ADVANCED
ONCOTHERAPY

Annual Report 2016

Advancing cancer treatment with
innovative, cost effective technology

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WHO WE ARE

Our focus is to develop technologies to maximise the destructive effect of radiation on tumours whilst minimising damage to healthy tissues. Our goal is to help healthcare providers and hospitals expand their repertoire of treatments to ensure clinicians and patients have choices. Our aim is to deliver, cost-effectively, the next generation of proton therapy which is clinically superior to the currently available alternative radiation therapies.

Advanced Oncotherapy plc ("Advanced Oncotherapy" or "the Company") has its head office in London, UK and its subsidiary ADAM S.A.'s ("ADAM") R&D facility located in Geneva, Switzerland.

OUR VALUES

We are guided by six core values. We strive to ensure that these values permeate throughout our work and organisation and our relationships every day.

INTEGRITY
We choose the right path, not the easy path. We promote a "just culture" environment that requires each of us to do the right thing to ensure patient safety. We do what is best for our patients and our community, every moment of every day. Integrity guides us to passionately engage in our work, step up to every challenge and conduct our business with transparency.

SINCERITY
We believe it will be our sincerity and openness, combined with our own expertise that paves the way to innovations that really matter and help patients. Inside our Company, openness is the key source of change and progress. It pays to question day-to-day routines, share knowledge and find creative, new approaches.

RELIABILITY AND ACCOUNTABILITY
We accept that we have a duty to act responsively and be accountable for all of our actions.

COMMITMENT
We are passionate about helping to shape the next generation of radiation therapies. We are intensely focused on serving our clients and patients. We do what we say we are going to do: we strive to fight cancer, improve the lives of our patients and create value for our shareholders.

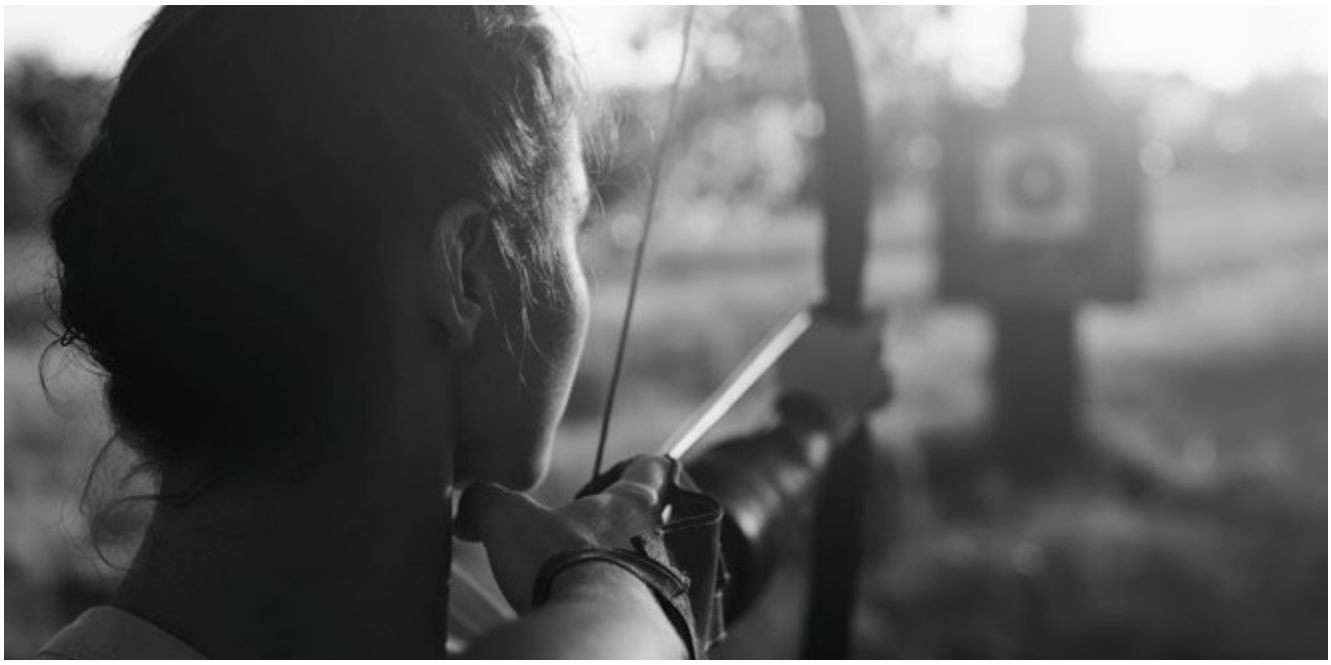
CONSISTENCY
We always seek the most solid foundation of evidence available in every practice we embrace. Our research is guided by innovation, best practice, rigour and accuracy.

COMPETENCE AND COLLABORATION
We work as one team, united by a common purpose. We work with key stakeholders, organisations and community groups who share our aim of defeating cancer. Recognising the value of bringing together diverse perspectives, we create an environment where new partnerships thrive, where barriers to freely sharing knowledge do not exist and where the right stakeholders are engaged from the very beginning.

OUR VISION AND MISSION

WHAT IS OUR VISION?
Our vision is to develop a more affordable proton-based radiotherapy system, using an innovative and clinically more effective technology, and saving many more cancer lives.

HOW DO WE TURN OUR VISION INTO REALITY?
Our mission is to commercialise our novel LIGHT technology by building on the success and scientific know-how of people with previous experience at CERN.



WHY USE LIGHT?

LIGHT

The clinician's view

- First linear accelerator used in proton radiotherapy
- Optimal delivery of radiation in the patient under all circumstances and variable energy packet delivery to specific areas of tumour
- Fast energy switching (200 times per second)
- Efficient mitigation strategies in target motion control and adaptive treatment delivery
- Software technologies that address every part of the workflow
- Efficient workflow management, electronic data and procedure management
- State of the art fully-integrated treatment room offering

The engineer's view

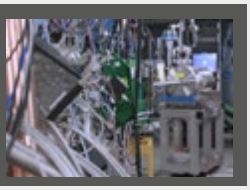
- 230MeV using a linear accelerator (Linac)
- Technology is now mature; little risk since it uses tested technologies for the Linac and treatment room
- Lower induced radiation allowing significantly less shielding
- Modular design system providing ease of mechanical installation

The financial view

- The opportunity to tap a market with significant unmet medical needs requires a disruptive technology
- System allowing to treat patients closer to where they live and at an affordable cost...
- ... including reduced upfront costs (equipment, reduced radiation shielding, lower end-of-life dismantling costs), running costs and lower maintenance costs.
- Modular nature of the LIGHT system offering increased flexibility for installation in existing buildings, without resulting in significant building cost
- A vision focused on making proton therapy treatments at or below the current cost of conventional radiotherapy

WE ARE NOW READY TO START COMMERCIALISING OUR TECHNOLOGY

1. LIGHT technology now validated and developed



2. Manufacturing agreement with Thales; LIGHT is the only product that lends itself to mass production

3. Proton beam capable of treating superficial tumours by Q3:18

4. Purchase order signed with Circle Health, exclusivity agreement and memoranda of understanding already signed

5. Team to lead commercialisation and installation process now assembled

Makes proton therapy affordable to everyone

EXECUTIVE CHAIRMAN'S STATEMENT

Dr Michael Sinclair

INTRODUCTION
I am very pleased to report another year of significant progress in our aim of delivering the ground-breaking LIGHT system (Linac Image Guided Hadron Technology), a next generation proton therapy system for treating cancer.

Since 2014, when we first set out detailed timelines for investors, the business has moved forward and we have adapted to the changing requirements we have faced as we continued along our journey. Back in 2014 we had no confirmed flagship site, no customers and no agreements covering our move into production manufacturing. Since then we identified a prime site in Harley Street, have partnered with Circle Health to operate the site, extended our original foot print on site, successfully gained planning permission for the site and completed the tender process for our construction partners. Whilst doing all of this we continued to make considerable advances in the technical development of our first LIGHT system and put in place the framework agreement with Thales that will ultimately provide Advanced Oncotherapy with the capacity to mass produce eight LIGHT units annually, to fulfil a pipeline of interest already established in the UK & Europe, the US and across Asia.

To reflect the changing requirements and opportunities that we faced, in March 2017 we outlined revised timelines for site readiness, patient treatment and technological development. We are confident that we will deliver to this timeline and remain committed to hitting these targets and regularly communicating our progress to shareholders.

Our technology and key differentiators
At Advanced Oncotherapy, we will offer healthcare providers affordable systems that will enable them to treat cancer with an innovative proton therapy technology which offers better health outcomes for patients and lower treatment related side effects. Our LIGHT technology offers the following advantages:

- ***Lower cost***: Estimated cost of a multiple treatment room LIGHT facility will be in the region of USD40m vs. USD160-200m for those using cyclotrons or synchrotrons;
- ***Precision***: The beam energy from a LIGHT machine can be moved very rapidly during therapy, allowing the beam to more accurately target cancer cells and spare healthy tissues;
- ***Compact***: LIGHT will be smaller and materially lighter than conventional proton therapy solutions, significantly reducing the size and construction cost of the facility required to house it;
- ***Modular***: LIGHT will be modular in nature providing healthcare operators greater freedom to customise their service to particular treatments ie, providing lower energy accelerators for eye, head or neck treatments, and having the flexibility to increase this to higher energies through the addition of other modules for other more deep-seated tumours;
- ***Lower shielding requirements***: LIGHT will require less shielding than conventional proton therapy solutions.

TECHNOLOGICAL DEVELOPMENT
During the year we made significant progress in our technological development of our first LIGHT system. The proton source, constructed by Pantechnik in France, was fully assembled and shipped to Geneva for testing and tuning. The Radio Frequency Quadrupole (RFQ), the technology licensed from CERN which first accelerates the protons to 5MeV, was also assembled at the facility and successfully tested there.

At the end of the year we had fully integrated the proton source and the RFQ, following a successful testing and calibration programme. Whilst the acceleration and measurements predicted matched those expected from computer simulations, it was not until after the year end that the team's hard work culminated in our biggest technical achievement to date: the first successful acceleration of the proton beam from 40keV to 5MeV. The significance of this first acceleration cannot be overemphasized as this is, by far, the hardest part of the acceleration process to achieve and the stage carrying the most technical risk.

During the year we also performed successful high power testing of the Side Coupled Drift Tube Linac (SCDTL) module, which will ultimately be used to accelerate the protons further from the 5MeV produced to an energy of 20-25MeV, which we expect to achieve by the end of the year. It is also worth remembering that the rest of the technology for accelerating the proton beam has been validated through the LIBO (LINAC BOoster) prototype.

Full details of our future key technical milestones are detailed below and we will continue to update shareholders on our progress as we aim to create a beam capable of treating superficial tumours by the end of Q3 2018.

HARLEY STREET
The availability of the Harley Street site presented us with an enormous opportunity to showcase our unique technology and demonstrate its suitability for central city locations and, in particular, the technology's ability to overcome the challenges associated with installation in a Grade 2 listed building in a prestigious and well known centre for medical excellence. Successful planning permission was a key milestone for the project's development and, following the appointment of Circle Health as joint operator in October 2015, the Company was offered the opportunity to increase the site's footprint. Whilst this did have an impact on the timing of receipt of planning permission and building works, ultimately it meant we had the go-ahead from Westminster City Council (granted in October 2016) for an enlarged footprint and capacity to create greater shareholder value in the long term.

Post period end, The Howard de Walden Estate, the landlord of the Harley Street site, announced the appointment of Deconstruct (UK) Limited as the principal contractor. Preparatory works have been carried out and, following receipt of confirmation from Westminster City Council, Deconstruct have started shell and core work, which is now well underway.

As we outlined to investors in March 2017 based on initial quotes, on-site excavation and build times for the core and shell are estimated to take between 62 and 96 weeks with an additional 52 weeks for full fit-out, including the installation of cooling systems and power supplies. Whilst these estimates reflect the constraints associated with working with two listed buildings in a residential area, they compare very favourably to building times associated with the construction of multi-room proton beam facilities using legacy technologies traditionally built in large and remote areas. The team will endeavour to ensure that all construction and excavation will be carried out with minimal disruption and disturbance to the residents of Harley Street and the surrounding areas. We believe that the site will be ready for installation by H1 2019 and following regulatory approval and commissioning, the first patient treatment is expected in 2020.

PRODUCTION & MANUFACTURING

In February 2016, we signed an industrialisation agreement with Thales to manufacture and build our completed LIGHT systems. Thales is a global technology leader for the Aerospace, Transport, Defence and Security markets.

The first major step of this partnership consisted of initial optimisation studies undertaken by Thales with the view to commissioning and building two custom-designed series production lines. This phase is well advanced and the future manufacturing hub has now been identified in one of Thales' existing sites at Thonon, France. The terms of manufacturing the first LIGHT machine were finalised in October 2016. In addition, Thales has already started to carry out high power Radio-Frequency (RF) testing and conditioning of accelerating modules and sub-systems in its Velizy site near Paris.

For the second phase of this collaboration, the Company, with the support of Thales, is committed to build two production lines capable of producing eight machines per year. In addition, the arrangements have been finalised to support the manufacturing strategy of the first LIGHT system in Harley Street, London. We continue working towards strengthening our collaboration through a focus on risk and rewards sharing. This approach encompasses both operational and financial considerations, a pre-requisite for disrupting the market for proton therapy.

1 ***Accelerator – Thales***
Thonon & Velizy, France.

2 ***RFQ – CERN***
Geneva, Switzerland.

3 ***Proton Source – Pantechnik***
Bayeux, France.

4 ***SCDTL – TSC***
Rome, Italy.

5 ***SCDTL – VDL***
Eindhoven, Netherlands.

6 ***CCL – VDL***
Eindhoven, Netherlands.

7 ***RF Modulators – Scandinova***
Uppsala, Sweden.

8 ***Nozzle – Pyramid***
Boston, USA.

9 ***Treatment Room – P.Cure***
Tel Aviv, Israel.

10 ***Control Software – ICT***
Eindhoven, Netherlands.

FINANCING

During the year we raised £10 million (before expenses) through the issue of 10,000,000 new ordinary shares of 25 pence each in the capital of the Company at a price of 100p per New Share to new and existing shareholders. A group of Directors and Senior Management participated in this funding round and subscribed for a combined total of 3,155,000 of these shares. In addition, a further 3,378,771 shares were issued as part of an Open Offer.

At 31 December 2015 the Company had shareholder funds of £27.3m and at 31 December 2016 the Company had £34.0 million. The increase of £6.7m can be explained through the Company raising new equity funding of £14.2 million and an increase in share option reserve of £1.2m, an increase in the exchange rate movement reserve of £1.6 million, offset by a retained loss of £10.3m.

During the year we also agreed access to further funds through an arrangement with Metric Capital Partners LLP, a Pan-European private capital fund manager, to provide £24 million of vendor financing for the purchase of the LIGHT machine in Harley Street. Whilst we subsequently removed the condition requiring a further £25 million cash or capital injection we have not yet drawn down on the facility, although the option to do so remains available to us.

Following the year end, we secured a flexible and staged £26 million financing agreement with Bracknor Investment Group, a Dubai based investment firm. The agreement gives the Company the ability to issue a minimum of £13 million in convertible loan notes (Minimum Requirement), in tranches of £1.3 million each, up to a maximum, at the Company's sole discretion, of £26 million over 24 months, and was approved by shareholders at our General Meeting. The Company has a further option to raise up to an additional £26 million, on the same terms, for a potential total commitment of £52 million, provided issuance of the initial £26 million has occurred within the first two years.

In addition to this we signed a 12 month convertible and redeemable loan in March and June 2017 with Blackfinch Investment Ltd, at a conversion price of 100p, which provides net funding of £6.5m. This agreement provides the Company with additional financing to complement the Bracknor financing facility and offers us added flexibility in terms of forthcoming financing requirements.

We continue to consider additional financing options, including non-dilutive financing, the facility with Metric Capital, and other possibilities and with these two funding options in place we have strengthened the position from which we approach these options.

EXECUTIVE CHAIRMAN'S STATEMENT - continued

PIPELINE
As well as our facility in Harley Street, we have a number of commercial opportunities in the pipeline. In the USA, we are currently in ongoing discussions with three different sites in which we would install the LIGHT system. Site one is a one room system with the potential for a second room. The second and third sites are both two room systems. We also have a potential project in Spain and one in Italy. In terms of China and the rest of Asia, we are in ongoing discussions with key stakeholders to determine what the best way to proceed is. There are also opportunities in the Middle East and Australia with discussions underway at leading academic and clinical centres and we will update the market with further progress in our sales pipeline.

PEOPLE
In 2016, we decided to realign the roles and responsibilities of the Executive team to add additional focus on operational functions We decided that my roles of Executive Chairman of Advanced Oncotherapy and Chief Executive Officer be split. With that in mind, Nicolas Serandour was promoted to Chief Executive Officer, after joining the Company as Chief Financial Officer in September 2014 and taking on the additional role of Chief Operating Officer in February 2016. This change was important as the agreement with Thales marked a shift in the business from just focussing on the development of the first LIGHT system, to the ongoing commercial roll-out of the game-changing technology. The future commercial development of the business will be critical to the long-term success and value creation within the Company.

We also appointed Michel Baelen to the Company as Head of Regulatory Affairs, Gerardo d'Auria as a new Technical Director and Ed Lee as Senior Vice President of Operations; in June 2017, Ed was appointed Chief Operating Officer.

SINOPHI
In February 2017, we reached an agreement with Sinophi to terminate the purchase orders announced on 25 March 2015 and 21 October 2015. We have retained our full distribution rights for the LIGHT system in China and South East Asia and are now in a position to speak to hospitals, clinics, potential distribution partners and advisory bodies in the region. Although these events were disappointing for us, it did not take away from the fact that we still expect to see high demand for our first product, particularly in Asia, and continue to focus on the completion of our first installation.

OUTLOOK FOR 2017
As per our update in March 2017, the Harley Street facility will be the first site in the UK where the LIGHT system will be installed. Alongside our partners CircleHealth, we are also in discussions to build a system at a new hospital in Birmingham. We are in advanced negotiations with a number of sites in the USA, Europe, Asia and the Middle East. Based on this, we are confident that we will secure additional commercial sales in the near future.

In addition, a number of meetings have been held with regulatory bodies in Europe, the US and China, which provides us with the confidence we need to pursue a valid path to ensure future regulatory approvals.

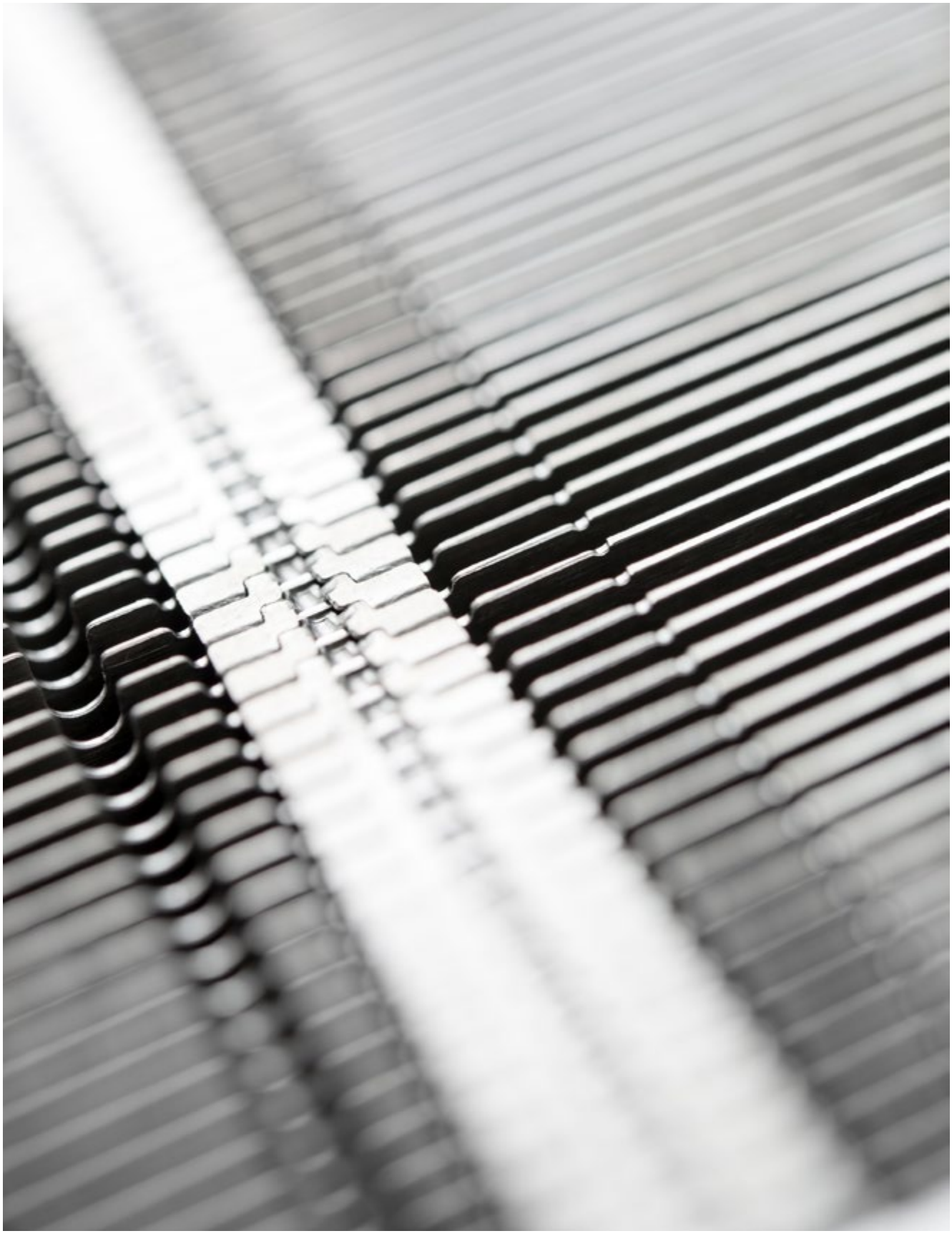
A summary of key technical milestones is provided below:

By end Q2 2017	• Delivery of all CCL units • Beam fired through RFQ
By end Q4 2017	• Beam through SCDTLs at an energy of 20-25MeV • Development of the Patient Positioning System
By end Q2 2018	• Beam fired through the first CCL • Directional dose delivery system (or Nozzle) ready for installation
By end Q3 2018	• Beam capable of treating superficial tumours

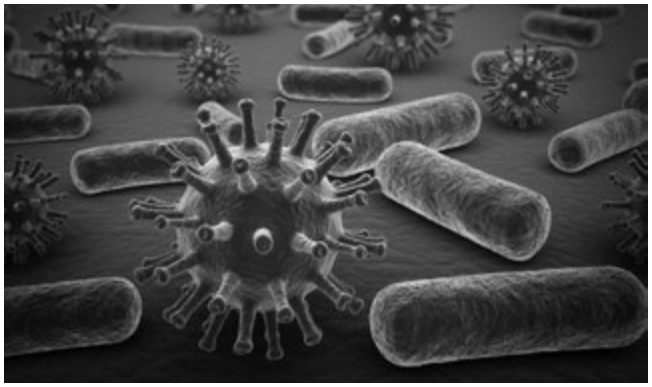
Although much of 2016 was a challenging time, we have overcome the obstacles that we have come up against and look forward to successfully executing on the timelines that we outlined in March 2017. We should see further considerable progress in the Company and are confident that we are in a position to deliver against our timetable for success.

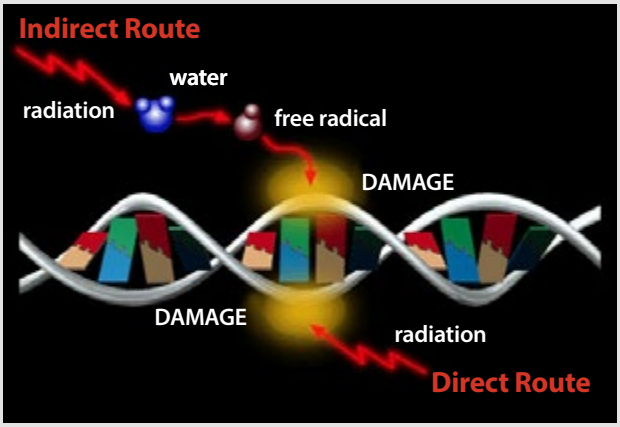
We believe in people and the team around us involves some of the leading experts in their chosen fields. We are ideally placed with the right product and at the right time to enter a market with explosive growth rates. Our technology is disruptive and has the power to change the face of cancer treatment around the world. We have a clear path for commercial success with significant milestones coming this year. On behalf of all of our shareholders, I would like to thank them for their continued support and belief, and I look forward to further success ahead.

Dr Michael Sinclair
Executive Chairman



PROTON THERAPY: OVERVIEW





ABOUT CANCER

Cancer is the name given to a very large group of diseases that all show one common characteristic – the excessive or unregulated growth of cells. The growth of healthy, normal cells is under very strict control but in cancer these controls fail to work and the cells start to grow and behave abnormally, forming lumps or masses of tissue called tumours. Tumours can grow and interfere with the digestive, nervous, and circulatory systems, and they can release hormones that alter body functions. More dangerous, or malignant, tumours form when two things occur:

- a cancerous cell manages to move throughout the body using the blood or lymphatic systems, destroying healthy tissue in a process called invasion;
- that cell manages to divide and grow, making new blood vessels to feed itself in a process called angiogenesis.

There are over 100 different types of cancer, and each is classified by the type of cell that is initially affected.

According to estimates from the International Agency for Research on Cancer (IARC), there were approximately 14 million new cancer cases and eight million cancer deaths worldwide. By 2030, the global burden is expected to grow to 22 million new cancer cases and 13 million cancer deaths simply due to the growth and aging of the population. The future burden will probably be even larger because of the adoption of western lifestyles, such as smoking, poor diet, physical inactivity, and fewer childbirths, in economically developing countries.

Given the complexity of the disease, it is unlikely in the short to medium term that a cure will be found for all cancers; however, scientific progress in both diagnosis and treatment has led to a better outlook for cancer patients over the past few decades. According to the American Cancer Society, the 5 year survival rate for all cancers diagnosed between 2004 and 2010 increased to 68%, up from 49% in 1975 to 1977. In this context, professionals are beginning to work towards cancer being a chronic, manageable disease. As a result, companies are realigning their efforts into delivering new treatments with reduced side effects and a limited impact on the quality of life for patients.

ABOUT RADIATION

Each year, millions of people worldwide undergo treatment for cancer based on focused beams of high-energy photons (also called X-rays). Produced by electron linear accelerators (Linacs), photons with energies are targeted on cancerous tissue where they indirectly ionise DNA atoms and therefore reduce the ability of cells to reproduce.

Ionising radiation is any type of particle or electromagnetic wave that carries enough energy to ionise or remove electrons from an atom.

When atoms in living cells become ionised one of three things usually happen – the cell dies, the cell repairs itself, or the cell mutates and can become cancerous. Not all cells are affected by ionising radiation in the same way. Those cells that reproduce the most and are the least specialised are the most likely to be affected by ionising radiation rapidly. For example, childhood cancers are particularly vulnerable because of their high rate of division.

The target of radiation during therapy is the cellular DNA in the nucleus. Radiation can damage DNA through two mechanisms: direct hits and through free radical formation (e.g. OH-, highly reactive stripped water molecules). The DNA strand damage must occur in both strands and at a location to prevent damage repair by the DNA replication mechanisms. It appears that double strand breaks from radiation-induced processes are persistent, unlike double strand breaks that occur, and are repaired, in the normal DNA replication processes. The persistent DNA damage disrupts the cell cycle and invariably causes cell-death.

Photon (or X-rays) therapy has been in clinical use for more than a century, following the discovery of X-rays by Roentgen in 1896 and has helped to save or improve the quality of countless lives.

Most people fear ionising radiation. Certainly it can cause death if people are exposed to too much of it. However, ionising radiation, like many things, is only dangerous when living organisms are exposed to high doses of it. There is background radiation all around us. Many radioactive substances exist naturally and are within the earth's rocks and soil. Most cement, stoneware, and granite contain some radioactivity, but the levels are very low. Radiation is effective as a cancer treatment because it can kill the cancer cells, however it can also kill or damage nearby cells. When radiation is used to treat cancer it must be very carefully localised. For this specific reason, significant effort has been put on the development of new radiation therapies which limit side effects. This is best exemplified through the successful development of proton therapy.

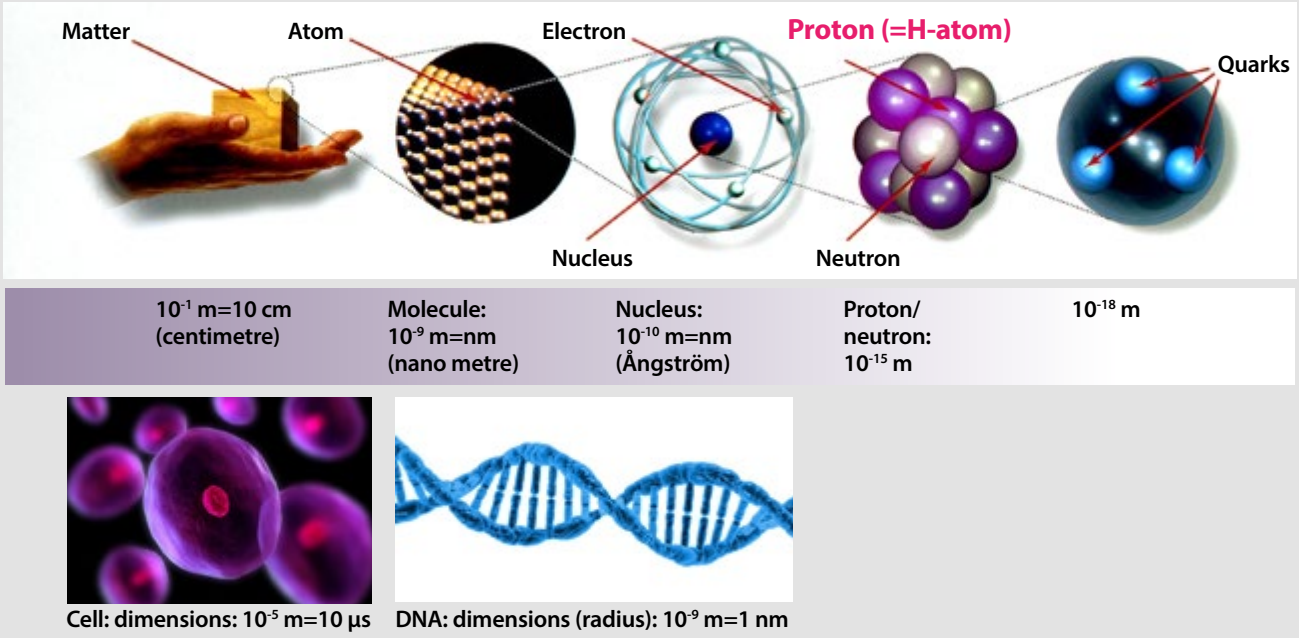
ABOUT PROTON THERAPY

Overview

Proton therapy, which is a subclass of particle or hadron therapy, is an innovative alternative technique in radiotherapy. It can treat tumours in a much more precise manner than X- or gamma-rays because the radiation dose of protons is ballistic: protons have a definite range characterised by the Bragg peak, which depends on their energy. This initial ballistic advantage gives protons their advantage over X-rays to provide a radiation dose deposition that better matches tumour contours while limiting the dose in the vicinity by limiting the integral dose to an absolute minimum at the whole-body level, the side effects of proton therapy occurring from radiation-induced cancer are reduced to a minimum. This property, which was first identified by accelerator-pioneer Robert Wilson in 1946 when he was involved in the design of the Harvard Cyclotron Laboratory, results in a greater treatment efficiency and a lower risk of complications.

Protons

The proton is a heavy charged particle that gradually loses its speed/energy as it interacts with human tissue. It is easily manipulated and delivers its maximum radiation dose at a precise depth called the Bragg peak which is determined by the energy it was given by the accelerator. This provides significant clinical benefits as explained thereafter.



A sketch showing the relative sizes of the constituents of matter.

A hydrogen atom consists of a proton and an electron. When hydrogen atoms react with each other, they form neutral hydrogen molecules (H_2), which are a convenient source of protons for accelerators such as those used in cancer therapy and in particle physics facilities. In the CERN Large Hadron Collider (LHC) ultra-high energy protons are collided to create the conditions which existed just after the creation of the universe so that they can be studied experimentally.

A proton source for an accelerator comes in the form of a simple bottle of hydrogen gas. Strong electric fields "strip" the electrons from the hydrogen atoms and thereby produce protons.

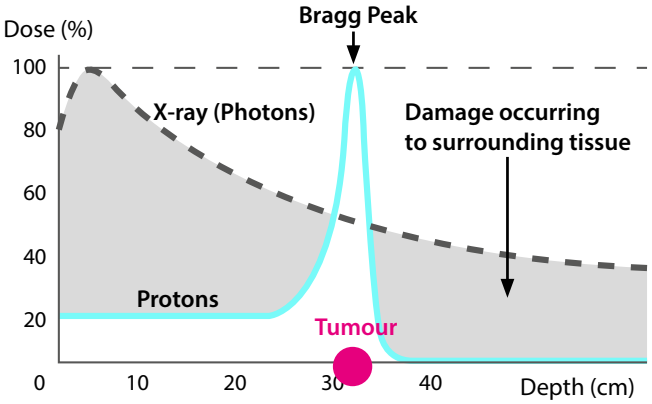
Interactions with Human Tissue

Before they reach the cancer target, both radiation types (photons or protons) have to make their way through the patient's skin and surrounding tissues.

The photon (X-rays), with no mass and no charge, is highly penetrating and delivers a radiation dose throughout any volume of tissue irradiated. However, depending on its initial energy, most of the radiation is absorbed only 0.5 to 3 cm from the patient's skin. The radiation then gradually deposits energy until it reaches the target.

PROTON THERAPY: OVERVIEW - continued

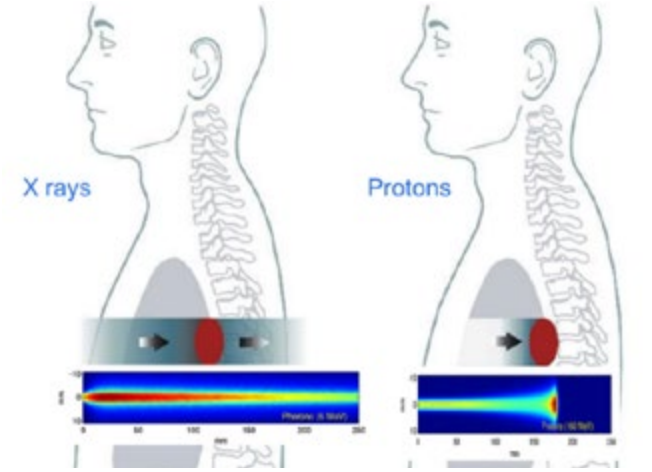
In contrast, a proton delivers a different radiation dose profile whereby the maximum radiation dose is delivered at its stopping point (the Bragg peak).



The proton has lost ALMOST all its energy

Consequently, the behaviour of the proton can be precisely determined and the beam can be directed so the Bragg peak occurs exactly within the tumour site. Immediately beyond this energy peak, the proton has lost all its energy and therefore stops ionising. Proton therapy therefore allows targeting of tumours in three dimensions inside the body and, by precisely localising the radiation dosage, spares the patient's healthy cells. As a result of this, the radiation oncologist can increase the dose to the tumour whilst reducing the dose to surrounding normal tissues. This allows the dose to be increased beyond that which less-conformal radiation will allow. The overall effect leads to the potential for fewer harmful side effects, more direct impact on the tumour, and increased tumour control.

In addition, due to their relatively large mass, protons have little lateral scattering in the tissue; the beam does not become diffused and stays focused within the tumour boundary. All protons of a given energy have near-equal penetration range; no protons penetrate beyond a distance slightly beyond that range.

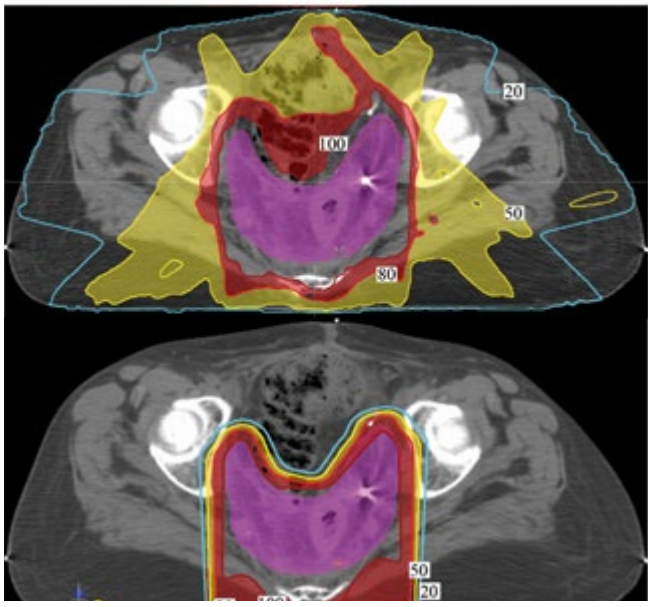


Sketch showing an example of the difference between irradiation with X-rays and with protons. The tumour is depicted as the red ellipse. For protons, there is much less radiation to the healthy tissues in front of the tumour and almost zero behind the tumour, where the critical spinal cord is located.

The patient does not feel anything during treatment, and the minimised healthy cell irradiation results in fewer adverse effects during and following (short-and long-term) treatment. The patients will therefore experience a better quality of life during and after proton treatment.

In principle, any tumour that can be irradiated using conventional x-rays radiation therapy can also be irradiated with protons. Proton therapy was historically used for treatment of complex diseases such as in the head-and-neck, cranial and neurosurgical abnormalities, eye tumours and spinal tumours. The historical practice was limited by the few available facilities and the typically low proton energy. The first clinical facility at Loma Linda provided sufficient energy (up to 230 MeV) to treat the broader set of radiotherapy indications including specifically lung and prostate. Current practice aims to treat any appropriate disease site if a dosimetric advantage or other protocol aim can be achieved. Of particular importance is the treatment of paediatric abnormalities although the operational overhead of the paediatric population has hampered the use of protons in this population.

For tumours which are deeply located, the photon interacts actively with healthy outer cells and delivers only a small dose of ionising radiation to the deeper diseased cells. Moreover, since photons are not all stopped by human tissue, they leave the patient's body and continue to radiate (exit dose). Therefore, a photon treatment can only achieve target conformality[1] through the use of numerous beam directions to achieve a focusing effect of the radiation field (akin to the ability of a lens to focus at a point). To first order, the most significant difference between proton and photon conformal treatments is that the proton field has no exit dose and the dose to surrounding tissues, the "dose bath," is typically half of that for a photon treatment (see below).



Example of equivalent target conformance between a proton treatment (bottom) and photon intensity modulated treatment (top) in the treatment of endometrial cancer showing very significant normal tissue dose in the photon case. The patient in the top panel will experience significant discomfort during treatment as a consequence of dose to the bowel.

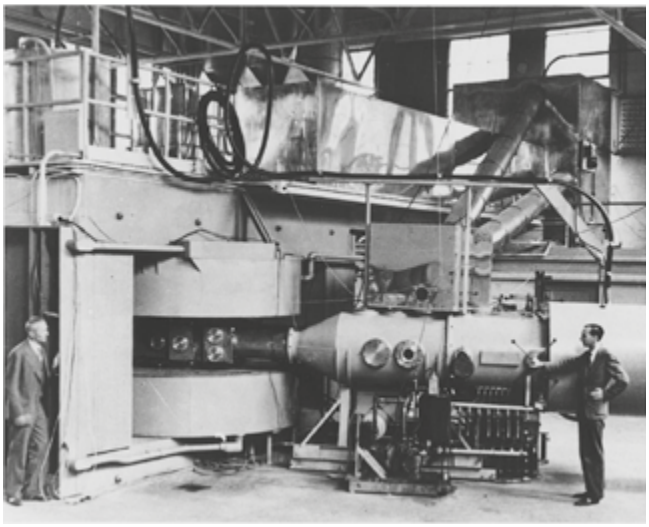
[1] The ability to constrain the dose within the three dimensional tumour.

As growing tissues are more sensitive to radiation, proton therapy has also become an ideal tool for radiation therapy for childhood cancers. The decreased risk of secondary malignancies and also their smaller anatomy justifies the use of proton therapy in children.

However, in spite of the numerous clinical benefits, the high cost of proton therapy has hindered its acceptability. Many hospitals and by implication the patients and those paying for the treatment, do not have the budget required to invest in high-cost treatment options. As the cost of proton treatment reduces (or cost benefit increases), more and more patients will be treated in this way.

FROM THE FIRST PROTON THERAPY MACHINE TO THE LATEST BREAKTHROUGH GENERATION: LIGHT

From the first proton therapy system...
The process of accelerating protons has evolved from one primarily used to test the limits and possibilities of nuclear physics, to one which can be used to produce effective medical therapies.

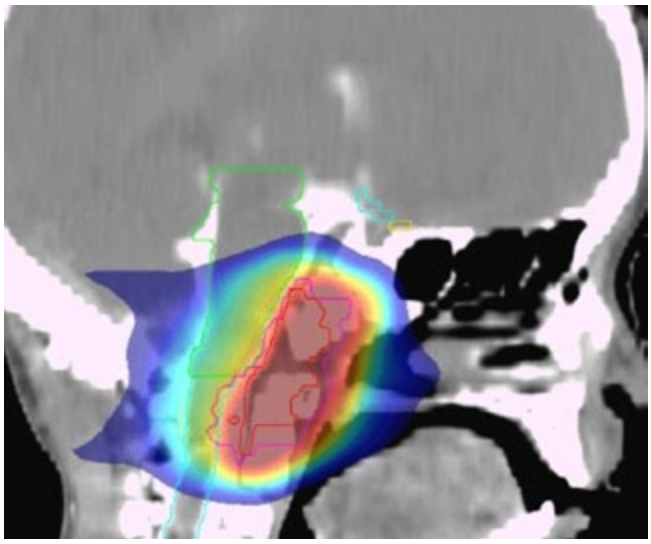


Lawrence's 60-inch cyclotron, with magnet poles 60 inches (5 feet, 1.5 meters) in diameter, at the University of California Lawrence Radiation Laboratory, Berkeley, in August, 1939

The first cyclotron was built in the 1930s at the Berkeley Radiation Laboratory at the University of California, Berkeley. However the first suggestion that protons could be an effective treatment method for medical purposes was only made in 1946 in a paper published by Robert Wilson. The first treatments were performed with particle accelerators built for physics research, notably the Berkeley Radiation Laboratory in 1954 and at Uppsala in Sweden in 1957. Seven years later, Harvard University and the Massachusetts General Hospital (MGH) began using protons for cancer treatment. At the Harvard Cyclotron Laboratory, MGH operated a clinical program since the mid-1960s, starting with neurosurgical treatments, ocular melanoma and large-field radiotherapy.

The MGH program systematically treated about 10,000 patients (until 2001) and validated (probably as a first) the central axiom of radiotherapy: ***Increased target dose and decreased normal tissue dose improve therapeutic outcome.***

The validation was, for example, in the treatment of chordomas which were an incurable disease. The below figure shows a paediatric chordoma treatment to a very high dose level of 79.2 Gy(RBE[2]) which, even today, cannot be achieved with IMRT[3] in terms of normal tissue sparing.



The central axiom has been the sole motivation and justification for technological advances in radiotherapy:

- No trials are necessary to prove the benefit of improved dose distributions[4]
- The primary driver behind the technological advancements is linked to the opportunity to increase the benefits for patients: benefit is measured in cost[5]

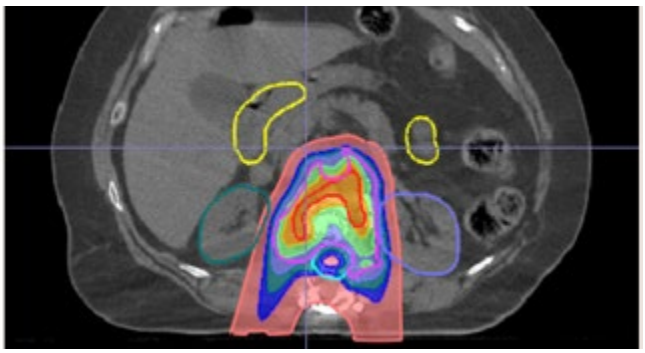
The aim, therefore, is to increase the therapeutic benefit and operational efficiency beyond that of X-ray/IMRT to achieve cost-benefit parity.

... to the fourth generation of proton therapy system: LIGHT

1. First proton radiotherapy systems were used for laboratory-based facilities.
2. The second generation of proton radiotherapy products was introduced at the peak of IMRT deployment when the market desired improvements beyond those possible (or assumed so) with IMRT. The proton products, however, were vastly inferior compared to the IMRT products and this second generation failed to demonstrate operational or clinical efficacies.
3. The third generation system aimed at exploiting an active technique called pencil-beam scanning, which creates a 3D tumour-volume painting by displacing the proton beam with appropriate magnets. The development of pencil beam scanning improved dose distribution and hence opened up significant opportunities to treat a wider range of tumours

[2] RBE: Relative biological effectiveness [3] IMRT: Intensity-modulated radiation therapy
[4] H Suit et al, "Should positive phase III clinical trial data be required before proton beam therapy is more widely adopted? No."
[5] 1-year increase in survival is worth $100,000. [W.K. Viscusi, "The Value of Risks to Life and Health," Journal of Economic Literature (December 1993): 1912–1946] and in quality-of-life.

PROTON THERAPY: OVERVIEW - continued



Spinal column tumour treated with pencil-beam scanning. Pencil beam scanning allowed the full dose to be delivered to the target (60 Gy (RBE)) whilst maintaining the dose to the cord at tolerance level.

1. **Laboratory - based facilities**
2. **Clinical proton therapy systems**
3. **Proton - therapy system with pencil-beam scanning**
4. **Latest technology**

(corresponding to 80% of all radiation treatments). Pencil-beam scanning uses narrow proton beams of variable energy, intensity and geometry to target specific locations within the patient. The ability to vary the energy and intensity of each individual pencil-beam greatly improves the ability to shape the dose distribution inside and outside the target (see below). Pencil-beam scanning is now the standard method for proton treatments.

This generation, however, still does not fully expose or optimise the benefit of proton radiotherapy. This is a consequence, in part, because the 3D generation is primarily a copy of current X-ray operational features which continues to promote dated technologies.

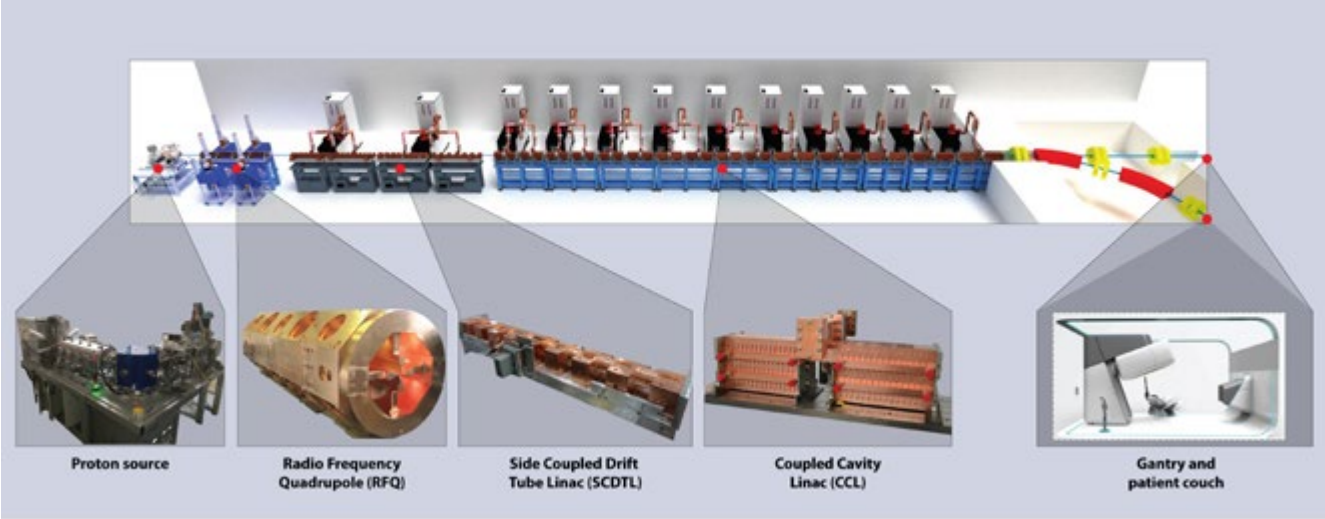
4. Thus, the Company's LIGHT product aims to deliver a fourth generation of proton therapy system that utilise up-to-date modern technologies (end-to-end software and hardware system) to meet the operational future demands of radiotherapy.

The LIGHT Proton Therapy Solution – the L-PTS – is the first to provide a complete end-to-end solution that focuses on the technological elements, such as the accelerator and delivery systems, but also on the workflow that connects all these systems to the end-user: the clinical practitioner. The L-PTS offers the highest level of integration of any proton product on the market.

Illustrations of Harley street proton centre.

THE LIGHT SYSTEM

OVERVIEW OF THE LIGHT ACCELERATOR



LIGHT is a linear proton accelerator dedicated to tumour proton therapy. It is at the core of the proton facility being designed by ADAM/AVO. LIGHT accelerates protons up to 230 MeV (the maximum therapeutic range which can be obtained with 230 MeV protons is just above 32 cm).

Several advantages exist when comparing LIGHT (and therefore the technology of linear accelerators) and circular accelerators like cyclotrons and synchrotrons. The main advantages are here:

- **Precision:** the system has an active longitudinal modulation along the axis of beam propagation (beam energy and therefore the treatment depth can be electronically varied during therapy), rather than using a passive modulation system (where the cyclotrons' fixed initial energy is degraded by the interposition of variable thickness energy absorbers between the accelerator and the patient, causing a quality loss of the beam). Moreover, the LIGHT system has a dynamic transverse modulation that allows a precise 3D treatment of the tumours (spot scanning).

- **Compact:** the linear accelerator has compact dimensions compared to traditional cyclotrons or synchrotrons, therefore reducing size and costs of the building.

- **Modularity:** LIGHT is conceived as an assembly of modular units thereby facilitating installation and possible displacement to a different site. This specific feature offers radiation therapy centres complete freedom of customisation, allowing the choice of a wide range of maximum treatment energies.

- **High frequency:** the very short pulse (a few microseconds) typical of the linear accelerator and the high repetition frequency (up to 200 Hz) are extremely useful to perform a highly conformational therapy based on a fast 3D spot scanning of the tumour. This is achieved by obtaining the following at a high repetition rate:

- **Active Spot Scanning:** multi-painting at high repetition rate with pulses whose flat-top width can also be varied at up to 200 Hz between 0.1 and 5 µs.

- **Active Dose Scanning:** the number of protons per pulse can be varied at up to 200 Hz between 10^6 and 10^9 by varying the output current of the proton source (variable between 1 and 300 µA) and the pulse width.

- **Active Energy positional Scanning:** the energy of the beam can be actively varied, at up to 200 Hz, in steps of up to 5 MeV without absorbers. This is done by a specific technique which modulates the RF pulse and gives the beam the right energy corresponding to the treatment plan. This technique can be applied to each RF modulator power unit. Dipole and quadrupole magnets have been designed to be able cope with this specific feature of LIGHT.

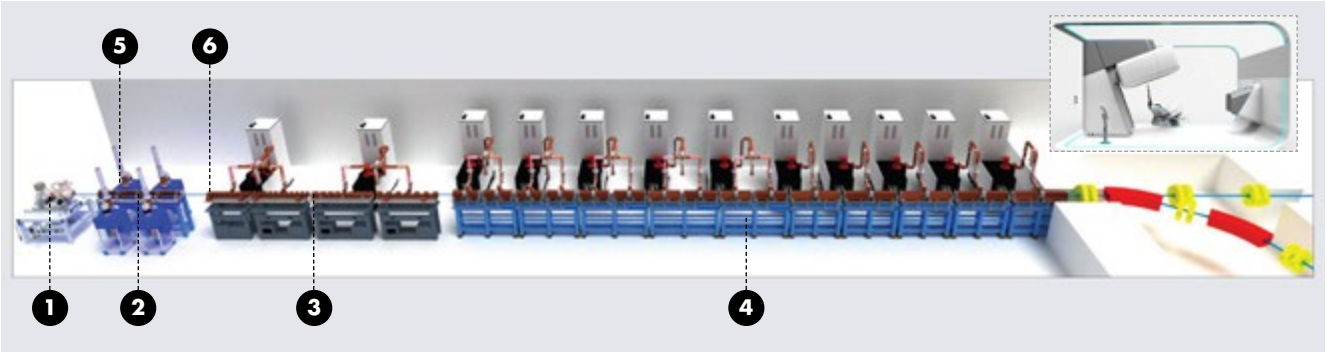
LIGHT does not need to reduce beam energy using passive absorbers.

THE LIGHT SYSTEM - continued

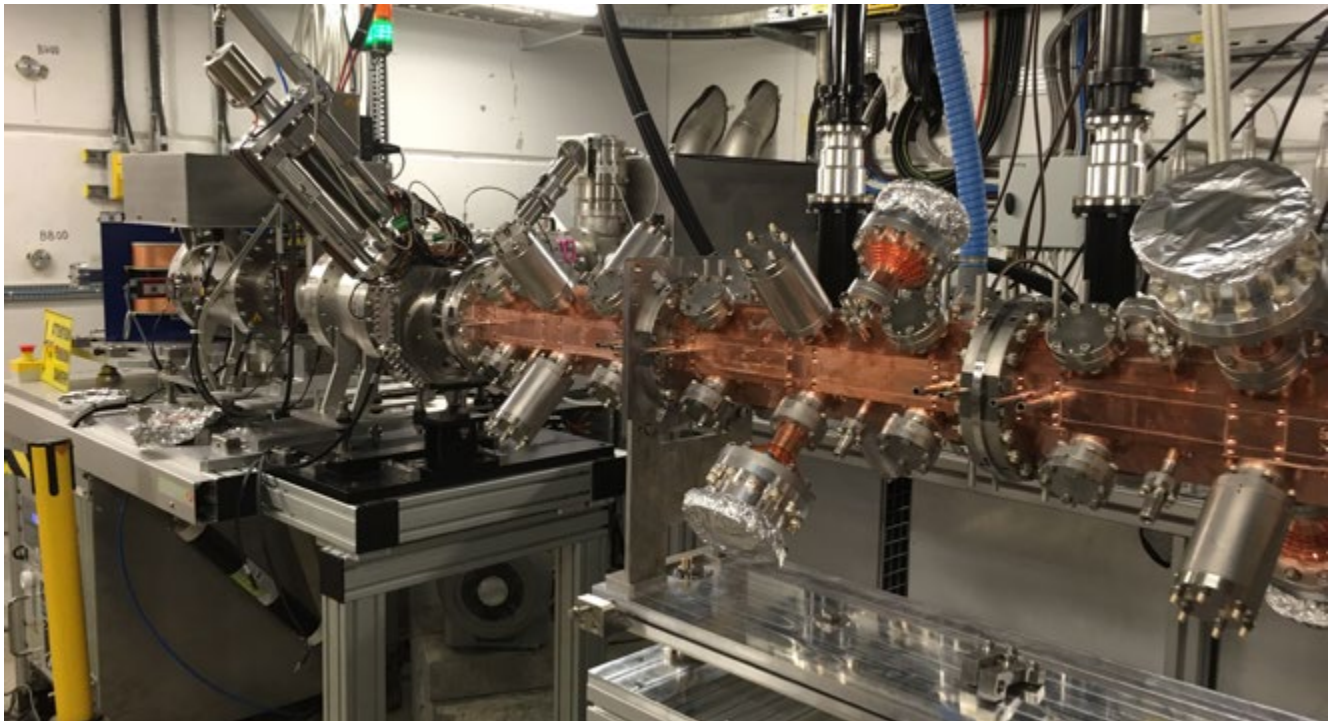
LIGHT is the acronym for Advanced Oncotherapy's Linac Image Guided Hadron Technology. This next generation of proprietary particle therapy systems harnesses the best in modern technology and is the key focus of the Company. LIGHT is a direct medical application of the high energy particle physics research by ADAM (now a fully owned subsidiary of the Company).

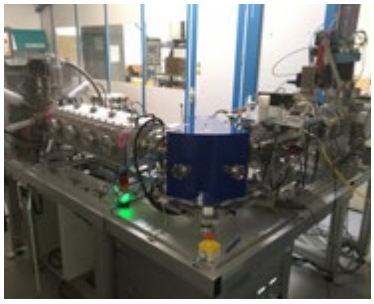
- The LIGHT system uses innovative linear accelerators and hence does not require a cyclotron nor a synchrotron to accelerate the protons to the high energy levels needed.
- This means that neither the massive infrastructure nor the extensive shielding associated with older and current forms of protons accelerators are required.
- It is the first proton radiotherapy product that provides its functionality through a set of customisable services for the management and the implementation of a patient proton treatment course.

LIGHT SYSTEM STRUCTURE

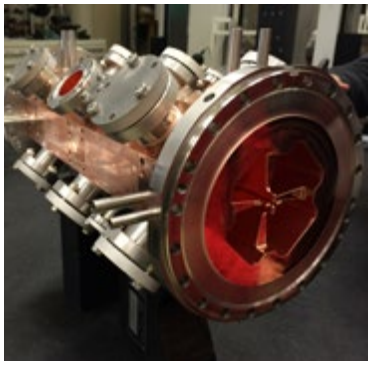


PICTURE OF THE CURRENT LIGHT ACCELERATOR IN THE TESTING FACILITY LOCATED AT GENEVA



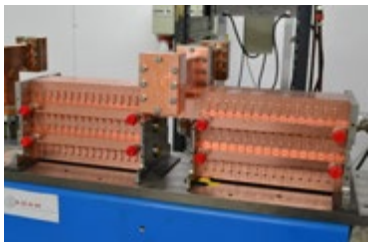


1 PROTON SOURCE AND LOW ENERGY BEAM TRANSPORT
The proton source is the first part of the LIGHT system. It provides the correct amount of protons to the rest of the system. Initial hydrogen molecules – coming from a pressurised gas bottle – are sent into a vacuum chamber where electrons and protons are separated. Thanks to a suitable electric field, protons are accelerated up to an energy of 40 KeV towards the Low Energy Beam Transport system (also called LEBT). The LEBT plays an important role. It is a beam pipe instrumented with devices capable of shaping and steering the beam as needed whilst electrons are pushed back. The initial proton beam coming from the proton source has a constant and continuous current. Within the LEBT, the proton beam is subdivided in short pulses, each having a different total charge, according to the requirements set in the treatment plan. These devices are manufactured by Pantechnik.



2 RADIO FREQUENCY QUADRUPOLE (OR RFQ)
The RFQ is a copper accelerating structure which focuses, bunches and accelerates protons up to 5MeV. This acceleration at slower speeds and to low energies, is one of the more complex parts of the whole acceleration process. The RFQ used in LIGHT system was designed and built by CERN. It is the RFQ working at the highest frequency in the world, ie. 750 MHz. This feature allows to have a smaller and more affordable RFQ, given that a higher frequency implies a shorter wavelength and smaller accelerating structure. The output energy of the RFQ (5 MeV) is a compromise between the requirement of this short and efficient structure and the energy value required and compatible for the following accelerating units. As quoted by Paul Collier, Head of Beams Department at CERN, "this high frequency RFQ is the most beautiful piece of equipment I have been involved in manufacturing. This is a very important piece of technology transfer from CERN to the outside world. We were challenged to design and build the world's highest frequency and highest power RFQ."

3 SIDE COUPLED DRIFTED TUBE LINAC (OR SCDTL)
This part of the LIGHT machine accelerates the protons from 5 MeV to 37.5 MeV. The SCDTL unit is made up of four modules (M1, M2, M3, M4); each of them accelerates protons to higher and higher speeds. The design of these accelerating structures – allows high efficiency (or reduced proton losses) for low-velocity protons. A wave (or electrostatic field) is sent through the SCDTL at a frequency of 3 GHz. This wave is used to accelerate protons by acting as a carrier whereby protons "ride" or "surf" the wave. As the wave gets longer the protons travel faster and with higher energies. The drift tubes vary this wave through the modules and increase the speeds of the protons steadily. The "Side Coupled" name comes from the presence of off-axis cavities – not used for proton acceleration – which allow to focus the proton beam on its axis whilst guaranteeing high stability against mechanical imperfections and perturbations. SCDTLs are manufactured by VDL and TSC.



4 COUPLED CAVITY LINAC (OR CCL)
The CCL units are the last "carriage on the train". It is the section that accelerates protons from 37.5MeV to energies varying from 90 to 230 MeV. These energies are clinically relevant, in that these are the energies that are required for protons to reach any part of the body. The LIGHT system has five double modules and five single modules. Each module is split into 2 "tanks". These tanks can be switched on and off at any point, which makes energy modulation possible given that protons can simply pass straight through them without being accelerated. This feature allows to significantly reduce induced radiation in comparison to other types of proton accelerators. CCLs are manufactured by VDL.

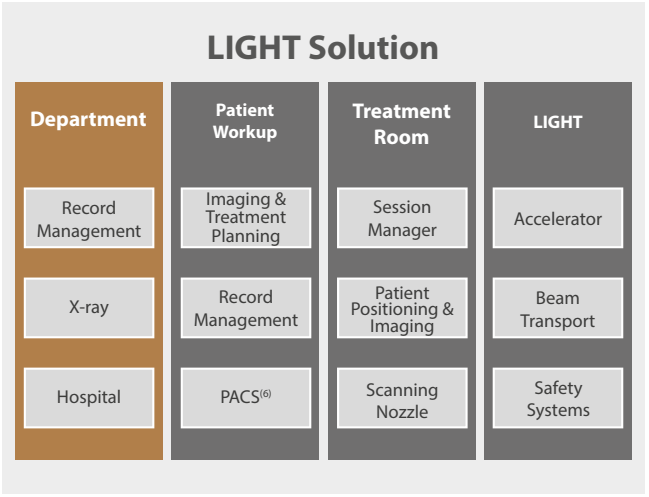
5 MODULATORS, KLYSTRONS AND INDUCTIVE OUTPUT TUBE (IOT)
The accelerating units described above require power. Primary power is provided by modulators manufactured by ScandiNova. These modulators supply electrical power to radio-frequency generators called klystrons. Klystrons – manufactured by Toshiba – provide the radio-frequency power, which create the wave (or electrostatic field) on which protons are accelerated. IOTs are high power radio-frequency generators – similar to klystrons – and used to bring the relevant power to the RFQ.

6 ANCILLARY SYSTEMS
The LIGHT system requires a series of other ancillary devices which allow an efficient and controlled acceleration of protons. As an example, a specific vacuum system is needed to reduce the pressure inside the accelerating units (and hence the amount of air) within the accelerator. As such the proton beam does not collide with air molecules on its way from the Source to the Nozzle and arching in the RF cavities is prevented.

LEVERAGING THE POWER OF THE LIGHT ACCELERATOR FOR THE BENEFITS OF PATIENTS

THE LIGHT SOLUTION

The LIGHT solution offers an industry-leading complete proton solution that goes beyond component integration and, instead, provides a complete user and workflow design and implementation to serve the complete needs for treating patients with proton therapy.

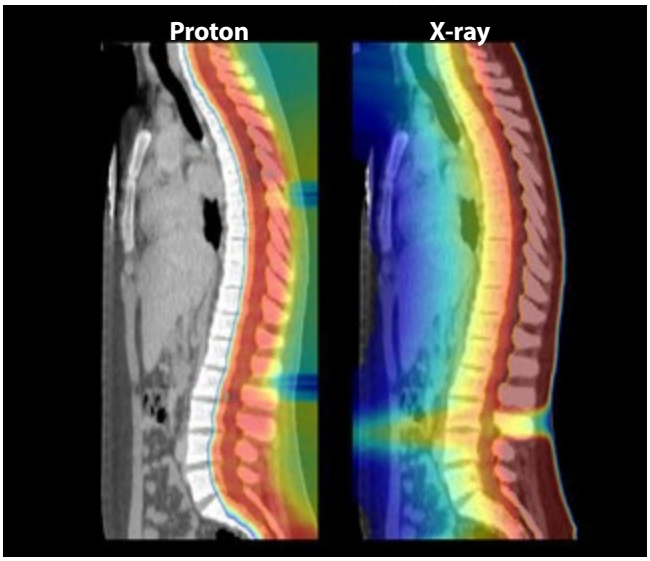


The LIGHT solution includes all functional components to manage and deliver proton radiotherapy to individual patients and provides a seamless, standard, communication interface to the departmental and hospital operations and systems.

The core of the LIGHT solution is the linear accelerator that, unlike circular accelerators, offers optimal energy and charge control at the smallest beam-size over the clinical operational range of energies without the need for field or energy modifying hardware such as range-shifters or apertures and multi-leaf collimators. The beam is transported to the treatment room where it is manipulated as given in the patient-specific treatment plan corresponding to the physician's clinical goals. The features of the LIGHT accelerator are fully supported within the other components to assure optimal operational and clinical performance.

At the clinical level, the LIGHT solution provides all the services to ensure an optimal treatment plan specific to the patient based on accurate imaging and modeling of competing treatment plan approaches. All LIGHT solution services are inter-connected and ensure that each service and component is ready and up-to-date to process any treatment changes in the patient. Such changes include adaptive radiotherapy changes necessitated by image-indicated changes in the patient but also external events such as changes in the patient's health status or otherwise. The service inter-connectivity ensures optimal access for the clinical operator and supporting services to process and propagate the change.

The LIGHT solution aims to provide the highest quality treatment as quantified by dosimetric indicators that measure target coverage and healthy tissue sparing as well as quantified operational efficiency and user operability.



Courtesy Drs. Yock and Tarbell, MGH Pediatric Proton Service

The LIGHT accelerator is the foundation for this solution. Its beam quality, primarily the very small beam and very fast energy change capability, remove many constraints in the delivery of the optimal treatment plan. First and foremost, the LIGHT beam delivers dose over the full clinical range from sub-cutaneous depth to deep within the patient without the necessity of range-shifting elements close to the patient. Secondly, the very small beam, even at the lowest energies, creates the opportunity to combine small spots and large spots to combine sharp dose fall-offs where needed (for example at the target edges or near critical structures) with rapid fill of large targets. Thirdly, the small beam removes the need for the use of apertures or multi-leaf collimators to restore the poor edge in other technologies. The LIGHT solution thus is an optimal system to deliver differential doses within a target.

The LIGHT solution provides a large-field scanning system (up to 30x40 cm^2 or a irradiation volume of 30 liters) which significantly removes the need to change the patient position during a treatment session (at significant overall reduction of treatment time) and permits treatment of multiple targets simultaneously (such as may be present in lung geometries).

Finally, the very fast energy switching times and relief therefore of constant energy layers common in competing technologies is ideal for both adaptive treatments and motion tracking. These features will be exploited to deliver the LIGHT solution that exceeds current offerings in the market.

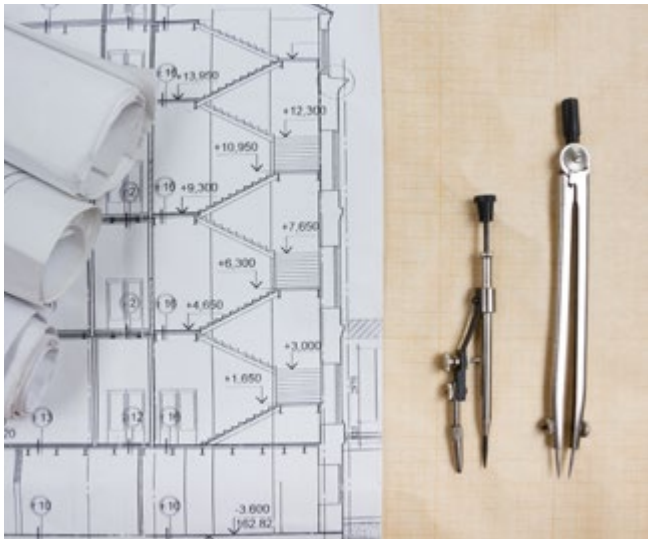
(6) Picture Archive and Communication System

Clinical Differentiation Factors

1. **Linear accelerator: relatively compact**
2. **Variable beam width inside a single treatment fraction —› accurate and fast dose delivery**
3. **Small energy step size: ~ 0.5-1 MeV, obtained electronically without absorbing materials**
4. **Pulse repetition rate of 200 Hz. At every pulse, energy and beam position can be changed**
5. **Innovative treatment planning software, leading to:**
   - Higher dose conformality
   - Faster plan delivery
   - Robust plans
   - Better plans
6. **Proton delivery with active scanning method**
7. **Patient positioning (accuracy of positioning each individual axis): better than ±0.5 mm.**
8. **High transmission rate —› low losses**
9. **Large field size: ~40 cm x 30 cm**
10. **Nominal dose rate of ~ 1 Gy/minute/litre (can be increased/decreased)**

- **Unique**
- **State-of-the-art**
- **Attractive for shielding and power consumption**
- **Patients with large tumour can be treated**

THE MANUFACTURING AND COMMERCIALISATION PLAN



Being a stakeholder in Advanced Oncotherapy ("AVO") is part of a very exciting journey.

FIRST PHASE: THE VALIDATION OF THE TECHNOLOGY
The first stage of that journey was accomplished following the acquisition of ADAM in 2013, which laid the foundations for what Advanced Oncotherapy is today. During that phase, the LIGHT technology was developed and tested. This phase was built upon the design and the successful manufacturing of the first proton linear booster called LIBO (LInac Booster). The LIBO project – conceived in 1993 and completed in 2000 – is arguably one of the most exciting inventions that are shaping the Healthcare market of tomorrow. The Company continues benefiting today from the strong know-how gathered over more than two decades of work on proton linear accelerators at CERN and then ADAM.

SECOND PHASE: SETTING UP THE FOUNDATIONS FOR AN EFFICIENT SUPPLY CHAIN FOCUSED ON MODULARITY
The second stage of the journey was aimed at:

- Implementing a manufacturing strategy focused on modularisation; and
- Building an efficient world class supply chain needed for manufacturing the LIGHT system.

The underlying rationale has been to support a rapid product/system launch into the market place which also facilitates a quick volume ramp up in anticipation of a surge in demand.

Modularisation
To help fast track the LIGHT system, increase quality, control costs and enhance engineering, the Company recognised early on the importance of moving to a module base design and manufacturing technology grouping strategy.

World Class Supply Chain
To develop an efficient supply chain, the Company has been focused on every aspect of the product realisation process such that each module is aligned with the manufacturing strategy. In doing so, AVO has engaged with world class practitioners of "best practices" and suppliers which are currently certified by the medical and scientific market place. While these partners and suppliers enable AVO to fast track the certification process amongst the governing regulatory agencies, these partnerships have provided flexibility of variation of volume. The intent of this strategy is also to leverage years of our partners' iterative improvements and ensures robust supply chain management relationship geared toward success.

Our supply chain partners have (i) strong capabilities for manufacturing, logistics and warehousing, and (ii) delivery strategies that enable the Company to deliver the LIGHT system in the safest, quickest and most economical way to the end customer.

THIRD PHASE: ACCELERATING THE GROWTH AND ANTICIPATING DEMAND THROUGH A STRONGER FOCUS ON MASS-PRODUCTION
Whilst the establishment of an interlinked network of key outsourced manufacturing partners with companies such as Toshiba, VDL, P-Cure, Scandinova, Pyramid, ICT, Dot Decimal, MIM and Pantechnik has been an essential milestone, securing an overall manufacturing partner, with relevant international, high tech and precision engineering experience became a top priority in 2016.

The compelling influences that have shaped the Company's manufacturing plans in the context of its global expansion plan were as follows:

- The need to meet customer demand;
- The need to ensure that LIGHT systems can be delivered as soon as the regulatory certifications are granted;
- The need to immediately access world class capabilities: knowledge, skills and manufacturing competencies;
- The need to manage or control operational expense (through flat fee, negotiated contracts, framework agreements, etc);
- The need to supervise a complex network of suppliers; and
- Pressure to reduce time-to market.

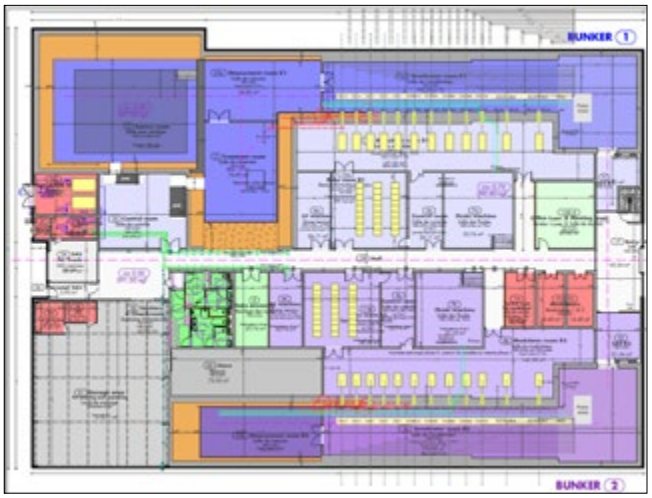
This has led the Company to reach three agreements with Thales in 2016:

- *February 2016:* Initial engineering studies and test facilities commissioning required to construct the custom-designs series production lines. The cost of these activities has been funded by the Company and will be recovered through the retention of 100% gross margin on the initial LIGHT machines produced;
- *February 2016:* Memorandum of Understanding outlining the key principles of the partnership between the Company and Thales; and
- *October 2016:* Agreement on the terms of manufacturing of the first LIGHT machine, to be installed in Harley Street, London.

Thales has approximately 61,000 employees with a global presence in 56 countries. The core business for Thales is managing large safety critical projects such as in aerospace sectors.

- Thales is our sponsoring partner
  - #1 worldwide air traffic management
  - #1 integrated supervision and communication system for rail network
  - #1 in Europe for information systems security
  - #1 in Europe for defense electronics and #2 in defence radio communication
- Plan to mass-produce up to eight machines per year (assuming two production lines) in Thonon (France)

Manufacturing Site in Thonon



Architectural design plan of bunker

The Company is contracted with the Thales Microwave & Imaging Sub-Systems division due to their expertise in RF Power application.

- 100,000m^2 total industrial surface area including 10,000m^2 clean room.
- 2,600 employees whereby 40% are managers, engineers and highly qualified technicians.
- €575 million turnover in 2014.
- World number 1 for microwave and imaging sub-systems for professional applications.
- Major irradiation / therapy integrators are using Thales RF sources for cancer treatment.

Thales has recognised the full potential of the LIGHT system where they have committed to provide significant investment into AVO's enterprise. Thales' commitment includes building a mass production facility at its industrial site in Thonon, France. This facility will take receipt of all sub-systems and components, in order to configure and test the entire LIGHT accelerator system.

- The production site at Thonon will consist of two shielded accelerator configuration and test areas, one fixed beam treatment room and one gantry room. The fixed beam treatment room is used for full system end-to-end Verification and Validation prior to dispatch to the customer's site in Harley Street. This will minimise the system install, configuration and testing time required at Harley Street.
- After the first full system delivery to Harley Street, the treatment rooms at Thonon will be used for further manufacturing and optimisation.
- The Thonon site's primary purpose and focus will be for mass production of accelerating structures. When optimised, this will be performed in the two shielded production areas at a rate of eight systems per year.

Once the full LIGHT system Verification & Validation has been carried out at Thonon and the site assumes its primary focus of the mass production of accelerators, the manufacturing supply chain shall operate an optimised model whereby accelerators will be supplied to the hospital sites along with the treatment room sub-systems and other ancillary components being delivered directly to hospital sites, minimising system delivery lead time.

It is expected that installation of key modules will start in the Thonon site from the first quarter of 2018. In the meantime and in an effort to diversify risk and reduce the lead time and cost, the Company has been implementing a dual-testing strategy whereby modules are being tested and validated at the supplier's sites before further tests are implemented at either the Company's R&D centre in Geneva or in another testing facility provided by Thales in Velizy, France.

OUR STRATEGIC PRIORITIES AND PROGRESSES

We aim to become the leading manufacturer of next-generation proton therapy systems. We aim to become the technology of choice for cancer hospitals and clinics around the world and will continue to develop best-in-class and highly innovative bolt-on technologies for our system. Our strategy is designed to deliver continued growth, reduce risk and maintain long-term financial performance coupled with attractive returns for our shareholders. We aim to be the "go-to" company for proton therapy.

Key elements of the Company's strategy include:

1. FOCUS ON BUILDING THE FIRST LIGHT SYSTEM

OUR AIM:

Advanced Oncotherapy is focused on developing a proton therapy system that is technically superior, delivers a more accurate beam and is more versatile than current generation cyclotron-based proton therapy radiotherapy machines. The Company aims to have a truly differentiated system and build a transformational offering. The objective is to have a fully working machine, prior to the building in Harley Street, London being ready, in 2019.

OUR PROGRESS:

We made significant progress throughout 2016. The Company successfully delivered the RFQ (Radio- Frequency Quadrupole), which has been manufactured by CERN, to the bunker and installed the proton source. Our R&D team was able to fire protons at 5 MeV through the RFQ, arguably the most difficult test from a technical standpoint; this successful testing has demonstrated the validity of the technology. During the course of 2017, the team will continue to complete the manufacture and installation of the additional accelerating structures, which will include the SCDTLs (Side Coupled Drift Tube Linacs) and CCLs (Cavity Coupled Linacs), with the aim of firing a proton beam at an energy of 20/25MeV by the end of the year.

2. CONTINUE TO DEVELOP THE FIRST CLINICAL INSTALL SITE AT HARLEY STREET

OUR AIM:

The Company intends to continue to work with its partners the Howard de Walden Estate and Circle Health to develop and prepare the site in Harley Street for receipt of the modules of the first LIGHT machine.

OUR PROGRESS:

Throughout 2016, the team continued to work closely with the Howard de Walden Estate. This included developing and progressing with the architectural plans, tendering building contractors and architects and agreeing on final plans for commencement of works at the beginning of 2017. These plans and assessments involved considerable work and closely liaising with the Howard de Walden Estate, as developing an advanced system and installation site in the heart of central London in a Grade Two Listed building is a complex task. The close relationship that the Company has developed with the Howard de Walden Estate however means that this task is being achieved with minimal disruption to either company. Additionally, the Company will continue to work closely with residents to ensure that any works and construction are conducted as smoothly as possible.

Further afield, the team has been working closely with architects and construction engineers at the Pebble Mill site in Edgbaston in Birmingham. We plan to update our shareholders on progress made later on during the financial year.

As part of this effort, we built up our installation team. The Company has hired and attracted some of the best people in the industry including senior hires from leading competitors in the proton therapy space.

3. CONTINUE TO DEVELOP THE PIPELINE FOR COMMERCIAL ROLLOUT

OUR AIM:

The Company will continue to build and develop relationships with leading cancer centres, academic institutions and hospitals around the world to sell and install its LIGHT system.

OUR PROGRESS:

Throughout 2016, the Company continued to foster and build contacts and relationships with leading institutions around the world. These included relationship with radiation oncologists and medical physicists in top tier hospitals globally, as well as assessing and developing potential research partnerships and collaborations with leading academic centres.

Specifically, the team was able to progress significantly with discussions in the United States as well as developing relationships with centres in Brazil, India, Russia and further afield in Asia and Australia. Furthermore, the Company regained distribution rights in the Asian countries.

Closer to home, there has been progress in Europe with advanced discussions taking place for opportunities in Italy and in Spain.

4. DEMONSTRATE OUR REPUTATION AS THE MARKET LEADER FOR INNOVATION

OUR AIM:

The Company is committed to be at the forefront for innovation and will do this by continuing to attract subject matter experts and foster a culture of ideas generation and innovation.

OUR PROGRESS:

During 2016, the Company continued to attract some of the best talent in proton therapy and radiation oncology. Dr Nick Plowman joined the main board. He is currently head of Clinical Oncology at St Bartholomew's Hospital and Senior Clinical Oncologist to the Hospital for Sick Children at Great Ormond Street ("GOSH") in London. He brings over thirty years of experience in radiation oncology in adults and children to the table. Dr Plowman is the Director of The CyberKnife Centre London on Harley Street.

The board was further strengthened during the course of 2016 with the appointment of Dr Hans von Celsing. Hans brings over 30 years of experience to the Company, primarily from the medical technology sector, and has held senior positions in radiotherapy companies, including Mevion and Elekta.

Additionally, the team has been holding regular technology and innovation panels to encourage novel ideas and formulate ground-breaking research opportunities. An early product of this research has been the development of the concept stages of a helium ion -based linear accelerator. Proton linear accelerators with the additional ability to fire Helium ions could become the gold standard in the next ten to fifteen years.

We have also implemented a number of initiatives aimed at ensuring a smooth conversion of scientific innovation into commercial reality. This includes re-aligning teams per project, defining new KPIs, etc..

We are at the dawn of a new era, an era of growth.
I have confidence in our future, guided by the belief that whenever we are meeting the needs of patients and families with innovative, truly valued solutions, we are also delivering value for our stakeholders, and improving the world in which we live.

Nicolas Serandour
Chief Executive Officer

RISK MANAGEMENT AND PRINCIPAL RISKS

The Board is ultimately responsible for determining the Group's risk appetite and for ensuring that the risk framework and management processes are appropriate and operating effectively.

In our quest for affordable proton therapy treatment the Company is facing a number of risks, which are managed closely.

Being at the forefront of technology means the Company needs to address and pre-empt a number of technical risks early on. The research and develop ment team - whose outputs rely on validated technology (LIBO) - has identified the main techno-logical risks and performs focused studies to ensure the underlying concepts remain viable with improved clinical outcomes.

Many complex medical projects are exposed to risks of potential delays. The Company is working with well-accredited suppliers and building companies, forming a network of close stakeholders, responsible for identifying critical elements of the project and having contin-gency in place.

As a fast growing company in a strongly regulated industry we need to ensure our organization meets the regulatory require-ments of a medical device company, without becoming a slow and bureaucratic organiza-tion. Advanced Oncotherapy does that by the timely deploy-ment of process and procedure which is as light as possible and as strict as needed.

The Company's financing requirements depend on numerous factors, including the rate of market acceptance of the LIGHT system and the ability to attract and retain customers. The Company may be unable to obtain adequate funding on acceptable terms. The Company may, in the future, need to raise further equity or debt funds to finance strategic developments and/or working capital requirements through future stages of develop-ment. To address this risk, the Company has a rigourous cost control system and it continually monitors opportunities which provide financing flexibility in order to deliver on its strategic priorities. The Company also prepares short term and medium cash flows to ensure that the business has adequate funding to execute its business strategy.

Advanced Oncotherapy is a company of "knowledge" whose strengths rely on the under-standing of complex concepts. The Company has implemented initiatives to attract and retain highly skilled and talented employees. AVO works together with experienced HR profession-als who understand the different needs across the various division and functions coupled with rigorous succession planning, to ensure replacement is prepared should any of the employees become unavailable.

GOVERNANCE

BOARD OF DIRECTORS

*** Audit Committee**
‡ Remuneration Committee

Michael Bradfield

Non-Executive Director ‡ *

Nationality:
British

Appointed date:
April 2013

Skills and experience
Over 30 years experience of direct marketing and the insurance industry; law degree from LSE.

Current appointments
Active investment manager, especially in technology based companies and sustainable industries.

Previous appointments
Founder and CEO of Hospital Plan Insurance Services ("HPIS"), a direct seller of low cost health, accident and life insurance (subsequently sold to AIG in 2000); computer application programmer.

Prof Chris Nutting

Non-Executive Director

Nationality:
British

Appointed date:
October 2013

Skills and experience
World leading consultant oncologist.

Current appointments
Consultant clinical oncologist and chair at The Royal Marsden and The Institute of Cancer Research London; chairman of the National Advisory Board on Head and Neck Cancer to the Cancer Services Collaborative.

Previous appointments
President of the British Oncological Association.

Prof Steve Myers

Executive Chairman of ADAM

Nationality:
British

Appointed date:
January 2017

Skills and experience
Electronic engineer and Executive Chairman of ADAM; has been working in the accelerator field since 1972 and was CERN Director of Accelerators and Technology (responsible for all CERN accelerators including the Large Hadron Collider) from 2008 until 2013.

Current appointments
ADAM Executive Chairman.

Previous appointments
Head of Medical Applications at CERN; former Director of Accelerators and Technology (inc. Large Hadron Collider).

Dr Nick Plowman

Non-Executive Director

Nationality:
British

Appointed date:
February 2017

Skills and experience
UK's preeminent radiotherapist; pioneered most of the new technologies in the field of Clinical Radiotherapy; has in-depth experience of operating with the Gamma Knife and Cyberknife; has published widely with over 350 research publications.

Current appointments
Senior Physician in Clinical Oncology at St Bartholomew Hospital; senior Clinical Oncologist at Great Ormond Street Hospital; consultant clinical oncologist at BUPA Cromwell hospital.

Previous appointments
Pre consultant work includes Cambridge University Hospitals.

Hans von Celsing ‡ *

Non-Executive Director

Nationality:
Swedish

Appointed date:
January 2017

Skills and experience
Over 30 years of experience from the Life Science Industry, primarily in the medical technology sector; held senior positions in radiation oncology companies; MBA Harvard business school; Civilekonom Stockholm School of Economics.

Current appointments
Executive Chairman of CLS AB; Executive chairman of Gelexir Healthcare Ltd; Chairman of Peptonic Medical; chairman of Partner Fondkommission AB.

Previous appointments
Executive Vice President of Elekta AB; advisor to Mevion Medical Systems Inc.; chairman of Bioxydyn Ltd; chairman of Mirada Medical.

Dr Michael Sinclair

Executive Chairman

Nationality:
British

Appointed date:
June 2006

Skills and experience
Held a number of appointments at teaching hospitals in London; registrar in Psychiatry at the Maudsley Hospital and Institute of Psychiatry of London University; more than 40 years of experience in the healthcare business.

Current appointments
Executive Chairman.

Previous appointments
Founder and Chief Executive of Nestor Healthcare and Allied Medical Group Limited; Chairman and Founder of Lifetime Corporation Inc; member of the Board of Overseers of the Tufts University School of Medicine; Chairman and Founder of US based Atlantic Medical Management LLP.

Nicolas Serandour

Chief Executive Officer

Nationality:
French

Appointed date:
September 2014

Skills and experience
Over 15 years of experience in the investment banking industry; extensive experience providing strategic and financial advice to senior Executives at leading healthcare companies internationally.

Current appointments
Chief Executive Officer.

Previous appointments
Previous experience at JPMorgan, Lehman Brothers and Lazard.

Sanjeev Pandya

Executive Vice President for Global Business Development

Nationality:
British

Appointed date:
November 2013

Skills and experience
Trained as an orthopaedic surgeon; medical degree from Trinity College and MBA from INSEAD.

Current appointments
Executive Vice President for Global Business Development and previously Chief Executive Officer.

Previous appointments
Previous experience at McKinsey & Company, Lehman Brothers, Pfizer, NHS.

Dr Euan Thomson

Non-Executive Director

Nationality:
US

Appointed date:
February 2014

Skills and experience
Trained as a physicist; nearly 20 years of experience in research, clinical practice, consulting and corporate management and more than 14 years of experience as a CEO.

Current appointments
Operating partner at Khosla Ventures; CEO of AliveCor; Director of the Hospice of the Valley.

Previous appointments
Served as the CEO of Accuray for 10 years; consultant for other medical device companies including Varian Oncology Systems and Radionics; has served as Chair of the California Division of the Entrepreneur of the Year award.

Dr Enrico Vanni ♯ *

Non-Executive Director

Nationality:
Swiss

Appointed date:
October 2013

Skills and experience
Chemical engineer; more than 30 years of healthcare management experience; graduated from the Federal Polytechnic School of Lausanne; MBA from INSEAD.

Current appointments
Vice-chairman of Novartis AG; Director of Eclosion2, Denzler & Partners SA, Lombard Odier SA and Banque Privée BCP (Suisse) SA.

Previous appointments
Director of Alcon; served as head of the European pharmaceutical practice for McKinsey & Company and managed the Geneva office; research engineer at IBM.

LEADERSHIP TEAM

Executive Directors: please refer to page 24 and 25 for biographies of **Prof Steve Myers, Sanjeev Pandya, Dr Michael Sinclair and Nicolas Serandour**

Michel Baelen

Senior Vice-President, Regulatory Affairs

Nationality:
Belgian

Appointed date:
March 2016

Skills and experience
Michel is an electrical engineer and doctor in management sciences from IAEA in Lille (France). He worked as Quality Coordinator at the University Hospital Saint-Luc at the Catholic University of Louvain in Brussels before joining IBA as Vice President Group Regulatory and Quality Assurance Affairs.

Role / Responsibilities
Michel is accountable for product compliance during the notified body / regulatory authorities regulatory assessment.

Bridget Biggar

HR Partner

Nationality:
British

Appointed date:
November 2016

Skills and experience
Bridget is a Fellow of the UK Chartered Institute of Personnel and Development, and has a Masters in Applied Positive Psychology from the University of Pennsylvania. She also spent 13 years as an employer representative on the Employment Tribunal Board of England and Wales, and has been an HR Director in various start-ups.

Role / Responsibilities
Located in Geneva and London, Bridget works with the leadership team to create a strong engagement and performance framework to help the Company achieve its exciting and stretching mission.

Berengere Pons-Chabord

Senior Vice-President, Corporate Finance

Nationality:
French

Appointed date:
October 2016

Skills and experience
Bérengère has experience in financial analysis, business planning and board/management reporting. She previously worked for Lazard as an M&A Vice-President. Her transaction experience covers a wide range of private and public transactions, including acquisitions, divestitures, and more complex structures.

Role / Responsibilities
Bérengère manages all aspects of discussions with financial partners. She is also closely involved in business planning and business development.

Gerardo D'auria

Senior Vice-President, ADAM Technical Director

Nationality:
Italian

Appointed date:
March 2016

Skills and experience
Doctor in physics at the University Federico II of Naples (Italy); more than 30 years of experience working with RF systems and linear accelerators; senior accelerator scientist at Elettra – Sincrotrone Trieste for over 25 years; previously involved in the design and construction of high power storage ring RF systems and high energy electron Linacs; has written and co-written over 130 papers in scientific journals.

Role / Responsibilities
As technical Director, Gerardo is responsible for the coordination of the ADAM technical activities related to the development and construction of the LIGHT Linac.

Louise Harley-Smeur

Senior Vice-President, Intellectual Property

Nationality:
British

Appointed date:
December 2015

Skills and experience
Louise is a European Patent Attorney and Head of the Intellectual Property Department. She has been working in IP since 2001, half the time working on medical inventions, and prior to that, during the 1990s, she worked in UK hospitals as a medical physicist, specialising in radiotherapy and imaging.

Role / Responsibilities
As Head of IP Louise manages all aspects of the IP portfolio, working closely with inventors and the business line to secure IP rights, protect inventions, software, designs and trademarks and protect know-how.

Ed Lee

Chief Operating Officer

Nationality:
American

Appointed date:
February 2017

Skills and experience
Ed has had progressive responsibilities in manufacturing and operations over the last 20+ years. In his last role, he led the Production (Operations) and Technical Field Service teams for Optivus Proton Therapy by implementing best practices and programme/project management methodologies. His manufacturing and operational experiences span high- volume/low-mix to low-volume/high-mix industries such as Automotive, Aerospace, Military/ Defence, Nuclear, and Medical Device.

Role / Responsibilities
Ed leads all aspects of operations and program/project management to bring the LIGHT system to market. This is accomplished by partnering with the technical team, quality, regulatory, finance, sales and supply base teams.

Simon Lee

Senior Vice-President, Installations and Services

Nationality:
British

Appointed date:
October 2016

Skills and experience
Simon has worked in Oncology for over 20 years: 10 years in R&D and 10 years in 'aftersales' including managing the European Region Distributors for Elekta and Russian Installations/Service for Varian.

Role / Responsibilities
As Senior VP for Installations and Services, Simon manages the teams that organise the build, installation and commissioning at customer sites. Simon is also responsible for the service and support of the installed base.

Geraldine Poindron

Senior Vice-President, Corporate Finance

Nationality:
French

Appointed date:
August 2015

Skills and experience
Geraldine has experience in financial planning and analysis, business partnering and decision support, and board/management reporting. She previously worked for Lazard as an M&A Associate and for SFR as a Forecasting & Analytics manager.

Role / Responsibilities
Geraldine helps AVO's partners in the process of understanding the financial metrics of proton therapy and in defining a financial solution, based on continually updated competitive intelligence.

Graham Pughe

Senior Vice-President, Accounting and IT

Nationality:
British

Appointed date:
December 2012

Skills and experience
Graham is a seasoned finance professional with a strong technical grounding within all areas of the finance spectrum. He has implemented robust and pragmatic solutions for various industries he has worked in including newspaper publishing, food manufacturing and building materials. He has a solid track record of having successfully led teams in both large and smaller organisations.

Role / Responsibilities
Graham is responsible for financial and accounting controls for the Group and its subsidiaries, compliance with local financial and corporate regulatory controls and practice, banking, insurances and shareholder solutions.

Donatella Ungaro, PhD

Senior Vice-President, CERN relationship and New Techniques; MD ADAM

Nationality:
Italian

Appointed date:
June 2008

Skills and experience
Donatella joined ADAM in 2008 as project leader. She was hired by CERN in 2005, where she was awarded the CERN Fellowship position in the Technical Coordination Group of the CMS experiment, which is the larger of the two general all purpose particle physics detectors built on the Large Hadron Collider.

Role / Responsibilities
Donatella is responsible for CERN relationships. She manages the ADAM communication with investors, suppliers, external collaborators.

COMPANY'S ADVISERS

Prof Ugo Amaldi

Ugo Amaldi has been Research Director and a researcher at Istituto di Sanità (the Italian Health Institute) and, later, at CERN. He has published more than 400 papers about the physics of atoms nuclei and particles of radiation and their production and detection, and theoretical physics. His most known paper on the unification of the fundamental forces has been quoted 1,200 times.

From 1980 to 1993 he created and directed the DELPHI collaboration which, formed of about 500 physicists coming from 20 countries, built and operated at the CERN Large Electron Positron collider LEP, the large detector bearing the same name. Chair professor of Medical Physics, he has taught this subject in Florence and Milan Universities.. Founder and President of the TERA Foundation since its creation in 1992, in the last 15 years he has concentrated on developing techniques of cancer therapy which make use of beams of charged hadrons. To date, more than one million Italian high school pupils have studied his physics text books. He is Doctor honoris causa of the universities of Helsinki, Lyon, Valencia and Uppsala and is member of the Italian Academy of Sciences.

Dr Hanne Kooy, PhD

Professor Kooy joined Advanced Oncotherapy in 2014. Until recently, he was the Head of Proton and Medical Physics at Harvard and the Massachusetts General Hospital. After doctoral studies in experimental High Energy Physics, he had an opportunity in Medical Physics at the University of Rochester to start his career in radiation therapy. Radiation therapy, different from other medical disciplines, requires active participation of physicists in the direct clinical care of patients. As such, it has been an effective vessel for introducing engineering technologies. One such technology is proton beam radiation which has become an almost singular focus of Dr. Kooy's career. Radiation therapy, as all medical disciplines, has also become fully reliant on information technology. Dr. Kooy's interests lie in the effectively deployment of the appropriate, advanced and integrated technologies to support proton radiation therapy.

Jay Loeffler, MD

Jay Loeffler, M.D. is a world authority on the use of proton therapy for benign, vascular and malignant brain tumours. He is currently the Herman and Joan Suit Professor of Radiation Oncology at Harvard Medical School and Chair of the Department of Radiation Oncology at the Massachusetts General Hospital, Boston. He trained in radiation oncology at the Harvard Joint Centre and has been a faculty member at Harvard Medical School for 27 years.

Dr. Loeffler is a Member of the Institute of Medicine of the National Academies of Science. He has spent his career investigating focal radiation delivery systems for tumours of the central nervous system.

Dr Margaret Spittle OBE

Dr Spittle is a Clinical oncologist, University College London Hospital ("UCLH") and Consultant Adviser in Radiation Medicine to HM Royal Navy. She is a member of Defence Nuclear Safety Committee and a medical adviser board member to UK All Party Committee on Breast Cancer.

"Simply put, technically, dosimetrically and clinically proton beams will outperform photon beams and, if all things were equal, there would be no rationale to use photon beams. Proton beams will always improve the management and outcome of the disease. At the most simple level, the patient will tolerate and manage the treatment itself better. After the treatment the patient will recover more rapidly and have fewer short and long term consequences."

- Prof. Hanne Kooy, PhD, Professor Medical Physics at Harvard and the Massachusetts General Hospital, USA

CORPORATE GOVERNANCE REPORT

THE ROLE OF THE BOARD AND ITS COMMITTEES

As a company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange, Advanced Oncotherapy is not required to comply with the requirements of the UK Corporate Governance Code published in April 2016 (the "Code"). However, the Board has sought to apply those principles of the Code which are consistent with the size, stage of development and resources of the Company.

Board

Responsible for the long-term success of the Group.
It sets strategy and oversees implementation, ensuring only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.
Meet our Board of Directors on pages 24 and 25.

Audit Committee

- Reviews and is responsible for the oversight of the Group's financial and reporting processes, the integrity of the financial statements, the external audit process, and the systems of internal control and risk management. More details on pages 34 and 35.

Remuneration and Nomination Committee

- Reviews and recommends to the Board the executive remuneration policy and determines the remuneration packages of the Executive Directors, the Executive Chairman and members of the Senior Leadership Team. More details on pages 36 and 37.

- Reviews and recommends to the Board the structure, size and composition of the Board and its Committees. It also has oversight responsibility for succession planning of the Board and senior management. More details on pages 36 and 37.

Executive Directors

Responsible for implementation of the Board's strategy, day-to-day management of the business and all matters which are reserved for the Board.

Senior Leadership Team (SLT)

- A committee that operates under the direction and authority of the CEO and other Executive Directors. It comprises senior management from across the business (see pages 26 and 27).
  It assists the Executive Directors in implementing the strategy of the Company, its policies and managing the operational and financial performance of the Group.
  Meet our Senior Leadership Team on pages 26 and 27.

MATTERS RESERVED FOR THE BOARD AND DELEGATED AUTHORITIES

To retain control of key decisions, the Board has identified certain 'reserved matters' that only it can approve, with other matters, responsibilities and authorities delegated to its Committees, as above. The schedule of matters reserved for the Board and the terms of reference for each of its Committees can be found on the Company's website at www.avoplc.com. Any matters outside of these fall within the CEO's responsibility and authority.

BOARD COMPOSITION AND ROLES

The Board comprises the Executive Chairman, the CEO, two other Executive Directors and six Non-Executive Directors. A list of Directors and their biographies is set out on pages 24 and 25. Their key responsibilities are as follows:

Board composition and roles

Executive Chairman	Dr Michael Sinclair	• Responsible for leading and managing the Board, its effectiveness and governance; ensures Board members are aware of and understand the views of major shareholders and other key stakeholders; helps set the tone from the top in terms of the purpose, goal, vision and values for the whole organisation. • He takes an active role in the Company and therefore is not considered independent under the rules of the Code. However, the Board considers that the benefits that he brings through his broad experience of running medical device companies outweigh his perceived lack of independence.
CEO	Nicolas Serandour	• Responsible for the day-to-day management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.
Executive Directors	Prof. Steve Myers	• Supports the CEO in developing and implementing strategy; responsible for the commercial and operational performance of the Group.
	Sanjeev Pandya	• Responsible for business and commercial development.
Non-Executive Directors (NED's)	Michael Bradfield, Prof Chris Nutting, Dr Euan Thomson, Dr Enrico Vanni, Dr Nick Plowman	• The Non-Executive Directors are drawn from a wide range of industries and backgrounds, including healthcare, finance, consulting, engineering and technology. They have extensive experience of complex organisations with global reach, including experience of the Company's key markets. Their varied yet relevant experience brings a diversity of perspective and useful insight to Board discussions and important support to the management team. • Assist in the development of strategy and monitor its delivery, within the Company's established risk appetite; responsible for bringing sound judgement and objectivity to the Board's deliberations and decision-making process, and constructively challenging and supporting the Executive Directors; also reviewing the performance of the Executive Directors.
Senior Independent Director	Hans von Celsing	• Acts as a sounding board for the Chairman and as a trusted intermediary for other Directors; available to discuss any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chairman or the Executive Directors.

BOARD AND COMMITTEE MEETINGS/ATTENDANCE DURING THE YEAR

Director	*Scheduled Board meetings*	*Ad hoc Board meetings*	*Audit Committee*	*Remuneration and Nomination Committee*
Dr Michael Sinclair	10	2	2	-
Michael Bradfield	10	2	-	2
David Evans (resigned 1 November 2016)	7	2	2	2
Tim Lebus (resigned 26 January 2017)	9	3	2	2
Prof Chris Nutting	7	3	-	-
Sanjeev Pandya	9	5	-	-
Nicolas Serandour	10	6	-	-
Dr Euan Thomson	8	3	-	-
Dr Enrico Vanni	10	2	-	1

Hans von Celsing & Steve Myers appointed 26 January 2017
Nick Plowman appointed 9 February 2017

BOARD MEETINGS

During the year the Board held ten scheduled meetings (excluding ad-hoc meetings). The Board considers that it met sufficiently often to enable the Directors to discharge their duties effectively. The Board and Committee agendas were shaped to ensure that discussion was focused on the Company's strategic priorities and key monitoring activities, as well as reviews of significant issues. In addition, to allow opportunities for the Board to engage with senior management and employees and discuss key elements of the business, a number of meetings were held during the year. An extended two-day in depth strategy session was held at the end of October 2016 to discuss the longer-term aspirations of the Company. Further information on the Company's strategic focus during the year is set out on pages 2 to 22.

The culture of our Board meetings is to encourage rigorous debate. The NEDs constructively challenge the performance of management in meeting agreed goals and objectives and help develop proposals on strategy.

BOARD ACTIVITY

The Board agenda focuses on the approaches to drive the Company's strategy, and monitors risk and execution. The diagram below shows the key areas of Board activity during the year:

Strategy

- Reviewed long-term aspirations and business model
- Approved key strategic decisions regarding manufacturing plans, technical and design validations, etc
- Reviewed marketing strategy and set up commercial priorities
- Approved the appointment of Stifel as joint broker

Financial performance

- Considered the financial performance of the business and approved the budget, key performance targets and long-term plan
- Reviewed the half-year and annual results and presentations to analysts and approved the Annual Report

Governance, stakeholders and shareholders

- Reviewed developments in corporate governance and received key regulatory updates
- Reviewed feedback from institutional shareholders and analysts following financial results and key investor meetings
- Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities

Risk management

- Reviewed the Group's Risk Register and the effectiveness of the systems of risk management
- Debated significant and emerging risks

Leadership and people

- Discussed the composition of the Board and its Committees, including succession planning
- Approved the appointment of Nicolas Serandour as CEO and appointed Prof. Steve Myers, Dr Nick Plowman and Hans von Celsing as directors
- Participated in the hiring of key senior staff, VP
- Reviewed the development of people and talent in the Group

EFFECTIVENESS

HOW DO WE MAKE SURE OUR BOARD IS EFFECTIVE?

We have considered the overall balance between Executive and Non-Executive Directors and believe that the structure of the Board and the integrity of each Director ensure that no one individual or group dominates the decision-making process. The Board reflects a good balance between financial, sector-specific and general business skills, with a highly experienced team leading the business in both Executive and Non-Executive roles. We anticipate changes to the board size, structure and membership as the Company develops over the next two years.

The Board is regularly updated with information concerning the state of the business and its performance in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties. Non-Executive Directors have the opportunity to influence agendas for Board discussions and to ensure the amount of time spent reviewing strategic and operational issues is appropriately balanced.

In the event that Directors are unable to attend a meeting or a conference call, they have the opportunity to relay their comments and, if necessary, to follow up with the Executive Chairman or the CEO after the meeting.

DIRECTOR INDUCTION PROGRAMME AND ONGOING TRAINING

On appointment to the Company's Board, new Directors receive a comprehensive and tailored induction programme from our Nominated Advisor.

Updates on corporate governance are also provided to the Board by the Group's advisors.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place to identify, authorise and manage conflicts of interest, and these procedures have operated effectively during the year.

All potential conflicts authorised by the Board are recorded in a Conflicts Register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

FINANCIAL REPORTING

The Board is responsible for reviewing and approving the Annual Report and Accounts and the interim financial information and for ensuring they present a balanced assessment of the Group's position. Drafts of these reports are provided to the Board in a timely manner and Directors' feedback is discussed and incorporated where appropriate, prior to publication.

In addition, the Board ensures controls over the financial reporting process and preparation of the consolidated accounts consists of extensive reviews by qualified and experienced individuals to ensure that all elements of the financial statements and appropriate disclosure are considered and accurately stated.

COMPANY SECRETARY

Celia Whitten, the Company Secretary, is responsible for the following key matters in relation to the effective operation of the Board:

- advising and supporting the Executive Chairman and the Board on all obligations and developments in corporate governance;
- ensuring that appropriate and timely information is provided to the Board and its Committees and that there are good information flows between senior management and the Non-Executive Directors;
- acting as a point of contact for shareholders on matters of corporate governance;
- implementing a robust governance framework throughout the Group.

The appointment and removal of the Company Secretary is a matter for the Board.

THE ANNUAL GENERAL MEETING

We view the Annual General Meeting as an important opportunity to communicate with private investors, and set aside time at the meeting for shareholders to ask questions. The CEO provides a review of the Group's performance. All resolutions are voted by a show of hands and, if necessary, a poll. This allows the Company to count all votes rather than just those of shareholders attending the meeting. All resolutions are voted on separately.

WHISTLEBLOWING PROCEDURES

The Company operates a whistleblowing policy which allows all employees to raise concerns to senior management in strict confidence about any unethical business practices, fraud, misconduct or wrongdoing. They can do so without fear of recrimination.

AUDIT COMMITTEE REPORT

The Audit Committee has an integral role in providing confidence in the integrity of the Company's processes and procedures in relation to risk management and financial reporting.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:
During the year, the Committee met four times and discussed the following:

- review of the Company's half-year results to 30 June 2016 and full-year results to 31 December 2016;
- review of the reports from the external auditor on the half-year and full-year results;
- consideration of accounting issues, changes in accounting standards and their impact on Company reporting;
- review of the scope, nature, resource planning and fee estimate for the full-year audit;
- assessment of the going concern basis; and
- review of the disclosures relating to material risks in the business review.

The Audit Committee is established by and is responsible to the Board. It has written terms of reference. Its main responsibilities are:

- to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements having regard to matters communicated to it by the external auditor;
- to review and challenge where necessary: (i) the consistency of and any changes to significant accounting policies and the methods used to account for significant or unusual transactions; (ii) whether appropriate accounting standards have been followed; (iii) whether appropriate estimates and judgements have been made, taking into account the views of the external auditor; and (iv) the clarity and completeness of disclosure in the Company's financial reports and the context in which the statements are made;
- to review the content of the annual report and advising the Board on whether, taken as a whole, it is fair, balanced and understandable;
- to review the adequacy and effectiveness of the Company's financial controls and financial risk management system, reviewing and approving the statements to be included in the annual report concerning financial controls and financial risk management and reviewing the Company's procedures for detecting fraud;
- to oversee the relationship with the external auditor, including the decision to tender external audit services, the approval of fees paid to external auditors and their terms of engagement, and recommending to the Board, to be put to shareholders for approval at the Annual General Meeting ("AGM"), the appointment, re-appointment and removal of the external auditor; and
- to review the Audit Committee's own effectiveness.

Hans Von Celsing is the Chairman of the Audit Committee. The other members, Michael Bradfield and Enrico Vanni, both of whom are Non-Executive Directors, have gained wide experience in risk issues.

The Audit Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Company and to obtain external legal or other independent professional advice as is deemed necessary by it.

FINANCIAL RESULTS REVIEW
A key role of the Audit Committee is to undertake detailed monitoring of the interim and annual financial statements. As part of this review it discusses the audit findings and auditor's report with management and the external auditor and considers significant judgements and issues contained in them, whether the financial statements comply fully with the relevant statutes and accounting standards and if they present a balanced assessment of the Company's financial position and prospects. In particular, the Audit Committee verified that the values ascribed by management to the assets and liabilities of the Company are stated at fair value and that any impairment is recognised. Following this discussion and review the Chairman of the Audit Committee reports the results of its review to the full Board.

SIGNIFICANT ACCOUNTING MATTERS
During the year, the Audit Committee considered key accounting issues, judgements and disclosures in relation to the Company's Financial Statements relating to:

- Impairment of intangible assets: The Audit Committee received communications from management and the external auditor and reviewed the disclosure in note 14 on page 54 to the Financial Statements. It concluded that the values ascribed by management to the assets and liabilities of the Company are stated at fair value and agreed that no impairment of intangible assets was necessary;
- Going concern: The Audit Committee reviewed the management report prepared to support the going concern assumption and, taking into account the external auditor's review of this report, concluded that management's recommendation to prepare the accounts on a going concern basis was appropriate. The Audit Committee also received communications from management and from the external auditor on a number of other accounting matters including the accounting treatment of share-based payments and the calculation and recovery of the corporation tax receivable relating to Research and Development tax credits..

EXTERNAL AUDITOR
The external auditor, RPG Crouch Chapman LLP, attends meetings of the Audit Committee. The Audit Committee has the opportunity to meet with the external auditor without the Executive Directors being present to provide a forum to raise any matters of concern in confidence. There were no concerns raised at such meetings.

The external auditor reports on the control environment in the Company, key accounting matters and mandatory communications. The Audit Committee also receives a report from the external auditor setting out to its satisfaction how its independence and objectivity is safeguarded. The Audit Committee also considers all relationships between the external auditor and the Company to ensure that they do not compromise the auditor's judgement or independence particularly with the provision of Non-Audit services.

Total fees paid to the Company's auditors are shown in Note 6 on page 50. The value of Non-Audit services amounted to £5,000 (2015: £5,000) principally in respect of tax compliance and advisory services. During the year there were no circumstances where RPG Crouch Chapman LLP was engaged to provide services which might have led to a conflict of interest.

RPG Crouch Chapman LLP has acted as auditor to the Company since the 2012 calendar year. The lead audit partner is Paul Randall (Senior Statutory Auditor) whose appointment in this role commenced with the audit for the financial year ended 31 December 2011. Mr Randall has had no previous involvement with the Company in any capacity. The Audit Committee notes the new requirement of the revised Corporate Governance Code, although not mandatory for AIM-listed companies, that the external audit contract be put out to tender at least every 10 years. The Audit Committee continues to be satisfied with the work of RPG Crouch Chapman LLP and that they continue to remain objective and independent. The Audit Committee has therefore recommended to the Board that a resolution be put to the shareholders for the reappointment of RPG Crouch Chapman LLP as auditor at the Annual General Meeting of the Company in 2017.

INTERNAL AUDIT

The Company does not have an internal audit function. The Audit Committee presently considers this is appropriate given the size of the Company and the close involvement of the Executive Directors and senior management on a day to day operational basis. However the need for an internal audit function is kept under regular review by the Audit Committee on behalf of the Board.

Hans Von Celsing
Chairman of the Audit Committee

REMUNERATION AND NOMINATION COMMITTEE

The Board delegates to the Remuneration Committee the determination of the Executive Directors' remuneration and the overarching remuneration policy and principles applied to the Group.

The nomination committee is responsible for considering and recommending to the Board changes in the Board's composition and memberships as well as approving senior hires.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Committee met five times and discussed the following:

- executive salaries;
- annual bonuses;
- long-term incentives;
- terms of appointment for new Chief Executive Officer;
- remuneration benchmarking;
- pay and benefit levels across the Group.

Advanced Oncotherapy plc is listed on the Alternative Investment Market and therefore is not required to prepare a Directors' remuneration report. However, the Remuneration Committee is committed to maintaining high standards of corporate governance and has taken steps to comply with best practice in so far as it can be applied practically given the size, stage of development and resources of the Company. The following narrative disclosures are prepared on a voluntary basis and are not subject to audit.

The Code requires that, in the case of a smaller company, a Remuneration Committee consists of at least two independent Non-Executive Directors.

At the year end, the Remuneration Committee comprised:

- Michael Bradfield (Non-Executive Director);
- Tim Lebus (Non-Executive Director); and
- Dr Enrico Vanni (Non-Executive Director).

Lord David Evans resigned as a member of this Committee on 31 October 2016. He was replaced with Hans von Celsing in January 2017 as chairman of the Remuneration Committee. Tim Lebus resigned on 26 January 2017.

The Company believes that the three independent Directors on the Committee are sufficient to comply with the Code. Executive Directors and members of the senior management team do not participate in decisions concerning their own remuneration.

The Remuneration Committee is responsible for setting the remuneration policy for Executive Directors and other senior Executives in the business. Additionally the Remuneration Committee is responsible for determining the overall Remuneration Policy applied to the Group, including the quantum of variable remuneration and the method of delivery. In carrying out its delegated responsibilities the Committee receives advice, when they consider it to be appropriate, on remuneration, tax, accounting and regulatory issues from external advisers and internally from both the Human Resources and Finance departments.

REMUNERATION POLICY

The Remuneration Committee believes strongly that total remuneration should take into account the competition for talent in an industry where successful people are rewarded and mobile. In addition, Advanced Oncotherapy - as an international medical equipment company - competes with, and recruits from, an international rather than domestic talent pool.

The Group compensates employees through both fixed and variable compensation.

Fixed compensation comprises principally base salaries and the Committee reviews these as part of their overall annual review taking into account the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual and their level of responsibility. Other elements related to base salary include an employer contribution to a pension saving scheme and an entitlement to insured death in service benefits.

The policy for variable compensation is to recognise corporate performance and individual achievement of objectives through a discretionary bonus. The discretionary bonus pool is determined by the Committee each financial year with specific reference to the Group's progress and other capital considerations as appropriate. In this way, the Committee is able to establish a compensation policy that takes into account the aggregate pool available for variable compensation at the Group level, rather than at individual level, acknowledging that a certain degree of flexibility is required at different stages of the business cycle.

Discretionary bonus awards can be delivered in two main forms:

- An annual cash bonus; and
- A deferred bonus which is delivered via the distribution of shares or options.

OPTIONS PLAN

No Options were issued to Directors or employees during the year.

BONUS PAYMENTS

The Committee did not recommend the payment of bonuses to Directors or staff in 2016 and cash bonuses of less than £20,000 relating to 2016 were paid in the year.

NOMINATION COMMITTEE

The Board reviewed the possible requirement for a Nomination Committee and it concluded that, in anticipation of the increase in the size of the Company and its Board referred to above, it is now appropriate to establish such a committee. Accordingly, in February 2017 the Board agreed to establish a Nomination Committee and terms of reference are under review.

SUCCESSION PLANNING AND PROMOTION

Succession planning has been a priority for the Board over recent years and this has been led by the Remuneration Committee. In particular, planning for the succession of Dr Michael Sinclair (Executive Chairman and CEO) has been a long-term consideration for the Board. A number of actions have been taken since 2014 to broaden the number of individuals within the Group's senior management team who had potential to succeed him with check points along the way to assess progress and performance.

Key attributes of the selection criteria for this succession included continuity and stability for the Group, preservation of the Group's culture and values, a deep understanding of the Group's business model and proven experience of managing the business activities of the Company. Underpinning consideration of these attributes were the relevant regulatory requirements and, ultimately, the need to identify candidates who are fit for purpose.

Promoting from within for this role was a clear preference of the Committee and the Board. The appointment of Nicolas Serandour as Chief Executive Officer was made with effect from 27th October 2016 and not only achieves the selection criteria described above but also brings renewed drive and determination to the development of the business and its continued success. Dr Michael Sinclair remains on the Board as Executive chairman and continues to play a full part in supporting the new Chief Executive and helping him develop the business.

DETAILS OF CURRENT DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Letters of appointment and service contracts are available at the Company's registered office and will be available at the Annual General Meeting.

Name	Date of appointment	Notice period
Executive Directors		
Dr Michael Sinclair	16 Jun 06	24 months
Sanjeev Pandya	22 Nov 13	12 months
Nicolas Serandour	27 Aug 14	6 months
Non-Executive Directors		
Michael Bradfield	26 Apr 13	3 months
Dr Enrico Vanni	01 Oct 13	3 months
Prof Chris Nutting	25 Oct 13	3 months
Dr Euan Thomson	20 Feb 14	3 months
Prof Steve Myers [1]	26 Jan 17	3 months
Hans von Celsing	26 Jan 17	3 months
Dr Nick Plowman	9 Feb 17	3 months

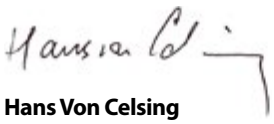
[1] Prof Myers, as Executive Chairman of ADAM S.A. has a three year contract which commenced in October 2015 and thereafter is subject to six months notice.

SUMMARY OF DIRECTORS' REMUNERATION POLICY

The following outlines the Remuneration Committee's policy, key decisions and performance outcomes.

Element	Policy summary description	Maximum opportunity
Executive Directors and key team leaders		
Base salary	In setting levels of base salary, the Remuneration Committee takes into account the following factors: • The individual Executive Director's experience and responsibilities; • The levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity; • The performance of the individual, his/her team (if relevant) and the Company; • Pay and conditions throughout the Company.	Where an Executive is extremely experienced and has a long-track record of proven performance, salaries may be in the upper decile when compared to companies of broadly comparable size and complexity. In general salary rises will be limited to the level provided to employees of the Company as a whole.
Pension and benefits	The Company's policy is either to provide a contribution to a pension arrangement or provide payments in lieu of pension. Other benefits are provided to the Executive Directors including a fully expensed company car or cash allowance alternative, medical insurance and other benefits may be provided from time to time.	The maximum contribution or payment in lieu is 10% of salary. Levels of benefits are defined by market rates.
Annual bonus	The bonus plan aligns rewards to the key objectives linked to short to medium term performance whilst ensuring that there is a balance between incentivising individuals, providing a sustainable ongoing level of return to shareholders and ensuring the long term sustainability of the Company.	100% of salary The Remuneration Committee can also endorse additional discretionary bonus, subject to specific contributions, roles and performance of individuals.
Share options	Executive Directors are awarded share options under the rules of Enterprise Management Incentive ("EMI") Share Option Plan at the discretion of the Remuneration Committee.	Details of Directors' options are given in Note 11 on page 53. Full details of Directors' interests in ordinary shares in the Company, are set out in the corporate governance report on pages 30 to 39.
Non-Executive Directors		
Fees	Each Non-Executive Director receives a fee which relates to membership of the Board and additional fees are paid to Committee Chairmen. Non-Executive Directors do not receive any pension contributions or other insurance benefits, in previous years they have been awarded Options although none were issued to any Director in 2016. Non-Executive Directors' appointments are subject to the re-election requirements of the Company's Articles of Association and are subject to three months notice to terminate from either party. There are no contractual provisions for Non-Executive Directors to receive compensation upon termination other than the notice period.	In general fee rises will be limited to the level provided to employees of the Company as a whole. In 2016, Non-Executive Directors were paid an annual fee of £30,000.

Signed on behalf of the Remuneration and Nomination Committee



Hans Von Celsing
Chairman of the Remuneration and Nomination Committee

GROUP DIRECTORS' REPORT

CORPORATE DETAILS
Advanced Oncotherapy PLC is incorporated and registered in England and Wales with the registered number 05564418. The registered office is Level 17, Dashwood House, 69 Old Broad Street, London EC2M 1QS.

PRINCIPAL ACTIVITIES
The Company is focused on providing innovative radiotherapy systems for cancer treatment through the use of a novel proton therapy technology.

LIKELY FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP
These are more fully explained on pages 2 to 22.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Annual Reports and the group and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors have elected to prepare group financial statements under International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the parent company financial statements under IFRS.

Under Company Law the Directors must not approve the group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the group and parent company financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the group and parent company;
- select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's and the company's financial position and financial performance; and
- state whether the group and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union or United Kingdom Accounting Standards, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the group and parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RISK MANAGEMENT
As a result of its normal business activities, the Company is exposed to a variety of risks. The Company seeks to manage all risks that arise from its activities. Details of risk management systems and processes in place are shown on page 22.

SIGNIFICANT SHAREHOLDERS
The Company is informed that, at 30 May 2017, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of shares	% of total in issue
Brahma AG	10,850,491	**14.0%**
Mr Michael Bradfield	7,080,740	**9.1%**
Dr Michael Sinclair & Family	4,928,229	**6.4%**
MK Trust Co, Ltd	4,850,000	**6.3%**
AB Segulah	3,980,451	**5.1%**
Hargreaves Lansdown Asset Mgmt	3,751,498	**4.8%**
Mr Adriano Miola (Banca Profilo SPA)	3,750,000	**4.8%**
Dr P N Plowman	3,470,132	**4.5%**
Aviva Investors	3,151,931	**4.1%**

DIRECTORS' SHAREHOLDINGS
The beneficial interests of the Directors in the share capital of the Company at 31 December 2016 and 31 December 2015 were as follows:

	At 31 December 2016	At 31 December 2015
Michael Bradfield	**7,080,740**	4,980,740
Dr Michael Sinclair	**4,628,229**	3,593,230
Dr Enrico Vanni	**698,946**	562,000
Nicolas Serandour	**93,800**	8,800
Sanjeev Pandya	**58,616**	23,616
Tim Lebus	**54,520**	54,520
Prof Chris Nutting	**14,816**	14,816
Lord David Evans	**0**	192,297

Options and warrants held by Directors who have served during the year are listed in Note 11 of the Financial Statements on page 53. Information on Directors' remuneration and share option rights is given in Note 11 on pages 52 and 53.

DIRECTORS' LIABILITY INSURANCE
There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. Each Director of the Company may become liable in their capacity as Director of the Company and so, the Company has arranged appropriate Directors' and Officers' liability insurance. Those indemnities are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and have been in force during the whole of the financial year and up to the date of approval of the financial statements.

RESULTS AND DIVIDENDS
The results for the year and the financial position at 31 December 2016 are shown in the consolidated statement of comprehensive income on page 42 and the consolidated statement of financial position on page 43. The Directors did not recommend the payment of a dividend for the year (2015: nil). The results of the Company for the year are explained further on pages 66 to 73.

GOING CONCERN
The Company's business activities and the factors affecting its performance, position and future development are set out on pages 2 to 22.

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about future performance and taking into account the Company's cash balances. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. This is described in more detail in the Principle Accounting Policies on page 46.

RESEARCH AND DEVELOPMENT
During the year the Company expensed through the income statement £2.4 million (2015: £3.8 million) in relation to research and development costs. These costs are for ADAM research staff and for physics consultancy costs incurred on research projects, not capitalised as an Intangible assets. In addition, development costs amounting to £8.9 million (2015: £3.5 million) were capitalised within Intangible assets.

SUPPLIER PAYMENT POLICY AND PRACTICE
The Company does not operate a standard code in respect of payments to suppliers. It agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

DONATIONS
During the year, the Company did not make any donations (2015: £5,050).

EMPLOYMENT INVOLVEMENT AND DIVERSITY
Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the operational and financial factors affecting the business model plays a major role in maintaining its focus on the customers.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees. The Company strives to ensure workforce reflects the diverse communities in which it operates and recognises that diversity is a key part of responsible business strategy in support of the business. Full and fair consideration is given to all applications for employment. The policies support the attraction and retention of the best people, improve effectiveness, deliver superior performance and enhance success, regardless of race, gender, nationality, age, disability, sexual orientation, gender identity, religion and background. Where existing employees become disabled, the Company's policy is to provide continued employment and training where practical.

DISCLOSURE OF INFORMATION TO AUDITOR
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all steps to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RE-APPOINTMENT OF AUDITORS
RPG Crouch Chapman LLP have expressed their willingness to continue in office as auditors. A resolution for their re-appointment as auditors and the determination of their remuneration will be put to the forthcoming Annual General Meeting to be held on 19 July 2017.

ANNUAL GENERAL MEETING
The AGM will be held at Royal Institute of British Architects, 66 Portland Place, London W1B 1AD on Wednesday, 19 July 2017 at 2.00 p.m. The resolutions to be proposed at the forthcoming AGM are set out in the formal notice of the meeting on page 74.

RECOMMENDATION
The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company and it is unanimously recommended that shareholders support these proposals as the Board intends to do in respect of their own holdings.

EVENTS AFTER THE REPORTING PERIOD
£26m Convertible Loan Notes Financing Agreement with Bracknor
On 21 February 2017, the Company entered into a flexible and staged £26 million financing agreement (the "Agreement") with Bracknor Investment Group ("Bracknor"), a Dubai-based investment firm. Proceeds from the Agreement will be allocated to the Company's projects, including the cost of installing the first LIGHT system at Harley Street, the funding of the Company's pipeline and for general working capital purposes.

Under the terms of this Agreement of a two-year term, the Company has the option to issue up to £26m of unsecured convertible notes in 20 tranches of £1.3 million each and with a minimum of 10 tranches. Each tranche must be converted into new or existing shares of the Company within twelve months of issuance ("Conversion Period") with the conversion price being equal to the lowest daily VWAP (Volume Weighted Average Price) during the fifteen trading days preceding issuance by Bracknor of a notice to convert (Conversion Notice). The Company has the ability to redeem tranches for cash, upon receipt of a Conversion Notice, for up to 50% of the total amount, to limit possible dilution.

The drawdown of notes can be requested by the Company, subject to (a) all previously issued convertible loan notes being converted, or (b) a period of twenty business days having elapsed since the last issuance.

Upon issuance of a tranche, Bracknor shall receive warrants to purchase shares with an aggregate value equivalent to 20% of the nominal value of each tranche. These warrants will be exercisable for up to four years from issue. The exercise price of warrants (bar the first tranche), will be 130% of the lowest daily VWAP during the five trading days immediately preceding the request to issue a new tranche.

Bracknor, with any concert parties, is prevented from holding more than 29.9% of the Company's shares at any time for the duration of the agreement.

The Company has a further option to raise up to an additional £26 million, on the same terms, for a potential total commitment of £52 million, provided issuance of the initial £26 million has occurred within the first two years.

At the date of this report, the Company had requested the drawdown of 3 tranches.

£6.5m Loan Agreement with Blackfinch
In addition and subsequently to the above agreement, the Company signed in March and June 2017 a 12-month convertible and redeemable loan agreement (the "Loan") with Blackfinch Investment Ltd, through its subsidiary Henslow Trading Limited ("Blackfinch"). Under the terms of this Loan, bearing an 11% annual interest rate for the £5m tranche and 12% annual interest for the £1.5m tranche, Blackfinch has the option to redeem the loan in cash at maturity or, at the discretion of the lender, to convert all or part of the loan at any time within the next 12 months into Advanced Oncotherapy shares at a conversion price of 100p per share. The lender has also received 1,000,000 warrants with an exercise price of 150p and 500,000 warrants with an exercise price of 100p, which are exercisable for 5 years from the date of the Loan.

The loan is secured on the Company's lease for 141-143 Harley Street and on certain other equipment assets of the Company. Should the Company not meet its obligations under the Loan Agreement and after a four month period during which the lease is offered for sale, four shareholders and Directors (the "Guarantors") of the Company, being Dr Michael Sinclair, Dr Nick Plowman, Fairford Capital (a company 100 per cent. owned by Michael Bradfield) and Professor Chris Nutting have agreed with Blackfinch to buy back the lease at a value equivalent to the outstanding amount of the £6.5m loan plus accrued interests and expenses. The Guarantors have also undertaken to the Company that, should they be required to buy back the lease from Blackfinch, they will offer the then shareholders of the Company the opportunity to participate in the buy back on the same terms as their participation pro rata for their shareholding in the Company.

These offers by Dr Michael Sinclair, Dr Nick Plowman, Fairford Capital Ltd and Professor Chris Nutting to buy back the lease from Blackfinch constitute transactions with related parties under the AIM Rules for Companies. In accordance, therefore, with the AIM Rules, the Directors of the Company, with the exclusion of the aforementioned Directors, having consulted with the Company's nominated adviser, Stockdale Securities Limited, have considered that the terms of these offer are fair and reasonable insofar as the Company's shareholders are concerned.

By order of the Board

Dr Michael Sinclair
Executive Chairman

Registered Office: Level 17, Dashwood House,
69 Old Broad Street, London EC2M 1QS
23 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED ONCOTHERAPY PLC

We have audited the financial statements of Advanced Oncotherapy PLC for the year ended 31 December 2016 set out on pages 42 to 73 which comprise the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flow, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' responsibilities set on out page 38 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regards to the Group financial statements, Article 4 of the IAS regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- The information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with applicable legal requirement.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the group and parent company and it's environment obtained in the course of the audit, we have not identified material mis-statements within the Strategic Report and the Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit;

Paul Randall (Senior Statutory Auditor)
for and on behalf of
RPG Crouch Chapman LLP
Statutory Auditors
23 June 2017
62 Wilson Street
London EC2A 2BU

FINANCIALS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016 - Financials in £

	Note	Group 2016	Group 2015
Revenue	2,3	**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses	2	**(13,087,307)**	(7,617,944)
Impairment charge for investment properties	16	**-**	(887,094)
Operating loss	6	**(13,087,307)**	(8,505,038)
Finance income	2,7	**9,045**	26,805
Finance costs	2,8	**(106,338)**	(151,154)
Loss on ordinary activities before taxation		**(13,184,600)**	(8,629,386)
Taxation	9	**2,818,050**	2,784,231
Loss after taxation from continuing operations		**(10,366,550)**	(5,845,155)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations	1	**22,100**	(710,336)
Loss after discontinued operations		**(10,344,450)**	(6,555,491)
Loss for the period			
Equity of shareholders of the parent Company		**(10,346,660)**	(6,555,491)
Non-controlling interests		**2,210**	-
		(10,344,450)	(6,555,491)
Other comprehensive income			
Exchange differences on translation of foreign operations		**1,608,705**	286,125
Total comprehensive loss for the year net of tax		**(8,735,745)**	(6,269,366)
Total comprehensive loss attributable to:			
Equity of shareholders of the parent Company		**(8,737,955)**	(6,269,366)
Non-controlling interests	1	**2,210**	-
		(8,735,745)	(6,269,366)
Loss per ordinary share			
Basic and diluted			
Continuing operations	13	**(17.05)p**	(11.43)p
Discontinued operations	13	**0.04p**	(1.39)p
	13	**(17.01)p**	(12.81)p
Weighted average number of shares (000's)	13	**60,799**	51,160
Pre Share Consolidation	13	**-**	1,278,988

All comprehensive income for continuing operations is shown above, equivalent information for discontinued activities is shown in Note 1.

The accompanying notes on pages 46 to 65 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 - Financials in £

	Note	Group 2016	Group 2015
Non-current assets			
Intangible assets	14	**23,355,065**	12,743,951
Property, Plant and equipment	15	**1,464,264**	1,002,409
Investment property	16	**310,000**	310,000
		25,129,329	14,056,360
Current assets			
Trade and other receivables	17	**506,963**	521,733
Corporation tax R&D refund	17	**3,148,006**	2,784,231
Cash and cash equivalents	18	**1,448,524**	8,958,135
Inventories	19	**7,437,508**	4,418,289
		12,541,001	16,682,388
Total assets		**37,670,330**	30,738,748
Current liabilities			
Trade and other payables	20	**(3,134,314)**	(2,458,855)
Borrowings	21	**(543,250)**	(1,000,000)
		(3,677,564)	(3,458,855)
Non-current liabilities			
Borrowings	21	**-**	-
Deferred tax		**-**	-
Total liabilities		**(3,677,564)**	(3,458,855)
Net assets		**33,992,766**	27,279,893
Equity			
Share capital	23	**18,116,946**	14,183,284
Share premium reserve	25	**43,117,741**	32,815,156
Share option reserve	26	**4,258,148**	3,045,779
Reverse acquisition reserve	27	**11,038,204**	11,038,204
Exchange movements reserve	28	**1,525,539**	(83,166)
Accumulated losses		**(44,063,813)**	(33,719,363)
Equity attributable to shareholders of the Parent Company		**33,992,766**	27,279,893
Non-controlling interests		**-**	-
Total equity funds		**33,992,766**	27,279,893

These consolidated financial statements have been approved and were authorised for issue by the Board of Directors on 23 June 2017.
Signed on behalf of the Board of Directors by

Dr Michael Sinclair
Executive Chairman

Nicolas Serandour
Chief Executive Officer

Registered number: 05564418
The accompanying notes on pages 46 to 65 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 - Financials in £

	Share capital	Share premium	Share options reserve	Reverse acquisition reserve	Acquisition reserve	Exchange movement reserve	Accumulated losses	Equity share holders interest	Non-controlling interest	Total
Balance at 01 January 2015	10,284,439	14,658,924	2,020,681	11,038,204	662,782	(369,291)	(27,163,872)	11,131,866	-	11,131,866
Loss for the year	-	-	-	-	-	286,125	(6,555,491)	(6,269,366)	-	(6,269,366)
Total comprehensive income	-	-	-	-	-	286,125	(6,555,491)	(6,269,366)	-	(6,269,366)
Arising on issues of ordinary shares	3,898,845	18,156,232	-	-	(662,782)	-	-	21,392,295	-	21,392,295
Share based payment - cost of raising finance	-	-	62,285	-	-	-	-	62,285	-	62,285
- employee services	-	-	816,967	-	-	-	-	816,967	-	816,967
- acquisition of ADAM S.A.	-	-	119,142	-	-	-	-	119,142	-	119,142
- other services	-	-	26,704	-	-	-	-	26,704	-	26,704
Group provision for minority interest	-	-	-	-	-	-	-	-	-	-
Balance as reported 31 December 2015	14,183,284	32,815,156	3,045,779	11,038,204	-	(83,166)	(33,719,363)	27,279,893	-	27,279,893
Balance at 01 January 2016	14,183,284	32,815,156	3,045,779	11,038,204	-	(83,166)	(33,719,363)	27,279,893	-	27,279,893
Loss for the year	-	-	-	-	-	1,608,705	(10,346,660)	(8,737,955)	2,210	(8,735,745)
Total comprehensive income	-	-	-	-	-	1,608,705	(10,346,660)	(8,737,955)	2,210	(8,735,745)
Arising on issues of ordinary shares	3,762,040	9,776,707	-	-	-	-	-	13,538,747	-	13,538,747
Share based payments - cost of raising finance	50,000	150,000	72,861	-	-	-	-	272,861	-	272,861
- employee services	121,622	375,878	955,443	-	-	-	-	1,452,943	-	1,452,943
- acquisition of ADAM S.A.	-	-	161,742	-	-	-	-	161,742	-	161,742
- other services	-	-	22,324	-	-	-	-	22,324	-	22,324
Group provision for minority interest	-	-	-	-	-	-	2,210	2,210	(2,210)	-
Balance at 31 December 2016	**18,116,946**	**43,117,741**	**4,258,148**	**11,038,204**	**-**	**1,525,539**	**(44,063,813)**	**33,992,766**	**-**	**33,992,766**

The accompanying notes on pages 46 to 65 form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 - Financials in £

	2016			2015		
	Group continuing operations	**Group discontinued operations**	**Group**	Group continuing operations	Group discontinued operations	Group
Cash flow from operating activities						
Loss after taxation	**(10,366,550)**	**22,100**	**(10,344,450)**	(5,845,155)	(710,336)	(6,555,491)
Adjustments:						
Taxation	**(2,818,050)**	**-**	**(2,818,050)**	(2,784,231)	-	(2,784,231)
Finance costs	**106,338**	**-**	**106,338**	151,154	(17,500)	133,654
Finance income	**(9,045)**	**-**	**(9,045)**	(26,805)	-	(26,805)
Depreciation	**345,371**	**-**	**345,371**	33,754	145,881	179,635
Impairment charge for investment property	**-**	**-**	**-**	887,094	-	887,094
Loss on disposal of subsidiary	**-**	**-**	**-**	-	367,080	367,080
Share based payments	**1,909,871**	**-**	**1,909,871**	1,025,098	-	1,025,098
Cash flows from operations before changes in working capital	**(10,832,065)**	**22,100**	**(10,809,965)**	(6,559,092)	(214,875)	(6,773,967)
Changes in inventories	**(3,019,219)**	**-**	**(3,019,219)**	(3,136,739)	30,500	(3,106,239)
Change in trade and other receivables	**14,770**	**-**	**14,770**	(57,145)	100,891	43,746
Change in trade and other payables	**662,213**	**14,912**	**677,125**	220,345	(80,225)	140,120
Cash (used) / generated from operations	**(13,174,302)**	**37,012**	**(13,137,290)**	(9,532,631)	(163,709)	(9,696,340)
Interest paid	**(246,550)**	**-**	**(246,550)**	(148,388)	-	(148,388)
Corporation Tax Receipt	**2,454,268**	**-**	**2,454,268**	-	-	-
Cash flows from operating activities	**(10,966,583)**	**37,012**	**(10,929,571)**	(9,681,019)	(163,709)	(9,844,728)
Cash flows from investing activities:						
Cash consideration received on disposal of subsidiary undertaking	**-**	**-**	**-**	-	101,207	101,207
Disposal of plant and equipment	**-**	**-**	**-**	-	462,412	462,412
Cash disposed with subsidiary	**-**	**-**	**-**	-	(92)	(92)
Capital expenditure on intangible assets	**(8,908,411)**	**-**	**(8,908,411)**	(3,526,097)	-	(3,526,097)
Purchase of buildings plant and equipment	**(770,339)**	**-**	**(770,339)**	(762,329)	-	(762,329)
Interest received	**16,713**	**-**	**16,713**	-	-	-
Cash flows from investment activities	**(9,662,037)**	**-**	**(9,662,037)**	(4,288,426)	563,527	(3,724,899)
Cash flows from financing activities:						
Equity share capital raised	**13,538,747**	**-**	**13,538,747**	21,062,614	-	21,062,614
Other short term loans	**(456,750)**	**-**	**(456,750)**	-	-	-
Intra Group Cash Transfers	**19,991**	**(19,991)**	**-**	400,874	(400,874)	-
Cash flows from financing activities	**13,101,988**	**(19,991)**	**13,081,997**	21,463,488	(400,874)	21,062,614
Increase/(decrease) in cash and cash equivalents	**(7,526,633)**	**17,021**	**(7,509,611)**	7,494,043	(1,056)	7,492,987
Cash and cash equivalents at 01 January 2016	**8,958,135**	**-**	**8,958,135**	1,464,093	1,056	1,465,149
Cash and cash equivalents at 31 December 2016	**1,431,502**	**17,021**	**1,448,524**	8,958,135	-	8,958,135

The accompanying notes on pages 46 to 65 form part of the financial statements.

PRINCIPAL ACCOUNTING POLICIES – GROUP

For the year ended 31 December 2016

a. Accounting convention, basis of preparation and going concern

These financial statements have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union and applied in accordance with the Companies Act 2006. The financial statements have been prepared on the historical cost basis modified to include certain assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and opinions or statements received from competent professional advisors. These advisors include qualified valuers and financial institutions which have provided senior debt and associated facilities. The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate statement of comprehensive income for the Parent Company.

Advanced Oncotherapy PLC ("the Company") is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (the "Group") are set out in the strategic report and Directors' report on pages 2 to 39. These consolidated financial statements are presented in pounds sterling because that is the predominant currency of the economic environment in which the Group operates.

The most significant assumptions in the financial statements are:

1. The values ascribed to Intangible assets. The Directors carried out an impairment review of the Intangible assets and found that no impairment is necessary. At 31 December 2016, the Group held intangible assets currently still being developed, for which the most sensitive assumption is the probability of technical success and, given their nature, impairment adjustments triggered by future events that have yet to occur which may be material. In addition, there is a significant risk that impairments recognised in any one period may be subject to material adjustments in future periods. See Note 14 and Note t. below.
2. Going concern. The business is still building the equipment for its first installation and is pre-revenue and it needs to show that it has adequate funds to continue. The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about future performance and taking into account the Company's cash balances. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

In addition, the Directors have prepared trading and cash flow forecasts for the Group for the period to December 2019. The Group raised £13 million in new equity in October and November 2016 and in 2017. In May 2016 the Group secured a £24 million Vendor Financing with Metric Capital and in February 2017 the Group secured £26 million in a flexible and staged financing agreement with Bracknor and a further £6.5 million in a financing agreement with Blackfinch. The Company has a further option to raise up to an additional £26 million with Bracknor, on the same terms, for a potential total commitment of £52 million, provided issuance of the initial £26 million has occurred within the first two years. Based on the forecasts the Directors believe that no further fund raising will be required in order to achieve its plan. Accordingly the Financial Statements have been prepared on a going concern basis.

A summary of the Group accounting policies is set out below, together, where relevant, with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year. Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 01 January 2016 and these have been adopted in the financial statements. None of these standards had an impact on the current or prior year results or financial position of the Group, therefore no further disclosure is given.

b. Basis of consolidation

The consolidated financial information includes financial information in respect of the Company and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Investment properties

Investment properties are properties owned or leased by the Group which are held for long term rental income and capital appreciation. Investment property is initially recognised at cost and revalued at the balance sheet date to fair value as determined by the Directors. In arriving at their assessment of the Folkestone property, the Directors take advice from professionally qualified external valuers to determine open market value.

d. Intangible assets-research and development

Development activities involve a plan or design for the production of new and innovative proton beam cancer therapy machines. Development expenditure is capitalised only if development costs can be measured reliably, is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources available to complete development and to use, lease or sell the asset. The expenditure capitalised includes only (i) the cost of gross direct labour that is directly attributable to preparing the asset for its intended use or (ii) third-party costs incurred directly on the development activities above. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Other research and development expenditure not meeting the above criteria is recognised in the income statement as incurred. Capitalised development costs are amortised over the period from the date the development generates revenue. As at 31 December 2016 the proton therapy machines are still in the development phase and therefore no amortisation has been recognised in the income statement. Management estimates the useful economic life of the proton machines to be between 10 and 20 years once development has been completed.

e. Acquired intangible assets

Following business combinations the assets acquired are classified into tangible and intangible assets and fair values applied using the principles of IFRS 3. This leads to the creation of intangible assets recognised on the consolidated balance sheet which are amortised over their useful economic lives. The assets typically recognised are:

- Brand name
- Customer contract and relationships
- Technology assets
- In-progress research and development

f. Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

• Fixtures and fittings	20% of cost
• Plant - LIGHT development equipment	20% of cost
• Computer equipment	33.3% to 50% of cost
• Leasehold Improvements	are written off over the term of the lease

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

g. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with maturities of three months or less, net of short term bank overdrafts.

h. Trade and other receivables

Trade and other receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material.

i. Trade and other payables

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

j. Inventories
Stocks are stated at the lower of cost and realisable value. Cost is based on the first-in first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

Work in progress is valued at the cost charged for material supplies and the cost charged by sub contractors for work completed or in progress with those sub contractors. No element of Company overhead or finance cost has been included.

k. Revenue recognition
The Group has not yet received any revenue from sales of its LIGHT system. Where deposits are received from sale order contracts, turnover and related costs will be recognised in comprehensive income as each contract activity progresses.

l. Income taxes
The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority, with a legal right to set off and when the Company intends to settle them on a net basis.

m. Pensions
The Group makes defined contributions to employees' personal pension plans. Contributions payable to the employees' schemes are recognised as an expense in the statement of comprehensive income as incurred.

n. Share based payments
The cost of granting share options and other share based remuneration to employees and Directors is recognised through the statement of comprehensive income on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. These share based payments are measured at fair value at the date of grant by use of an option pricing model known as the Black – Scholes formula.

For equity-settled transactions with non-employees, the costs are recognised through the statement of comprehensive income with measurement based on the fair value of goods or services received.

o. Foreign currencies
The assets and liabilities of foreign entities are translated into sterling at the rate of exchange ruling at the balance sheet date and their statements of comprehensive income and cash flows are translated at the average rate for the period. Exchange differences arising are transferred to reserves as a separate component of equity.

Transactions in currencies other than the subsidiaries' functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from re-translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

p. Financial instruments
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Loans are initially recognised net of associated transaction costs. Subsequent to initial recognition, they are stated at amortised cost.

q. Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

r. Borrowing costs
All borrowing costs are recognised in the period in which they are incurred.

s. Segmental reporting
As the Group's business activities were not complex, being the development and building of the LIGHT system, and the management of a healthcare related property, management reviews information based on different locations and, accordingly, the operating segments are based on such a geographical split.

t. Impairment of non-current assets
At each balance sheet date, the Group reviews the amounts of its intangible fixed assets, and property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss.

For the purpose of impairment testing of intangible assets, the Group's continuing operations are regarded as a single cash-generating unit relating to the development and operation of the LIGHT machine The recoverable amount is based on value in use using discounted risk-adjusted projections of the Group's pre-tax cash flows over 10 years which is considered by the Board as a reasonable period given the long development and expected operational life cycle of the LIGHT machine. The projections include assumptions about the number of units to be sold in each financial year, expected unit selling price and production cost, pipeline conversion, competition from rival products and pricing policy as well as the possibility of new technology entering the market. In setting these assumptions the Directors consider their own past experience, external sources of information (including information on expected increases and ageing of the populations in our established markets and the expanding patient population in newer markets), our knowledge of competitor activity and our assessment of future changes in the proton beam industry. The 10year period is covered by internal budgets and forecasts. Given that internal budgets and forecasts are prepared for all projections, no general growth rates are used to extrapolate internal budgets and forecasts for the purposes of determining value in use. No terminal value is included as these cash flows are more than sufficient to establish that an impairment does not exist. The methods used to determine recoverable amounts have remained consistent with the prior year. In arriving at value in use, we disaggregate our projected pre-tax cash flows into groups reflecting similar risks and tax effects. For each group of cash flows we use an appropriate discount rate reflecting those risks and tax effects. In arriving at the appropriate discount rate for each group of cash flows, we adjust the post-tax weighted average cost of capital to reflect the impact of risks relevant to that group of assets, the time value of money and tax effects. The weighted average pre-tax discount rate we used was approximately 13.5% (2015: 13.5%).

As a further check, we compare our market capitalisation to the book value of our net assets. Currently the market capitalisation is below the book value of the net assets, but we consider as a board, that the market currently undervalues the company due to the current financing strategy of the group.

u. Standards and interpretations applied for the first time
A number of new standards and interpretations have become effective for the first time in these financial statements, albeit with no significant impact on accounting policies or disclosure.

At the date of authorisation of these financial statements, the following new and revised IFRS Standards and Interpretations have been adopted in the current year, where applicable to the Group. Their adoption has not had any significant impact on the amounts reported in the financial statements.

- IFRS 11 (Amended) Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 & IAS 38 (Amended) Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 1 (Amended) Disclosure Initiative
- IFRS 14 (Issued) Regulatory Deferral Accounts
- IFRS 2012 – 2014 Cycle

NOTES TO THE ACCOUNTS – GROUP

For the year ended 31 December 2016 - Financials in £

1. Discontinued operations

		2016		2015			
	Note	**Healthcare related properties- Germany**	**Group**	Healthcare related properties- UK	Healthcare related properties- Germany	SD-IORT Services - UK	Group
Revenue	3	**-**	**-**	-	-	84,242	84,242
Cost of sales		**-**	**-**	-	-	(109,726)	(109,726)
Gross profit		**-**	**-**	-	-	(25,484)	(25,484)
Administrative expenses		**22,100**	**22,100**	(4,997)		(330,275)	(335,272)
Loss on disposal of Oncotherapy Resources Ltd		**-**	**-**	-	-	(367,080)	(367,080)
Operating loss		**22,100**	**22,100**	(4,997)	-	(722,839)	(727,836)
Finance income		**-**	**-**	-	-	-	-
Finance costs	2	**-**	**-**	-	-	17,500	17,500
Loss on ordinary activities before taxation		**22,100**	**22,100**	(4,997)	-	(705,339)	(710,336)

The SD-IORT business operated through Oncotherapy Resources Ltd was disposed of in November 2015 when that subsidiary was sold. Consideration of £75,000 was received in 2015 with a further £25,000 received in November 2016.

Since the settlement of the dispute with the purchaser of the German healthcare business no further losses are expected. A previous over-provision for expected costs has been released in the year. It is expected that the remaining German companies will be wound up in 2017 following the sale of their nominal remaining assets. The non-controlling interest disclosed in the Consolidated Statement of Comprehensive Income for 2015 is the loss attributable to a 10% shareholder in the German healthcare related property business.

The property business in Southampton was disposed of in February 2015, the loss on the disposal was reflected in 2014.

2. Segment reporting

		2016						
	Notes	Development of Proton Therapy - UK	Development of Proton Therapy - Switzerland	Development of Proton Therapy - USA	Healthcare related properties- UK	Total - Continuing operations	Discontinued operations	Group
Revenue	3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost of sales		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Administrative expenses		**(9,309,297)**	**(3,163,619)**	**(581,254)**	**(33,136)**	**(13,087,307)**	**22,100**	**(13,065,207)**
Operating loss		**(9,309,297)**	**(3,163,619)**	**(581,254)**	**(33,136)**	**(13,087,307)**	**22,100**	**(13,065,207)**
Finance income	7	**9,045**	**-**	**-**	**-**	**9,045**	**-**	**9,045**
Finance costs	8	**-**	**-**	**-**	**(106,338)**	**(106,338)**	**-**	**(106,338)**
Loss on ordinary activities before taxation		**(9,300,252)**	**(3,163,619)**	**(581,254)**	**(139,474)**	**(13,184,600)**	**22,100**	**(13,162,500)**
Capital expenditure	15	**282,042**	**486,343**	**1,954**	**-**	**770,339**	**-**	**770,339**
Total assets		**18,525,221**	**18,752,709**	**30,869**	**343,499**	**37,652,298**	**18,032**	**37,670,329**
Total liabilities		**(2,320,595)**	**(526,382)**	**(73,376)**	**(735,808)**	**(3,656,161)**	**(21,404)**	**(3,677,565)**
Net assets/(liabilities)		**16,204,626**	**18,226,327**	**(42,507)**	**(392,309)**	**33,996,137**	**(3,372)**	**33,992,764**

2. Segment reporting continued

During 2016 the Company operated in two business segments: Proton Therapy and Healthcare related properties. The healthcare related property UK segment relates to the Group's property in Folkestone which was not disposed as part of the disposal of the Healthcare Property Company (HPC). The management team reviewed its strategic options for the healthcare related property business in order to re-focus resources solely onto the Proton Therapy segment. The Folkestone property is being marketed for sale.

		2015						
	Notes	Development of Proton Therapy - UK	Development of Proton Therapy - Switzerland	Development of Proton Therapy - USA	Healthcare related properties- UK	Total - Continuing operations	Discontinued operations	Group
Revenue	3	-	-	-	-	-	84,242	84,242
Cost of sales		-	-	-	-	-	(109,726)	(109,726)
Gross profit		-	-	-	-	-	(25,484)	(25,484)
Administrative expenses		(6,040,914)	(1,221,157)	(272,814)	(83,059)	(7,617,944)	(335,272)	(7,953,216)
Net loss on revaluation of investment and development properties		-	-	-	(887,094)	(887,094)	-	(887,094)
Loss on disposal	4	-	-		-	-	(367,080)	(367,080)
Operating loss		(6,040,914)	(1,221,157)	(272,814)	(970,152)	(8,505,037)	(727,836)	(9,232,873)
Finance income	7	-	-	-	26,805	26,805	-	26,805
Finance costs	8	-	-	-	(151,154)	(151,154)	17,500	(133,654)
Loss on ordinary activities before taxation		(6,040,914)	(1,221,157)	(272,814)	(1,094,501)	(8,629,386)	(710,336)	(9,339,722)
Capital Expenditure		204,955	555,414	1,960	-	762,329	-	762,329
Total assets		18,155,806	12,165,372	40,618	376,952	30,738,748	-	30,738,748
Total liabilities		(1,219,927)	(805,715)	(60,222)	(1,336,675)	(3,422,539)	(36,316)	(3,458,855)
Net assets/(liabilities)		16,935,879	11,359,657	(19,604)	(959,723)	27,316,209	(36,316)	27,279,893

3. Revenue

		2016	2015
Discontinued activities	SD-IORT ("ORL")	**-**	84,242
Total		**-**	84,242

ORL was disposed of in November 2015; £84,242 represents revenues from 1 January 2015 to the date of disposal in November 2015.

Revenue from transactions where any one customer exceeded 10% of revenues was £84,242 in 2015.

NOTES TO THE ACCOUNTS – GROUP

Continued - Financials in £

4. Loss on disposal of assets

Oncotherapy Resources Ltd	**2016**	2015
Fair value of consideration		
Cash	-	101,207
Deferred consideration	-	25,000
Fair value of consideration received	-	126,207
Fair value of assets disposed:		
Plant and equipment	-	462,412
Working capital - receivables, payables and inventories	-	30,875
Legal fees and other transaction costs	-	-
Total – fair value of assets disposed and transaction costs	-	493,287
Loss on disposal	-	(367,080)

The Oncotherapy Resources Ltd ('ORL') subsidiary which operated Single Dose Intra-Operative Radiotherapy Treatment (SD-IORT) cancer treatments was disposed of in November 2015.

5. Acquisitions

There were no acquisitions in the current or comparative period.

6. Operating loss

	Note	**2016**	2015
Operating loss is arrived at after charging:			
Staff costs	10	**6,051,779**	5,154,953
Depreciation	15	**345,371**	179,635
Foreign exchange loss or (credit)		**478,880**	(10,237)
Charitable donations		**-**	5,050
Research & Development costs		**2,468,446**	3,788,892
Loss on disposal of subsidiary undertaking	1	**-**	367,080
Impairment charge for investment properties	16	**-**	887,094
Amounts payable to the Company's Auditor and their associates for:			
- audit of the Company's annual accounts		**15,000**	15,000
- audit of the Company's subsidiaries		**32,500**	32,500
- taxation compliance		**5,000**	5,000

7. Finance income

	2016	2015
Interest receivable on deposits	**9,045**	26,805
Total	**9,045**	26,805

8. Finance costs

	2016	2015
On mortgage finance (see Note 21)	**98,090**	95,640
On other short term loans	**8,248**	55,514
Total	**106,338**	151,154

9. Taxation on profit for ordinary activities

(a) Tax (credit) / charge comprises	2016	2015
Current tax		
UK corporation tax charge/credit for the year	**(3,073,799)**	**(1,975,166)**
UK corporation tax charge/credit for the previous year	**255,749**	**(809,065)**
Deferred tax	**-**	-
Origination and reversal of temporary differences	**-**	-
Total	**(2,818,050)**	(2,784,231)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (20.0%) (2015: 20.0%). The differences are explained below:

	2016	2015
Loss on ordinary activities before tax	**(13,162,502)**	(9,339,722)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 20.00% (2015: 20.0%)	**(2,632,500)**	(1,867,944)
Effects of:		
Research & Development claim this year	**(3,073,799)**	(1,975,166)
Research & Development claim prior year	**255,749**	(809,065)
Permanent differences	**414,942**	207,582
Capital allowances in excess of depreciation	**59,786**	-
Unprovided losses carried forward / (utilised)	**2,157,773**	1,660,362
Tax credit for the year	**(2,818,050)**	(2,784,231)

(c) Unprovided deferred tax assets at 20.0% (2015: 20.0%)	2016	2015
Losses carried forward	**(5,619,893)**	(3,002,267)
R&D tax credit on Intangible assets	**2,722,348**	-
Accelerated capital allowances	**26,722**	29,595
Total	**(2,870,823)**	(2,972,672)

No deferred tax asset has been recognised on the above item on the grounds that it is uncertain when taxable profits will arise against which losses carried forward may be utilised.

NOTES TO THE ACCOUNTS – GROUP

Continued - Financials in £

10. Staff costs

	2016	2015
Wages and salaries	**6,793,807**	5,058,617
Compensation for loss of office	**118,750**	-
Social security costs	**885,072**	641,580
Pension costs	**470,886**	280,811
Other benefits	**62,768**	48,888
Capitalised cost of development project	**(3,234,947)**	(1,691,910)
Share based payments	**955,443**	816,967
Total	**6,051,779**	5,154,953

Staff costs include amounts of £3,234,947 (2015:£1,691,910) which have been capitalised within development projects during the year.

Details of employee share options are set out in note 24. No Share options have been granted during 2016.

The monthly average number of persons employed during 2016 was 75 (2015: 43), categorised as follows:

	2016	2015
Managerial	**9**	7
Operational	**8**	5
Product Development	**43**	22
Administrative	**15**	9
Total	**75**	43

The total number of employees at 31 December 2016 was 78 (31 December 2015 - 51)

11. Directors' Remuneration

The salaries and benefits of the Directors of the Company payable by the Company for the year ended 31 December 2016 were as follows:

	Appointed	Resigned	Base salary	Bonus payment	Car allowance	Pension	Other benefits	Medical insurance	2016	2015
Dr Michael Sinclair, Exec Chairman	16 Jun 06		180,000	-	9,000	18,000	-	7,264	**214,264**	472,319
Sanjeev Pandya	22 Nov 13		203,500	-	10,176	20,350	1,100	1,236	**236,362**	449,126
Nicolas Serandour, CEO	27 Aug 14		180,000	-	9,000	18,000	763	606	**208,369**	343,330
Michael Bradfield	26 Apr 13		30,000	-	-	-	-	-	**30,000**	30,000
Tim Lebus	08 Apr 13	26 Jan 17	30,000	-	-	-	-	-	**30,000**	30,000
Dr Enrico Vanni	01 Oct 13		30,000	-	-	-	-	-	**30,000**	52,938
Prof Chris Nutting	25 Oct 13		30,000	-	-	-	-	-	**30,000**	30,000
Dr Euan Thomson	20 Feb 14		30,000	-	-	-	-	-	**30,000**	37,539
Lord Evans of Watford	31 Jul 06	01 Nov 16	45,000	-	-	-	-	-	**45,000**	49,350
Dr Sanjeev Kanoria	09 Oct 14	10 Oct 16	3,724	-	-	-	-	-	**3,724**	14,317
Prof Chris Boshoff	18 Mar 13	25 Oct 13	-	-	-	-	-	-	**-**	(17,342)
Total			762,224	-	28,176	56,350	1,863	9,106	**857,719**	1,491,577

Dr Enrico Vanni elected to take his salary in shares for 2016 and 2015. Market value at the time of the share issue was £30,000 (2015: £52,938)

Prof Chris Boshoff agreed in 2015 to the waiver of the amounts shown above which had been accrued in previous periods.

Gains made by Directors during the year on the exercise of options and warrants as measured against the market price of the day of exercise was £31,733 (2015: £2,209,776).

The Directors consider that there are no other employees who should be considered as key personnel under IFRS.

11. Directors' Remuneration continued

Directors share options

On 30th June 2016, Advanced Oncotherapy plc announced a share consolidation with 25 Ordinary Shares of 1p being consolidated into one New Ordinary Share of 25p.

	At 01 Jan 2016	Share Consoli-dation	Lapsed or expired during the year	Exercised during the year	At 31 Dec 2016	Option price pence	Date of grant	Earliest exercise date	Expiry date
Michael Bradfield	20,000,000	800,000	-	-	800,000	125.0p	01 Oct 14	01 Oct 14	30 Sep 19
	20,000,000	800,000	-	-	800,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Lord David Evans	10,000,000	400,000	(133,332)	(266,668)	-	87.5p	30 Apr 14	30 Apr 14	-
Tim Lebus	7,500,000	300,000	-	-	300,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Prof Chris Nutting	5,000,000	200,000	-	-	200,000	75.0p	03 Jan 14	03 Jan 14	31 Oct 18
	2,500,000	100,000	-	-	100,000	87.5p	01 Feb 14	01 Feb 14	31 Jan 19
Sanjeev Pandya	20,000,000	800,000	-	-	800,000	80.0p	30 Apr 14	30 Apr 14	29 Apr 19
	10,000,000	400,000	-	-	400,000	87.5p	30 Apr 14	30 Apr 14	29 Apr 19
	5,000,000	200,000	-	-	200,000	125.0p	01 Oct 14	01 Oct 16	30 Sep 18
	10,000,000	400,000	-	-	400,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Nicolas Serandour	10,000,000	400,000	-	-	400,000	95.0p	01 Oct 14	01 Oct 14	30 Sep 19
	10,000,000	400,000	-	-	400,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Dr Michael Sinclair	800,000	32,000	-		32,000	725.0p	13 Sep 07	13 Sep 10	13 Sep 17
	30,000,000	1,200,000	-	-	1,200,000	87.5p	30 Apr 14	30 Apr 14	29 Apr 19
	5,000,000	200,000	-	-	200,000	125.0p	01 Oct 14	01 Oct 16	30 Sep 18
Dr Euan Thomson	5,000,000	200,000	-	-	200,000	87.5p	20 Feb 14	20 Feb 14	31 Jan 19
Dr Enrico Vanni	5,000,000	200,000	-	-	200,000	200.0p	05 May 15	01 Jul 15	30 Jun 20

As disclosed above no options have been issued to the Directors during in the year (2015: 122,500,000). In accordance with IFRS these have been valued in accordance with the Company's accounting policy for share options under Black Scholes as disclosed in Note 25. The fair value of these Options charged to the Consolidated Statement of Comprehensive Income was £675,646 (2015: £311,715) for the year.

In June 2015, the Company announced that Michael Sinclair, Chief Executive Officer and Chairman of the Company, had purchased an option over 1,200,000 (30,000,000) ordinary shares of 25 pence (one pence) each in the Company ("Ordinary Shares") from Brahma AG at a cost of £300,000. The Options vested immediately, expire In June 2017 and have an exercise price of 250p (10p) per Ordinary Share.

Directors share warrants

	At 01 Jan 2016	Share Consoli-dation	Lapsed or expired during the year	Exercised during the year	At 31 Dec 2016	Option price pence	Date of grant	Earliest exercise date	Expiry date
Dr Enrico Vanni	5,000,000	200,000	-	-	200,000	125.0p	30 Sep 13	30 Sep 13	30 Sep 18

12. Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the period are charged in the statement of comprehensive income. Three Directors (2015: Three) accrued retirement benefits during the year. A charge of £56,350 (2015: £58,906) has been included in the year for the Directors.

NOTES TO THE ACCOUNTS – GROUP

Continued - Financials in £

13. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to equity holders of the Company (£'s)	**(8,735,747)**	(6,269,366)
Weighted average number of ordinary shares in issue (000s) pre Share Consolidation	**-**	1,278,988
Weighted average number of ordinary shares in issue (000s)	**60,799**	51,160
Loss per share (pence per share) - continuing operations	**(17.05)p**	(11.43)p
Loss per share (pence per share) - discontinued operations	**0.04p**	(1.39)p

Diluted loss per share

The Group has two categories of dilutive potential ordinary shares - share options and warrants. Both the Group's share options and warrants have been excluded from the calculation of diluted loss per share. These instruments could potentially be dilutive in the future.

14. Intangible assets

	Total
Development costs	
At 01 January 2015	9,217,854
Additions	3,526,097
At 31 December 2015	12,743,951
Development costs	
At 01 January 2016	12,743,951
Foreign exchange difference on conversion of ADAM S.A. intangibles at closing rate	1,702,703
Additions	8,908,411
At 31 December 2016	**23,355,065**

The total cost includes £14,235,223 (2015: £5,326,812) of internally generated staff costs.

For the purpose of impairment testing of intangible assets, the Group's continuing operations are regarded as a single cash-generating unit relating to the development and operation of the LIGHT machine

The recoverable amount is based on value in use using discounted risk-adjusted projections of the Group's pre-tax cash flows over 10 years which is considered by the Board as a reasonable period given the long development and expected operational life cycle of the LIGHT machine. The projections include assumptions about the number of units to be sold in each financial year, expected unit selling price and production cost, pipeline conversion, competition from rival products and pricing policy as well as the possibility of new technology entering the market. In setting these assumptions the Directors consider their own past experience, external sources of information (including information on expected increases and ageing of the populations in our established markets and the expanding patient population in newer markets), our knowledge of competitor activity and our assessment of future changes in the proton beam industry. The 10 year period is covered by internal budgets and forecasts. Given that internal budgets and forecasts are prepared for all projections, no general growth rates are used to extrapolate internal budgets and forecasts for the purposes of determining value in use. No terminal value is included as these cash flows are sufficient to establish that an impairment does not exist. The methods used to determine recoverable amounts have remained consistent with the prior year.

In arriving at value in use, the Group disaggregates the projected pre-tax cash flows into groups reflecting similar risks and tax effects. For each group of cash flows an appropriate discount rate reflecting those risks and tax effects is used. In arriving at the appropriate discount rate for each group of cash flows, AVO's post-tax weighted average cost of capital is adjusted to reflect the impact of risks relevant to that group of assets, the time value of money and tax effects. The weighted average pre-tax discount rate used was approximately 13.5% (2015: 13.5%).

As a further check, the market capitalisation is compared to the book value of the Group's net assets. Currently the market capitalisation is below the book value of the net assets, but the Board considers that the market currently undervalues the company due to the current financing strategy of the Group.

No impairment was found necessary.

The Group has also performed sensitivity analysis calculations on the projections used and discount rate applied. By their nature, the value in use calculations are sensitive to the underlying methods, assumptions and estimates. Consistent with prior years, as part of the impairment review process, management has identified that reasonably possible changes in certain key assumptions may cause the carrying amount of the intangible assets to exceed the recoverable amount. At 31 December 2016, the Group held intangible assets currently still being developed, for which the most sensitive assumption is the probability of technical success, and given their nature, impairment adjustments triggered by future events that have yet to occur may be material. In addition, there is a significant risk that impairments recognised in any one period may be subject to material adjustments in future periods.

15. Plant and equipment

	Leasehold property	Plant and machinery	Computer hardware and software	Fixtures, fittings and equipment	Total
Cost					
At 01 January 2015	-	1,049,167	29,127	3,215	1,081,509
Additions	-	-	110,495	651,834	762,329
Assets disposed of through the sale of ORL	-	(798,070)	(2,100)	-	(800,170)
At 31 December 2015	-	251,097	137,522	655,049	1,043,668
Depreciation					
At 01 January 2015	-	190,717	8,238	427	199,382
Charge for the year	-	145,278	25,691	8,666	179,635
Assets disposed of through the sale of ORL	-	(335,995)	(1,763)	-	(337,758)
At 31 December 2015	-	-	32,166	9,093	41,259
Net book value					
At 01 January 2015	-	858,450	20,889	2,788	882,127
At 31 December 2015	-	251,097	105,356	645,956	1,002,409
Cost					
At 01 January 2016	-	251,097	137,522	655,049	1,043,668
Foreign exchange difference on conversion of ADAM assets at closing rate	-	-	5,808	109,225	115,033
Reclassification of assets	-	(251,097)	-	251,097	-
Additions	177,251	-	44,878	548,210	770,339
Disposals	-	-	(2,648)	(95,613)	(98,261)
At 31 December 2016	**177,251**	**-**	**185,560**	**1,467,967**	**1,830,778**
Depreciation					
At 01 January 2016	-	-	32,166	9,093	41,259
Foreign exchange difference on conversion of ADAM assets at closing rate	-	-	748	-	748
Charge for the year	-	-	56,837	288,533	345,371
Disposals	-	-	(745)	(20,119)	(20,864)
At 31 December 2016	**-**	**-**	**89,006**	**277,507**	**366,514**
Net book value					
At 01 January 2016	-	251,097	105,356	645,956	1,002,409
At 31 December 2016	**177,251**	**-**	**96,553**	**1,190,460**	**1,464,264**

Continued - Financials in £

16. Investment property

	Freehold	Leasehold over 50 years	Total
Investment properties			
At 01 January 2015	-	1,197,094	1,197,094
Impairment charge	-	(887,094)	(887,094)
At 31 December 2015	-	310,000	310,000
Investment properties			
At 01 January 2016	-	310,000	310,000
Impairment charge	-	-	-
At 31 December 2016	**-**	**310,000**	**310,000**

Long leasehold investment properties of £310,000 (2015: £310,000) have been pledged as security for a mortgage facility with Bank of Ireland. The mortgage was fully repaid in April 2017.

The valuation of the medical facility at Folkestone has been reviewed by the Directors following receipt of a surveyor's report in April 2016 and they recognised an impairment charge of £887,094 based upon market rents and realisable value. The Directors are seeking to dispose of the building and given market conditions the Directors do not consider any further impairment is necessary. During the year, the group incurred operating expenses of £40,097 (2014: £48,873) in respect of the investment property at Folkestone, which did not generate any rental income during the year.

	Freehold	Leasehold over 50 years	Total
Geographical analysis			
Investment properties (UK)	-	310,000	310,000
At 31 December 2016	**-**	**310,000**	**310,000**

17. Trade and other receivables

	2016	2015
Current receivables		
Trade receivables	**-**	-
VAT recoverable	**153,449**	86,807
Deferred Consideration	**-**	25,000
Other receivables	**-**	3,092
Prepayments	**353,514**	406,834
	506,963	521,733
Corporation tax	**3,148,006**	2,784,231
Total current receivables	**3,654,969**	3,305,964

Deferred consideration of £25,000 relates to a final payment due to the Group in respect of the disposal of Oncotherapy Resources Ltd. This was paid to the Group in November 2016.

The amount for Corporation tax was in respect of a claim for Research and Development costs. The balance of the 2015 claim, £74,207, was received in January 2017. It is anticipated that full payment of the 2016 claim will be received in Q3 2017.

18. Cash and cash equivalents

		2016	2015
Cash & cash equivalents		**1,448,524**	8,958,135
Amounts in foreign exchange denominated by	Swiss Franc	**343,135**	**86,497**
	Euro	**17,916**	**56,642**
	US Dollar	**24,698**	**36,597**
	Sterling	**1,062,775**	**8,778,399**

19. Inventories

	2016	2015
Work in progress - LIGHT	**7,437,508**	4,418,289
Total	**7,437,508**	4,418,289

All of the above items of Inventory have been valued at cost. No costs relating to the LIGHT work in progress have been expensed to the income statement.

Costs included in Inventory are for finished components of the LIGHT machine that will be sold as part of the first LIGHT installation.

NOTES TO THE ACCOUNTS – GROUP

Continued - Financials in £

20. Trade and other payables

	2016	2015
Current		
Trade payables	**1,575,930**	341,984
Other taxes and social security	**241,399**	604,735
Customer order deposits received	**161,033**	161,033
Accruals and deferred income	**1,155,952**	1,351,103
Total	**3,134,314**	2,458,855

In February 2017, the Group reached an agreement with Sinophi to terminate purchase orders received from them and the customer order deposit received was returned to them.

21. Borrowings/(net funds)

	2016	2015
Amounts falling due within one year		
Bank loans	**543,250**	1,000,000
Total amounts falling due within one year	**543,250**	1,000,000
Total borrowings	**543,250**	1,000,000
Cash and cash equivalents	**(1,448,524)**	(8,958,135)
Net funds	**(905,274)**	(7,958,135)
The maturity profile of gross debt is as follows		
Repayable within one year	**543,250**	1,000,000
Total borrowings	**543,250**	1,000,000

Bank loans include £543,250 of a loan relating to the property at Folkestone. At the end of 2015, £1,000,000 of the loan was repayable within twelve months but an extension of this period was negotiated with the lender during 2016. The loan was fully repaid on 28 April 2017.

22. Financial instruments

The Group's principal financial instruments comprise short-term debtors and creditors, short-term bank deposits and cash. There is currently no material difference between the carrying value of financial assets and liabilities and their fair value. The prime objectives of the Group's policy towards financial instruments are to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the ongoing operations.

Capital management

The Group's policy is to maintain a strong capital base. The Group does not yet have any significant recurring revenues and finances its operations through the issue of new shares and the management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £1,448,524 of cash as at 31 December 2016.

	2016	2015
Assets		
Total assets	**37,670,330**	30,738,748
Debt		
Bank borrowings	**543,250**	1,000,000
	543,250	1,000,000
Equity		
Share capital and share premium	**61,234,687**	46,998,440
Reserves	**(27,241,922)**	(19,718,547)
	33,992,765	27,279,893
Total capital	**34,536,015**	28,279,893
Debt as a % of total capital	**1.6%**	3.5%
Debt as a % of total assets	**1.4%**	3.3%

Management of financial risk

The main risks associated with the Group's financial instruments have been identified as credit risk, liquidity risk and interest rate risk. The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged throughout the year, are set out below.

Treasury policy

The main risk arising from the Group's financing structure is exchange rate risk. Purchases for the LIGHT system are predominantly in euros and US dollars. The Group does not undertake any kind of currency hedging.

Interest rate risk

The Group has minimal debt which is the subject of a fixed interest rate agreement. The debt, due to Bank of Ireland and secured on the Folkestone property, was fully repaid in April 2017.

Exchange rate risk

The Group has substantial assets, and some residual assets and liabilities, denominated in Swiss Francs (CHF), principally the assets acquired as part of the all share purchase of ADAM S.A. and subsequent R&D costs.

For a 1% change in the CHF/£ the effect would be a change of £86,686 in the net assets.

Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's assets are primarily property investments which would take time to realise.

Projected income from property development activities is dependent on the timing of those activities and therefore subject to the impact of delays in the commencement of projects and the construction process.

Maturity of loan facilities is as set out in the table in note 21.

Continued - Financials in £

22 . Financial instruments continued

Credit risk

The Group trades with credit worthy parties and monitors receivable balances on a continuous basis.

Cash at bank is held only with reputable banks with high quality external credit ratings. The Group monitors trade receivables for impairment on a case by case basis.

Maximum exposure to credit risk within the Group is equal to the carrying value of financial assets; such assets include cash and cash equivalents and trade receivables. The Group's receivables at 31 December 2015 and 31 December 2016 were not past due and were not, thus impaired.

	2016		2015	
	Loans and receivables	**Amortised cost**	Loans and receivables	Amortised cost
Trade and other receivables - current	**3,654,969**	**-**	3,305,964	-
Cash and cash equivalents	**1,448,524**	**-**	8,958,135	-
Trade and other payables	**-**	**(3,134,314)**	-	(2,458,855)
Borrowings - current	**-**	**(543,250)**	-	(1,000,000)
	5,103,493	**(3,677,564)**	12,264,099	(3,458,855)

	2016	2015
Bank debt		
Sterling denominated:		
Fixed (average 6.5% (2015: 6.5%))	**543,250**	1,000,000
Other debt		
Short term loans:		
Other short term loans (average rate 0% (2015: 0%))	**-**	-
	543,250	1,000,000

Bank debt includes a £543,250 loan which was due in less than 1 year. The loan was fully repaid in April 2017.

Fair values of financial assets and financial liabilities

A comparison of the fair value of the Group's financial assets and liabilities is set out below. The fair value of borrowings has been calculated by obtaining estimates of the costs involved in redeeming the current loan arrangements at 31 December 2016 and comparing these with estimates of the present value of the cash flows using market rates as at 31 December 2016.

	2016		2015	
	Book value	**Fair value**	Book value	Fair value
Trade and other receivables	**3,654,969**	**3,654,969**	3,305,964	3,305,964
Trade and other payables	**(3,134,315)**	**(3,134,315)**	(2,458,855)	(2,458,855)
Cash and cash equivalents	**1,448,524**	**1,448,524**	8,958,135	8,958,135
Bank debt	**(543,250)**	**(543,250)**	(1,000,000)	(1,000,000)

23. Share capital

On 30th June 2016, Advanced Oncotherapy plc announced a share consolidation with 25 Ordinary Shares of 1p being consolidated into one New Ordinary Share of 25p.

The number of allotted, called up and fully paid shares is as follows:

	2016		2015	
Ordinary shares of 1p each	**Number**	**£**	Number	£
At the beginning of the period	**1,418,328,375**	**14,183,284**	1,028,443,914	10,284,439
Issued for cash	**1,180,650**	**11,807**	-	-
Total as at 30 June 2016	**1,419,509,025**	**14,195,090**	-	-
Share Consolidation	**56,780,361**	**14,195,090**	-	-
Issued for cash	**15,000,934**	**3,750,234**	340,896,462	3,408,965
Issued for other than cash	**686,488**	**171,622**	48,987,999	489,880
At the end of the period	**72,467,783**	**18,116,946**	1,418,328,375	14,183,284
Total issued in the period, post consolidation equivalents				
Issued for cash	**15,048,160**	**3,762,040**		
Issued for other than cash	**686,488**	**171,622**		
Issued in the period	**15,734,648**	**3,933,622**		

During the year, 15,734,648 Ordinary Shares of 25p (including equivalents) were issued at an average of 90.48p per share.

The Directors were authorised at the AGM in June 2016 to allot and issue up to 18,321,376 additional shares, 15,687,422 of these had been allotted and issued by the end of the year.

	Number of Shares	Share Capital £	p/Share
Issued for cash	15,048,160	13,538,746	89.97p
Issued for other than cash	686,488	697,500	101.60p
Total	15,734,648	14,236,246	90.48p
Shares issued for other than cash were issued to:			
For Director's emoluments	191,946	192,500	100.29p
For Employee's emoluments	294,542	305,000	103.55p
For services supplied to the Company	200,000	200,000	100.00p

24. Share based payments

Share options and warrants- IFRS 2 share based payment expense

There were no issues of options or warrants during the year.

		2016				2015			
		Options		Warrants		Options		Warrants	
	Note	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation
Issued in the year for:									
Employees		-	-	-	-	20,000,000	800,000	-	-
Directors		-	-	-	-	20,000,000	800,000	-	-
Directors for services to the Group		-	-	-	-	32,500,000	1,300,000	-	-
Others for services rendered		-	-	-	-	-	-	13,391,855	535,674
Acquisition of ADAM S.A.		-	-	-	-	-	-	50,216,293	2,008,652
Total		-	-	-	-	72,500,000	2,900,000	63,608,148	2,544,326

The total expense recognised for the year from share based payments was:

	2016	2015
Equity-settled share-based payment expense in income statement:		
- market value of shares issued for the costs of raising finance	**200,000**	-
- market value of shares issued for employee services	**497,500**	-
- annual charge for Options and Warrants issued in the year	**-**	496,213
- annual charge for Options and Warrants issued in prior years	**1,212,371**	528,885
Total	**1,909,871**	1,025,098

Fair value is measured based on the share value of the company at the date the warrants or options are issued.

Risk free interest rate

The risk-free interest rate is based on the UK 2-year Gilt yield.

Expected term

The expected term represents the maximum term that the group's share options in relation to employees of the group are expected to be outstanding. The expected term is based on expectations using information available.

Estimated volatility

The estimated volatility is the amount by which the price is expected to fluctuate during the period. This has been estimated by the board of Directors.

Expected dividends

The Group's Board of Directors may from time to time declare dividends on its outstanding shares. Any determination to declare and pay dividends will be made by Group's Board of Directors and will depend upon the group's results, earnings, capital requirements, financial condition, business prospects, contractual restrictions and other factors deemed relevant by the Board of Directors. In the event that a dividend is declared, there is no assurance with respect to the amount, timing or frequency of any such dividends. Based on this uncertainty and unknown frequency, for the year ended 31 December 2016 no dividend rate was used in the assumptions to calculate the share based compensation expense.

Share options

Share options held by Directors are disclosed in the Directors' report. The total number of options held at the year end are as follows:

		Exercise price		Share options held at 31 December 2016		Share options held at 31 December 2015	
Exercise period		Pre Consolidation	Post Consolidation	**Pre Consolidation**	**Post Consolidation**	Pre Consolidation	Post Consolidation
12-Sep-11	13-Sep-18	29.00p	725.00p	**2,100,000**	**84,000**	2,100,000	84,000
01-Sep-13	31-Aug-18	3.00p	75.00p	**2,000,000**	**80,000**	2,000,000	80,000
03-Jan-14	31-Oct-18	3.00p	75.00p	**7,500,000**	**300,000**	7,500,000	300,000
03-Jan-14	02-Jan-19	5.05p	126.25p	**2,000,000**	**80,000**	2,000,000	80,000
20-Jan-14	20-Jan-19	3.75p	93.75p	**2,500,000**	**100,000**	2,500,000	100,000
01-Feb-14	31-Jan-19	3.50p	87.50p	**7,500,000**	**300,000**	7,500,000	300,000
30-Apr-14	29-Apr-19	3.20p	80.00p	**20,000,000**	**800,000**	20,000,000	800,000
30-Apr-14	29-Apr-19	3.50p	87.50p	**80,000,000**	**3,200,000**	90,000,000	3,600,000
01-Jul-15	30-Jun-20	8.00p	200.00p	**67,500,000**	**2,700,000**	67,500,000	2,700,000
14-Apr-16	13-Apr-21	2.70p	67.50p	**-**	**-**	1,166,666	46,667
01-Oct-16	30-Sep-17	5.00p	125.00p	**6,666,667**	**266,667**	6,666,667	266,667
01-Oct-16	30-Sep-21	3.80p	95.00p	**10,000,000**	**400,000**	10,000,000	400,000
01-Oct-16	30-Sep-18	5.00p	125.00p	**19,000,000**	**760,000**	24,000,000	960,000
01-Oct-17	30-Sep-18	5.00p	125.00p	**6,666,667**	**266,667**	6,666,667	266,667
01-Oct-18	30-Sep-19	5.00p	125.00p	**6,666,666**	**266,667**	6,666,666	266,667
Total				**240,100,000**	**9,604,000**	256,266,666	10,250,667

24. Share based payments continued

The number and weighted average exercise prices of share options are as follows:

	2016				2015			
	Weighted average exercise price		Number of options		Weighted average exercise price		Number of options	
	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation
Outstanding at the beginning of the period	**3.98p**	**99.50p**	**256,266,666**	**10,250,667**	4.00p	100.00p	191,764,000	7,670,560
Lapsed during the period	**4.40p**	**110.00p**	**(8,333,300)**	**(333,332)**	3.50p	87.50p	(5,664,000)	(226,560)
Exercised during the period	**2.70p**	**67.50p**	**(7,833,366)**	**(313,335)**	2.70p	67.50p	(2,333,334)	(93,333)
Issued during the period	**-**	**-**	**-**	**-**	7.69p	192.25p	72,500,000	2,900,000
Outstanding at the end of the period	**5.22p**	**130.50p**	**240,100,000**	**9,604,000**	5.13p	128.25p	256,266,666	10,250,667
Exercisable at the end of the period	**4.95p**	**123.75p**	**146,183,617**	**5,847,343**	3.98p	99.50p	95,266,666	3,810,667

Warrants

Warrants held by Directors are disclosed in the Directors' report. The total number of warrants held at the year end are as follows:

		Exercise price		Share warrants held at 31 December 2016		Share warrants held at 31 December 2015	
Exercise period		Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation
10-Jan-11	10-Dec-16	5.00p	125.00p	**-**	**-**	166,000	6,640
23-Jul-12	12-Nov-16	1.10p	27.50p	**-**	**-**	50,000,000	2,000,000
25-Sep-13	10-Dec-16	5.00p	125.00p	**-**	**-**	70,805	2,832
25-Sep-13	25-Sep-17	1.00p	25.00p	**2,132,668**	**85,307**	2,132,668	85,307
03-Oct-13	02-Oct-18	5.00p	125.00p	**5,000,000**	**200,000**	5,000,000	200,000
08-Sep-14	07-Sep-19	6.00p	150.00p	**28,006,350**	**1,120,254**	28,020,350	1,120,814
03-Apr-15	02-Apr-20	7.10p	177.50p	**46,000,000**	**1,840,000**	46,000,000	1,840,000
01-May-15	30-Apr-20	8.00p	200.00p	**13,391,855**	**535,674**	13,391,855	535,674
14-May-15	13-May-20	8.25p	206.25p	**4,216,293**	**168,652**	4,216,293	168,652
Total				**98,747,166**	**3,949,887**	148,997,971	5,959,919

The number and weighted average exercise prices of share warrants are as follows:

	2016				2015			
	Weighted average exercise price		Number of warrants		Weighted average exercise price		Number of warrants	
	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation	Pre Consolidation	Post Consolidation
Outstanding at the beginning of the period	**4.84p**	**121.00p**	**148,997,971**	**5,959,919**	2.23p	2.23p	161,452,951	6,458,118
Lapsed during the period	**5.00p**	**125.00p**	**(236,805)**	**(9,472)**	-	-	-	-
Exercised during the period	**1.10p**	**27.53p**	**(50,014,000)**	**(2,000,560)**	1.41p	1.41p	(76,063,128)	(3,042,525)
Issued during the period	**-**	**-**	**-**	**-**	7.38p	7.38p	63,608,148	2,544,326
Outstanding at the end of the period	**6.73p**	**168.32p**	**98,747,166**	**3,949,887**	4.84p	4.84p	148,997,971	5,959,919
Exercisable at the end of the period	**6.73p**	**168.32p**	**98,747,166**	**3,949,887**	4.84p	4.84p	148,997,971	5,959,919

NOTES TO THE ACCOUNTS – GROUP

Continued - Financials in £

25. Share premium reserve

Company law restricts the applicability of the share premium reserve of £43,117,741 (2015: £32,815,156), which may only be applied in paying unissued shares of the Company in respect of capitalisation issues and in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

Expenses incurred in the raising of new share capital and charged to the share premium reserve in 2016 were £34,256 (2015: £1,074,858)

26. Share option reserve

The share option reserve of £4,258,148 (2015: £3,045,779) arises owing to the provision of IFRS 2 "Share based payments".

As explained in note 24, the increase of £1,212,371 in the share option reserve (2015: £1,025,098) relates to an annual charge in respect of options and warrants issued during prior years and the annual charge for options and warrants issued in earlier years, calculated as the cost of each options or warrant spread over the number of years before its maturity.

27. Reverse acquisition reserve and Acquisition reserve

Reverse acquisition reserve
The reverse acquisition reserve of £11,038,204 was created on 31 July 2006 when the Company became the legal parent of CareCapital Limited ("CCL") by way of a share exchange agreement. The business combination was regarded as a reverse acquisition under IFRS 3 whereby CCL, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

28. Exchange movement reserve

The foreign exchange movement reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations.

The balance increased by £1,608,705 to £1,525,539 (2015: £83,166 negative)

29. Capital commitments

The Group and its subsidiaries had capital commitments of £Nil (2015: £Nil).

30. Contingent liabilities

The Directors are not aware of any contingent liabilities at the 31 December 2016 (2015: £Nil).

31. Related party transactions

The following related party disclosures are required to be disclosed in accordance with IAS24

	2016	2015
On 09 March 2015, the Company received an unsecured loan of £2 million provided by Michael Bradfield, a director of the Company, through his investment vehicle, Fairford Capital Limited. The Loan had a term of five months with an interest rate payable of 1.25% per month. The loan was repaid on 13 May 2015. Interest paid on the loan was	**-**	54,247
In May 2014, a contract of employment was entered into with a family member of Dr Michael Sinclair, Executive Chairman. The terms and conditions of employment and remuneration were negotiated and agreed upon by the Remuneration Committee. The remuneration and benefits payable under the contract, excluding Company statutory and other costs, were	**269,265**	148,655

32. Operating lease commitments

Total future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	2015
Within one year	**116,328**	141,750
Between one year and two years	**193,880**	283,500
Between two years and five years	**-**	236,250

33. Post balance sheet events

In February 2017, the Group reached an agreement with Sinophi to terminate the purchase orders announced on 25 March 2015 and 21 October 2015. The deposit received of £161,033, included in Note 20, was returned to Sinophi in 2017

Following the year end, the Group secured a flexible and staged £26 million financing agreement with Bracknor Investment Group, a Dubai based investment firm. The agreement gives the Group the ability to issue minimum of £13 million in convertible loan notes, in tranches of £1.3 million each, up to a maximum, at the Group's sole discretion, of £26 million over 24 months, and was approved by shareholders at a General Meeting. The Group also has an option for an additional £26m in funding with Bracknor which can be exercised within the next twelve months.

In addition to this the Group signed a 12 month convertible and redeemable loan in March 2017 with Blackfinch Investment Ltd, at a conversion price of 100p, which provides additional funding of £6.5m to complement the Bracknor financing facility and offers the Group added flexibility in terms of forthcoming financing requirements.

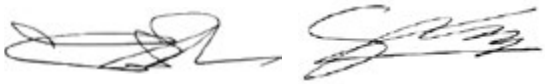
COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 - Financials in £

	Notes	2016	2015
Non-current assets			
Intangible assets	C	**6,961,734**	1,517,462
Property, plant and equipment	D	**338,662**	196,169
Investment in subsidiaries	E	**8,051,567**	8,758,527
Trade and other receivables	F	**13,054,252**	4,886,006
		28,406,214	15,358,164
Current assets			
Trade and other receivables	F	**455,802**	453,307
Corporation tax R&D refund	F	**3,148,006**	2,784,231
Cash and cash equivalents		**1,088,778**	8,786,348
Inventories	G	**7,437,508**	4,418,289
		12,130,093	16,442,175
Total assets		**40,536,307**	31,800,339
Current liabilities			
Trade and other payables	H	**(2,320,593)**	(1,220,927)
Total liabilities		**(2,320,593)**	(1,220,927)
Net assets		**38,215,714**	30,579,412
Equity			
Share capital		**18,116,946**	14,183,284
Share premium reserve		**43,117,741**	32,815,156
Share option reserve		**4,258,148**	3,045,782
Acquisition reserve		**-**	-
Accumulated losses		**(27,277,122)**	(19,464,810)
Total equity		**38,215,714**	30,579,412

These consolidated financial statements have been approved and were authorised for issue by the Board of of Directors on 23 June 2017.

Signed on behalf of the Board of Directors by



Dr Michael Sinclair
Executive Chairman

Nicolas Serandour
Chief Executive Officer

Registered number: 05564418

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 - Financials in £

	Share capital	Share premium	Share options reserve	Acquisition reserve	Accumulated losses	Total
Balance as at 01 January 2015	10,284,439	14,658,924	2,020,684	662,782	(15,189,688)	12,437,141
Loss for the year	-	-	-		(4,275,123)	(4,275,123)
Total comprehensive income	-	-	-	-	(4,275,123)	(4,275,123)
Issue of share capital	3,898,845	18,156,232	-	(662,782)	-	21,392,295
Issue of options and warrants	-	-	1,025,098	-	-	1,025,098
Balance as at 31 December 2015	14,183,284	32,815,156	3,045,782	-	(19,464,811)	30,579,412
Balance as at 01 January 2016	14,183,284	32,815,156	3,045,782	-	(19,464,811)	30,579,412
Loss for the year	-	-	-	-	(7,812,313)	(7,812,313)
Total comprehensive income	-	-	-	-	(7,812,313)	(7,812,313)
Arising on issues of ordinary shares	3,762,040	9,776,707	-	-	-	13,538,747
Share based payment - cost of raising finance	50,000	150,000	72,861	-	-	272,861
- employee services	121,622	375,878	955,442	-	-	1,452,943
- acquisition of ADAM S.A.	-	-	161,742	-	-	161,742
- other services	-	-	22,321	-	-	22,321
Balance as at 31 December 2016	**18,116,946**	**43,117,741**	**4,258,148**	**-**	**(27,277,122)**	**38,215,714**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 - Financials in £

	2016	2015
Cash flow from operating activities		
Loss after taxation	**(7,812,313)**	(4,275,123)
Adjustments:		
Taxation	**(2,818,050)**	(2,784,231)
Finance costs	**5,648**	54,247
Finance income	**(1,241,144)**	(26,805)
Depreciation	**138,799**	22,267
Loss on asset disposal	**-**	705,339
Write down on intra group investments	**706,960**	284,783
Share based payments	**1,909,871**	1,225,098
Cash flows from operations before changes in working capital	**(9,110,229)**	(4,794,425)
Change in inventories	**(3,019,219)**	(3,336,739)
Change in trade and other receivables	**(6,938,642)**	(4,173,371)
Change in trade and other payables	**1,099,671**	640,710
Cash used in operations	**(17,968,419)**	(11,663,825)
Interest paid		
Interest Paid	**(5,648)**	(54,247)
Interest Received	**9,046**	26,805
Corporation Tax Receipt	**2,454,268**	-
Cash flows from operating activities	**(15,510,753)**	(11,691,267)
Cash flows from investing activities:		
Investment in Subsidiaries	**-**	(1,000)
Capital expenditure on intangible assets	**(5,444,272)**	(1,517,462)
Purchase of property, plant and equipment	**(281,292)**	(204,955)
Cash flows from investment activities	**(5,725,564)**	(1,723,417)
Cash flows from financing activities:		
Issue of Share Capital	**13,538,747**	21,090,241
Cash flows from financing activities	**13,538,747**	21,090,241
Increase in cash and cash equivalents	**(7,697,570)**	7,675,557
Cash and cash equivalents at 01 January 2016	**8,786,348**	1,110,791
Cash and cash equivalents at 31 December 2016	**1,088,778**	8,786,348

NOTES TO THE ACCOUNTS – COMPANY

As at 31 December 2016 - Financials in £

A. Principal accounting policies

(i) Company
The separate financial statements of the Company are presented as required by the Companies Act 2006 and in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statements except as noted below.

(ii) Investment in subsidiaries
Investments in subsidiaries are carried in the Company's statement of financial position at cost less, where appropriate, accumulated impairment.

B. Company results

As permitted by Section 408 of the Companies Act 2006, the income statement for the Parent Company is not presented as part of these financial statements.

The Company's loss for the financial year was £7,812,313 (2015: £4,275,123 loss).

The audit fee for the Company is set out in note 6 of the Group's financial statements.

C. Intangible Assets

Development Costs

At 01 January 2015	-
Additions	1,517,462
At 31 December 2015	**1,517,462**

At 01 January 2016	**1,517,462**
Additions	**5,444,272**
At 31 December 2016	**6,961,734**

In accordance with IAS 38, £5,444,272 (2015: £1,517,462) of costs relating to the development of the LIGHT proton therapy machine were capitalised during the year.

NOTES TO THE ACCOUNTS – COMPANY

Continued - Financials in £

D. Property, plant & equipment

	Leasehold property	Computer hardware and software	Fixtures, fittings and equipment	Total
2016				
Cost				
At 01 January 2016	-	99,769	124,394	224,163
Additions	177,251	18,359	86,432	282,042
Disposals	-	(2,649)	(95,613)	(98,262)
At 31 December 2016	**177,251**	**115,479**	**115,213**	**407,943**
Depreciation				
At 01 January 2016	-	18,901	9,093	27,994
Charge for the year	-	37,617	101,182	138,799
Disposals	-	(1,899)	(95,613)	(97,512)
At 31 December 2016	**-**	**54,618**	**14,662**	**69,281**
Net book value				
At 01 January 2016	-	80,868	115,301	196,169
At 31 December 2016	**177,251**	**60,860**	**100,551**	**338,662**
2015				
Cost				
At 01 January 2015	-	15,993	3,215	19,208
Additions	-	83,776	121,179	204,955
Disposals	-	-	-	-
At 31 December 2015	-	99,769	124,394	224,163
Depreciation				
At 01 January 2015	-	5,300	427	5,727
Charge for the year	-	13,601	8,666	22,267
Disposals	-	-	-	-
At 31 December 2015	-	18,901	9,093	27,994
Net book value				
At 01 January 2015	-	10,693	2,788	13,481
At 31 December 2015	-	80,868	115,301	196,169

E. Investment in subsidiaries

	2016
At 01 January 2016	8,758,527
Additions	-
Impairment	(706,960)
Disposals	-
At 31 December 2016	**8,051,567**

	2015
At 01 January 2015	8,758,427
Additions	**1,000**
Disposals	(900)
At 31 December 2015	**8,758,527**

The Company owned the following principal subsidiary companies as at 31 December 2016:

Subsidiary Company		Country of Incorporation	Share class	% Holding
ADAM S.A.		Switzerland	Ordinary	100%
Advanced Oncotherapy Resources Ltd	[1]	United Kingdom	Ordinary	100%
APTS Harley Street Ltd	[1]	United Kingdom	Ordinary	100%
AVO (China) Ltd	[1]	United Kingdom	Ordinary	100%
AVO Proton Therapy Services Ltd	[1]	United Kingdom	Ordinary	100%
CareCapital (Southampton) Ltd	[1 2]	United Kingdom	Ordinary	100%
CareCapital Ltd		United Kingdom	Ordinary	100%
Oncotherapy UK Ltd	[1]	United Kingdom	Ordinary	100%
The London Proton Therapy Centre Ltd	[1]	United Kingdom	Ordinary	100%
The Women's Cancer Centre Ltd	[2]	United Kingdom	Ordinary	100%
AVO Americas Inc		USA	Ordinary	100%
CareCapital Gesundheitsimmobilien GmbH	[1 2]	Germany	Ordinary	90%
CareCapital Gesundheitsimmobilien Vervaltungs GmbH	[1 2]	Germany	Ordinary	90%
Gesundheitszentrum Adlershof 2 Minderheitsbeteiligungs GmbH	[1 2]	Germany	Ordinary	100%
Gesundheitszentrum Königs Wusterhausen 2 GmbH & Co. KG	[1 2]	Germany	Ordinary	100%

Notes
[1] Dormant [2] Indirectly held

F. Trade and other receivables

	2016	2015
Due greater than 1 year		
Amounts owed by subsidiary undertakings	**13,054,252**	4,886,006
Total	**13,054,252**	4,886,006
Current		
Deferred consideration	**-**	25,000
VAT recoverable	**119,999**	43,905
Prepayments	**335,803**	384,402
	455,802	453,307
Corporation Tax	**3,148,006**	2,784,231
Total	**3,603,808**	3,237,538

NOTES TO THE ACCOUNTS – COMPANY

Continued - Financials in £

G. Inventories

	2016	2015
Inventories		
Work in progress - LIGHT	**7,437,508**	4,418,289
Total	**7,437,508**	4,418,289

All of the above items of Inventory have been valued at cost. No costs relating to the LIGHT work in progress have been expensed to the income statement.

Costs included in Inventory are for finished components of the LIGHT machine that will be sold as part of the first LIGHT installation.

H. Trade and other payables

	2016	2015
Current		
Amounts owed to subsidiary undertakings	**-**	1,000
Trade payables	**1,153,997**	311,597
Social security and other taxes	**116,122**	258,866
Other creditors	**67,181**	125,883
Customer deposits received	**161,033**	161,033
Accruals and deferred income	**822,260**	362,548
Total	**2,320,593**	1,220,927

The Customer deposit received of £161,033 was repaid to the customer on 03 February 2017, following the cancellation of the agreement with Sinophi.

I. Related party transactions

The following related party disclosures are required to be disclosed in accordance with IAS24.

	2016	2015
On 09 March 2015, the Company received an unsecured loan of £2 million provided by Michael Bradfield, a Director of the Company, through his investment vehicle, Fairford Capital Limited. The Loan had a term of five months with an interest rate payable of 1.25% per month. The loan was repaid on 13 May 2015. Interest paid on the loan was	**-**	54,247
In May 2014, a contract of employment was entered into with a family member of Dr Michael Sinclair, Executive Chairman. The terms and conditions of employment and remuneration were negotiated and agreed upon by the Remuneration Committee. The remuneration and benefits payable under the contract, excluding Company statutory and other costs, were	**269,265**	148,655

J. Financial instruments

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Management of risks
Credit risk is managed as follows:

Cash at bank is held only with reputable banks with high quality external credit ratings. The Company's financial assets and liabilities are classified as follows:

	2016		2015	
	Loans and receivables	**Amortised cost**	Loans and receivables	Amortised cost
Trade and other receivables	**3,603,808**	**-**	3,237,538	-
Cash and cash equivalents	**1,088,778**	**-**	8,786,348	-
Trade and other payables	**-**	**(2,320,593)**	-	(1,220,927)
	4,692,586	**(2,320,593)**	12,023,886	(1,220,927)

	2016		2015	
	Book value	**Fair value**	Book value	Fair value
Trade and other receivables	**3,603,808**	**3,603,808**	3,237,538	3,237,538
Cash and cash equivalents	**1,088,778**	**1,088,778**	8,786,348	8,786,348
Trade and other payables	**(2,320,593)**	**(2,320,593)**	(1,220,927)	(1,220,927)

K. Operating lease commitments

Total future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	2015
Land & Buildings		
Within one year	**116,328**	141,750
Between one year and two years	**193,880**	283,500
Between two years and five years	**-**	236,250

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Advanced Oncotherapy plc, registered in England and Wales with the registered number 05564418 (the 'Company',) will be held at Royal Institute of British Architects, 66 Portland Place, London W1B 1AD on Wednesday, 19 July 2017 at 2.00 p.m for the following purposes:

ORDINARY BUSINESS

To consider, and if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive the report of the Directors, the Auditor's report and the audited financial statements for the year ended 31 December 2016
2. To re-appoint Michael Bradfield as a Director of the Company
3. To appoint Hans von Celsing as a Director of the Company
4. To appoint Prof Steve Myers as a Director of the Company
5. To re-appoint Prof Chris Nutting as a Director of the Company
6. To re-appoint Sanjeev Pandya as a Director of the Company
7. To appoint Dr Nick Plowman as a Director of the Company
8. To re-appoint Nicolas Serandour as a Director of the Company
9. To re-appoint Dr Michael Sinclair as a Director of the Company
10. To re-appoint Dr Euan Thomson as a Director of the Company
11. To re-appoint Dr Enrico Vanni as a Director of the Company
12. To re-appoint RPG Crouch Chapman LLP as Auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company.
13. To authorise the Directors to determine the remuneration of the Auditors.

By order of the Board

Dr Michael Sinclair
Executive Chairman

Registered Office: Level 17, Dashwood House,
69 Old Broad Street, London EC2M 1QS
23 June 2017

NOTES

1. A member entitled to attend, speak and vote may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not to be member of the Company. Please indicate on your form of proxy how you wish your votes to be cast in respect of the resolutions to be proposed at the said meeting. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the meeting, including any motion to adjourn the meeting.
2. Please note any member may vote their shares electronically at www.signalshares.com.
3. If you prefer to appoint some other person or persons as your proxy, strike out the words "the Chairman of the Meeting, or" and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person.
4. In the case of joint holders, the signature of the holder whose name stands first in the relevant register of members will suffice as the vote of such holder and shall be accepted to the exclusion of the votes of the other joint holders. The names of all joint holders should, however, be shown.
5. If a member is a corporation, the form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing. The form of proxy has been sent to you by post, it may be returned by post or courier or by hand to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. CREST members should use the CREST electronic proxy appointment service and refer to note 6 below in relation to the submission of a proxy appointment via CREST.

   In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the meeting or adjourned meeting together (except In the case of appointments made electronically) with any authority (or a notarially certified copy of such authority) under which it is signed.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members who have appointed a voting service provider(s), will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or joint service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST proxy instruction in the circumstances set out in regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

   Pursuant to regulation 41 (1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the register of members of the Company at close of business on 17 July 2017 shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at the time. Changes to the register of members after close of business on 17 July 2017 shall be disregarded in determining the rights of any person to attend and vote at the AGM.
7. Under section 319A of the Act, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

   (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

   (b) the answer has already been given on a website in the form of an answer to a question; or

   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. The following documents will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and English public holidays excluded) from the date of this notice of the Annual General Meeting until the date of the Annual General Meeting and at the place of the meeting at least 15 minutes prior to the commencement of the Annual General Meeting until its conclusion:

   (a) copies of the Directors' contracts of service;

   (b) copies of the Non-Executive Directors' letters of appointment;

   (c) a copy of the Articles of Association of the Company are available on the Investor Relations section of the Advanced Oncotherapy website (www.avoplc.com) on the Company Reports page.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

This year, thirteen Resolutions are proposed at the Annual General Meeting and the purpose of each of the Resolutions is as follows:

ORDINARY BUSINESS

Resolution 1: The Report and Accounts

The Directors will present their report and the audited financial statements to 31 December 2016, together with the auditors' report therein.

Resolutions 2-11: Re-appointment of retiring Directors

The Articles of Association of the Company stipulate that any Director shall only hold office until the conclusion of the next annual general meeting following the date of his appointment. Furthermore, the articles require that one third of the Directors retire at each Annual General Meeting. Corporate Governance guidance recommends that each of the Directors retire and offer themselves for re-appointment. Biographical details relating to each of the Directors can be found on the Group's website: www.avoplc.com

Resolution 12: Appointment of Auditors

The Company is required to appoint auditors at each Annual General Meeting at which accounts are laid before shareholders, to hold office until the next such meeting. This Resolution proposes RPG Crouch Chapman LLP be re-appointed as auditors for the current year.

Resolution 13: Auditors' remuneration

This Resolution authorises the Directors to determine the auditors' remuneration.

DIRECTORS' RECOMMENDATION

The Directors believe that the proposals in Resolutions 1 to 13 are in the best interests of the Group and its shareholders as a whole. Accordingly, the Directors recommend that shareholders vote in favour of each Resolution as they intend to do in respect of their own beneficial shareholdings.

COMPANY INFORMATION

DIRECTORS

Michael Bradfield [*†]	*Non-Executive Director*
Hans von Celsing [*†]	*Non-Executive Director*
Prof Steve Myers	*Executive Chairman of ADAM*
Prof Chris Nutting	*Non-Executive Director*
Sanjeev Pandya	*EVP, Global Business Development*
Dr Nick Plowman	*Non-Executive Director*
Nicolas Serandour	*Chief Executive Officer*
Dr Michael Sinclair	*Executive Chairman*
Dr Euan Thomson	*Non-Executive Director*
Dr Enrico Vanni [*†]	*Non-Executive Director*

[*] Member of the Audit Committee

[†] Member of the Remuneration Committee

COMPANY SECRETARY
Celia Whitten, FCIS

REGISTERED OFFICE
Level 17, Dashwood House
69 Old Broad Street
London, EC2M 1QS

TRADING AND CORRESPONDENCE ADDRESS
Third Floor, 4 Tenterden Street
London, W1S 1TE

REGISTERED NUMBER
05564418 (England and Wales)

WEBSITE
This annual report and other information about Advanced Oncotherapy plc, including share price information and details of results announcements, are available at **www.avoplc.com**

AUDITORS
RPG Crouch Chapman LLP
62 Wilson Street
London, EC2A 2BU

NOMINATED ADVISOR AND JOINT BROKER
Stockdale Securities Limited
Beaufort House
15 St. Botolph Street
London, EC3A 7BB

JOINT BROKER
Stifel Nicolaus Europe Limited
150 Cheapside
London, EC2V 6ET

SOLICITORS TO THE COMPANY
Faegre Baker Daniels LLP
7 Pilgrim Street
London, EC4V 6LB

David Conway & Co
1 Great Cumberland Place
London, W1H 7AL

Dechert LLP
160 Queen Victoria St
London, EC4V 4QQ

PUBLIC RELATIONS
Walbrook PR Limited
4 Lombard Street
London, EC3V 9HD

REGISTRARS
Capita Asset Services plc
The Registry
34 Beckenham Road
Beckenham, BR3 4TU

Annual report 2016

Powerful technology to treat cancer
with pinpoint precision

ADVANCED
ONCOTHERAPY