

22 September 2015

**ADVANCED ONCOTHERAPY PLC**  
(“Advanced Oncotherapy” or the “Company”)

**Half Yearly Report**

Advanced Oncotherapy (AIM: AVO), the developer of a next generation proton therapy system for cancer treatment, announces unaudited results for the six months ended 30 June 2015.

The Company remains on schedule in its technology development to have its LIGHT proton therapy system ready for patient treatment in London’s renowned Harley Street in 2017. The LIGHT system accelerates protons to the energy levels achieved in first-generation proton therapy machines but in a system that is a quarter of the size, requires less shielding and is manufactured at a fraction of the cost. It also delivers proton beams with greater precision and electronic control than older technologies.

**H1 Highlights**

- Continued technical development of first LIGHT system in line with our plans
- Oversubscribed placing of c.£21 million
- Harley Street lease agreement for the UK's first proton therapy centre using the LIGHT System
- First commercial sale of the LIGHT system in China to Sinophi Healthcare Limited (“Sinophi”)
- Distribution agreement with Sinophi covering China and Southeast Asia
- Active conversations continue with other distribution parties and hospital groups
- Disposal of Southampton non-core property for £290k

**Post Period End Events & Key Milestones**

- Extension of lease agreement on Harley Street site to provide a larger treatment facility
- Commencement of initial SCDTL testing and delivery of a further two CCL units
- Framework agreement between China-Japan Union Hospital of Jilin University and Sinophi
- Milestone payment from Sinophi received

**Sanjeev Pandya, CEO of Advanced Oncotherapy, said:** *“I am pleased with the progress that we have made in the first half of the year. We have established a solid platform from which we can deliver our first LIGHT machine: our financing is secured, we are on track with our technical development, and have created a top-class integration team to work with potential operators to ensure the smooth installation of the first LIGHT machine on our Harley Street site.”*

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## CEO Report

I am delighted to provide our latest half yearly report and to update shareholders on our progress in the development and commercialisation of our game-changing next generation proton therapy system. We are pleased with our progress to date and believe that we have an excellent opportunity to create significant value for our shareholders, and at the same time bring the latest treatment technologies to cancer patients in the heart of London.

We are currently focused on developing our proprietary proton accelerator for the treatment of radio therapy sensitive cancer, called LIGHT (“Linac for Image Guided Hadron Therapy”). The main advantage of proton therapy over conventional radiation therapy is that it can avoid irradiating healthy surrounding tissue and target the cancerous tumour more directly. However, most current proton therapy systems cost between £150m and £200m (excluding construction costs), they require huge infrastructures to house them, including extensive concrete and lead shielding, and they can weigh over 200 tons. These are the major factors that contribute to the expense of the current technology and the reason why so few machines exist around the world despite the superior clinical benefit of proton therapy over conventional radiotherapy. Our LIGHT system, a complete turn-key system, will be available for a fraction of the cost, will be lighter, smaller, require considerably less shielding, and will have the added advantage of a high precision directional beam, vastly superior to that available from current technologies.

Our progress in the first half of 2015 falls into four main areas – all of which are critical to establishing a solid platform for the initial launch and successful future commercialisation of our LIGHT system:

- **Completion of significant financing round**
- **Progression on the technical development in line with expectations**
- **Preparations for the integration of first LIGHT system**
- **Pipeline of commercial opportunities being secured**

### 1. Completion of financing

Key to our success was to ensure that the business is well funded to develop its first LIGHT system treating patients and delivering revenues to the Company. In May we successfully raised c.£21m via a share issuance. The placing with new and existing shareholders was oversubscribed and the funds have been earmarked for the development and installation of the first LIGHT system in Harley Street and to provide additional working capital.

Our cash level also benefitted from the sale of a former GP surgery property in Southampton generating cash proceeds of £290,000 adding to the funds available for the continued development of our first system. We continue to progress with the sale of our property in Folkestone and continue to look at strategic options for Oncotherapy Resources Ltd, our subsidiary focused on distributing an innovative brachytherapy device.

### 2. Technical development progress

Progress in the technical development of our first LIGHT systems has continued apace. In January, following the signing of a supply agreement with Pyramid Technical Consultants for the directional dose delivery system components (or “nozzle”), we had all of the key pieces in place for our integrated network of suppliers.

Also in January we were able to confirm that the first Coupled Cavity Linac (“CCL”) accelerating module was completed and delivered to our Geneva facility. Ten CCL modules are required by the LIGHT system to accelerate the protons to the energies required to treat all radiosensitive tumours found in a typical clinical setting. In May, this first unit successfully completed its first Radio Frequency (“RF”) Power testing and the second CCL was delivered to our testing facility in July, alongside the Modulator and Klystron power units ready for high power testing which commenced in August.

Also over the summer, we were able to initiate our first tests on the Side Coupled Drift Tube Linac (“SCDTL”) module. When combined, the four SCDTL modules will accelerate protons from 5MeV to 37.5MeV. The

SCDTLs sit between the Radio Frequency Quadruple (“RFQ”), which first accelerates the protons to 5MeV, and the CCLs. We have been pleased with the results achieved so far.

We are proud that to date our technology development has remained on track with our original timetable and that the test results support the effectiveness of the technology.

### **3. Ongoing effort for the integration of the first LIGHT system**

At the end of January we signed an agreement with Howard de Walden Estates Limited to lease an 8,000 sq. ft. property in Harley Street for the next 50 years. Located in the heart of London, the site will house our first LIGHT machine, becoming the UK’s first proton therapy centre. We were subsequently offered the option to extend the original lease to include a larger footprint, offering potential operators a larger overall facility to manage. Whilst the additional planning permission and reconfiguration of the original site plans will mean that construction on the site will take place early next year, this should not delay our overall development plan and we remain focused on the successful conclusion of an agreement with an operator for the site.

We are making good progress on this last point and I hope to be able to update shareholders shortly on an agreement that will see the Company partner with a well regarded UK medical facilities operator who will take responsibility for the management and operation of the Proton Therapy Centre. We remain committed to completing the technical development of the first LIGHT system so that it is ready for patient treatment in 2017.

In anticipation of moving into the integration stage of our development, we have put a team in place who will take responsibility for the delivery and construction of the first LIGHT machine onsite and who will liaise with our operating partner on the full integration of our technology with front end systems and infrastructure required for such a centre. We now have a team of c.40 people working on development and integration. With our key suppliers in place for the major components within the system, our integration team is building up a network of ancillary suppliers to cover cooling systems, shielding and magnet supply as well as front end systems such as the treatment couch, patient positioning system and software imaging systems.

We also continue to work with ICT who are developing the software systems that will manage the patient workflow and integrate the LIGHT system into the centre’s IT systems.

### **4. Future commercial opportunities secured**

Although we remain focused on delivering our first system we are also developing the wider commercial opportunity that the LIGHT system has and the potential for us to roll out our new technology globally. As well as the existing letters of intent from partners in the US and UK to purchase our system, we signed our first commercial sale agreement in March with Sinophi, a UK company investing in and managing public general and specialty hospitals in China, for a price of c.US\$40m. In addition, Sinophi signed an exclusive 15-year agreement to become our first tier distributor for the LIGHT system in China and a number of other countries in Southeast Asia.

Commercial interest in our LIGHT systems continues to grow and we have had conversations with a number of parties around the world who are interested in purchasing their own LIGHT system and we will update shareholders as these develop.

After the period end and in addition to the sale of a LIGHT system in Huai’an City, Jiangsu Province, we confirmed that Sinophi have signed a Framework Agreement with China-Japan Union Hospital of Jilin University in relation to the development of a proton therapy centre. Whilst we have yet to receive a purchase order for a LIGHT machine, our technology is very much at the heart of this proposed centre and we are encouraged by the growing pipeline of strong leads that Sinophi have been building in China and in Southeast Asia.

## **Financials**

Our financial performance continues to reflect the development stage of our business.

During the 6-month period ended 30 June 2015, the Group produced revenues of £42,050 (H1 2014: £50,884) and an operating loss of £4.50m (H1 2014: £2.64m loss). We recorded a loss before tax of £4.60m (H1 2014: £3.68m), after taking into account £498,033 of share based payments.

Total assets at 30 June 2015 were £30.58m (H1 2014: £14.01m) with net assets at 30 June 2015 of £27.48m (H1 2014: £10.30m). In May we raised c.£21m through a share issuance, with proceeds being used to develop and install our LIGHT system in Harley Street, and to support the working capital requirements of the group. £2m of the funds raised were used to repay a short term loan raised in March as previously announced.

At the end of the period the Company held cash and cash equivalents of £15.64m (H1 2014: £1.45m).

## **Outlook**

My colleagues and I are most excited about the prospects for this business: we have a major opportunity to introduce a game-changing proton therapy system on a worldwide scale. Our clear focus now is to continue to develop our first machine in the UK to our original timescale, but to do so now in bigger and better facilities in Harley Street in what we hope will become the UK's flagship centre for next-generation proton beam therapy care.

Again, I would like to thank our teams in the UK, Switzerland and the US for their hard work over the past six months and for their commitment to deliver this exciting project.

**Sanjeev Pandya**  
***Chief Executive Officer***

22 September 2015

## Consolidated statement of comprehensive income

For the period ended 30 June 2015 (amounts in £)

	Interim June-15	2014	Interim June-14	2013
			Re-stated (1)	
<b>Revenue</b>	<b>42,050</b>	<b>106,378</b>	50,884	68,916
<b>Cost of sales</b>	<b>(53,689)</b>	<b>(202,679)</b>	(99,112)	(155,952)
<b>Gross Profit</b>	<b>(11,639)</b>	<b>(96,301)</b>	(48,228)	(87,036)
Administrative expenses	(3,748,657)	(5,553,728)	(2,586,944)	(2,036,949)
Impairment charge for investment in subsidiary	(537,075)	-	-	-
Impairment charge for investment properties	(200,000)	(802,907)	-	(1,049,357)
<b>Operating loss</b>	<b>(4,497,371)</b>	<b>(6,452,936)</b>	(2,635,172)	(3,173,342)
Finance income	-	499,281	499,281	8
Finance costs	(99,780)	(377,180)	(225,508)	(257,812)
<b>Loss on ordinary activities before taxation</b>	<b>(4,597,151)</b>	<b>(6,330,835)</b>	(2,361,399)	(3,431,146)
Taxation	-	-	-	-
<b>Loss after taxation from continuing operations</b>	<b>(4,597,151)</b>	<b>(6,330,835)</b>	(2,361,399)	(3,431,146)
Discontinued operations				
Loss for the year from discontinued operations	-	(1,231,950)	(1,317,903)	(539,351)
Loss after discontinued operations	(4,597,151)	(7,562,785)	(3,679,302)	(3,970,496)
Loss for the period				
Attributable to equity shareholders	(4,595,773)	(7,463,320)	(3,571,242)	(3,936,291)
Non-controlling interests	-	(99,465)	(108,060)	(34,205)
<b>Total comprehensive loss for the period net of tax</b>	<b>(4,597,151)</b>	<b>(7,562,785)</b>	(3,679,302)	(3,970,496)

(1) Restated in line with 2014 accounts

# Consolidated statement of financial position

As at 30 June 2015 (amounts in £)

	Interim June-15	2014	Interim June-14	2013
			Re-stated (1)	
<b>Non-current assets</b>				
Investment properties	997,093	1,197,094	2,000,000	2,000,000
Investments	-	-	6,020	6,020
Intangible assets	10,298,085	9,217,854	9,245,697	8,233,314
Plant and equipment	329,837	882,128	673,602	672,864
	<b>11,625,015</b>	<b>11,297,076</b>	11,925,319	10,912,198
<b>Current Assets</b>				
Trade and other receivables	665,926	591,686	600,299	1,196,514
Cash and cash equivalents	15,639,563	1,465,149	1,450,819	148,804
Inventories	2,651,130	1,112,050	29,250	37,199
	<b>18,956,619</b>	<b>3,168,885</b>	2,080,368	1,382,517
<b>Total assets</b>	<b>30,581,634</b>	<b>14,465,961</b>	14,005,687	12,294,715
<b>Current liabilities</b>				
Trade and other payables	(2,103,366)	(2,346,263)	(2,590,988)	(2,196,141)
Borrowings	(996,952)	(987,832)	(1,111,752)	(3,190,315)
	<b>(3,100,318)</b>	<b>(3,334,095)</b>	(3,702,740)	(5,386,456)
<b>Non-current liabilities</b>				
Borrowings	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
<b>Total liabilities</b>	<b>(3,100,318)</b>	<b>(3,334,095)</b>	(3,702,740)	(5,386,456)
<b>Net assets</b>	<b>27,481,316</b>	<b>11,131,866</b>	10,302,947	6,908,260
<b>Equity</b>				
Share capital	13,479,227	10,284,439	8,651,486	6,044,415
Share premium reserve	32,535,214	14,658,924	11,171,379	6,874,185
Share option reserve	2,318,717	2,020,681	1,654,502	1,478,091
Reverse acquisition reserve	11,038,204	11,038,204	11,038,204	11,038,204
Acquisition reserve	-	662,782	1,462,782	1,462,782
Exchange movements reserve	(129,023)	(369,291)	(395,021)	(388,330)
Accumulated losses	(31,761,023)	(27,163,872)	(23,280,385)	(19,601,087)
<b>Equity attributable to shareholders of the Parent Company</b>	<b>27,481,316</b>	<b>11,131,866</b>	10,302,947	6,908,260
<b>Non-controlling interests</b>	-	-	-	-
<b>Total equity funds</b>	<b>27,481,316</b>	<b>11,131,866</b>	10,302,947	6,908,260

(1) Re-stated in line with 2014 accounts

# Consolidated statement of cash flows

For the period ended 30 June 2015 (amounts in £)

	Continuing Jun-15	Discontinued Jun-15	Total Jun-15	Continuing 2014	Discontinued 2014	Total 2014
<b>Cash flow from operating activities</b>						
Loss after taxation	(4,597,151)	-	(4,597,151)	(6,330,835)	(1,231,950)	(7,562,785)
<b>Adjustments:</b>						
Taxation	-	-	-	-	-	-
Finance costs	99,780	-	99,780	377,180	-	377,180
Finance income	-	-	-	-	-	-
Net portfolio losses / (gains)	-	-	-	-	-	-
Depreciation	61,732	-	61,732	117,616	-	117,616
Impairment charge for investment properties	200,000	-	200,000	802,907	-	802,907
Impairment charge for investment in subsidiary	537,075	-	537,075	-	-	-
Waiver of mortgage debt	-	-	-	(499,273)	-	(499,273)
Share based payments	498,033	-	498,033	542,590	-	542,590
<b>Cash flows from operations before changes in working capital</b>	<b>(3,200,531)</b>	<b>-</b>	<b>(3,200,531)</b>	<b>(4,989,815)</b>	<b>(1,231,950)</b>	<b>(6,221,765)</b>
Changes in inventories	(1,539,080)	-	(1,539,080)	(1,074,851)	-	(1,074,851)
Change in trade and other receivables	(74,240)	-	(74,240)	28,951	575,877	604,828
Change in trade and other payables	184,322	(321,396)	(137,074)	234,066	77,659	311,725
<b>Cash (used) / generated from operations</b>	<b>(4,629,529)</b>	<b>(321,396)</b>	<b>(4,950,925)</b>	<b>(5,801,649)</b>	<b>(578,414)</b>	<b>(6,380,063)</b>
Interest paid	(101,059)	-	(101,059)	(178,278)	-	(178,278)
<b>Cash flows from operating activities</b>	<b>(4,730,588)</b>	<b>(321,396)</b>	<b>(5,051,984)</b>	<b>(5,979,927)</b>	<b>(578,414)</b>	<b>(6,558,341)</b>
<b>Cash flows from investing activities:</b>						
Disposal of subsidiary undertaking	-	-	-	6,020	-	6,020
Cash acquired with subsidiary	-	-	-	-	-	-
Capital expenditure on intangible assets	(853,700)	-	(853,700)	(984,540)	-	(984,540)
Purchase of plant and equipment	(46,516)	-	(46,516)	(326,880)	-	(326,880)
Interest received	-	-	-	-	-	-
<b>Cash flows from investment activities</b>	<b>(900,216)</b>	<b>-</b>	<b>(900,216)</b>	<b>(1,305,400)</b>	<b>-</b>	<b>(1,305,400)</b>
<b>Cash flows from financing activities:</b>						
Equity share capital raised	20,126,614	-	20,126,614	10,158,129	-	10,158,129
Other short term loans	-	-	-	(978,042)	-	(978,042)
Intra Group Cash Transfers	(321,396)	321,396	-	(578,414)	578,414	-
<b>Cash flows from financing activities</b>	<b>19,805,218</b>	<b>321,396</b>	<b>20,126,614</b>	<b>8,601,673</b>	<b>578,414</b>	<b>9,180,087</b>
Decrease in cash and cash equivalents	14,174,414	-	14,174,414	1,316,346	-	1,316,346
Cash and cash equivalents at 01 January	1,465,149	-	1,465,149	148,803	-	148,803
<b>Cash and cash equivalents at end of period</b>	<b>15,639,563</b>	<b>-</b>	<b>15,639,563</b>	<b>1,465,149</b>	<b>-</b>	<b>1,465,149</b>

## Consolidated statement of cash flows (continued)

For the period ended 30 June 2015 (amounts in £)

	Continuing Jun-14	Discontinued Jun-14	Total Jun-14	Continuing 2013	Discontinued 2013	Total 2013
				Re-stated (1)		
<b>Cash flow from operating activities</b>						
Loss after taxation	(2,361,399)	(1,317,903)	(3,679,302)	(3,431,146)	(539,351)	(3,970,497)
<b>Adjustments:</b>						
Taxation	-	-	-	-	-	-
Finance costs	102,626	-	102,626	257,812	18,393	276,205
Finance income	-	-	-	(8)	-	(8)
Net portfolio losses / (gains)	(6,691)	-	(6,691)	4,310	(3,103)	1,207
Depreciation	55,566	-	55,566	82,481	-	82,481
Impairment charge for investment properties	-	-	-	1,049,357	-	1,049,357
Loss on disposal of subsidiary	-	-	-	-	-	-
Waiver of mortgage debt	(499,273)	-	(499,273)	-	-	-
Share based payments	256,562	-	256,562	30,422	-	30,422
<b>Cash flows from operations before changes in working capital</b>	<b>(2,452,609)</b>	<b>(1,317,903)</b>	<b>(3,770,512)</b>	<b>(2,006,773)</b>	<b>(524,061)</b>	<b>(2,530,834)</b>
Changes in inventories	7,949	-	7,949	(37,199)	-	(37,199)
Change in trade and other receivables	486,087	-	486,087	(95,672)	12,867	(82,805)
Change in trade and other payables	(1,084,126)	1,317,903	233,777	(184,466)	227,936	43,470
<b>Cash (used) / generated from operations</b>	<b>(3,042,699)</b>	<b>-</b>	<b>(3,042,699)</b>	<b>(2,324,110)</b>	<b>(283,258)</b>	<b>(2,607,368)</b>
Interest paid	(113,191)	-	(113,191)	(330,937)	-	(330,937)
<b>Cash flows from operating activities</b>	<b>(3,155,890)</b>	<b>-</b>	<b>(3,155,890)</b>	<b>(2,655,047)</b>	<b>(283,258)</b>	<b>(2,938,305)</b>
<b>Cash flows from investing activities:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Disposal of subsidiary undertaking	-	-	-	-	1,245,000	1,245,000
Cash acquired with subsidiary	-	-	-	27,574	-	27,574
Capital expenditure on intangible assets	(292,534)	-	(292,534)	(188,349)	-	(188,349)
Purchase of plant and equipment	(56,304)	-	(56,304)	(543,765)	-	(543,765)
Interest received	-	-	-	8	-	8
<b>Cash flows from investment activities</b>	<b>(348,838)</b>	<b>-</b>	<b>(348,838)</b>	<b>(704,532)</b>	<b>1,245,000</b>	<b>540,468</b>
<b>Cash flows from financing activities:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Equity share capital raised	5,469,558	-	5,469,558	2,437,000	-	2,437,000
Other short term loans	(662,814)	-	(662,814)	52,008	-	52,008
Intra Group Cash Transfers	-	-	-	961,742	(961,742)	-
<b>Cash flows from financing activities</b>	<b>4,806,744</b>	<b>-</b>	<b>4,806,744</b>	<b>3,450,750</b>	<b>(961,742)</b>	<b>2,489,008</b>
Decrease in cash and cash equivalents	1,302,016	-	1,302,016	91,171	-	91,171
Cash and cash equivalents at 01 January	148,803	-	148,803	57,632	-	57,632
<b>Cash and cash equivalents at end of period</b>	<b>1,450,819</b>	<b>-</b>	<b>1,450,819</b>	<b>148,803</b>	<b>-</b>	<b>148,803</b>

(1) Re-stated in line with 2014 year-end accounts

A copy of the unaudited interim accounts for the six months ended 30 June 2015 is available from the Company's website at [www.advancedoncotherapy.com](http://www.advancedoncotherapy.com)