (benefit) charge	(377,798)	267,588

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings EUR	Plant and equipment EUR	Furniture & Fittings EUR	Computer equipment EUR	Construction in progress EUR	Total EUR
Cost						
At 1 January 2013	85,050	750,747	178,830	443,145	-	1,457,772
Additions	148,256	488,975	50,463	94,770	-	782,464
Exchange differences	(2,842)	(153,485)	(4,076)	(21,742)	-	(182,145)
At 31 December 2013	230,464	1,086,237	225,217	516,173	-	2,058,091
Additions	3,776	56,569	9,330	23,162	146,285	239,122
Disposals	(9,250)	-	-	-	-	(9,250)
Exchange differences	418	(6,731)	(147)	(1,099)	(11,125)	(18,684)
At 31 December 2014	225,408	1,136,075	234,400	538,236	135,160	2,269,279
Depreciation and impairment losses						
At 1 January 2013	60,780	397,178	153,760	221,552	-	833,270
Depreciation charge for the year	50,812	172,999	49,249	45,887	-	318,947
Exchange differences	(5,348)	(80,089)	(13,408)	(13,556)	-	(112,401)
At 31 December 2013	106,244	490,088	189,601	253,883	-	1,039,816
Depreciation charge for the year	52,021	158,505	29,995	96,870	-	337,391
Exchange differences	(1,908)	(3,073)	(491)	(3,884)	-	(9,356)
At 31 December 2014	156,357	645,520	219,105	346,869	-	1,367,851
Net book value						
At 31 December 2014	69,051	490,555	15,295	191,367	135,160	901,428
At 31 December 2013	124,220	596,149	35,616	262,290	-	1,018,275

VISURAY PLC
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NOTES TO THE FINANCIAL STATEMENTS - continued

12. INTANGIBLE ASSETS

	2014	2013
	EUR	EUR
Patents and trademarks	<u>2,091,607</u>	<u>2,091,607</u>

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 are still under development.

Management only monitors revenue and directly attributable costs of its business units separately, while the decision making process is managed on a Group basis, the Group was 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 place.

The intangible assets as tested for impairment annually, and based on the outcome of the assessment made as at year end it resulted that no impairment adjustment to be made as at 31 December 2014 (2013: Nil).

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.

Based on the impairment test performed as at 31 December 2014, the value in use of intangibles was determined to be at least EUREUR2,091,607 (2013: EUR2,091,607). As a result of impairment test carried out, no impairment (2013: EUR Nil) was recognized during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INVESTMENT IN AN ASSOCIATE

The Group has 42.54% (2013: 30.17%) 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:

	2014 EUR	2013 EUR
Non-current assets	7,702,119	7,517,243
Current assets	5,360,268	6,304,929
Non-current liabilities	(2,284,148)	(2,448,443)
Current liabilities	(2,104,120)	(3,183,619)
Net assets	8,674,119	8,190,110
Group's carrying amount of the investment	3,680,429	2,471,311
Revenue	8,133,978	8,821,438
Total comprehensive loss	(2,543,386)	(3,336,054)
<i>The amount at which the investment is carried in the statement of financial position is arrived at as follows:</i>		
Investment at cost	7,218,136	4,981,170
Loss brought forward	(3,343,078)	(1,681,034)
Share of current year post acquisition losses	(1,191,958)	(1,647,518)
Share of current year post acquisition other comprehensive income	104,650	(14,526)
Carrying amount of the investment	2,787,750	1,638,092
Negative goodwill	892,679	833,219
Share of associate in net assets	3,680,429	2,471,311

14. TRADE AND OTHER RECEIVABLES

	2014 EUR	2013 EUR
Loans receivable (note ii)	-	1,426,333
Prepayments (note iii)	470,230	272,017
VAT recoverable	120,622	101,656
Other receivables (note i)	447,619	496,371
	1,038,471	2,296,377

VISURAY PLC
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NOTES TO THE FINANCIAL STATEMENTS - continued

14. TRADE AND OTHER RECEIVABLES – continued

- i. a. The balance as at 31 December 2014 included EUR114,978 (2013: EUR131,532) receivable from being tax reimbursements from Norwegian Government in respect of research and development activity carried out by one of the Group's subsidiaries. The balance was received subsequently in 2015.
- b. The balance as at 31 December 2014 included EUR194,780 (2013: EUR348,125) due from the shareholders 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. The loan receivable from the Group's associate of EUR1,449,900 (including interest accrued) was capitalised as a part of investment cost in the associate in April 2014.
- iii. Prepayment include a down-payment of EUR150,000 (2013: nil) paid to a related party for R&D projects.

15. OTHER NON-CURRENT FINANCIAL ASSETS

	2014 EUR	2013 EUR
Loan to shareholder (note i)	944,024	934,884

- i. This loan is unsecured, bears interest at a rate of 1% and is repayable at the earliest by 2016 unless shareholding in Visuray plc ceases before that date.

16. INVENTORY

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

	2014 EUR	2013 EUR
Finished goods and other inventories	605,442	379,531
Work in progress	681,779	179,953
	<u>1,287,221</u>	<u>559,484</u>

During 2014, inventories used for construction of tools with carrying amount of EUR60,000 (2013: EUR693,600) 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:

	2014 EUR	2013 EUR
Cash at banks and in hand	1,244,183	4,576,504

Cash at bank and in hand balance includes restricted cash of EUR105,584 (2013: EUR111,052 as further explained in note 24.

VISURAY PLC
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NOTES TO THE FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES

Authorized and issued share capital

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

As at 31 December 2013:

	Number of shares	Nominal value, EUR
Total authorised share capital	120,000,000	6,000,000
- <i>Ordinary shares</i>	16,560,636	828,032
- <i>Ordinary "A" shares</i>	103,439,364	5,171,968
Issued and fully paid capital		
- <i>Ordinary "A" shares</i>	100,756,493	5,037,825

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

VISURAY PLC
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NOTES TO THE FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

2014	Issued capital EUR	Share premium EUR	Total EUR
<u>Ordinary shares</u>			
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 (being fair value of share options exercised)	-	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
As at 31 December 2014	5,475,208	50,612,608	56,087,816

VISURAY PLC
Annual Consolidated Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS - continued

18. ISSUED CAPITAL AND RESERVES - continued

2013

	Issued capital EUR	Share premium EUR	Total EUR
<u>Ordinary shares</u>			
As at 1 January 2013	4,398,753	31,094,660	35,493,413
1,981,494 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on 1 February 2013 for cash	99,075	1,387,046	1,486,121
2,666,629 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on 8 February 2013 for cash	133,331	1,866,640	1,999,971
1,466,667 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium of EUR0.7 per share issued on 22 March for cash	73,333	1,026,667	1,100,000
1,333,333 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 4 July 2013 for cash	66,667	933,333	1,000,000
1,333,295 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 5 September 2013 for cash	66,665	933,307	999,972
2,666,688 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 11 October 2013 for cash	133,334	1,866,682	2,000,016
1,333,333 Ordinary 'A' shares of a nominal value EUR0.05 and at a premium EUR0.7 per share issued on 4 November 2013 for cash	66,667	933,333	1,000,000
As at 31 December 2013	5,037,825	40,041,668	45,079,493

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 EUR57,293 (2013: EUR2,012,155). The balance was fully converted into its share capital in January 2015 being equivalent of 125,000 Ordinary "A" shares, with nominal value of EUR0.05 issued at a premium of EUR0.42 per share. The issues were fully paid up and duly registered by Malta Stock Exchange PLC on 12 January 2015.

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

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 2014 the Group recognised the expenses from equity-settled share-based payment transactions for employees' and directors' services of EUR342,976 (2013: EUR44,107), and for consultants' services of EUR2,682,832 (2013: EUR961,959) (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:

	Number	<u>2014</u> WAEP	Number	<u>2013</u> WAEP
Outstanding at 1 January	10,892,400	EUR0.19	5,032,400	EUR0.20
Granted during the year	5,100,000	EUR0.53	5,860,000	EUR0.18
Forfeited during the year	(917,536)	EUR0.19	-	-
Exercised during the year	(465,464)	EUR0.30	-	-
Expired during the year	(410,000)	EUR0.35	-	-
Outstanding at 31 December	14,199,400	EUR0.36	10,892,400	EUR0.19
Exercisable at 31 December	11,144,400	EUR0.33	8,267,400	EUR0.21

The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 was 3 years (2013: 4.25years). The exercise prices of options outstanding as at the end of the year ranged from EUR0.458 to EUR1.5 (2013: EUR0.458 to EUR1.15).

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

	2014 EUR	2013 EUR
Expected volatility (%)	35.0	45.0
Risk free rate (%)	1.0	1.0
Dividend yield (%)	0.0	0.0
Stock price (EUR)	1,5	0,75
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% (2013: 35%).

The total deferred tax liability arises as follows:

	2014 EUR	2013 EUR
Finance income	15,822	412,282

NOTES TO THE FINANCIAL STATEMENTS - continued

20. DEFERRED TAXATION - continued

The movement for the year of EUR396,460 (2013: EUR105,329), has been credited to the statement of comprehensive income (note 10) being result of interest income (as accrued in previous years) reversed during the year 2014.

At 31 December 2014, the Group also had cumulative net deductible temporary differences arising from different tax jurisdictions of EUR6,322,630 (2013: EUR5,270,067). 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:

	2014 EUR	2013 EUR
Temporary differences on:		
Unutilised tax losses	4,791,904	4,622,180
Unrealised losses on share options' valuation	1,669,767	610,734
Unutilised capital allowance	10,714	9,698
Property, plant and equipment	(4,347)	(4,973)
Unrealised exchange difference	(145,408)	32,428
	<u>6,322,630</u>	<u>5,270,067</u>

21. TRADE AND OTHER PAYABLES

	2014 EUR	2013 EUR
Trade payables (note i)	807,551	254,108
Amounts due to shareholders (note ii)	10,000	10,000
Amounts due to ex-minority (note iii)	110,831	110,831
Accruals	71,601	57,000
Other payables	843,572	835,720
	<u>1,843,555</u>	<u>1,267,659</u>

- i. Trade payables are non-interest bearing and are normally on 30 day term.
- ii. Amounts due to shareholders are unsecured, non-interest bearing and repayable on demand.
- iii. Under the Norwegian Public Liability Companies Act (section 4-25), the company can force the purchase of minority shares in a subsidiary. When a company decides to take over shares according to these provisions, the combined offer price is paid into a special bank account and can only be retrieved by the previous minority shareholder. A payable for the same purpose is also recorded in the books of the company (note 24).

NOTES TO THE FINANCIAL STATEMENTS - continued

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

a. Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

b. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term debt obligations. Interest rates are however fixed by contract in place with the lenders and have a short maturity. The Group had no unsettled interest bearing balances due as at 31 December 2014.

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 2014 and 31 December 2013 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.

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.

	2014	2013
	EUR	EUR
Trade and other payables	1,843,555	1,267,659
Less: Cash and cash equivalents	(1,244,183)	(4,576,504)
Net debt	599,372	(3,308,845)
Total equity	8,256,970	11,256,846
Capital and net debt	8,856,342	7,948,001

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NOTES TO THE FINANCIAL STATEMENTS - continued

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

f. Capital management – continued

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.

23. RELATED PARTIES

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	
		2014	2013
Direct subsidiaries			
Visuray Limited	BVI	100	100
Indirect subsidiaries			
Visuray InTech Limited	BVI	100	100
Visuray Technology Limited	Malta	100	100
Visuray International (Malta) Limited	Malta	100	100
Visuray Holding AS	Norway	100	100
Visuray AS	Norway	100	100
Visuray LLC	United States of America	100	100

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

		Related party activity EUR	Total activity EUR	%
Other revenues	2014	96,851	103,197	94
	2013	-	-	-
Finance income	2014	32,707	37,878	86
	2013	35,473	46,873	76
Finance costs	2014	-	3,546	0
	2013	15,410	16,260	95
Professional fees and other recharges	2014	827,957	4,264,597	19
	2013	678,043	2,704,407	25

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NOTES TO THE FINANCIAL STATEMENTS - continued

23. RELATED PARTIES - continued

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

Professional fees include EUR639,995 which were paid to directors during the year ended 31 December 2014 (2013: EUR467,979).

Wages and salaries include EUR323,219 (2013: EUR399,956) which were paid to the general manager and other board members.

During 2014 and 2013 the Group granted share options to its directors, total number of which and related expenses are disclosed in notes 5 and 19.

24. COMMITMENTS AND CONTINGENCIES

Restricted cash

As disclosed in note 21, during 2011 Visuray plc has forced the acquisition of minority stakeholdings in a subsidiary. In this regards, it has an account of EUR105,584 (2013: EUR111,052) which is set aside for this purpose (note 17).

Contingent liability

As part of the minority acquisition procedures, two stakeholders have objected to the price offered by the Group. The outcome of such objections is still unknown to date.

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 2016 amounts to EUR1,397 million.

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	2014	386,984	726,822
	2013	189,899	539,500
Payment obligations under R&D projects	2014	1,978,880	-
	2013	-	-
Payment obligations for working capital	2014	348,000	-
	2013	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued

25. SUBSEQUENT EVENTS

In 2015 the Company increased its share capital by 4,753,667 Ordinary "A" shares, of EUR0.05 at premiums of EUR0.42 – EUR1.45 per share depending on terms of the share capital issue. The issue was fully paid up till the end of May 2015.

No other events have occurred subsequently to 31 December 2014 which would require an adjustment or a disclosure to be made in the financial statements.