29 September 2014

ADVANCED ONCOTHERAPY PLC

("Advanced Oncotherapy" or the "Company")

Half Yearly Report

Advanced Oncotherapy (AIM: AVO), the developer of next generation proton therapy systems for cancer treatment, announces unaudited results for the six months ended 30 June 2014.

The Company is focussed on one singular goal – the development and commercialisation of its game-changing proton therapy system, and in doing so creating significant shareholder value.

H1 Highlights

- Formation of a commercially focussed management team
- Reorganisation of the business centred around the LIGHT proton therapy system
    - *Board to review strategic options for non-core assets*
- Good house-keeping actions to ensure business is unencumbered by legacy issues and well-funded
- Early milestones met to ensure the delivery of the first system in 2016
    - *Supply agreements signed with ScandiNova, Toshiba Electron Tubes and Devices & ICT*

Post Period End Events & Future Key Milestones

- Successfully raised approximately £12 million from new and existing investors since the beginning of the year
- In discussion with partner for supply of CCL units and directional dose delivery system
- Discussing further letters of intent with interested hospitals
- Conversion from letter of intent to memorandum of exclusivity expected for key early customers

Sanjeev Pandya, CEO of Advanced Oncotherapy, said: "*The Outlook for this business is exceptionally exciting. We have a huge opportunity to introduce a game-changing proton therapy treatment that is affordable enough to replace current radiation therapy on a world-wide scale. Not only do we expect to generate significant value for shareholders through the development and launch of LIGHT, but on a real human level this innovation has the potential to bring life-changing cancer treatments to thousands of patients around the world*."

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CEO Report

I am delighted to provide my first half yearly report as Chief Executive and to update shareholders on the actions that we have taken to focus our business on one singular goal – the development and commercialisation of our game-changing next generation proton therapy system, and in doing so create significant value for our shareholders.

The first half of 2014 can be summarised by four key developments:

- **the formation of a commercially focussed management team**
- **the reorganisation of the business centred around our proton therapy system**
- **good house-keeping actions to ensure that the ongoing business is unencumbered by legacy issues and well-funded**
- **the practical advancement through early milestones to ensure the delivery of our first system in 2016**

Before I expand on these developments, I would like to take a step back to introduce new investors and potential investors to what we believe is the significant value proposition within Advanced Oncotherapy.

LIGHT – our next generation proton therapy system

In 2013 we acquired an exciting new proton technology platform from ADAM SA, the particle physics CERN spin-off company based in Geneva. The technology is now at the heart of our business and will provide the next generation of particle therapy systems for cancer treatment. The proprietary proton accelerator is called LIGHT (Linac for Image Guided Hadron Therapy).

Proton therapy has been very much in the media recently, but it is a technology that has existed for over 30 years. Proton therapy has been used to particular effect in cases where tumours are found near vital organs or key structures of the body, or for the treatment of paediatric cancers, because, unlike traditional X-ray radiation, proton therapy can be targeted directly at the tumour, avoiding damage to the surrounding healthy tissue. Proton therapy offers huge advantages over X-rays and would be used far more widely if it wasn't for the prohibitive cost of building and installing the current legacy technology.

Current proton therapy machines cost nearly £200m (excluding construction costs), they require huge infrastructures to house them, including extensive concrete and lead shielding, and they weigh over 200 tonnes. These are the major factors that contribute to the sheer expense of the current technology and the reason why around 45 machines only exist worldwide. Our LIGHT system will be available for a fraction of the cost, will be lighter, smaller and require considerably less shielding, and will have the added advantage of a high precision directional beam, vastly superior to that available from current technologies.

There are good reasons why we describe our LIGHT system as game-changing: we already have letters of intent covering the delivery of eight LIGHT systems to locations in both the UK and the USA, which if converted into full orders would be worth c. £200m. It is for this reason that we are focussing all of the efforts of the business into delivering this LIGHT project.

Commercially focussed management team

The first step, in creating a commercially focussed business, was to put in place a management team with the skills to deliver on the development of our LIGHT system and bring it successfully through to commercial launch and operation. In June we announced my move from Chief Operating Officer to become Chief Executive Officer, with Dr Michael Sinclair becoming Executive Chairman. Post the period end, we appointed Nicolas Serandour to the Board as Chief Financial Officer. Nicolas brings with him over 15 years of healthcare investment banking experience at leading investment banks. Earlier in the year we appointed Euan Thomson as Non-Executive Director, a physicist and the ex-CEO of Accuray, the company that developed and produced the CyberKnife. Euan is a great supporter of emerging disruptive healthcare technologies, and his appointment complements the skills and advice that are brought by our other Non-Executive Directors.

Not only has the PLC Board been strengthened, but we are now benefitting from the very practical expertise brought through key senior management appointments last year in the areas of project management, global manufacturing, procurement and supply chain management. These appointments, alongside the high calibre Medical Advisory Board that we have built to support us, provides a wealth of experience and high level advice for the Board, as well as the skills necessary to execute our plans.

Focussing on LIGHT – *seeking options for non-core assets*

Having established the right management team the first decision of the Board has been to focus the business solely on our proprietary proton technology. Through dialogue with investors during our most recent fundraisings, it has become clear that shareholders expect all of the future value of the business to come from the successful development of the LIGHT system. This reflects the vision of the Board, and to ensure that we remain focussed on delivering this value, we have taken the decision to review strategic options for our non-core business assets.

The task of establishing a UK-based cancer treatment centre would be an unwelcome distraction from the key goal of developing the LIGHT system, and so the Board will now seek to dispose of the property which is a prime town-centre redevelopment in Folkestone. We believe the property would be attractive to healthcare groups as well as for residential development. Not only will the sale of this non-core asset allow management to focus on the core business, but the funds generated will be applied towards the development of LIGHT, and to repay the remaining mortgage. The sale of the property will mark the complete transition away from the original business's history of property investment and ownership.

Whilst the Oncotherapy Resources Ltd (ORL) business has now established a sales pipeline for single dose intra-operative radiotherapy (SD-IORT) for breast and colorectal cancers, and has the potential to generate future profits at the EBITDA level next year, it still falls outside of the core focus of the Group. We believe that with a strong pipeline and some key relationships with established hospital groups, the value of this business will be best recognised outside of the Company. To that end, we are looking at options for the business.

Good house-keeping actions

During the period we have also taken steps to ensure that the business is unencumbered by legacy issues and is well funded to deliver our goal. In March we announced an agreement with Bank of Ireland (UK) plc for them to receive 20 million shares in lieu of £1.3m of mortgaged debt on our investment property in Folkestone. This has significantly reduced our level of debt with overall borrowings reduced to £1.11m as at 30 June 2014, compared to borrowings of £3.71m at the same time last year.

We have also taken the prudent action of making a provision for £1.08m against the possibility of a settlement in a claim brought against the Company by the purchaser of a German business divested by the Group, then CareCapital Group Plc, in 2011.

As part of a deal structured three years ago, we took ownership of a property in Southampton following the period end. We intend to sell the property and expect to book a non-cash loss of no more than £250,000 against previously capitalised development costs. The sale will have a positive cash impact on the business of approximately £250,000 and again this cash will be used for the core LIGHT business.

As well as the cash that we expect to generate through the sale of non-core assets, we are looking at a number of additional longer-term funding options for the business including the possibility of technology and science-focussed grant funding, as well as milestone-related stage payments as the LIGHT systems move closer to completion. In the shorter term we will see the proceeds of our recent £4.7m equity fundraise increase cash levels in the second half. We are very grateful for the support from existing and new investors who participated in this latest round of fundraising and believe that we are taking the right actions to ensure that all of our financial resources will be channelled into the development of LIGHT.

Key early milestones

I am also pleased to report good progress on our practical advancement through early key milestones in the development of the LIGHT system. We have signed up a number of critical supply partners to ensure that we have the best components for our system.

Our Swedish partners at ScandiNova have extensive experience of working with the CERN team and will develop a power system, or Modulator, for the unit which will have huge advantages over the power units used in cyclotrons, the older technology used in the current proton therapy systems.

Post the period end we signed a five year agreement with Toshiba Electron Tubes and Devices to supply a central component for the LIGHT system: the Klystron – a wave-based particle accelerator component. This component is key to accelerating the protons to high speed before they are targeted at tumours within the patient's body.

We are also making good progress with ICT, a provider of high-quality IT solutions in information and communications technology, who are developing the software systems that will manage the patient workflow and integrate the LIGHT system into the hospital's IT systems.

Work on other key components is advancing as expected with three integral components being the main focus of the management team: the Radio Frequency Quadrupole (RFQ), the Side Coupled Drift Tube Linac (SCDTL) and the Coupled Cavity Linac (CCL). Construction of the first RFQ unit has now commenced and the designs for the SCDTL have been finalised and we expect to move into construction soon. The next key step is the delivery of the CCLs. We are currently finalising technical discussions with leading suppliers in this area and our next milestone is to appoint a supply partner who can deliver the CCLs within our build time requirements. Another key milestone in the construction of our LIGHT system is the development of a directional dose delivery system. We are currently working hard to identify a preferred supplier for this element of the LIGHT system and will update shareholders as this process develops. All in all we are pleased with the progress we are making and remain confident that we will deliver our first system in 2016.

Financials

Our financial performance reflects the increased operating expenses following the acquisition of ADAM and the development stage of our business.

During the 6 month period ended 30 June 2014 the Group produced revenues of £50,884 (H1 2013: £18,790) and an operating loss of £2.53m (H1 2013: £0.69m). We recorded a loss on continuing operations of £2.26m during the period (H1 2013: £0.78m) and total comprehensive loss for the period (including losses from discontinued operations) of £3.68m (H1 2013: £0.85m).

Total assets at 30 June 2014 were £12.54m (H1 2013: £6.01m) with net assets at 30 June 2014 of £8.77m (H1 2013: £0.51m). In April the Company raised money through an equity placing, providing a £5.47m contribution to cash flow. At the end of the period the Company held cash and cash equivalents of £1.45m (H1 2013: £0.72m).

Building on the continued positive support from shareholders for our plans, we have successfully raised a further £4.7m before expenses since the period end, with net proceeds being used to continue the development of our LIGHT machine.

Outlook

The Outlook for our business is exceptionally exciting. We have a huge opportunity to introduce a game-changing proton therapy system that is affordable enough to replace current radiation therapy on a world-wide scale. Not only do we expect to generate significant value for shareholders through the development and launch of LIGHT, but on a real human level this innovation has the potential to bring life-changing cancer treatments to thousands and thousands patients around the world.

Our biggest risk is not delivering on this plan; ensuring that we keep to the demanding timetable that we have set ourselves is therefore management's principal focus. Clearly, we still have a number of key milestones to reach, and as mentioned above, our next step is to secure our partners for the supply of the CCL units and the directional dose delivery system.

We have letters of intent for the purchase of eight LIGHT systems and we are being approached on a regular basis by hospitals across the US, South America and Asia interested in finding out more about our technology. We would fully expect to sign further letters of intent as these conversations develop and for our order pipeline to grow. Letters of intent are the first stage in the purchasing process. What we hope to see next is for some of our key early customers to move from a letter of intent to a memorandum of exclusivity which will cement their commitment to being one of the first institutions to install and operate a LIGHT system.

Finally, I would really like to thank our teams in the UK, Switzerland and the US for their hard work over the past six months and for their future commitment to deliver this exciting project. The LIGHT project has attracted the interest of some of the highest calibre experts in the worlds of physics, engineering and radiation oncology. This can only further support and assist us in our goal of delivering this truly disruptive technology.

Sanjeev Pandya
Chief Executive Officer

29 September 2014

Consolidated statement of comprehensive income

For the period ended 30 June 2014 (amounts in £)

	H1:14	**2013**	H1:13	2012
Revenue	**50,884**	**68,916**	18,790	100,000
Cost of sales	**(99,112)**	**(155,952)**	(41,154)	(713)
Gross (loss)/Profit	**(48,228)**	**(87,036)**	(22,364)	99,287
Administrative expenses	**(2,482,535)**	**(2,036,949)**	(664,869)	(1,159,024)
Impairment charge for investment and development properties	**-**	**(1,049,357)**	-	(504,779)
Operating loss	**(2,530,763)**	**(3,173,342)**	(687,233)	(1,564,516)
Finance income	**-**	**8**	-	3,723
Finance costs	**273,773**	**(257,812)**	(89,790)	(322,940)
Loss on ordinary activities before taxation	**(2,256,990)**	**(3,431,146)**	(777,023)	(1,883,733)
Taxation	**-**	**-**	-	-
Loss after taxation from continuing operations	**(2,256,990)**	**(3,431,146)**	(777,023)	(1,883,733)
Discontinued operations				
Loss for the year from discontinued operations	**(1,497,308)**	**(539,351)**	(47,539)	(852,997)
Loss after discontinued operations	**(3,754,298)**	**(3,970,496)**	(824,562)	(2,736,730)
Loss for the period				
Attributable to equity shareholders	**(3,646,238)**	**(3,936,291)**	(822,185)	(2,713,612)
Non-controlling interests	**(108,060)**	**(34,205)**	(2,377)	(23,118)
	(3,754,298)	**(3,970,496)**	(824,562)	(2,736,730)
Other comprehensive income				
Exchange differences on translation of foreign operations	**-**	**-**	(24,243)	-
Total comprehensive loss for the year net of tax	**(3,754,298)**	**(3,970,496)**	(848,805)	(2,736,730)

Consolidated statement of financial position

As at 30 June 2014 (amounts in £)

	June-14	**2013**	June-13	2012
Non-current assets				
Investment properties	**2,000,000**	**2,000,000**	3,049,357	3,049,357
Investments	**6,020**	**6,020**	-	-
Intangible assets	**7,782,915**	**6,690,381**	901,780	-
Plant and equipment	**673,602**	**672,864**	872,441	205,422
Trade & Other Receivables	**-**	**-**	50,234	872,441
	10,462,537	**9,369,265**	4,873,812	4,127,220
Current Assets				
Trade and other receivables	**600,299**	**1,196,514**	383,486	1,451,961
Cash and cash equivalents	**1,450,819**	**148,804**	717,697	57,767
Inventories	**29,250**	**37,199**	39,060	-
	2,080,368	**1,382,517**	1,140,243	1,509,728
Total assets	**12,542,905**	**10,751,782**	6,014,055	5,636,948
Current liabilities				
Trade and other payables	**(2,665,988)**	**(2,196,141)**	(1,798,060)	(1,972,217)
Borrowings	**(1,111,752)**	**(3,190,315)**	(3,709,084)	(3,804,013)
	(3,777,740)	**(5,386,456)**	(5,507,144)	(5,776,230)
Non-current liabilities				
Borrowings	**-**	**-**	-	-
Deferred tax	**-**	**-**	-	-
	-	**-**	-	-
Total liabilities	**(3,777,740)**	**(5,386,456)**	(5,507,144)	(5,776,230)
Net assets	**8,765,165**	**5,365,326**	506,911	(139,282)
Equity				
Share capital	**8,651,486**	**6,044,415**	3,844,104	2,594,104
Share premium reserve	**11,171,379**	**6,874,185**	1,910,998	1,665,998
Share option reserve	**1,654,502**	**1,397,940**	581,333	581,333
Reverse acquisition reserve	**11,038,204**	**11,038,204**	11,038,204	11,038,204
Exchange movements reserve	**(395,021)**	**(388,330)**	(388,330)	(388,330)
Accumulated losses	**(23,355,385)**	**(19,601,087)**	(16,479,398)	(15,630,591)
Equity attributable to shareholders of the Parent Company	**8,765,165**	**5,365,327**	506,911	(139,282)
Non-controlling interests	**-**	**-**	-	-
Total equity funds	**8,765,165**	**5,365,327**	506,911	(139,282)

Consolidated statement of cash flows

For the period ended 30 June 2014 (Amounts in £)

	Continuing Jun-14	**Discontinued Jun-14**	**Total Jun-14**	Continuing 2013	Discontinued 2013	Total 2013
Cash flow from operating activities						
Loss after taxation	**(2,256,990)**	**(1,497,308)**	**(3,754,298)**	(3,431,146)	(539,351)	(3,970,497)
Adjustments:						
Taxation	**-**	**-**	**-**	-	-	-
Finance costs	**-**	**-**	**-**	257,812	18,393	276,205
Finance income	**(307,660)**	**-**	**(307,660)**	(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 and development properties	**-**	**-**	**-**	1,049,357	-	1,049,357
Share based payments	**256,562**	**-**	**256,562**	30,422	-	30,422
Cash flows from operations before changes in working capital	**(2,259,213)**	**(1,497,308)**	**(3,756,521)**	(2,006,773)	(524,061)	(2,530,834)
Changes in inventories	**7,949**	**-**	**7,949**	(37,199)	-	(37,199)
Changes in amounts recoverable on contracts	**-**	**-**	**-**	-	-	-
Change in trade and other receivables	**598,350**	**-**	**598,350**	(95,672)	12,867	(82,805)
Change in trade and other payables	**(1,300,894)**	**1,497,308**	**196,414**	(184,466)	227,936	43,470
Cash (used) / generated from operations	**(2,953,808)**	**-**	**(2,953,808)**	(2,324,110)	(283,258)	(2,607,368)
Interest paid	**(203,187)**		**(203,187)**	(330,937)		(330,937)
Costs associated with disposal of companies	**-**	**-**	**-**	-	-	-
Cash flows from operating activities	**(3,156,995)**	**-**	**(3,156,995)**	(2,655,047)	(283,258)	(2,938,305)
Cash flows from investing activities:						
Disposal of subsidiary undertaking	**-**	**-**	**-**	-	1,245,000	1,245,000
Cash disposed with subsidiary	**-**	**-**	**-**	-	-	-
Cash acquired with subsidiary	**-**	**-**	**-**	27,574	-	27,574
Capital expenditure on development properties	**-**	**-**	**-**	-	-	-
Capital expenditure on intangible assets	**(292,534)**	**-**	**(292,534)**	(188,349)	-	(188,349)
Investment in acquisition	**-**	**-**	**-**	-	-	-
Purchase of plant and equipment	**(56,304)**	**-**	**(56,304)**	(543,765)	-	(543,765)
Interest received	**-**	**-**	**-**	8	-	8
Cash flows from investment activities	**(348,838)**	**-**	**(348,838)**	(704,532)	1,245,000	540,468
Cash flows from financing activities:						
Equity share capital raised	**5,470,663**	**-**	**5,470,663**	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)	-
Cash flows from financing activities	**4,807,849**	**-**	**4,807,849**	3,450,750	(961,742)	2,489,008
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
Cash and cash equivalents at 30 June	**1,450,819**	**-**	**1,450,819**	148,803	-	148,803

Consolidated statement of cash flows

For the period ended 30 June 2013 (amounts in £)

	Continuing Jun-13	Discontinued Jun-13	Total Jun-13	Continuing 2012	Discontinued 2012	Total 2012
Cash flow from operating activities						
Loss after taxation	**(777,023)**	**(71,782)**	**(848,805)**	(1,883,733)	(852,997)	(2,736,730)
Adjustments:						
Taxation	-	-	-	-	-	-
Finance costs	**89,790**	**7,647**	**97,437**	322,972	28,992	351,964
Finance income	-	-	-	(3,723)	-	(3,723)
Net portfolio losses / (gains)	-	-	-	-	-	-
Depreciation	**33,408**	-	**33,408**	-	244,516	244,516
Impairment charge for investment and development properties	-	-	-	504,779	610,774	1,115,553
Share based payments	-	-	-	23,340	-	23,340
Cash flows from operations before changes in working capital	**(653,825)**	**(64,135)**	**(717,960)**	(1,036,364)	31,285	(1,005,079)
Changes in inventories	**(39,060)**	-	**(39,060)**	-	-	-
Changes in amounts recoverable on contracts	-	-	-	-	204,115	204,115
Change in trade and other receivables	**(176,525)**	-	**(176,525)**	(230,320)	(142,500)	(372,820)
Change in trade and other payables	**(485,053)**	**(4,940)**	**(489,993)**	(276,244)	172,020	(104,224)
Cash (used) / generated from operations	**(1,354,463)**	**(69,075)**	**(1,423,538)**	(1,542,928)	264,919	(1,278,009)
Interest paid	**(160,383)**	-	**(160,383)**	(70,225)	(28,992)	(99,217)
Costs associated with disposal of companies	-	-	-	-	-	-
Cash flows from operating activities	**(1,514,846)**	**(69,075)**	**(1,583,921)**	(1,613,153)	235,927	(1,377,226)
Cash flows from investing activities:			-			-
Disposal of subsidiary undertaking	-	**1,550,000**	**1,550,000**	-	-	-
Cash disposed with subsidiary	-	-	-	-	(5,292)	(5,292)
Cash acquired with subsidiary	-	-	-	-	-	-
Capital expenditure on development properties	-	-	-	-	(485,809)	(485,809)
Capital expenditure on intangible assets	-	-	-	-	-	-
Investment in acquisition	**(50,234)**	-	**(50,234)**	-	-	-
Purchase of plant and equipment	**(350,109)**	-	**(350,109)**	(190,983)	-	(190,983)
Interest received	-	-	-	-	-	-
Cash flows from investment activities	**(400,343)**	**1,550,000**	**1,149,657**	(190,983)	(491,101)	(682,084)
Cash flows from financing activities:						
Equity share capital raised	**1,495,000**	-	**1,495,000**	1,318,885	-	1,318,885
Other short term loans	**(400,669)**	-	**(400,669)**	1,127,247	-	1,127,247
Intra Group Cash Transfers	**1,480,925**	**(1,480,925)**	-	(234,538)	234,538	0
Cash flows from financing activities	**2,575,256**	**(1,480,925)**	**1,094,331**	2,211,594	234,538	2,446,132
Decrease in cash and cash equivalents	**660,066**	-	**660,066**	407,458	(20,636)	386,822
Cash and cash equivalents at 01 January	**57,632**	-	**57,632**	(349,826)	20,636	(329,190)
Cash and cash equivalents at 30 June	**717,698**	-	**717,698**	57,632	-	57,632

A copy of the unaudited interim accounts for the six months ended 30 June 2014 is available from the Company's website at www.advancedoncotherapy.com