Advanced Oncotherapy plc.

Annual Report 2017

Advancing cancer treatment with innovative, cost effective technology

ADVANCED ONCOTHERAPY

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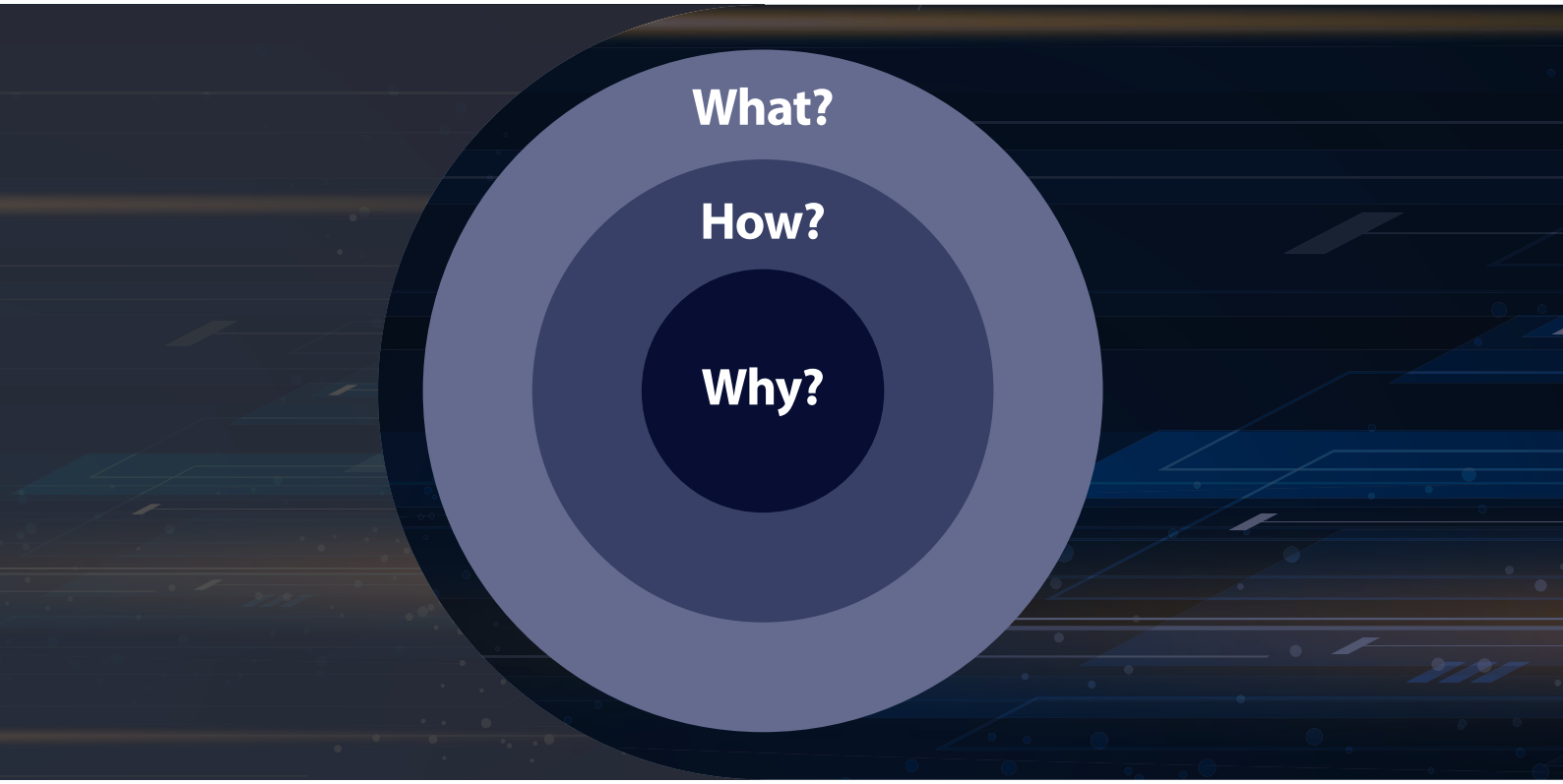
About the Group

Proton therapy - a type of radiotherapy used for cancer treatment - offers many advantages to patients. Unlike conventional radiotherapy, it minimises - by up to 60% - the damage to the healthy tissue surrounding the tumour, hence allowing patients to receive higher and more effective radiation doses. This makes proton therapy ideally suited for treating tumours close to vital organs, situated deep within the body or associated with paediatric cases.

Although proton is the expanding radiotherapy treatment option of choice for cancer, its cost is currently hindering its worldwide expansion. The ideal application of proton therapy is also restricted by a series of unsolved technical challenges. Both the cost and technical limitations are directly traceable to dependence on legacy accelerators on the market and their associated treatment possibilities.

To address these shortcomings, ADAM S.A. (Application of Detectors and Accelerators to Medicine) was founded in 2007 as a spin-off from CERN (the European Organisation for Nuclear Research). A year later the Large Hadron Collider (LHC), the world's largest and most powerful particle accelerator, was turned on. Many scientists employed at ADAM S.A. were involved in the LHC project. Advanced Oncotherapy plc (the "Company" or AVO) acquired ADAM in 2012 .

- **Headquarters:** London, UK
- **Lead product:** LIGHT
- **Operational and R&D center:** Meyrin (Geneva), Switzerland
- **First site:** Harley Street, London, UK
- **First client / sponsor:** Circle Health
- **Selected partners:** Thales, VDL, Toshiba, P-Cure, etc.
- **Acquisition of ADAM S.A. by AVO:** 24 April 2013
- **Headcount:** 92 (As of 18th April 2018)
- **Listing / ticker:** AIM: AVO



Why?	There is a superior radiotherapy technology to treat cancer - proton therapy - but it is not widely available and too expensive • As of December 2017, no high energy proton therapy centres operating in the UK • Less than 150 children sent abroad at a cost of £100/150k per case
How?	ADAM S.A. - as a spin-off from the renowned research institution CERN - is the root of the Company; it has a world-class team with outstanding medical, physics and commercial expertise, supported by a strong network of advisors and well-established industrial partners
What?	AVO is developing a unique, fully integrated, proton therapy system: the LIGHT system which is expected to be the first commercially available linear proton accelerator for medical treatment of cancer patients • AVO's LIGHT system is designed to deliver superior clinical effectiveness at competitive cost. In addition, the modular accelerator allows for easier installation

About the Group continued

Our aim is to deliver, cost-effectively, the next generation of particle therapy which is clinically superior to the currently available alternative radiation therapies.

1 **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.

2 **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 Group, openness is the key source of change and progress. It pays to question day-to-day routines, share knowledge and find creative, new approaches.

3 **RELIABILITY AND ACCOUNTABILITY**

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

4 **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.

5 **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.

6 **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.

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.

Statement from the Executive Chairman and CEO

Dr Michael Sinclair (Executive Chairman) - Right
Nicolas Serandour (Chief Executive Officer) - Left

INTRODUCTION
We are delighted to report another year of significant progress in the technological development and installation of our first LIGHT system, the next generation proton therapy system for treating cancer.

In March 2017 we updated shareholders on our expected timelines for achieving certain technical milestones in the development of the LIGHT system. We are pleased to say that we have made considerable advances which not only ensure that we remain on track to deliver according to this timetable, but also that we have significantly reduced the overall technical risk of this project through the successful integration of three of the four key structures.

As a result we have ended the year in a much stronger position through both the achievement of these technological milestones and the announcement in December of a £33.2 million investment, including £16.8 million of equity investments, alongside our commercial distribution agreement with Yantai CIPU Medical Technology Co. Ltd ("Yantai CIPU") through their affiliated company Liquid Harmony Ltd to market and sell our LIGHT systems across China and certain neighbouring geographies in Asia. The equity funding was completed in February 2018 and we received £16.5 million from Yantai CIPU in May 2018 in respect of the distribution agreement. Some of the funds have been used to repay loans received during 2017 which were used to help fund working capital and LIGHT development costs during 2017.

The Board are therefore confident that we will deliver a proton therapy system that will be capable of treating superficial tumours by the end of Q3 2018, a critical milestone which we believe will mark a significant inflection point for shareholder value.

OUR TECHNOLOGY AND KEY DIFFERENTIATORS
At the core of our business model, 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 system (Linac Image Guided Hadron Technology) offers the following advantages:

- **Superior proton beam:** The LIGHT system uses an innovative linear accelerator rather than a cyclotron/ synchrotron. This means that particle collision with structures within the accelerator is reduced, thus creating less radioactive energy. The results are increased safety and lower shielding requirements, reducing overall installation time and cost;
- **Precision:** LIGHT's proton beam can be moved very rapidly, allowing for more accurate temporal and spatial targeting of moving tumours. Furthermore, spot scanning allows a more conformal dose that can be altered to meet individual needs, and beam energy can be adjusted at source, requiring no absorbers or energy reduction devices. This is a unique feature of linear accelerators such as LIGHT and cannot be achieved with commercially available systems;
- **Compact, modular and easy to install:** While other systems come in one size, LIGHT can be customised due to its modularity. This offers clinics an opportunity to expand their offering to other rooms and / or to increase system strength step by step as clinical needs develop. The fact that new modules can be added to increase output energy at any point reduces the commitment by healthcare providers to high upfront costs for systems that may not be fully utilised;
- **Affordability:** Due to the modular nature of the system and mass-production manufacturing, LIGHT is well positioned to compete with other proton therapy systems currently

available. LIGHT is associated with lower capital, operational, and decommissioning costs;

- **City-centre focus:** LIGHT's unique properties allow for implementation in existing clinical sites and densely populated areas where space is scarce. This means making the technology more accessible to patients, ensuring that as many people as possible can benefit from it;
- **An integrated system:** Full work-flow integration from patient intake, over treatment planning, through to beam delivery, ensures a seamless patient treatment experience.

TECHNOLOGICAL DEVELOPMENT

2017 has seen considerable advancements in the technology development and manufacture of our first LIGHT system. During the year we successfully integrated and tested the first Side Coupled Drift Tube Linac ("SCDTL") with the Radiofrequency Quadrupole ("RFQ") and proton source, three of the four key components of the LIGHT system. These achievements have allowed us to significantly de-risk our technological development process. In addition lower power testing of the individual accelerating SCDTL units have met expectations whilst the design of the remaining Coupled Cavity Linacs ("CCLs") high-speed accelerating structures is well proven and documented.

One of our key milestones for 2017 was the further development of the Patient Positioning System ("PPS") which is designed to prepare and position patients for the high accuracy and dose sparing proton treatments produced by the LIGHT system. As already confirmed in our latest technological update the Diagnostic Quality CT scanner has been manufactured, and integration testing completed. A real time X-ray verification system has been developed, the robotic treatment chair has been successfully tested, and the scanning magnet subsystem produced. Most importantly, the connectivity between the PPS and the accelerating units has been established and successfully evaluated with system function emulation tools.

During the year we also announced that the LIGHT system's unique ionisation chamber was received from our partner Pyramid Technical Consultants and is part of our overall safety system, monitoring beam position, spot size and dosage. More recently, at the end of May, we announced successful Time-of-Flight testing showing good results for beam control and adjustment, a key aspect of our ability to offer a system with improved precision and easy adjustment at source to offer accurate and versatile treatments.

In early May we also announced an agreement with the UK Government's Science and Technology Facilities Council ("STFC") to establish a UK testing and assembly site for our first operational LIGHT system, within the STFC Daresbury Laboratory in Cheshire, home to the UK's Accelerator Science and Technology Centre. Building work is now underway to prepare the site to receive the LIGHT system components. We will retain our testing facility at CERN, Geneva where we continue to advance our LIGHT system technological development.

Our main focus now remains on the further development of the LIGHT system and to fire the proton beam through the SCDTLs and the CCL producing a beam capable of treating superficial tumours by the end of Q3 this year.

During 2017, we spent £8.4 million (2016: £8.9 million) to achieve these milestones and other LIGHT development work and this is included in Intangible Assets.

HARLEY STREET

We are very pleased with the progress at our 141/143 Harley Street site. The sub-structural work continues to progress well and we remain on-track to create central London's first proton therapy centre. We remain confident that the site will be completed in H1 2019 with first patient treatment expected by the second half of 2020.

The freeholder of the site, the Howard de Walden Estate, continues to bear the costs of construction.

A time-lapse video of the construction work on site is available on our website (www.advancedoncotherapy.com) and we are updating this video as work progresses.

FUTURE PLANS FOR COMMERCIALISATION

As we've said before the technical development of our first LIGHT system is the key focus of the Group, however we know that we must also be mindful of the commercial opportunities available once this is completed. We must prepare ourselves to respond to the huge worldwide medical need for access to an affordable proton therapy technology that can be easily installed and safely operated in areas of high patient population density.

Due to the nature of our game-changing technology and its key differentiators (as outlined above) we continue to receive substantial interest in the LIGHT system. In the UK we are continuing discussions for a second site in Birmingham, and we remain in ongoing discussions regarding a number of sites in the USA and others across in Europe, Asia and the Middle East.

We have long recognised that China represents a significant opportunity for our technology given the potential need for a significant number of proton therapy centres. Yantai CIPU have already identified 11 potential installation sites for the LIGHT system. We remain confident that there will be a high demand for our LIGHT system given that precision medicine has been listed as one of the strategic industries to receive support in the People's Republic of China's 13th Five-Year Plan for economic and social development (2016-20).

In addition, we expect to work with Yantai CIPU to explore opportunities to manufacture parts of the LIGHT system in selected geographic areas and the Board believes the Group will benefit greatly from the knowledge and contacts of the Han family, who ultimately owns Yantai CIPU.

From our current commercial engagements and in discussion with key partners, such as Yantai CIPU, we have observed that the commercial focus of potential customers is on a technology partner that is able to provide an entire solution and not just a standalone medical equipment device isolated from other considerations such as building or financing. Customers are looking for a seamless integration of accelerator and treatment equipment; they are keen to speak to one team who will mobilise the relevant resources from a marketing, service, maintenance, technical and medical expertise; and the solution needs to consider their financial constraints. We are looking to establish additional partnerships like that with Yantai CIPU which allows us to respond to these customer needs. We are also assessing various opportunities for providing vendor financing to our prospective customers to ensure that we not only compete in terms of technology and costs, but also on our ability to provide a whole fully integrated solution.

FINANCING

In July 2017, we announced that a consortium led by one of our longstanding investors, AB Segulah, provided additional financing

Statement from the Executive Chairman and CEO continued

to the Group through a £3.9 million loan facility. At the same time we agreed with Bracknor to waive the requirement for the Group to drawdown the minimum of 10 convertible loan note tranches and declared that the Group would not intend to use the Bracknor facility in the future. Shares were issued in February 2018 to settle the loans. It was announced in May 2018 that all outstanding loan notes previously drawn down by the Company, as well as the conversion and commitment fees, were satisfied by the issue of new shares simultaneously placed to a Singaporean family office.

The support shown by our Swedish investors during the year allowed us to approach long-term financing options from a stronger position, and so in December we also announced that Yantai CIPU, in addition to providing local knowledge and contacts, would make a significant equity investment in the Group.

Alongside Yantai CIPU's subscription other investors agreed to subscribe for shares and we raised a total of £16.8 million before expenses. As part of this process we reached an agreement with the consortium to accept repayment of their loan in return for the issue of conversion shares.

Our Board wanted to ensure that dilution of existing shareholders was limited and with this in mind the agreement with Yantai CIPU was structured in such a way that we will benefit from the additional non-dilutive source of funding through the £16.5 million licence fee.

We are also greatly encouraged to see the extent of support from our Board as part of the Subscription and Placing and the degree to which they continued to purchase shares in the Group throughout last year and also the support of a new long-term shareholder M3T PTE Ltd with whom the remaining shares due to Bracknor were placed at the end of last month.

The conclusion of these investments has provided the funding foundations necessary for us to focus on making our proton therapy technology available to patients around the world and to progress towards the production and installation of our first LIGHT system in Harley Street, London.

FINANCIALS

The Group recorded a comprehensive loss of £14.7 million in the year ended 31 December 2017 (2016: £8.7 million), with shareholder funds as at 31 December of £28.7 million (2016: £34.0 million).

Cash and cash equivalents at the year-end were £56,479 (2016: £1,448,524), although these year-end figures do not take into account the post period financing agreements referred to above which have improved the liquidity of the Company.

In February 2018, the Group raised additional equity of £20.9 million through subscriptions, placings and the conversion of debt. As detailed in a circular dated 22 December 2017, included in this was a subscription for £13.5 million by Yantai CIPU.

In addition to this, the Group entered into an exclusive distribution agreement with Yantai CIPU to market and sell Advanced Oncotherapy's LIGHT system across China, Macau, Taiwan, Hong-Kong and South Korea. Under the agreement, Yantai CIPU made a payment of £16.5 million to the Group, of which the final £10 million have been received in May 2018, completing the total £30 million investment from Yantai Cipu.

Finally, the Group announced in May 2018 that it repaid all the loan made to the Company by Henslow Trading Limited. As a result, all the assets of the Group are now free of any security arrangement.

SCIENTIFIC AND OPERATIONAL EXPERTISE

We have worked hard this year to ensure that we had the best scientific and operational expertise at a Board level to aid us in our dual focus of completing the technological development of the LIGHT system and developing channels for future commercial roll-out of our technology.

During the year we appointed three Non-Executive Directors who bring considerable experience and expertise to our Board: Professor Steve Myers who is also Executive Chairman of our fully owned subsidiary, ADAM S.A., held previous roles as Director of Accelerators and Technology at CERN; Hans von Celsing, who has considerable experience in the business development of both radiation and proton therapy companies; and Dr. Nick Plowman a key opinion leader in radiation oncology technology and clinical oncologist at St Bartholomew's Hospital and Great Ormond Street Hospital.

In addition, the senior management team was reinforced by Ed Lee, who joined as Chief Operating Officer. Ed joined from Optivus Proton Therapy at Loma Linda University, site of the world's first and longest running commercial proton therapy centre. Dr. Jonathan Farr also joined us from the St Jude Children's Research Hospital, a world-renowned institution in paediatric oncology, as Director of Medical Physics.

OUTLOOK

We know that there are millions of patients worldwide who could potentially benefit from, and deserve to have, access to the very best affordable, precision adaptive proton therapy technology. We believe strongly that it is unacceptable that they should have to settle for less than that.

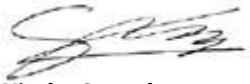
We believe we are ideally placed to address this need given the LIGHT system's modularity and linear design which lends itself naturally to mass production, shorter manufacturing lead times, easier installation/commissioning and a technology that not just offers significant cost advantages, but clinical advantages too.

The technological development of our LIGHT system remains on-track and we continue to proceed with a significantly reduced overall technology risk profile. Similarly work at Harley Street remains on schedule and with additional funding through our licence agreement with Yantai CIPU and the equity fundraise in which they and other investors participated we enter into the second half of 2018 from a stronger position.

In 2018 we expect to produce a beam capable of treating superficial tumours by the end of Q3 2018. The Board remain confident that we can deliver to these timescales. On behalf of the Board, we would like to thank all of our shareholders for their continued support and belief, and we look forward to further success ahead.

26 June 2018

Dr Michael Sinclair
Executive Chairman



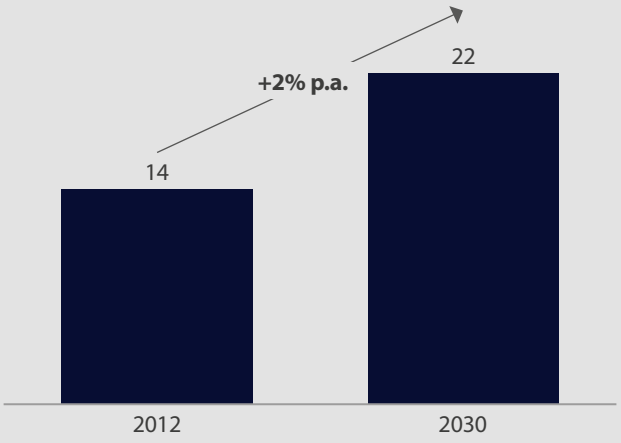
Nicolas Serandour
Chief Executive Officer

We are passionate about helping to shape the next generation of radiation therapies. We are intensely focused on serving our clients and patients.

Radiotherapy: one of the cornerstone approaches to treat cancer

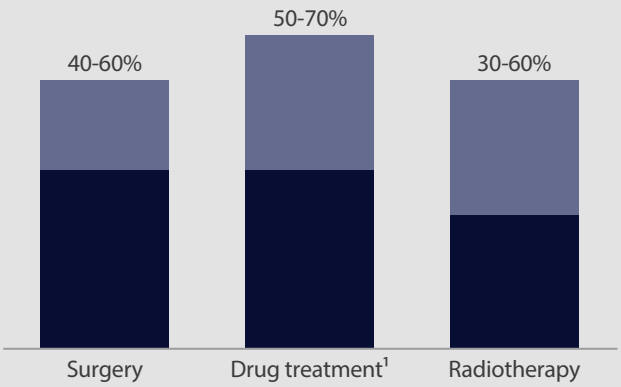
CANCER CONTINUES TO GROW DRIVEN BY POPULATION INCREASE, AGEING AND LIFESTYLE

Cancer incidence worldwide (million cases)



RADIOTHERAPY IS ONE OF THE THREE FRONTLINE TREATMENT OPTIONS FOR CANCER

Cancer treatment methods by frequency of usage, OECD
% of patients treated



1. Majority of patients receiving chemotherapy

Note: *Cancer treatment options can be used by themselves or together. Combinations and share of usage differs by cancer type*

Source: *American Cancer Society*

Radiotherapy is growing in relevance, also in combination with new treatments (e.g. immunotherapy) specifically for indications such as melanoma, lung cancer and carcinoma.

- Surgeon and Prof. of Radiation Oncology
Washington University

WHAT IS RADIOTHERAPY?

Radiotherapy uses high-energy radiation to permanently damage the DNA of cancer cells, causing them to die.

Radiotherapy can be used in isolation or in combination with chemotherapy and surgery to cure cancer. For people with incurable cancers, radiotherapy is also a very effective way of controlling symptoms caused by the cancer.

The most common form is external radiotherapy, which focuses high-energy radiation beams onto the area requiring treatment.

In conventional X-ray systems, electrons are accelerated and collide with a heavy metal target producing high-energy X-rays. These high energy X-rays are shaped as they exit the machine to conform to the shape of the patient's tumour and the customised beam is then directed at the tumour. The beam may be shaped either by blocks that are placed in the head of the machine of by a multi-leaf collimator.

When the radiation is administered, the patient lies on a moveable treatment couch and lasers, together with radiologic image guidance, are used to align the patient in the correct position. The treatment couch can move in many directions including up, down, right, left, in and out; the couch can also be pivoted. The beam comes out of a part of the accelerator called a gantry, which can be rotated around the patient.

Radiation can be delivered to the tumour from any angle by rotating the gantry and moving the treatment couch.

External beam radiotherapy usually involves a series of daily treatments over a number of days of weeks.

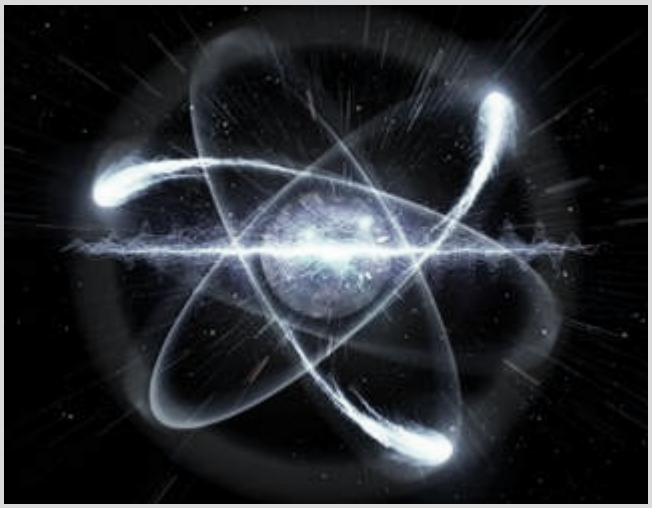
The amount of radiation used in radiation therapy is measured in Gray (Gy), and the dose will depend on the type and stage of cancer being treated.

One of the drawbacks of traditional radiotherapy is that it is impossible to adequately conform the irradiation pattern to the cancer. Healthy tissues may therefore receive a similar dose and can be damaged. Consequently, a less than-desired dose is sometimes used to reduce damage to healthy tissues and avoid unwanted side effects, such as the occurrence of secondary tumours.

Radiotherapy is one of the cornerstones of cancer treatment today and will continue to be so. In the future, it will also be used to increase efficacy by supporting drug treatments.

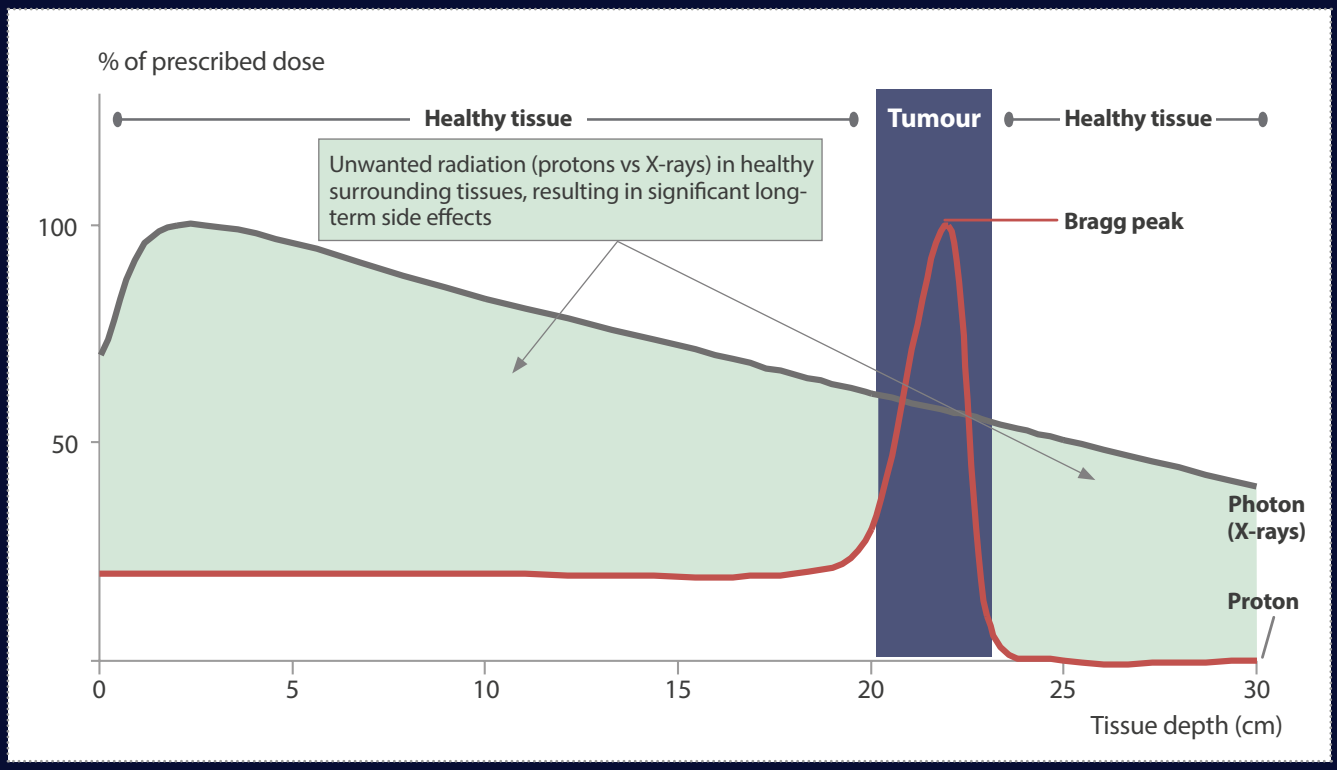
- Honorary Consultant Oncologist
Sherwood Forest Hospitals NHS Foundation Trust

Proton therapy has a number of clear benefits



PROTON THERAPY
A proton is a subatomic particle with a positive electric charge. A hydrogen atom consists of a proton and an electron. A proton source for an accelerator is therefore derived from a bottle of hydrogen gas. Strong electric fields "strip" the electrons from the hydrogen atoms, thereby producing protons.

PROTON THERAPY IS NOT NEW TECHNOLOGY
Proton radiotherapy started over 60 years ago, and as of December 2016, more than 140,000 patients have been treated worldwide in c.70 facilities.



PROTON THERAPY DELIVERS GREATER DOSE IN TUMOUR AND LESS IN HEALTHY TISSUE…
Proton therapy delivers greater dose in tumour and less in healthy tissue, resulting in up to 60% less damage to healthy tissue vs. photons.

Source: *American Society of Radiation Oncology*

Up to 60% less radiation to healthy tissue near the tumour, reducing damage and allowing for treatment near vital organs

Increased possibility of re-treating cancers that have re-appeared or were not eliminated during first treatment

Potential for larger dose of radiation that treats the tumour effectively, reducing the number of patient visits required

X-rays and protons can be equally effective in destroying cancer tumours. In contrast to proton therapy, X-ray treatments damage more healthy tissue in the process and the dose administered is often less than optimum consequently. This is because X-rays release their maximum dose of radiation soon after penetrating the skin as they lack mass and charge, potentially damaging healthy tissue and organs on their way to the tumour and again as they pass through the body beyond the tumour (the exit dose).

It is still unavoidable with proton therapy that some surrounding tissue will be exposed to radiation; some local irritation may occur where the proton beam enters the body and so a rash and localised hair loss may occur. However, both the area exposed and the dose is significantly reduced compared to traditional radiotherapy methods. Also, the risk of developing secondary tumours caused by radiation exposure is greatly reduced.

Protons are energised to specific velocities which determine how deeply in the body protons will deposit their maximum energy.

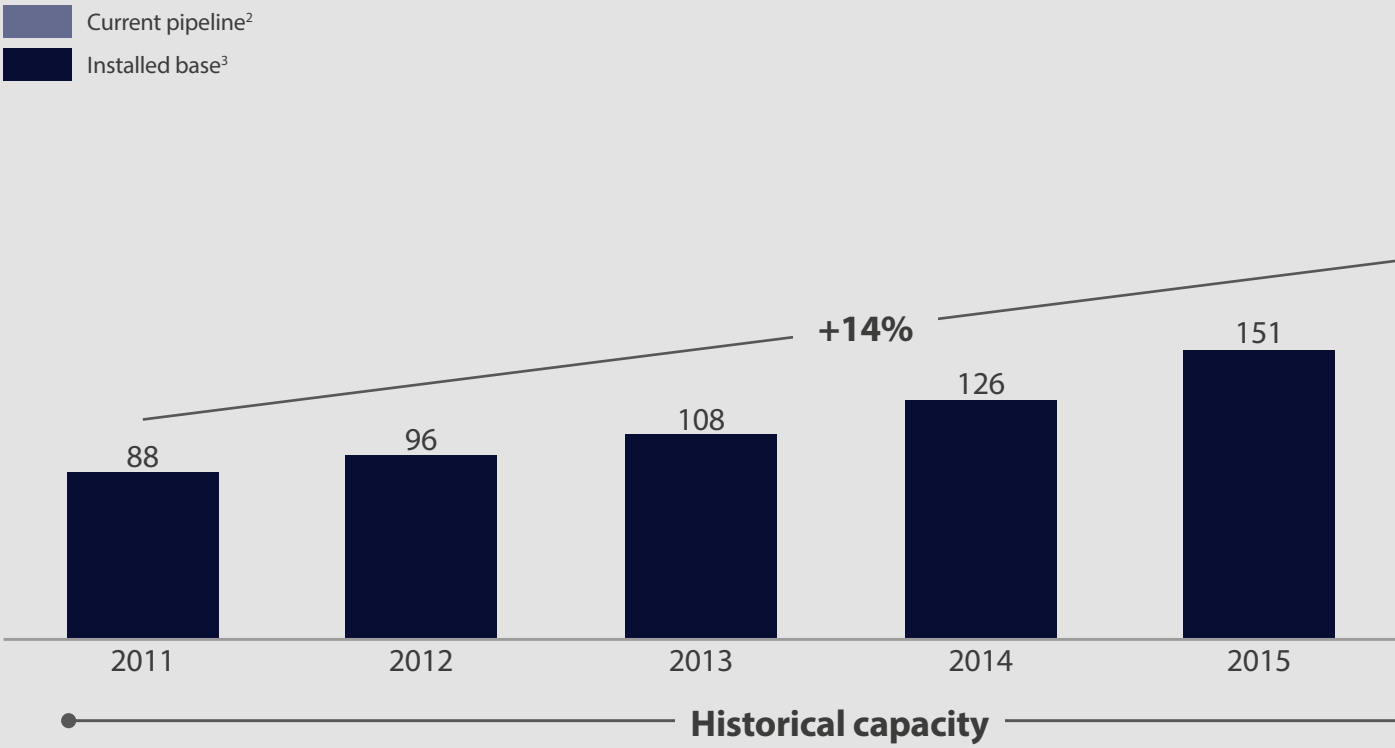
Consequently, to cover the range of depths corresponding to the extent of the tumour, the corresponding energy of the proton beam must be varied to match this range. For example, treating a tumour with a depth from 22 to 32 cm would require a proton energy range from 185 to 230 MeV.

Proton therapy therefore allows precise targeting of tumours in three dimensions inside the body and, by precisely localising the radiation dosage, spares the patient's healthy cells.

Patients do not feel anything during treatment and, as healthy tissues receive lower doses of ionising radiation, they suffer fewer side effects and experience a better quality of life, during and after proton therapy treatment.

Strong growth prospects...

PROTON TREATMENT ROOMS WORLDWIDE (UNITS)

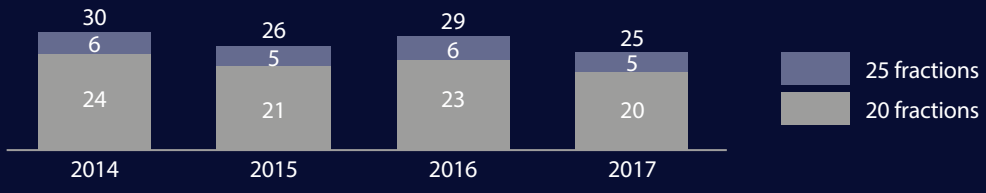


1. *Dotted line reflects potential growth assuming new projects are announced for 2019 and 2020 at the same rate seen for 2017 and 2018*
2. *Cumulative number of rooms under construction or planned as of 2Q17, treatment starting date may shift to the future based on project complexity*
3. *As of 2Q17*
Source: *Particle Therapy Co-operative Group*

MAJORITY OF PAYERS REIMBURSE PROTON THERAPY

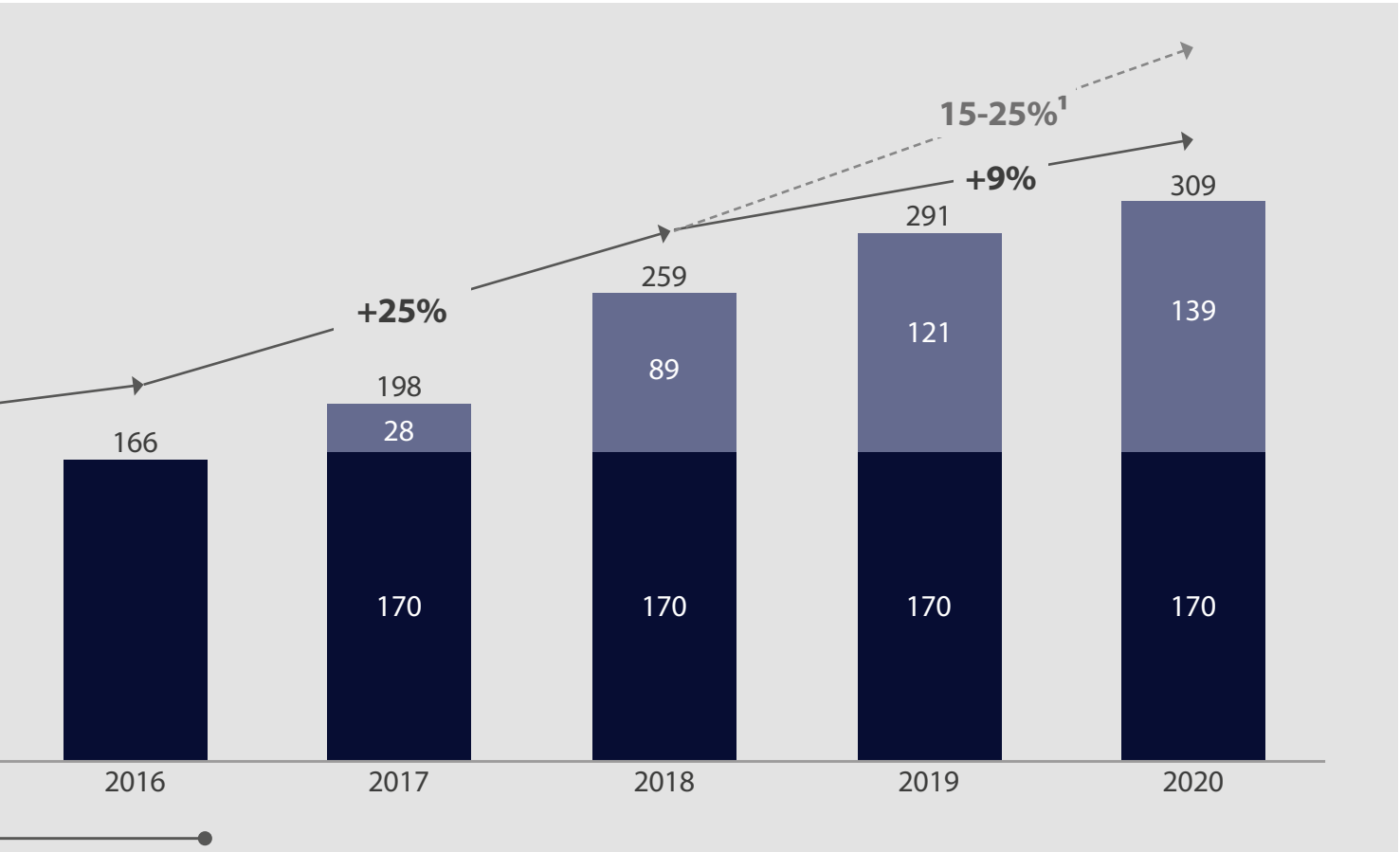
- Proton treatment reimbursement available in US with Medicare and most private payers
- Historical trend of self-referrals from patients asking for proton therapy over other treatment options
- As usage increases, decline in reimbursement price expected to continue, increasing need for proton therapy with lower lifetime cost per patient

Reimbursement price per treatment case[1] ($, '000)



1. *Based on listed price per fraction by the American Shared Hospital Services (Medicare)*

...and more favourable reimbursement environment

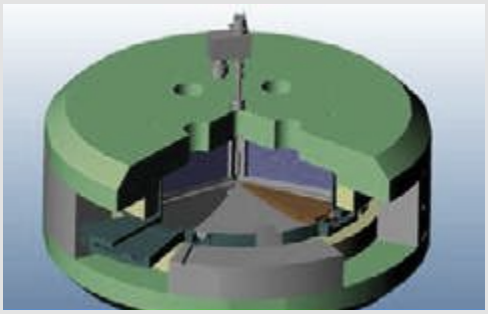


INCREASING TREND TOWARDS REIMBURSEMENT

- France: Stable reimbursement
- ~€1,000 per fraction / €20-25k per treatment case
- Germany: Reimbursement expected to become standard
  - In general, pre-approved reimbursement of €19.5k for specific indications. For other indications, or with certain insurance providers, physicians need to apply for special permission
  - Further adoption expected as additional insurance companies obliged to reimburse after legal dispute
- UK: Reimbursement guidelines in development
  - NHS expected to set reimbursement prices after a period of "open books" once NHS owned facilities are operational
  - Guidance in the UK converging towards £35k

Source: *American Shared Hospital Services, ASTRO, University College London Hospitals NHS, ATIH, UK Department of Health, Rinecker Proton Therapy Centre website*

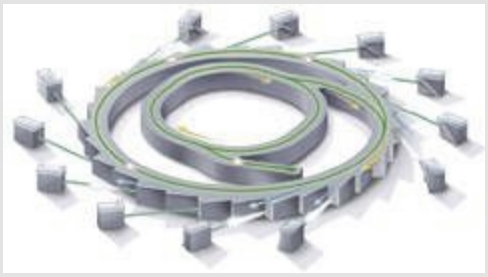
Three main types of proton therapy accelerator on the market today...



SYNCHROCYCLOTRON AND ISOCHRONOUS CYCLOTRON
Protons are accelerated between two D-shaped structures using an electric field and steered by a magnetic field

- Synchrocyclotron: Use fixed magnets and an electric field varying in frequency (time)
- Isochronous cyclotron: Use radial magnets increasing in strength as protons move from the centre to the outer parts of the system

Advanced versions of traditional cyclotrons have been developed using super conductive magnets reducing their size



SYNCHROTRON
Protons are accelerated around a ring by magnets that increase in strength as the beam energy increases

Beam is injected through a multi-turn injection system, then accelerated in the synchrotron until extracted by the multi-turn system. Proton losses occur both at the injection and extraction of the proton beam

Unique technology offered by AVO

COMPACT PROTON LINEAR ACCELERATOR
Unique technology based on years research at ADAM (CERN spin-off) and TERA research; accelerates protons in a straight line through multiple modules that can be mass produced

Allows for rapid adjustment of beam energy to improve conformity to tumour and lower risk of over treatment

Proton acceleration is adjusted electronically vs. circular accelerator where protons are slowed down using absorbers resulting in large amount of secondary and unwanted radiation

Source: *Desktop research*

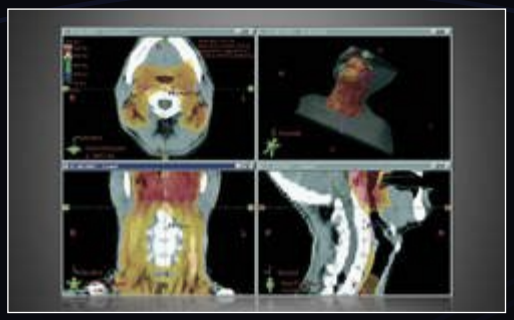
...of which a unique technology only offered by AVO

ACCELERATOR
The world's first linear proton therapy accelerator

Compact, 24[1] meter accelerator made up by a sequence of accelerating structures (RFQ, low speed SCDTLs, high speed CCLs) integrated to a proton injector

SOFTWARE
Custom software suite allows AVO to take full advantage of LIGHT system superiority

- Imaging software
- Oncology information
- Treatment planning system
- Quality assurance monitoring
- Facility management system

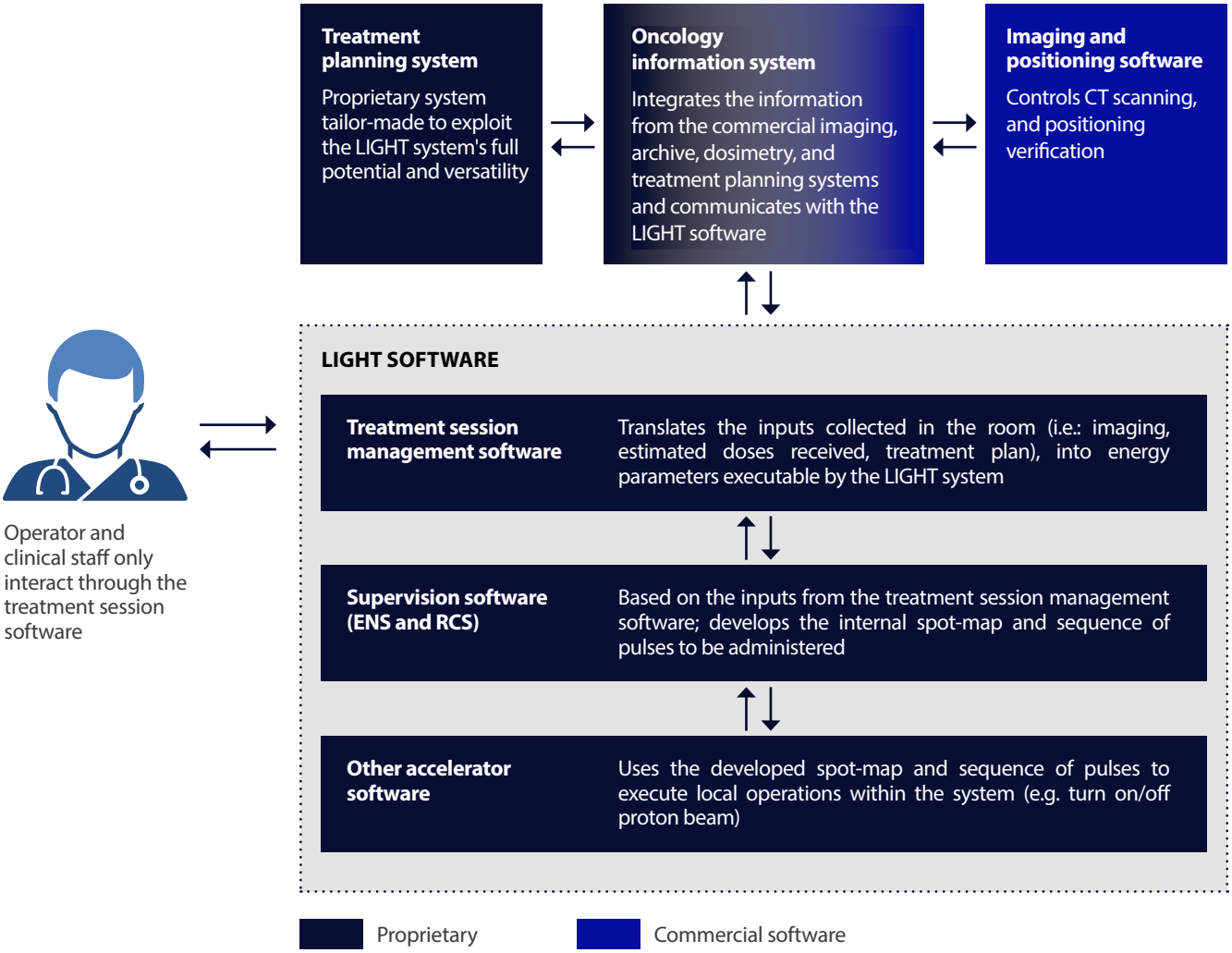


TREATMENT ROOM
Two options for treatment rooms (1-5 rooms per system):

- Option 1: Fixed beam, robotic chair, CT scanner
- Option 2: Gantry, patient couch, CT scanner

1: *Because the LIGHT accelerator is modular, it is also possible to "bend" the beam. This allows installation in very narrow space*
Note: *Picture shows fixed setup for treatment room*

Software suite...



Note: *ENS – Enhanced Nozzle System; RCS – Room Control System*

...allowing AVO to take full advantage of superiority of LIGHT

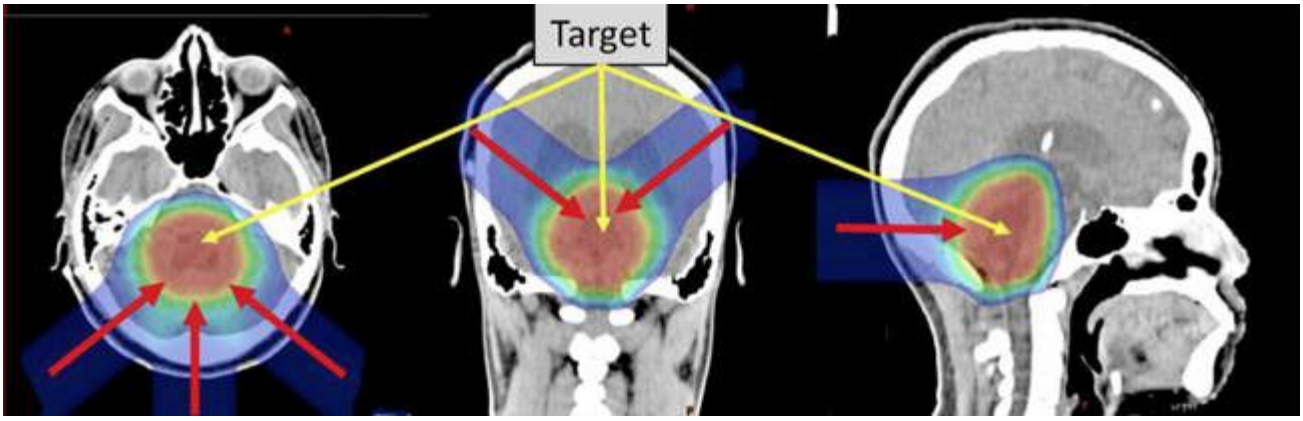
PROTON THERAPY WORKFLOW

The LIGHT solution offers an industry-leading complete proton solution that goes beyond the integration of the accelerating structures of the LIGHT accelerator. It includes the hardware and software needed for covering the needs of clinicians, such as the treatment planning function and its optimisation. A treatment plan is prepared for the patient and verified through calculations and measurements. Subsequently, the patient is treated at regular intervals (e.g. daily) for a specified number of days (usually 25-30) to a specified dose measured in Gray (J/Kg), literally energy per mass. Using advanced technology, it may be possible to increase the daily dose, termed hypofractionation, thereby reducing the number of treatment days.

Planning and Verification

At the start of the planning process, the patient receives a CT scan. The CT scan is used as an input to the Treatment Planning System (TPS). The TPS is similar to a CAD system for the human body including a model of the medical accelerator and treatment system. The treatment team consisting of doctors, physicists, treatment planners (dosimetrists), and radiotherapists work together using the TPS results to prepare the patient's proton treatments.

After the treatment planning has been completed, the plan is verified for accuracy through a quality assurance process using computer modelling and physical proton beam measurements.



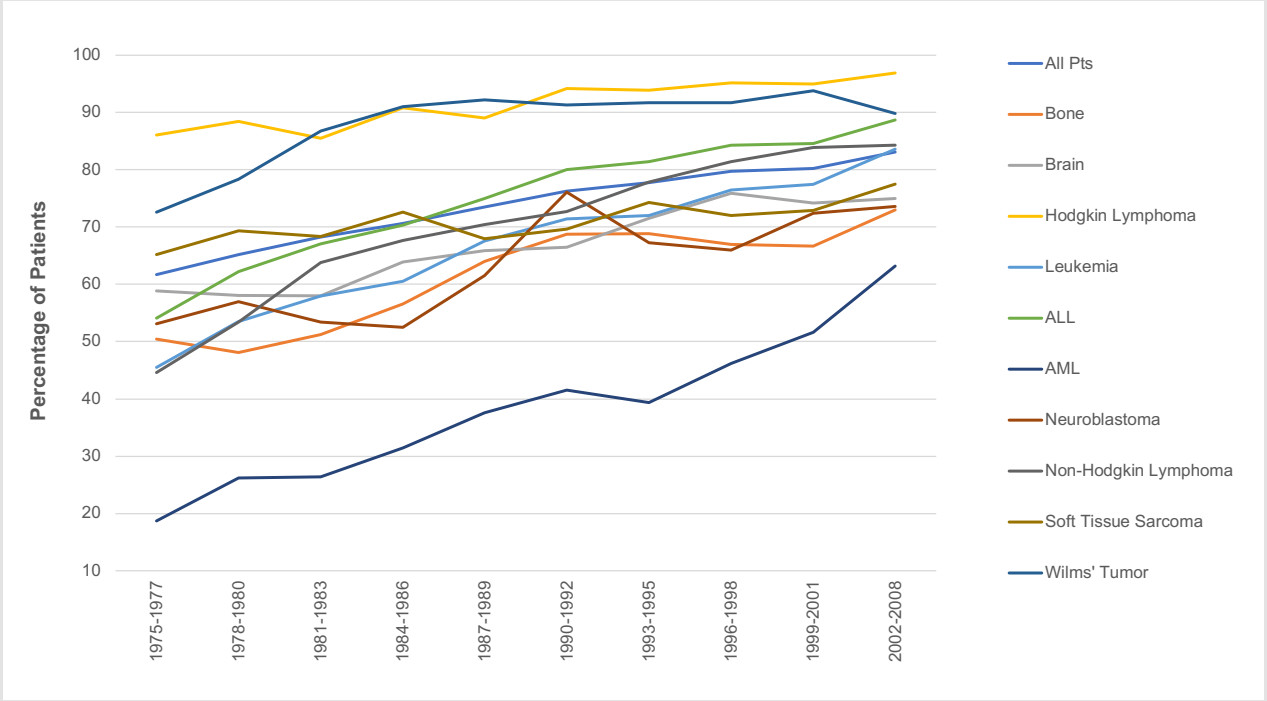
Example paediatric proton treatment plan for an ependymoma patient, proton beam directions in red.

Setup and Treatment

The patient positioning is setup to an accuracy of 1-3 mm daily for treatment. It is crucial that each fraction matches the treatment plan. This is accomplished using radiographic image guidance and aligning the patient's bony anatomy to the CT scan acquired for the TPS. After the patient is positioned correctly the proton fields are delivered by the scanning nozzle. On average, treatment time is about 15-20 minutes per session including 5-6 minutes of beam on time. Subsequently the delivered dose is measured and logged the patient's permanent record system.

A system designed to address the key issues facing physicians and operators when optimising treatment plans for the benefits of patients

Survival trends in pediatric patients by diagnosis



- Essentially all cure rates have increased
- Many approach or exceed 90%
- "Cure without side effects" is now the goal

Challenges

Need improved treatment quality linked to patient outcomes, currently hindered by:

- Sensitivity to target changes
- Sensitivity to target motion
- Uncertainties resulting in less effective use
- Conformity to target

Dr. Jonathan Farr
Director, Medical Physics

Q: Jonathan tell us a bit about yourself.

A: I am a medical physicist by training and have worked in the field of academic and clinical medical physics for over 15 years. I have worked in leading centres both in the United States and in Europe. I have developed a sub-specialism in particle therapy, and in particular proton therapy, and have been fortunate enough to gain experience in some of the most advanced techniques that are in practice today.

For example, when I was at Universitätsklinikum Essen, we developed and installed the first high energy proton therapy centre at any German Hospital, and I led the technical and clinical advances there including a system for scanning nozzle testing, advanced treatment planning for proton scanning, an innovative patient shuttle rail system integrated with a CT and MRI, and a moving target clinical protocol. At St. Jude Children's Research Hospital, the first paediatric exclusive proton therapy centre in the world where I worked prior to joining AVO, I led technical innovations including ½ gantries, high accuracy patient positioners, CBCT, minibeams, and paediatric clinical protocols.

Q: So, talking about innovation, what are your views on current X-rays techniques and do you see these as a threat to the progress seen in proton therapy?

A: X-ray techniques are certainly advancing. However, when comparing X-ray patient treatments and proton treatments, I'm always aware of how much excess dose the X-rays are giving to the patient's body in comparison to proton. This is especially dramatic in the treatment of children. I believe that patients must have access to the potential sparing and toxicity reduction possible with proton therapy, and it is only a matter of reducing the cost and size of the equipment needed. This really attracted me to AVO – to contribute to the Group's mission of providing the most advanced particle therapy in an economical, compact form, so that more patients, especially children can benefit. The Group is developing what I believe will be next-generation proton therapy, a game-changer in the world of radiation treatment if you like. And I wanted to be part of this!

Q: Can you be more specific?

A. Yes, the next-generation particle therapy systems we are developing provide new capabilities that will be clinically significant. This is as important as the cost and size reduction – that we push the field of particle therapy to deliver improved patient outcomes from the use of our advanced features. These features may include fast energy modulation, higher target conformity, target tracking, motion target conformity, and advanced imaging techniques.

Q: Can you explain?

A: Yes. Present medical accelerators are limited in terms of energy modulation. This means that to get different energies (which are directly correlated to the depth within the body where most radiation will be deposited), mechanical absorbers must be moved into the beam path. With the LIGHT system, this energy modulation can be controlled electronically, which allows us to control the exact amount of radiation that is given to every part of the tumour – enough energy to kill the tumour cells, without excess energy to surrounding healthy tissues, that could cause potential side effects. With target tracking, we are able to follow the target as it moves in body. The obvious example for this is in lung tumours which move up and down as a patient breathes. But it happens in other parts of the body too, such as with the liver and pancreas. And having a system which can adjust for this movement is invaluable for accurate tumour targeting and side-effect minimization. We can also carry out dose repainting, effectively repainting the dose rapidly in three dimensions - the dose is delivered in small portions and applied to the tumour in its entirety multiple times. We are also developing proton micro-beams given that legacy accelerators have reached the limit of their emittance quality to around 3 mm sigma – this further has the potential to improve the high dose gradients required and offer greater sparing to healthy tissues.

Q: What does the future hold?

A: We are investigating advanced imaging techniques. With our partners, we will be developing a beam that can traverse the patient's body and then use this beam to image the tumour and other structures within the patient. This will ultimately reduce radiation exposure for the patient and improve overall targeting and accuracy. And then there are other advances such as using other light ions. There is currently significant interest in Helium: the attractiveness of helium ions is that they provide greater target conformity, improved radiobiological effectiveness, improved clinical results, lower toxicity and a higher suitability for paediatric patients. This is something which we are beginning to develop for our LIGHT System, and I believe only linear accelerators such as LIGHT with their reduced size and compact nature, can provide a cost-effective Helium solution.

AVO LIGHT is designed to offer superior clinical effectiveness, safety and cost advantages

CHARACTERISTICS OF LIGHT

Rapid beam adjustment and quality of the beam allow for accurate and conformal dose to tumour even in moving tumour targets

Significantly less ionizing radiation inside the beam vault

Accelerator constructed in reasonable size modules

No movable parts that have complex sub systems and require special operational consideration (eg. super-cooling)

BENEFITS TO PATIENT / PERSONNEL

- Expected to save more healthy tissue
- Expected to reduce number of fractions or patients visits needed (hypofractionation)

- Limits risk of radiation exposure during maintenance
- Limits downtime needed before maintenance can start

- Expected to be less expensive to install
- Expected to be quicker to transport and commission
- Allows earlier installation in different locations

- Expected to result in lower costs:
  - replacement of consumables
  - maintenance and de-commissioning costs
  - salaries

Illustration:
Harley street project

Simon Lee
Director of Client Services

Q: Simon, what are the main aspects of after-sales management and servicing?

A: There are four main areas: build of the oncology centre as per the customer's requirements, installation and commissioning of our LIGHT, maintaining operational uptime through servicing agreements and customer support.

Q: And which aspects of these four key activities are you involved in currently?

A: All of them. Our client for our Harley Street project is Circle Health. We are also reviewing with them potential options at a new-build hospital in Birmingham.

Q: What are the key risks and what is AVO doing to mitigate these?

A: One key risk for proton therapy manufacturers is an inability to match demand and supply, which is an issue we are seeing in the market currently. Ease of installation is a major factor in this regard. Transportation, installation and even relocation should be far more straightforward than is currently the case thanks to the LIGHT accelerator's modular nature and the small size of those modules. The LIGHT accelerator can also be located and installed in novel ways, such as doubling the beam back on itself to reduce footprint. An easier installation process also requires fewer personnel to carry it out, improving the economics for our customers.

The LIGHT system will not require construction of bespoke buildings to house it. As a perfect example, look at our installation on Harley Street, a site where no other proton therapy system could be installed. The significance of this point should not be underestimated; if a LIGHT system can be installed here, think of the number of existing hospitals and clinics globally where it can also be used.

Ease of maintenance is equally important. LIGHT has been designed to be both reliable and serviceable. As a linear proton accelerator with electronic beam control, induced radiation in the room that is housing the LIGHT accelerator is expected to be far lower than for cyclotrons or synchrotrons. This means that engineers will not experience the same potential delays during servicing or maintenance while waiting for secondary

radiation to decay, so the system is designed to maximise operational uptime. It also has fewer moving parts, making it less prone to mechanical failure.

Q: What does after-sales management and servicing involve, practically speaking?

A: To give some examples, the construction and installation process needs to be viewed in the context of optimising and leveraging the operational benefits of the LIGHT system. So apart from all supplier, construction, transportation and logistical matters, consideration must also be given to the engineers and clinical specialists who will install and commission the LIGHT system to make it ready to treat patients.

Service agreements are there to ensure we meet our commitment in providing the desired system uptime. This is achieved by putting contracts and protocols in place, having helpdesk personnel, engineers on site and having back-up equipment available, for example.

Customer support includes technical advice, system upgrades, dealing with queries, customer feedback, issue reporting and generally maximising the benefit to the client from their purchase.

Q: And how does your background help AVO to achieve these goals?

A: I am a mechanical engineer by training and worked on a mixture of heavy- and light-engineering projects, before joining Phillips in 1996 as a Senior Engineer and Project Leader in their radiotherapy imaging unit. Working very closely with their R&D teams, my role was to help bring new products from concept into production.

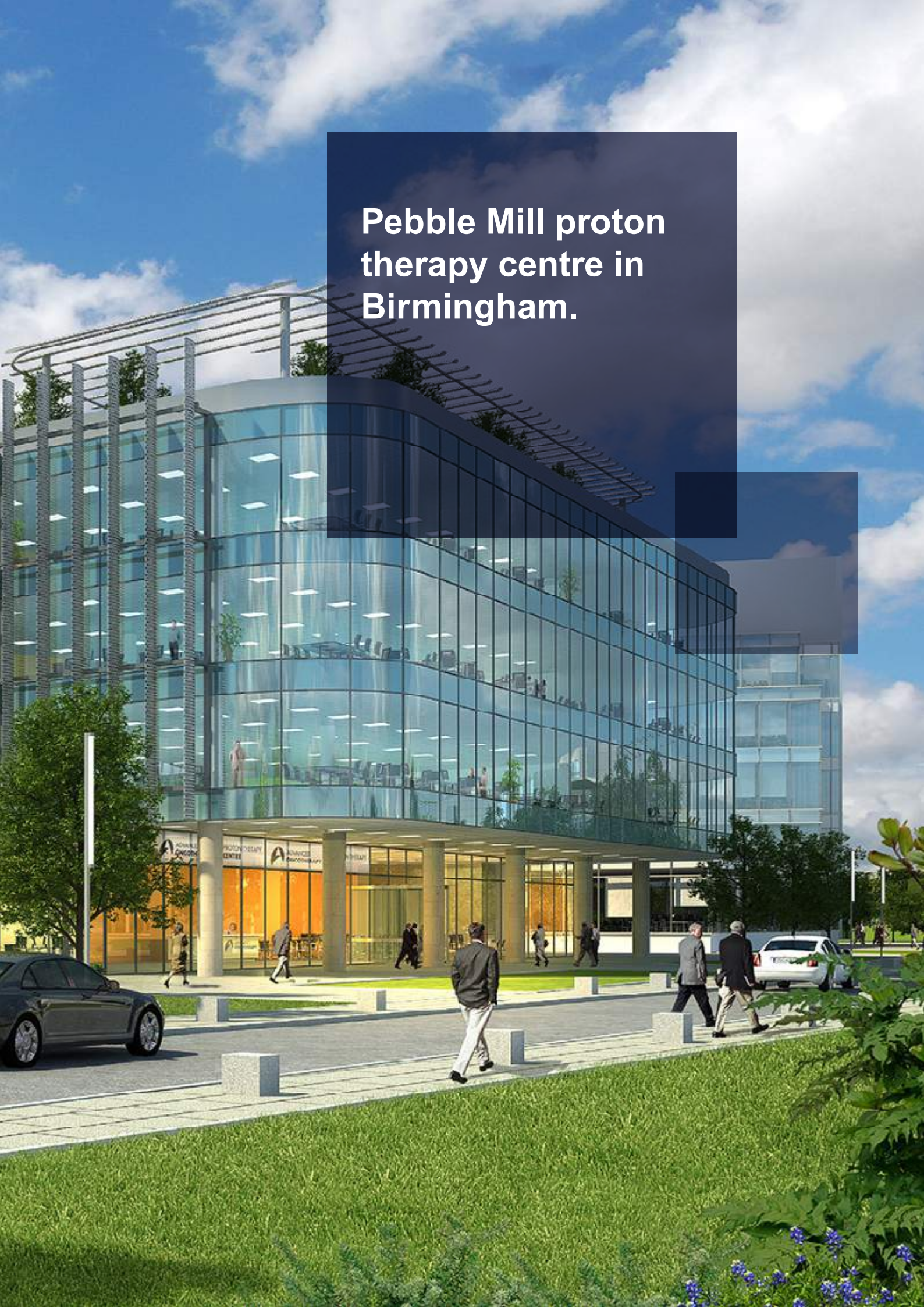
Even though Phillips' radiotherapy imaging unit was sold to Elekta, a market leader in X-ray radiotherapy, just a year later, I was with the same team until 2012; roughly half that time was devoted to working with R&D and the other half as Commercial Manager for the EMEA region (Europe, including eastern Europe, Middle East and Africa). My role as Commercial Manager was very similar to what I do now – managing a build project, installations, service agreements and customer support. I was the first point of contact for Elekta's clients.

I subsequently joined Varian Proton Therapy as Customer Manager UK, although my time was split between the UK and Russia. While in Russia, I was managing a €200 million proton therapy project in St Petersburg at the Petersburg Nuclear Physics Institute. That project is due to have first patient treated in 2018, with construction having commenced in the summer of 2013.

Q: So how does that compare to the Harley Street project?

A: Although not totally comparable, the Harley Street project is due to take considerably less time and will be achieved at a fraction of the cost, in spite of the constraints of working within central London, in a residential area and in a Grade II I listed building.


BUILDING 4
ADVANCED ONCOTHERAPY
ADVANCED ONCOTHERAPY



Pebble Mill proton therapy centre in Birmingham.

A series of technical achievements

1

Beam firing through RFQ

In March, the proton source and the RFQ, technology licensed from CERN, were successfully integrated. A predictable acceleration of the proton beam through the RFQ was demonstrated. The energy of the proton beam was successfully increased from 40keV to the required 5MeV. The team subsequently focused on enhancing the proton source and ensure repeatability of beam firing.

2

Beam firing through 1st SCDTL

In June, we performed successful high power testing of the Side Coupled Drift Tube Linac (SCDTL) module. In September, the first SCDTL accelerating module was integrated with RFQ and the proton source. The proton beam was accelerated to 7.5MeV, as expected. Lower power testing of the other individual accelerating SCDTL units have met expectations.

3

All CCLs delivered

The Linac Booster ("LIBO"), a "high speed" accelerator successfully tested by the TERA Foundation, most closely matches the design and operational requirements of one of the Coupled Cavity Linac (CCL) modules. We therefore have great confidence that the greatest technological challenges of this project have already been overcome. All the CCL modules are on site as of July.

4

Delivery of the ionisation chamber

In June, the ionisation chamber, a critical safety element which monitors the beam position, spot size and dosage, was delivered by Pyramid. The properties of the LIGHT ionisation chamber allow these measurements to be taken on a pulse by pulse basis.

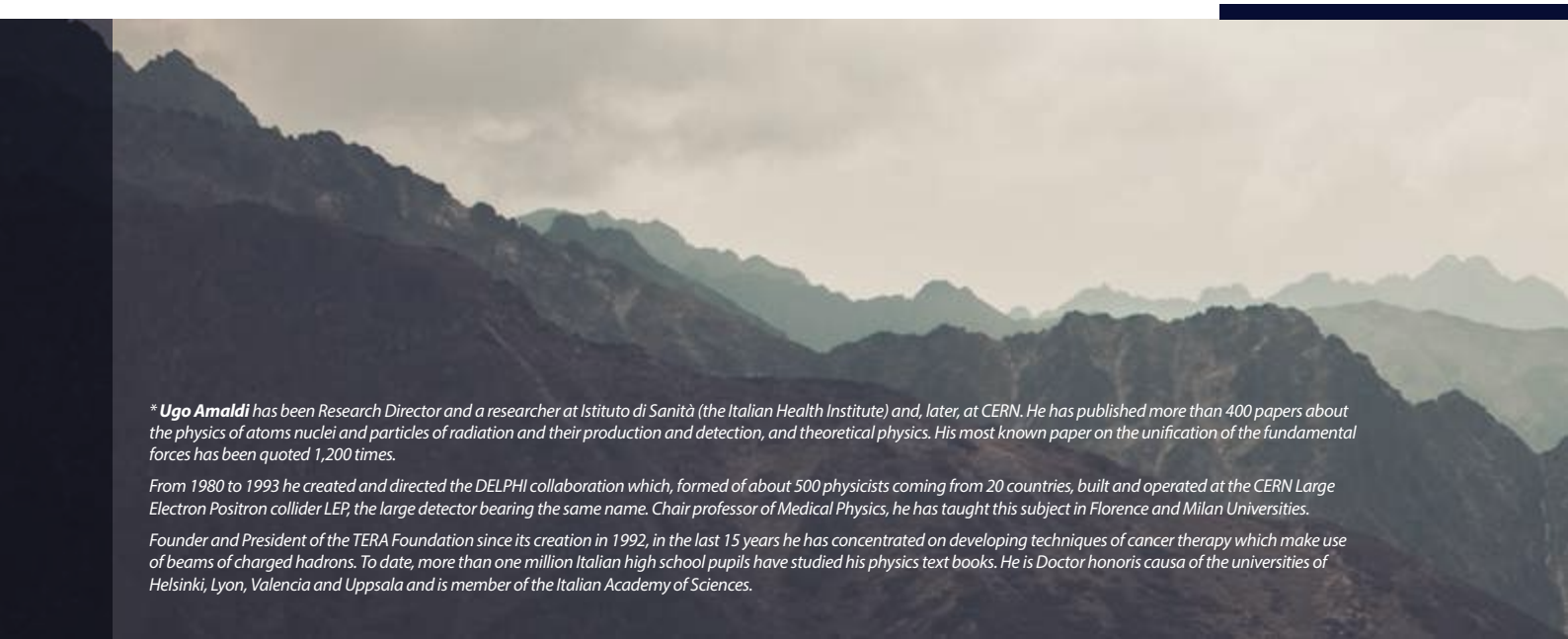
5

Integration of the Patient Positioning System components ongoing

In June, the patient treatment chair and robotic arm were inspected and tested ahead of their integration. In December, the integration testing of the Diagnostic Quality CT scanner was completed. A real time X-ray verification system has also been developed. The robotic treatment chair was successfully tested. The scanning magnet subsystem, which provides the capability to accurately 'paint' the targeted tumour with protons, was produced.

"The most challenging part in building a new linear accelerator is the manufacturing and individual testing of the accelerating structures; their integration in a single linear accelerator is a simple process. We are very confident that SCDTLs will work properly, also because an identical system is working up to 35MeV in the ENEA laboratory at Frascati, Italy. For the Couple Cavity Linac ("CCL") modules, we are also confident since one of them has been successfully built and tested by the TERA Foundation and accelerated protons from 62 to 73MeV."

Prof. Ugo Amaldi*
President of the TERA Foundation and member of Group's Medical advisory board



** **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.

Professor Steve Myers
Executive Chairman of ADAM S.A.

Q: Professor Myers, you became Executive Chairman of ADAM S.A. (ADAM), the CERN spin-off and Advanced Oncotherapy's (AVO's) subsidiary, in late 2015, and joined AVO's Board earlier this year. Your primary responsibility is overseeing the development of AVO's proprietary and novel proton beam therapy (PBT) technology, LIGHT?

A: Yes, that is right. The single most important aspect of LIGHT is that it is based on a fundamentally different design to all other PBT systems. All existing technologies are based on cyclotrons or synchrotrons; LIGHT is the only linear proton accelerator designed for medical application in the treatment of cancer.

Q: Does that matter?

A: It matters a great deal. These differences, in terms of technology and costs, have major implications for LIGHT's potential disruption of the global radiotherapy market. Its technology provides a paradigm shift in clinical effectiveness: the speed at which the energy and direction of the beam can be modulated, the production of secondary radiation, shielding requirements, beam size, size of magnets along the beam transfer line and, hence, the size of the patient gantry, these are all radically better with a linear accelerator.

Costs, in regards to upfront capital expenditure, ongoing maintenance and decommissioning, have also proven prohibitively high for hospitals and clinics when considering existing technologies.

Q: So why are not there more linear proton accelerators in hospitals?

A: From a design perspective, it is because the engineering behind LIGHT is sufficiently challenging that it has taken the expertise within ADAM, and the experience of continually designing, creating and operating next-generation particle accelerators, to build one.

Q: How has that expertise translated into LIGHT's design; can you highlight some examples?

A: There are a lot, but to pick just one of LIGHT's components as an example, in February '17 we reached a major technical milestone by hitting the desired output energy from the Radio Frequency Quadrupole (RFQ). The RFQ has a number of unique properties: operating at 750 MHz, hence making it far smaller than comparable systems, and the energy of the proton beam can be altered 200 times every second, for more accurate tumour targeting and adaptive treatment.

Q: So where are we with LIGHT?

A: We outlined the milestones we're working towards at the investor evenings in March 2017 and hitting those is very much our focus. We updated the market with the progress and we'll be providing further updates on milestones in due course.

Q: So a major technical event will be generating a proton beam of sufficient energy to treat superficial tumours later in 2018?

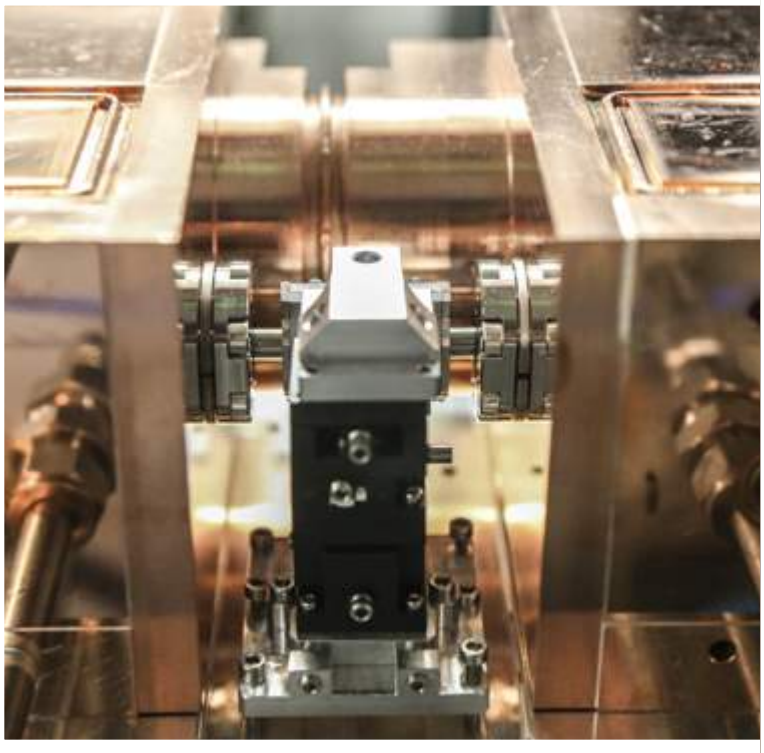
A: That's right.

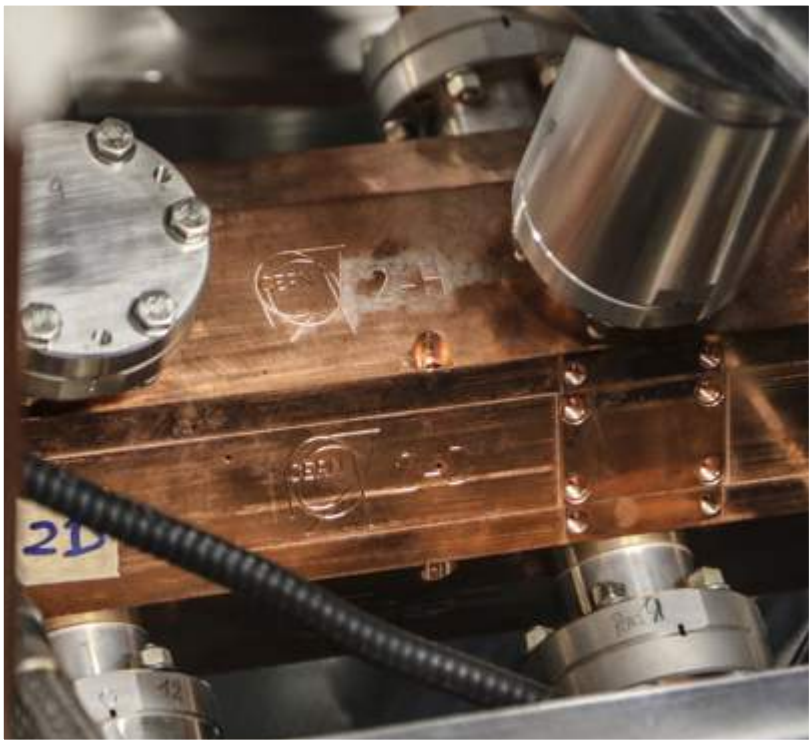
Q: And then, once the first machine has been produced?

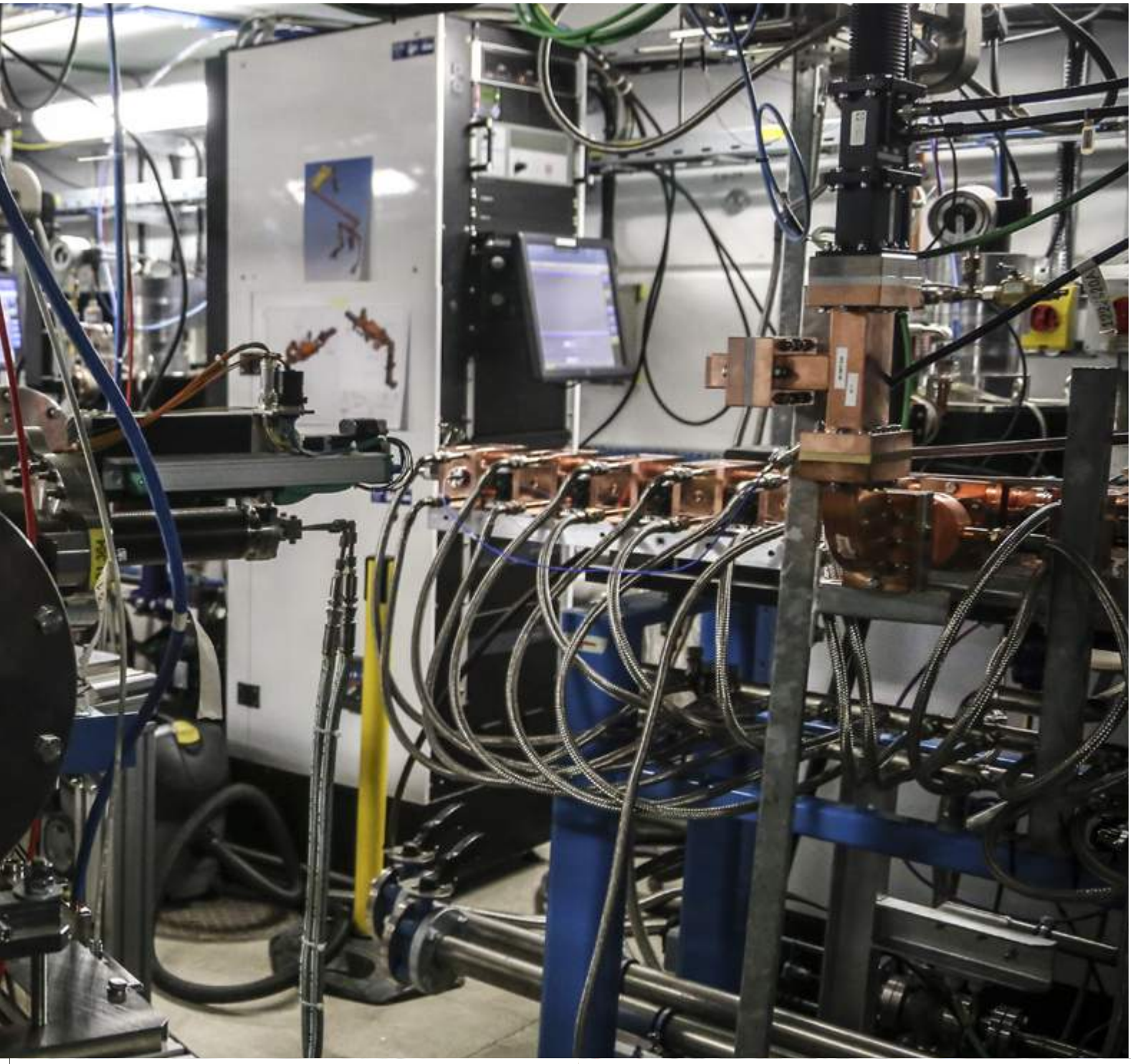
A: There is a huge, unmet medical need for new PBT systems and AVO has been putting the foundations in place to cope with this demand. At the same time, we will keep innovating and continue leveraging LIGHT's unique capabilities. A potential future addition to LIGHT could be the ability to generate a beam of heavier ions, with higher relative biological effectiveness than even protons. Other enhancements could include enhanced accelerating power and, therefore, a shorter LIGHT system or more efficient radiofrequency generators to reduce already low operating costs. LIGHT's modular nature lends itself perfectly to the possibility of upgrades and to further improved clinical benefits and/or lower costs.

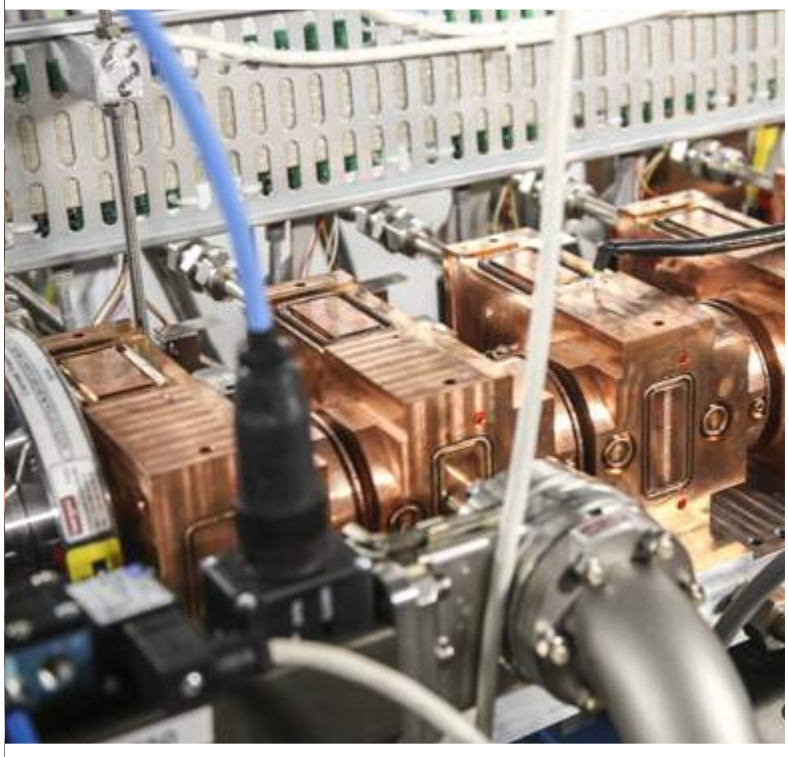
But, I should stress that the LIGHT system is already sufficiently different to existing technology to be hugely disruptive in the current market. Getting LIGHT into mass production is what we will be concentrating on.

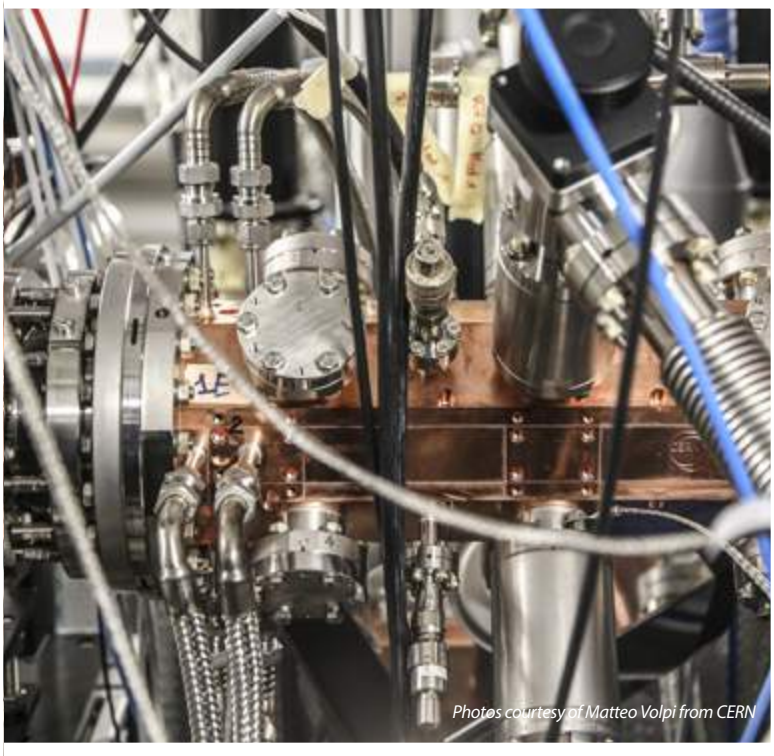
LIGHT accelerator in the testing facility located at Geneva











Photos courtesy of Matteo Volpi from CERN

A robust partner ecosystem in place to reduce risks

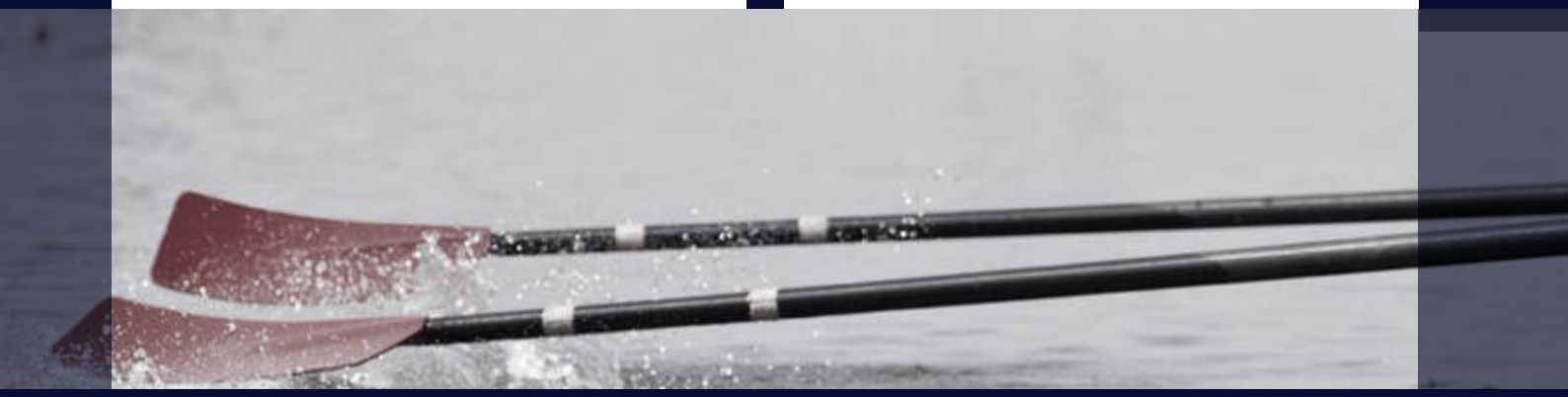
AVO HAS A STRONG NETWORK OF DEVELOPMENT PARTNERS

Components	Modules	Development partners
Accelerator	Proton injector	ADAM (In-house), PANTECHNIK
	RFQ	CERN
	SCDTL	ENEA
	CCL	ADAM (In-house)
	BTL	ADAM (In-house)
	Control system	ADAM (In-house), COSYLAB
Software	Imaging, TPS, OIS, etc.	.decimal, mim, PYRAMID
Treatment room	Fixed beam, gantry, etc.	P-Cure, ЭЕС

AVO HAS A STRONG NETWORK OF SUPPLY CHAIN PARTNERS

Components	Modules	Supply chain partners
Accelerator	Proton injector	ACCEL, PANTECHNIK
	RFQ	(Confidential partnership)
	SCDTL	(Confidential partnership)
	CCL	VDL
	BTL	SIGMAPHI, BUCKLEY SYSTEMS
	Control system	NATIONAL INSTRUMENTS, SIEMENS
	RF Power supply	TELEDYNE E2V, ScandiNova, TOSHIBA

AVO has selected large and recognised players for key components in order to de-risk



Ed Lee
Chief Operating Officer

Q: Ed, can you tell us a bit more about your background?

A: I worked in senior management production roles with the likes of Meggitt and Northrop Grumman for over 10 years, before joining Optivus Proton Therapy in 2011. At Optivus I had dual responsibility for production and for client-facing tasks, such as installation and on-going system servicing.

Q: How is your experience relevant to AVO?

A: One of the key crossovers from my time at companies in the aerospace and defence industry is the critical nature of their systems. Quality has to be guaranteed, given the absolute requirement to avoid failures with potentially catastrophic consequences. The same is true with Optivus and all proton therapy businesses, albeit in a more directly relevant manner where patient care is absolutely paramount.

Q: For those who don't know, can you explain what Optivus is and does?

A: Optivus was the pioneer of proton therapy in the 80's, setting up the first hospital-based proton treatment and research centre at Loma Linda in California. Today, Optivus has two key products: their own proton therapy system, which is analogous to the hardware of LIGHT, although not a linear accelerator, and a treatment planning system, i.e. the computer software and hardware that controls all patient treatment (analogous to LIGHT's patient treatment systems).

That centre has now treated more than 20,000 cancer patients over 27 years, which is more than any other. That experience, through helping to run a 4 treatment room facility, can translate directly into AVO's commercial operations.

LIGHT itself is a turn-key solution that provides everything a hospital or clinic would require. My background with Optivus gives me insight into every step of the production process and LIGHT's clinical application. More specifically, I gained experience in driving improvements in manufacturing reliability, such as in on-time delivery, for example. On-time delivery relies on enhancing the strength of the production process to reduce occurrence of faulty goods and by executing project plans on time and on budget. This comes about from working closely alongside different departments, establishing the right work culture and employing great people.

All this should lead to an efficient and reliable production process and an ability to offer excellent customer service.

Q: What does it take to be succesfull in this mission?

A: It is essential to maintain a financial perspective on the whole of the manufacturing and client servicing process. Beyond processes and people, the execution of our plan needs to occur within the right financial boundaries. AVO's shareholders are expecting a return on their investment and it is my responsibility to help ensure that happens.

To put it another way, everything that is done by our scientists and engineers will be financially sound.

But it is important not to forget that we are in the business of treating cancer. Like many others, my own family has had to cope with this disease and we have personally benefited from proton therapy.

Q: And what progress can you flag to AVO's shareholders?

A: We have already hit a number of the key targets in our project timeline: the proton beam through the RFQ, delivery of CCL units, receipt of our unique ionisation chamber, successful integration of and beam firing through the first Side Coupled Drift Tube Linac ("SCDTL") module.

LIGHT has been designed to be the only proton therapy system on the market that can be mass produced, thereby maximising our commercial opportunities. To do that, we have to make sure there is robustness in our design and repeatability in our manufacturing process.

Q: Is that readily achievable?

A: No, it is not. But it comes from having an overview of the whole manufacturing and client-servicing process, which I have, and by working with all relevant stakeholders, such as our suppliers, manufacturing partners, customers and, of course, our R&D team.

Q: How much of a benefit is it to AVO to be able to draw on the knowledge of your scientists and engineers in Geneva?

A: It is hugely beneficial to AVO. My challenge is helping to ensure the intellectual property and know-how within AVO gets converted into shareholder value. It is one I am relishing and am confident we can achieve as a team.

A business model designed to enable multiple revenue streams and optimise trends towards value - based care

SYSTEM LIFETIME

System sales and installation

~£20-40m per project staged along the project timeline (1.5 years decreasing to less than 12 months) through milestones
Gross margin at running rate to include improvement potential as mass manufacturing gains scale

Maintenance services

Annual recurrent fees

Software licensing

Annual recurrent fees. Part of revenues redistributed to third party providers

Nicolas Serandour
Chief Executive Officer

Q. What are the major trends you are seeing?

A. What we observe in the Proton Therapy industry is very similar to the trends facing other Healthcare segments. We are seeing a shift of the spectrum of care from hospitals to lower cost sites, which is being driven by the convergence of cost pressures, consumer preferences, changing staffing models, and the adoption of new technologies. These trends not only make the Healthcare industry largely unsustainable if the current business models do not change, but they also create a new business case for care anytime and anywhere. The development of more compact and less expensive proton therapy systems over the last few years is consistent with these trends, but unfortunately this is simply not good enough and much more needs to be done. To succeed in launching a new product, we – as a medical company – have to break traditional boundaries and work to integrate sales, marketing, health economics and reimbursement strategies into a single, comprehensive approach that must clearly demonstrate the value of our product to all stakeholders.

Q. So your strategy is to design a business model aimed at leveraging the trends towards value-based care?

A. Exactly. We are moving from today's complex, costly, and fragmented fee-for-service model to a new value-based, patient-centered approach that keeps both the cost and quality of care in sharp focus. This means that the financial risk is shifting from health plans to providers and other stakeholders. In turn, it forces us to change how we assess and adopt innovation. We have to better engage with patients, help physician improve their clinical performance and generally demonstrate wider value. We cannot be just a technology producer, but we have to be a problem solver. If we lose sight of this, then we run the risk of having a future "me too" product and we will lose what makes our DNA: our innovation.

Q. Is your team prepared to demonstrate this strong demand for clear value?

A. We have been working hard to set up the right team and ecosystem to deliver on this objective. To be

Leasing/vendor financing

AVO considering leasing and/or financing of the systems, adding associated fees to the revenue streams in the long term

Operator partnerships

AVO considering to expand the Harley St. model (eg through a potential economic participation), adding clinical operations to revenue stream and long-term business model

successful, we have to involve a large community, by bundling our machine with other devices, procedures, expanded training, and data collection to ensure our solution is delivering demonstrably superior results. As an example of this, we aspire to have a system that offers cloud-based tools to streamline clinical workflow or gives physicians more remote monitoring and real-time analytics capabilities. A key factor there is to ensure that the interests of all stockholders are aligned. This has been one of our key drivers when building our network of suppliers. The way we cemented partnerships early on with customers and landlords such as Circle Health and Howard de Walden in our project in Harley Street - through a system sharing risks and rewards - gives me great confidence.

Q. Talking about alignment of interests, do you see a potential conflict of interest between on one hand the interest of your customers and your mission of delivering an affordable and "low-price based" system and on the other hand the interest of shareholders of AVO?

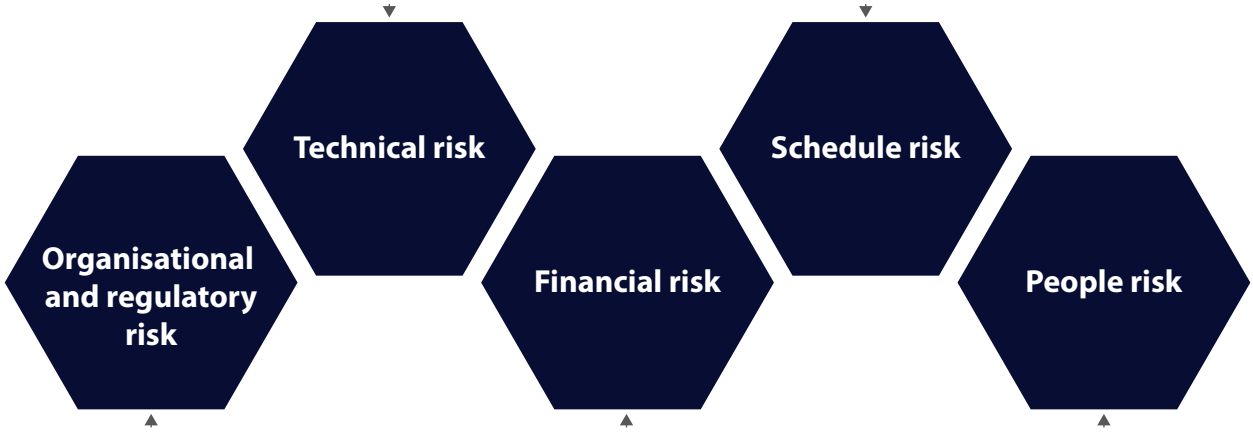
A. Not at all. On the contrary, being focused on affordability and innovation will be in the interest of both patients, payors and shareholders. Currently, the industry is focused on lowering selling prices but this has created a dichotomy between the equipment providers whose returns get negatively impacted by pricing pressures and operators who benefit from lower selling prices. Re-aligning the interest of customers and technology providers is possible if the latter are focused on providing a solution that is both technically and financially-driven. Taking our LIGHT system as an example, we have the technical opportunity – through the unique design of our system – to deliver more radiation in fewer visits, something called hypofractionation. This is due to the fast energy change of our LIGHT system which allows to be more targeted at moving targets, hence sparring more healthy surrounding tissue. In turn, this allows to maximise the patient throughput. So with the right technological advancements, more money per patient is saved and yet the quality of care is maintained and the economic business model becomes more sustainable. Equally, the solution has to be financially driven. We operate in an industry that is bound by a limited budget. So we want to be in a position to offer vendor financing to customers, which will help developing our pipeline, accelerating the market adoption of our technology as well as rebalancing the interests of equipment providers and customers. In short, we are committed at building a business model that embraces the transition from fee-for-service to fee-for value as the best method for lowering healthcare costs while increasing quality care and helping people lead healthier lives. With a technology that is well advanced, a developing pipeline and a manufacturing strategy focused on mass-production, we feel we are uniquely positioned to implement this business model.

Principal risks and risk management

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.

Being at the forefront of technology means the Group needs to address and pre-empt a number of technical risks early on. The research and development team - whose outputs rely on validated technology (LIBO) - has identified the main technological 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 Group 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 contingency in place.



As a fast growing Group in a strongly regulated industry we need to ensure our organization meets the regulatory requirements of a medical device oganisation, without becoming a slow and bureaucratic organization. Advanced Oncotherapy does that by the timely deployment of process and procedure which is as light as possible and as strict as needed.

The Group'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 Group may be unable to obtain adequate funding on acceptable terms. The Group will, in the future, need to raise further equity or debt funds to finance strategic developments and/or working capital requirements through future stages of development. To address this risk, the Group has a rigorous cost control system and it continually monitors opportunities which provide financing flexibility in order to deliver on its strategic priorities. The Group 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 understanding of complex concepts. The Group has implemented initiatives to attract and retain highly skilled and talented employees. AVO works together with experienced HR professionals 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.

Clear actions defined to mitigate operating risks

	Identified risks	Mitigation plan
Accelerator hardware	System integration complexity and performance adjustments	Project management plan designed by external advisors in place and implemented and dual suppliers in place for key components (e.g.: TSC / VDL)
System software	Modelling complexity of proprietary software, subcontractor performance and suitability of pre-selected commercial solutions	Solution scouting program to identify suitable alternatives, robust testing/modelling in place and collaborations with leading institutions established
Treatment room	Positional and rotational accuracy and subcontractors performance	Mitigation plan designed in collaboration with subcontractors and all hardware with relevant certifications in place
System integration	System performance in final configuration	Robust system architecture review process, project management plan designed by external advisors implemented
Installation at Harley St.	Building timeline, commissioning process and qualification of operational personnel	Team with strong track-record in proton therapy installations already in-place; key contractors are incentivised to meet deadlines
Regulatory approval	Prove equivalence to current marketed standards include efficacy and safety	Constant dialogue with regulatory bodies in place supported by a project management plan designed by external advisors


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

GOVERNANCE REPORT

Management team

A team with solid commercial, technical and medical expertise

Dr. Michel Baelen

Director, Regulatory Affairs

- +17 years of experience in Regulatory and Quality for proton therapy
- Former Head of Regulatory Affairs and Quality Assurance at IBA
- Former Quality Coordinator at the University Hospital Saint-Luc at the Catholic University of Louvain

Bridget Biggar

HR Director

- Fellow of the UK Chartered Institute of Personnel and Development
- Masters in Applied Positive Psychology from the University of Pennsylvania
- 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.

Dr. Jonathan Farr

Director, Medical Physics

- +14 years of Radiation Physics experience across USA and Europe
- Former Chief of Radiation physics and Associate Professor at St. Jude Children's Research Hospital
- Current Privat Dozent at University of Essen-duisburg and chief medical physicist at WPE (Germany)
- Author of many peer-reviewed publications on advances in proton, other particles and photon radiotherapy

Manuel Galas

Director, Technical and Engineering

- Ph.D. in High Energy Physics and an eMBA in Management of Technology, Innovation, and Entrepreneurship
- Fellow then Staff at CERN from 1999 to 2008 working on the PS-DIRAC proton experiment and the ATLAS Large Hadron Collider (LHC), Higgs-searching experiment

Louise Harley-Smeur

Senior Vice-President, Intellectual Property

- European Patent Attorney and Head of the Intellectual Property Department.
- 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

Ed Lee

Chief Operating Officer

- 25 years of experience in operations and manufacturing
- Former Production and Technical Field Service Director at Optivus Proton Therapy
- Manufacturing and operations experience spanning high- volume/low-mix to low-volume/high-mix industries such as Automotive, Aerospace, Military/Defence, Nuclear, and Medical Device

Simon Lee

Director, Client Services

- +30 years of experience in the radiotherapy market, both in R&D and after-sales services
- Former European distributors' manager for Elekta and Head of installations for Varian (Russia)

Prof. Steve Myers

ADAM Exec. Chairman

- +40 years of experience in particle physics and acceleration technologies
- Former CERN Director of Accelerators and Technology and Head of CERN Medical Applications
- Awarded the Duddell Medal, the Prize of the Institute of Physics and the International Particle Accelerators Lifetime Achievement Prize as well as the Principe de Asturias
- Honorary doctor by several academic institutions
- Also on the Group's board

Sanjeev Pandya

Executive Vice President for Global Business Development

- Trained as an orthopaedic surgeon; medical degree from Trinity College and MBA from INSEAD.
- Executive Vice President for Global Business Development and previously Chief Executive Officer.
- Previous experience at McKinsey and Company, Lehman Brothers, Pfizer, NHS.
- Also on the Group's board

Graham Pughe

Senior Vice-President, Accounting and IT

- Seasoned finance professional with a strong technical grounding within all areas of the finance spectrum
- Implemented robust and pragmatic solutions for various industries he has worked in including newspaper publishing, food manufacturing and building materials

Nicolas Serandour

Chief Executive Officer

- +15 years of experience in the investment banking industry
- Former Head of European Healthcare for Lazard
- Extensive experience providing strategic and financial advice to senior executives at leading healthcare companies internationally
- Joined the Company as CFO, before taking new responsibilities as COO and then CEO at the end of 2016;

Dr. Michael Sinclair

Exec. Chairman of the Board

- +40 years of experience within the healthcare sector as physician, manager and investor
- Founder of Nestor Healthcare (39%+ IRR p.a., 1971-1979)
- Founder of Lifetime Corporation Inc (30%+ IRR p.a., 1982-1993)
- Founder of Atlantic Medical Cap. in partnership with CalPERS, University of Texas Retirement system, Dresdner Kleinwort, Equitable, CIBC
- Co-founder of Hemsley and Co., now NUMIS Securities (32% IRR p.a., 1987-2001)
- Also on the Group's board

Board of directors

A team bringing extensive market expertise

Michael Bradfield

Non-Executive Director

- +30 years of experience in direct marketing and insurance (reimbursement) industry
- Former CEO of Hospital plan Insurance Services and active investment manager
- 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)

Hans von Celsing

Non-Executive Director

- +30 years of experience from the Life Science Industry, primarily in the medical technology sector. Held senior positions in radiation oncology companies including Elekta and Mevion
- Currently Executive Chairman of CLS AB; Executive Chairman of Gelexir Healthcare Ltd; Chairman of Peptonic Medical; Chairman of Partner Fondkommission AB

Prof. Chris Nutting

Non-Executive Director

- World leading consultant oncologist
- 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
- President of the British Oncological Association

Dr. Nick Plowman

Chairman Medical Board

- +30 years experience in radiation oncology in adults and children – pioneering lens sparing ocular radiotherapy, linac based radiosurgery and later being heavily involved in Gamma Knife, IMRT, and Cyberknife projects
- Current head of clinical oncology for the Great Ormond Street Hospital for Children (London)

Dr. Euan Thomson

Non-Executive Director

- 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
- Operating partner at Khosla Ventures; CEO of AliveCor; Director of the Hospice of the Valley
- 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

- +30 years of management and organizational experience
- Current Vice-Chairman of Novartis and Director of life science investment fund Eclosion Ventures among other investment roles
- Former Head of the European pharmaceutical practice for McKinsey and Company and managed the Geneva office

Executive directors (no indicated on this page) include Dr Michael Sinclair, Nicolas Serandour, Prof. Stephen Myers and Sanjeev Pandya
Tim Lebus resigned on 26 January 2017

Hans von Celsing
Non-Executive Director

Q: Hans, could you tell us about your experience in radiotherapy and how that relates to your role as an adviser to Advanced Oncotherapy?

A: I have spent most of my career in radiotherapy and have been involved in this market since the mid-80s. I joined Elekta in the early stages of its development and helped grow the business to a global radiotherapy company with a market capitalisation of 30 billion Swedish kroner. I was also involved in the development and promotion of the Gamma Knife, with the aim of creating radiotherapy systems for neurological indications with more accurate tumour targeting and in advanced imaging/3-D positioning systems.

Q: And in addition to Elekta?

A: I was also involved with Mevion at an early stage and helped it in its international development effort. Mevion technology was an important step in making proton therapy systems clinically affordable on a broader scale.

Q: So you have seen the full spectrum of radiotherapy applications and systems: from small start-ups to big corporations and from state-of-the-art radiotherapy systems with advanced treatment room facilities to one-room proton therapy systems?

A: That's correct.

Q: So you must have seen a lot of changes and evolution in the field of radiotherapy?

A: Absolutely! When I started out in the 80's, radiotherapy was not a favourable treatment choice. Patients treated by radiotherapy were generally very sick and the prognostic of their diseases was often very bad. Radiotherapy had many side effects and outcomes were often not that favourable.

Q: Why was this the case?

A: One of the biggest issues was accuracy of beam delivery and tumour targeting. The imaging systems and computing power used to deliver radiation beams to the tumour site were considerably less accurate by today's standards. Excessive doses could be delivered to healthy surrounding tissue, with consequential and unwanted side effects.

I am pleased to say there have been many advances in beam targeting and improvements in this area will lead to more accurate dose delivery and improved patient outcomes. The LIGHT system has the potential to provide a further leap forward in the accuracy of tumour targeting.

Q: So Elekta, then Mevion, and now you're helping Advanced Oncotherapy. Why AVO?

A: AVO and its LIGHT system is based on an amazing technology and offer a great opportunity for the advancement of proton and particle therapy technology. AVO is developing a Linac–based (linear accelerator) proton therapy system; all other competing proton therapy systems use cyclotrons, synchrocyclotron or synchrotron accelerators. This group originated from physics laboratory experiments. A Linac system is designed specifically for medical use and lends itself extremely well to cancer therapy. I also see much of the excitement at AVO that I did when Elekta and Mevion were at similar stages of their development.

Q: So what are some of the key features of LIGHT?

A: One is the ability to electronically control the energy delivered to the tumour site. This energy can be changed rapidly both in terms of energy amount and energy positioning without the need for physical absorbers or other methods. The required dose can be delivered to the exact site many, many times per second.

LIGHT is also an integrated system. An all-in-one or integrated solution, which provides a system for beam production, treatment planning and accurate beam delivery reduces the risk of errors arising in interoperability between different systems. The treatment planning software and solution that is being developed is, I believe, state-of-the-art. It is simple and its one-touch, one-screen panel will enable radiotherapists and radiation oncologists to devise the best treatment solutions for their patients. The ability to serve multiple treatment rooms is another key feature; the LIGHT system can power up to five treatment rooms, thereby reducing the incremental cost for each room.

Q: What is the significance of this in relation to the potential take-up of LIGHT?

A: The economics of any treatment are critical in many healthcare decisions. It is also not just the incremental cost of each room which is relevant. By virtue of being linear, compact and modular, LIGHT lends itself to easier installation and, hence, lower building/installation costs.

Q: What do you think the future holds in store for AVO? What should they do next?

A: Essentially what they are already doing. Sticking to their plan of building their first machine, with first installation due at Harley Street, London, integrate imaging for adaptive therapy planning and to continue to generate interest globally for the LIGHT Proton Therapy system.

Group advisers

A mission supported by worldwide experts

Prof. Ugo Amaldi

He has been working at CERN since the 1970s; founded the DELPHI Collaboration, at CERN's LEP Accelerator: established TERA, the Italian Foundation for Hadrontherapy; led the design effort of the Italian National Centre of Oncological Hadrontherapy (CNAO), awarded the Gold Medal for science and culture by the Italian President of the Republic, and appointed Fellow of the European Physics Society

Dr. Hanne Kooy, PhD

Experimental High Energy Physics expert and associate Professor of Radiation Oncology at Harvard University

Dr. Jay Loeffler, MD

Herman Suit Professor of Radiation Oncology at Harvard Medical School, Boston; Chair of the Department of Radiation Oncology at the Massachusetts General Hospital, Boston; member of the Institute of Medicine of the National Academies of Science

Dr. Margaret Spittle OBE

Clinical oncologist, University College London Hospital (UCLH) and consultant adviser in Radiation Medicine to HM Royal Navy and the Defence; member of the Nuclear Safety Committee and a Medical Adviser Board members to UK All Party Committee on Breast Cancer

"If cost was not an issue, proton therapy would be the treatment of choice for most patients with localized tumours. "

"Yet most hospitals do not offer proton therapy. The equipment is huge and expensive."

"Applied physicists and engineers should work with medical physicists on improving the beams, imaging and robotics. For example, a CERN spin-off company called ADAM (Application of Detectors and Accelerators to Medicine), based in Geneva, is working with its parent institution in the United Kingdom on a linear mini-accelerator for medicine."

September 2017
Nature.com

- Jay Loeffler, MD
- Thomas R. Bortfeld, PhD

in the Department of Radiation Oncology, Massachusetts General Hospital and Harvard Medical School, Boston, Massachusetts, USA

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.

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.

THE BOARD
The Code requires the Group to have an effective Board whose role is to develop strategy and provide leadership to the Group as a whole, as well as ensuring a framework of controls exists which allows for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Group.

Matters reserved for a decision of the Board include approval of the Group's strategy, business plans, acquisitions, disposals, business development, annual reports, interim statements, and any significant funding and capital expenditure plans.

The Board meets regularly, usually every month, to discuss and agree on the various matters brought before it, including the trading results. The Group has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting. The culture of the Board meetings is to encourage rigorous debate. The Non-Executive Directors constructively challenge the performance of management in meeting agreed goals and objectives and help develop proposals on strategy.

ROLE OF THE EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Group's business, so as to ensure that no one person has unrestricted powers of decision.

The Executive Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. He is responsible for leading and managing the Board, its effectiveness and governance; he ensures Board members are aware of and understand the views of major shareholders and other key stakeholders and he 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 Group 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.

Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. The Chief Executive Officer is responsible for the day-to-day management of the business.

The Executive Chairman holds other directorships, as detailed in his biography on page 41. The Board has considered the time commitment required by his other roles and has concluded they do not detract from his chairmanship of the Group.

COMPOSITION OF AND APPOINTMENTS TO THE BOARD
The Code requires that there should be a balance of Executive and Non-Executive Directors.

The Board comprises the Executive Chairman, the Chief Executive Officer, the Chairman of ADAM SA, the Senior Vice-President, Business Development and six Non-Executive Directors. Short biographies of the directors are given on page 41.

All Non-Executive Directors serving at the year-end are considered to be independent. The Board does not consider the shareholdings of the Non-Executive Directors as detailed on page 53 to have any effect on their independence.

The Board considers that its composition has been appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different experience and skills to the Board and its various committees. The Board composition is kept under review as this mix of skills and business experience is a major contributing factor to the proper functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regard to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Executive Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil his/her duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

DIRECTORS' CONFLICTS OF INTEREST
The Group 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.

SERVICE AGREEMENTS
All Executive Directors have service agreements with the Group terminable by either party upon the minimum notice period being met. The notice period is 24 months for Dr. Michael Sinclair, 12 months for Sanjeev Pandya and 6 months for Nicolas Serandour and Prof Steve Myers.

UK corporate governance code recommends that all Directors stand for re-election each year at the Annual General Meeting. The next Annual General Meeting will take place at 1 Wimpole Street - home of The Royal Society of Medicine, 1 Wimpole Street, London W1G 0AE on Wednesday, 25 July 2018 at 2:30p.m.

BOARD COMMITTEES
The Board has established two committees to deal with specific aspects of the Board's affairs: Audit and Remuneration & Nomination Committees.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance of Directors at Board and Committee meetings is set out below:

Director	*Scheduled Board meetings*	*Ad hoc Board meetings*	*Audit and Risk Committee*	*Remuneration & Nomination Committee*
Dr Michael Sinclair	10/10	11	-	-
Michael Bradfield	9/10	2	2/3	1/2
Hans von Celsing (from 26 January 2017)	9/9	5	3/3	2/2
Steve Myers (appointed 26 January 2017)	8/9	4	-	-
Chris Nutting	5/10	1	-	-
Sanjeev Pandya	10/10	8	-	-
Nick Plowman (appointed 9 February 2017)	6/9	3	-	-
Nicolas Serandour	10/10	11	-	-
Euan Thomson	8/10	3	-	-
Enrico Vanni	10/10	4	3/3	2/2
Tim Lebus (resigned 26 January 2017)	1/1	-	-	-

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 Chief Executive Officer.

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;
- implementing a robust governance framework throughout the Group.

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

DIRECTOR INDUCTION PROGRAMME AND ONGOING TRAINING

On appointment to the Group's Board, new Directors receive a comprehensive and tailored induction programme from the Group's Nominated Advisor ("Nomad").

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Group maintains insurance cover for the Directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

AIM RULE COMPLIANCE REPORT

Advanced Oncotherapy plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- seek advice from its Nomad regarding its compliance with the AIM Rules whenever appropriate and take that advice into account;
- provide the Group's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- ensure that each of the Group's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- ensure that each Director discloses without delay all information which the Group needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

The Group adopted a code for Directors' and applicable employees' share dealings. The Directors will comply with Rule 21 of the AIM rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by AVO's applicable employees. In 2017, the Group updated its dealing code to ensure compliance with the EU Market Abuse Regulations which came into effect in 2016 and apply to companies listed on AIM.

EMPLOYEES

The Group recognises the importance of its employees and that its success is due to their efforts. The Group respects the dignity and rights of all its employees. It provides clean, healthy and safe working conditions. An inclusive working environment and a culture of openness are maintained by the regular dissemination of information.

The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout the Group.

The Group does not tolerate any sexual, physical or mental harassment of its employees. It operates an equal opportunities policy and specifically prohibits discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability, or sexual orientation.

WHISTLEBLOWING PROCEDURES

The Group 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.

Directors responsibility statement

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 FRS 101.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Dr. Michael Sinclair
Executive Chairman
26 June 2018

Audit committee report

INTRODUCTION
The Board is required to establish formal and transparent arrangements for considering how it should apply required financial reporting standards and internal control principles. The Board is also responsible for maintaining appropriate independent relationships with the Group's external auditors, RPG Crouch Chapman LLP. As a result, a sub-committee of the Board - the Audit Committee - exists to scrutinise and clarify any qualifications, recommendations and observations within the audited accounts and report of the Group's auditor. When satisfied, the Audit Committee presents the audited accounts and report to the Group's Board and reviews the effectiveness of resultant corrective and preventative measures.

COMPOSITION AND ROLE OF THE AUDIT COMMITTEE
Hans von Celsing is Chairman of the Audit Committee which normally meets three or four times a year. Other members of Audit Committee are Dr Enrico Vanni and Michael Bradfield.

The Audit Committee's primary function is to assist the Board in fulfilling its financial oversight responsibilities.

In performing this function, the key duties of the Audit Committee are to:
- monitor the integrity of the financial statements of the Group and any formal announcement relating to its financial performance;
- with regards to financial reporting, review and challenge the consistency of accounting policies, the use of accounting methods over alternatives, whether the Group has followed appropriate accounting standards, the clarity of disclosure, and all material information relating to the audit and risk management;
- ensure that the Group's arrangements for its employees and contractors to confidentially raise concerns about possible wrongdoing allow proportionate and independent investigation and appropriate follow up action;
- consider the need to implement an internal audit function;
- make recommendations to the Board and the Company's shareholders regarding the appointment, re-appointment and removal of the Group's external auditor;
- oversee the Group's relationship with the external auditor.

AUDIT COMMITTEE ACTIVITIES
In 2017, the Audit Committee met formally three times and all audit committee members were present, with the exception of Michael Bradfield who was unable to attend the April meeting. The discussions included reviewing the final and interim financial statements and matters raised by management and the auditor. The matters reviewed included consideration of the key judgements applied in the preparation of the consolidated financial statements, as described in the relevant accounting policies and detailed in the notes to the financial statements. Set out below are the significant issues considered by the Audit Committee in relation to the 2017 accounts, and how these were addressed.

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.

INTANGIBLE ASSETS
During the year, the Audit Committee considered the judgements made in relation to the valuation methodology adopted by management to support the carrying value of intangible assets, the investments in subsidiaries and the development of intangible assets.

The Audit Committee considered the assumptions, estimates and judgements made by management to support the models that underpin the valuation of intangible assets in the statement of financial position and were satisfied that the carrying value of investments, goodwill or other intangible assets was appropriate.

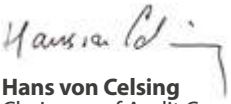
GOING CONCERN
The Audit Committee reviewed the management report prepared to support the going concern assumption and, taking into account the external auditor's review of this report, concluded that management's recommendation to prepare the accounts on a going concern basis was appropriate. The Audit 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.

RISK MANAGEMENT
The Audit Committee continually reviews the Group's approach and arrangements to deal with risk, including monitoring the processes that surround the maintenance of the Group's risk register and meeting senior members. The risk framework and register is produced by senior management and aims to identify all key risks facing the Group, the owner of the risk and the actions taken to mitigate these risks.

INTERNAL AUDIT
The Group does not have an internal audit function. The Audit Committee considers this is appropriate given the size of the Group 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.

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 5 on page 66. The value of Non-Audit services amounted to £5,500 (2016: £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 external auditor is required to rotate the lead partner every five years in accordance with Ethical Standard 3 (ES3) (Long Association with the Audit Engagement) issued by the Auditing Practices Board. In certain circumstances this period can be extended to seven years. With the Group being in a phase of development the Audit Committee have believed that it has been necessary to utilise the incumbent partner's experience and understanding of the business to challenge management robustly on the appropriate estimates and judgements made when the financial statements are being prepared. However a rotation will need to be made in 2018 and this process will begin shortly. 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 2018.



Hans von Celsing
Chairman of Audit Committee
26 June 2018

Remuneration committee report

DiRECTORS REMUNERATION REPORT

INTRODUCTION

As a company listed on AIM, Advanced Oncotherapy plc is not required to present a directors' remuneration report, however, a number of voluntary disclosures have been made. The Company has complied with the disclosure requirements set out in the AIM Rules for companies.

In framing its remuneration policy and the reporting of remuneration, the committee has given consideration to the revised 2014 UK corporate governance code.

COMPOSITION AND ROLE OF THE REMUNERATION COMMITTEE

Hans von Celsing chairs the Remuneration Committee. It acts to ensure sound Corporate Governance and meets at least twice a year. The Remuneration Committee functions with the objective of attracting, retaining and motivating the executive management of the Group and ensuring they are rewarded in a fair and responsible manner for their contribution to the success of the Group.

The role of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Group's Executive Chairman and Executive Directors, including pension rights and compensation payments. It also recommends and monitors the level and structure of remuneration for senior management. In setting the Group's remuneration policy, the Remuneration Committee considers a number of factors including the following:

- salaries and benefits available to Executive Directors of comparable companies;
- the need to both attract and retain executives of appropriate calibre; and
- the continued commitment of executives to the Group's development through appropriate incentive schemes (including the award of shares and share options).

REMUNERATION OF EXECUTIVE DIRECTORS

Consistent with this policy, benefit packages awarded to Executive Directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive.

The remuneration packages comprise the following elements:

- base salary: the Remuneration Committee sets base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- bonus scheme: the Executive Directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration committee;
- equity: shares and share options; and
- employer contributions into personal pension schemes, life assurances, private medical insurances and permanent health insurance.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The fees and equity paid to the Non-Executive directors are determined by the Board. The Non-Executive Directors do not receive any other forms of benefits such as health cover or pension.

Dr Enrico Vanni elected to receive shares in the Group in lieu of a cash payment for his fees in 2016 and 2017. All Non Executive Directors have agreed to receive shares in lieu of cash payment for their 2018 Non Executive Director fees. There were no issues of shares or share options to Non Executive Directors during 2017, except as noted above for Dr Vanni and, as announced at the time, Dr Nick Plowman having subscribed for shares in April 2017.

DIRECTORS' DETAILED EMOLUMENTS AND COMPENSATION

Please refer to page 68 and 69

SAVINGS RELATED SHARE OPTION SCHEME

The Remuneration Committee and the Board are committed to ensuring that remuneration is aligned with shareholder interests; as part of this alignment, the Company would like to implement an all-employee Save As You Earn (SAYE) share scheme in the UK, enabling the workforce to participate in growth opportunities for the business.

A resolution will be proposed at the 2018 AGM for the approval of this SAYE scheme. Shareholders will be asked to agree that:

- the rules of the Advanced Oncotherapy plc Savings Related Share Option Scheme (SAYE), described below be approved and adopted;
- the Directors of the Company are authorised:
  - to do all such things as may be necessary or desirable to carry the SAYE into effect, including making any changes to the rules of the SAYE that are necessary or desirable in order to ensure that the Directors can make a valid declaration to HM Revenue & Customs that the SAYE satisfies the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003; and
  - to adopt further plans based on the SAYE but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the SAYE.

Information on the SAYE

General

The SAYE is a savings related share option scheme designed to take advantage of the tax beneficial status of savings related share option schemes which comply with Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 (Schedule 3).

The SAYE will be administered by the Board of Directors of the Company ("Board") or a duly authorised committee of the Board.

Eligibility

UK employees and full-time directors of the Company and participating companies within the Group are eligible to participate in the SAYE. The Board may, however, determine that a qualifying period of service (of up to one year) is required before an employee or full-time director can participate in the SAYE.

The Savings Contract

To participate in the SAYE, an eligible employee must enter into a Save As You Earn contract (Savings Contract) with the savings body designated by the Board, agreeing to make monthly contributions of between £5 and £500 for a specified savings period of three or five years (or such other period as may be specified from time to time under Schedule 3). The Board has discretion to determine the length of the Savings Contracts that will be available in respect of any invitation to apply for options (three years, five years or both). A bonus determined by HMRC may be payable after the expiration of the savings period. Applications to participate in the SAYE may be scaled down by the Board if applications exceed the number of shares available for the grant of options. Such scaling down may include:

(a) excluding the HMRC bonus;

(b) reducing monthly contributions above a certain level pro rata;

(c) reducing monthly contributions for each eligible employee pro rata; or

(d) treating elections for five-year Savings Contracts as elections for three-year Savings Contracts.

Option price

The option price for each ordinary share in respect of which an option is granted shall not be less than the greater of:

(a) 80% of the closing middle-market quotation as derived from the London Stock Exchange Daily Official List for the dealing day immediately prior to the date on which the invitation to participate in the SAYE is made (or, if the Board so determines, the average of the closing mid-market quotations for the three dealing days immediately prior to the invitation date); and

(b) the nominal value of the shares.

Grant of options

The number of shares over which options may be granted must as nearly as possible be equal to, but not in excess of, that number of shares which may be purchased out of the repayment proceeds (including, if the Board so determines, any bonus payable) of the relevant Savings Contract at the option price. Subject to any regulatory restrictions, options under the SAYE may only be granted within the period of 30 days following the date on which the option price is determined or, if the option price is determined over three consecutive dealing days, within 30 days after the earliest of those dealing days. No options may be granted more than ten years after the adoption of the SAYE.

Options granted under the SAYE may not be transferred (other than on death). No consideration will be required for the grant of the option. Benefits under the SAYE are not pensionable.

Limits on the issue of shares

In any ten-year period no more than 10% of the issued ordinary share capital of the Company for the time being may be issued or issuable pursuant to rights acquired under the SAYE and any other employees' share plans established by the Company. For the purposes of this limit, options or other rights to acquire shares which lapse or have been released do not count.

Exercise of options

Options will only normally be exercisable for a period of six months commencing on the third or fifth anniversary (as the case may be) of the starting date of the related Savings Contract and, if not exercised by the end of that period, the option will lapse.

Earlier exercise may, however, be permitted in specified circumstances, including:

(a) termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works; and

(b) in the event of a takeover or liquidation of the Company. In these early exercise circumstances, options will only be exercisable to the extent of the savings in the relevant Savings Contract at the date of exercise.

Rights attaching to shares

All shares allotted or transferred under the SAYE will rank pari passu with all other shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment or transfer) and the Company will apply for the listing of any new shares issued under the SAYE.

Corporate events

In the event of a takeover, reconstruction or winding up of the Company, options will become exercisable for a limited period. Alternatively, options may be exchanged for new equivalent options over shares in the acquiring company where appropriate.

Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital, the Board may make such adjustments as it considers appropriate to the number of shares subject to options and/or the price payable on the exercise of options.

Amendments to the SAYE

The Board may alter the provisions of the SAYE in any respect provided that the prior approval of shareholders in general meeting is obtained for alterations or additions to the advantage of participants to provisions relating to eligibility, option price and variation, limits on the number of newly issued shares available under the SAYE or the rights attaching to options or Shares.

The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the SAYE, to take account of any changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any of its subsidiaries or for participants.

Termination

The SAYE will terminate on the tenth anniversary of its adoption, or such earlier time as the Board may determine, but the rights of existing participants will not be affected by such termination. In the event of termination, no further options will be granted.

Employees outside the UK

The Board may at any time without further shareholder approval establish appendices to the SAYE or further share plans corresponding to the SAYE for the benefit of employees in non-UK jurisdictions. Any such appendices or plans will be similar to the SAYE, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further appendices or plans are treated as counting against the relevant limits in the SAYE.

Hans von Celsing
Chairman of Remuneration Committee
26 June 2018

Group Directors' Report

The Directors present their annual report and the financial statements of the Group for the year ended 31 December 2017.

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.

DIRECTORS
The Directors who held office during the year and as at the date of signing the financial statements were as follows:

- Dr Michael Sinclair (Executive Chairman);
- Nicolas Serandour (CEO);
- Michael Bradfeld;
- Tim Lebus (resigned 26 January 2017;
- Prof Stephen Myers (appointed 26 January 2017);
- Prof Chris Nutting;
- Sanjeev Pandya (EVP for Global Business Development);
- Dr Nick Plowman (appointed 09 February 2017);
- Dr Euan Thomson;
- Dr Enrico Vanni; and
- Hans von Celsing (appointed 26 January 2017).

The removal of a Director or of the Company Secretary is a matter for the Board as a whole.

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

RESEARCH AND DEVELOPMENT
During the year the Group expensed through the income statement £0.3 million (2016: £2.4 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 £8.4 million (2016: £8.9 million) were capitalised within Intangible assets.

LIKELY FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP
These are more fully explained on pages 2 to 37.

RESULTS AND DIVIDENDS
The results for the year and the financial position at 31 December 2017 are shown in the consolidated statement of comprehensive income on page 58 and the consolidated statement of financial position on page 59. The Directors did not recommend the payment of a dividend for the year (2016: nil). The results of the Group for the year are explained further on pages 62 to 81.

SUBSTANTIAL SHAREHOLDINGS
On 30 May 2018, the Company had been notified that 9 parties had holdings of 3% or more in the ordinary share capital of the Company. The number of ordinary shares and the percentage of the total shares held by each party is outlined below:

	Number of shares	% of total in issue
Liquid Harmony Limited	45,000,000	**29.90%**
Brahma AG	8,957,306	**5.95%**
Mr Michael Stephen Bradfield	7,080,740	**4.70%**
Dr Michael Sinclair & Family	6,594,660	**4.38%**
AB Segulah	6,488,789	**4.31%**
Handelsbanken Asset Management	5,869,568	**3.90%**
Hargreaves Lansdown Asset Mgt	5,403,592	**3.59%**
MK Trust Co., LTD	4,850,000	**3.22%**
Peter Gyllenhammar	4,691,687	**3.12%**

DIRECTOR'S SHAREHOLDINGS
The beneficial interests of the Directors in the share capital of the Company at 31 December 2017 and 31 December 2016 were as follow:

Holdings by Directors or Holdings Under Their Control	31 December 2017	31 December 2016
Michael Bradfield	7,080,740	**7,080,740**
Dr Michael Sinclair & Family	4,928,229	**4,628,229**
Dr P N Plowman	3,470,132	**-**
Dr Enrico C Vanni	1,223,946	**698,946**
Prof Steve Myers	450,569	**-**
Prof Chris Nutting	217,316	**14,816**
Nicolas Serandour	93,800	**93,800**
Mr Sanjeev Pandya	58,616	**58,616**

Options and warrants held by Directors who have served during the year are listed in Note 10 of the Financial Statements on page 69. Information on Directors' remuneration and share option rights is given in Note 10 on pages 68 and 69.

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.

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 (2016: nil).

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 AUDITORS
All of the current Directors have taken all steps possible to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

INDEPENDENT AUDITORS
RPG Crouch Chapman LLP were appointed during the period and have expressed their willingness to continue in office and a resolution to re appoint them will be proposed at the annual general meeting.

RISK MANAGEMENT
The key risks and uncertainties facing the Group are considered as part of the Group's established process for identifying, evaluating and managing risk. Impacts of significant risks and their mitigation are monitored at Board meetings throughout the year and are subject to annual review. The key risks facing the business and the processes in place to manage those risks are provided in pages 36 to 37.

GOING CONCERN
The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future performance and taking into account the Group's cash balances. The Board is planning to continue with its programme to deliver the first installation with the objective of treating first patients by the end of 2020. This will involve further funding to include - in particular - the cost of software development and the testing assembly centre at STFC, two key activities required for successful commercial deployment; it is anticipated this should be achieved in the near future to ensure targets are met. However in the event of any delay in securing this funding a slightly slower plan can be adopted. Should this be the case the board is satisfied sufficient funding sources will be in place to meet this slower plan over the next 12 months. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

ANNUAL GENERAL MEETING
The AGM will be held at 1 Wimpole Street - home of The Royal Society of Medicine, 1 Wimpole Street, London W1G 0AE on Wednesday, 25 July 2018 at 2:30p.m. The resolutions to be proposed at the forthcoming AGM are set out in the formal notice of the meeting on page 90.

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
In February 2018, the Group raised additional equity of £20.9 million through subscriptions, placings and the conversion of debt. As detailed in a circular dated 22 December 2017, included in this was a subscription for £13.5 million by Chinese investor Yantai CIPU Medical Technology Co. Ltd. ("Yantai CIPU"). Debt and interest converted was £4.6 million and cash raised was £14.4 million.

In addition to this, the Group entered into an exclusive distribution agreement with Yantai CIPU to market and sell Advanced Oncotherapy's LIGHT system across China, Macau, Taiwan, Hong-Kong and South Korea. Under the agreement, Yantai CIPU made a payment of £16.5 million to the Group in May 2018.

Dr Michael Sinclair
Executive Chairman

Registered Office: Level 17, Dashwood House,
69 Old Broad Street, London EC2M 1QS
26 June 2018

Independent auditor's report to the members of Advanced Oncotherapy PLC

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Advanced Oncotherapy PLC (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Consolidated statement of profit or loss and other comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes.

The financial reporting framework that has been applied in the preparation of the Group and Company financial statements is applicable law and IFRSs as adopted by the European Union.
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 2017 and of the Group's loss for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland) and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities for the audit of the financial statements' and section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHOM WE ARE REPORTING TO

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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note a in the principal accounting policies on page 62 in the financial statements regarding going concern. As disclosed in events after the reporting period £21 million of equity has been raised from 1 January 2018 to today's date, which has significantly improved the financial position of the Company since 31 December 2017. The Company has now repaid all borrowings or has converted borrowings into equity, which offers the Company the opportunity to raise further debt if the Board were to decide. However as the Company is still pre-revenue and continues to be in the phase of development, the Company will require further funds from investors or lenders to have sufficient working capital in the next 12 months from the date of approval of these financial statements. As stated in Note a in the principal accounting policies on page 62, there is, by definition, no certainty that the company will be able to raise the necessary funds as this will depend on market conditions, and the operating performance of the company. This may impact the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit risks were identified as inventories and intangible asset valuation, recognition of share based payments and going concern.

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Inventories valuation and existence Inventory consists of components of the LIGHT machine that will be sold as part of the first installation. We identified this area as a significant risk as values included in the financial statements could be overstated if the net realisable value is less than the cost.	**Our audit work included, but was not restricted to:** • selecting a sample of inventory items and agreeing values to supporting documentation. • Reviewing budgets and costs to complete. • Considering sales prices of similar equipment and estimated value in use. • physically verifying existence of a sample of items and considering indicators of impairment.
Intangible asset valuation Intangible assets consist of direct costs relating to the internal development of the proton therapy machines. IAS 38 requires an entity to recognise an intangible asset, whether purchased or self-created (at cost) if, and only if: it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. In addition, for internally generated intangible assets the probability of future economic benefits must be based on reasonable and supportable assumptions about conditions that will exist over the life of the asset. Development expenditure is capitalised only if development costs can be measured reliably, is technically and commercially feasible and future economic benefits are probable. If an intangible item does not meet both the definition and the criteria for recognition as an intangible asset, the expenditure should be recognised as an expense when incurred. Due to the value of intangible assets recognised, we identified this area as a significant risk as the value recognised could be overstated.	**Our audit work included, but was not restricted to:** • Selecting a sample of intangible asset items, agreeing valuation to supporting documentation and considering treatment under the accounting framework. • Reviewing the impairment considerations based on value in use using discounted risk-adjusted projections of the Group's pre-tax cash flows. • Comparing the market capitalisation of the group with the reported equity funds in the financial statements.
Share based payment recognition 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. Due to the complex nature of the calculations required, we identified this area as a risk as amounts recognised could be misstated.	**Our audit work included, but was not restricted to:** • Reconciling share options and warrants issued to supporting documentation. • Reviewing share based payment calculations and assumptions used in the pricing model.
Recognition of compound financial instruments IAS 32 requires recognition of convertible loan in separate components that create a financial liability of the entity and grant an option to the holder of the instrument to convert into an equity instrument of the entity. Due to the complexity of the calculations required and the amounts involved we identified this area as a significant risk.	**Our audit work included, but was not restricted to:** • reviewing calculations and considering assumptions used. • considering the accounting treatment with reference to the accounting framework. • reviewing the financing agreement terms and conditions to assess their impact on the recognition of the financial instruments in the financial statements.
Going Concern The company is currently developing the equipment for its first installation and is not generating revenue and is loss making. As a result of the points noted above we identified the adoption of the going concern basis of accounting as a significant risk.	**Our audit work included, but was not restricted to:** • Reviewing cash flow forecasts. • Reviewing post year end bank balances. • Reviewing post year end funding agreements.

OUR APPLICATION OF MATERIALITY AND OVERVIEW OF THE SCOPE OF OUR AUDIT

MATERIALITY

We define materiality as the magnitude of a misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the Group and Company financial statements as a whole to be £474,000 which represents 1% of the Group's gross assets. This benchmark is considered the most appropriate because assets are the key item for an entity in the development phase.

Materiality for the current year is higher than the level that was determined for the year ended 31 December 2016, reflecting the increase in the Group's gross assets in the year ended 31 December 2017.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 50% of financial statement materiality for the audit of high risk areas and 75% for areas considered to be lower risk. We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £23,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent auditor's report to the members of Advanced Oncotherapy PLC continued

OVERVIEW OF THE SCOPE OF OUR AUDIT
We performed full scope audit procedures over all Group entities at the head office location in the United Kingdom where the accounting records of all companies in the group are held.

All components of the Group were subjected to a comprehensive audit approach. Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- we performed an evaluation of the design effectiveness of controls over key financial statement risk
- we undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and
- the scope of the current year audit has remained consistent with the scope of that of the prior year.

OTHER INFORMATION
The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 ARE UNMODIFIED
In our opinion, based on the work undertaken in the course of the audit:

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006
In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 financial statements and the part of the Directors' Remuneration Report to be audited 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.

RESPONSIBILITIES OF DIRECTORS
As explained more fully in the directors' responsibilities statement set out on page 48 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'overview of the scope of our audit' section of our Audit Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Paul Randall BA ACA
Senior Statutory Auditor
for and on behalf of RPG Crouch Chapman LLP
Statutory Auditor, Chartered Accountants
62 Wilson Street, London
EC2A 2BU
27 June 2018

FINANCIAL REPORT

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017 - Financials in £

	Note	Group 2017	Group 2016
Revenue	2,3	**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses	2	**(14,492,595)**	(13,087,307)
Operating loss	5	**(14,492,595)**	(13,087,307)
Finance income	2,6	**-**	9,045
Finance costs	2,7	**(1,994,891)**	(106,338)
Loss on ordinary activities before taxation		**(16,487,486)**	(13,184,600)
Taxation	8	**2,827,115**	2,818,050
Loss after taxation from continuing operations		**(13,660,371)**	(10,366,550)
Discontinued operations			
Profit for the year from discontinued operations	1	**-**	22,100
Loss after discontinued operations		**(13,660,371)**	(10,344,450)
Loss for the period			
Equity of shareholders of the parent company		**(13,660,371)**	(10,346,660)
Non-controlling interests		**-**	2,210
		(13,660,371)	(10,344,450)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(1,065,130)**	1,608,705
Total comprehensive loss for the year net of tax		**(14,725,501)**	(8,735,745)
Total comprehensive loss attributable to:			
Equity of shareholders of the parent Company		**(14,725,501)**	(8,737,955)
Non-controlling interests	1	**-**	2,210
		(14,725,501)	(8,735,745)
Loss per ordinary share			
Basic and diluted			
Continuing operations	12	**(17.55)p**	(17.05)p
Discontinued operations	12	**0.00p**	0.04p
	12	**(17.55)p**	(17.01)p
Weighted average number of shares (000's)	12	**77,832**	60,799

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

The accompanying notes on pages 62 to 81 form part of the financial statements.

Consolidated statement of financial position

As at 31 December 2017 - Financials in £

	Note	Group 2017	Group 2016
Non-current assets			
Intangible assets	13	**30,569,979**	23,355,065
Property, plant and equipment	14	**1,180,937**	1,464,264
Investment property	15	**310,000**	310,000
Trade and other receivables	16	**838,887**	-
		32,899,803	25,129,329
Current assets			
Trade and other receivables	16	**1,964,792**	506,963
Corporation tax R&D refund	16	**2,850,000**	3,148,006
Cash and cash equivalents	17	**56,479**	1,448,524
Inventories	18	**7,629,292**	7,437,508
		12,500,563	12,541,001
Total assets		**45,400,366**	37,670,330
Current liabilities			
Trade and other payables	19	**(7,491,290)**	(3,134,314)
Borrowings	20	**(9,247,218)**	(543,250)
		(16,738,508)	(3,677,564)
Non-current liabilities			
Borrowings	20	**-**	-
Deferred tax		**-**	-
Total liabilities		**(16,738,508)**	(3,677,564)
Net assets		**28,661,858**	33,992,766
Equity			
Share capital	22	**20,233,799**	18,116,946
Share premium reserve	24	**43,259,389**	43,117,741
Share option reserve	25	**5,743,609**	4,258,148
Reverse acquisition reserve	26	**11,038,204**	11,038,204
Loan note conversion reserve	27	**5,650,631**	-
Exchange movements reserve	28	**460,410**	1,525,539
Accumulated losses		**(57,724,185)**	(44,063,813)
Equity attributable to shareholders of the Parent Company		**28,661,858**	33,992,766
Non-controlling interests		**-**	-
Total equity funds		**28,661,858**	33,992,766

These consolidated financial statements have been approved and were authorised for issue by the Board of Directors on 26 June 2018
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 62 to 81 form part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017 - Financials in £

	Share capital	Share premium reserve	Share option reserve	Reverse acquisition reserve	Loan note conversion reserve	Exchange movement reserve	Accumulated losses	Equity share holders interest	Non-Controlling interest	Total
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	-	-	-	-	-	-	(10,346,660)	(10,346,660)	2,210	(10,344,450)
other comprehensive income exchange movement	-	-	-	-	-	1,608,705	-	1,608,705	-	1,608,705
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 payment - 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 as reported 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
Balance at 01 January 2017	18,116,946	43,117,741	4,258,148	11,038,204	-	1,525,539	(44,063,813)	33,992,766	-	33,992,766
Loss for the year	-	-	-	-	-	-	(13,660,372)	(13,660,372)	-	(13,660,372)
other comprehensive income exchange movement	-	-	-	-	-	(1,065,130)	-	(1,065,130)	-	(1,065,130)
Total comprehensive income	-	-	-	-	-	(1,065,130)	(13,660,372)	(14,725,501)	-	(14,725,501)
Arising on issues of ordinary shares	208,334	41,666	-	-	-	-	-	250,000	-	250,000
Conversion of loan notes	1,852,932	97,068	-	-	-	-	-	1,950,000	-	1,950,000
Share based payments - employee services	55,587	2,913	690,810	-	-	-	-	749,310	-	749,310
- acquisition of ADAM S.A.	-	-	161,742	-	-	-	-	161,742	-	161,742
- cost of raising equity	-	-	16,877	-	-	-	-	16,877	-	16,877
- cost of raising finance	-	-	544,163	-	-	-	-	544,163	-	544,163
- other services	-	-	71,869	-	-	-	-	71,869	-	71,869
Convertible loans raised	-	-	-	-	5,650,631	-	-	5,650,631	-	5,650,631
Group provision for minority interest	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	**20,233,799**	**43,259,389**	**5,743,609**	**11,038,204**	**5,650,631**	**460,410**	**(57,724,185)**	**28,661,858**	**-**	**28,661,858**

The accompanying notes on pages 62 to 81 form part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017 - Financials in £

	2017			2016		
	Group continuing operations	**Group discontinued operations**	**Group**	Group continuing operations	Group discontinued operations	Group
Cash flow from operating activities						
Loss after taxation	**(13,660,371)**	**-**	**(13,660,371)**	(10,366,550)	22,100	(10,344,450)
Adjustments:						
Taxation	**(2,827,115)**	**-**	**(2,827,115)**	(2,818,050)	-	(2,818,050)
Finance costs	**1,994,891**	**-**	**1,994,891**	106,338	-	106,338
Finance income	**-**	**-**	**-**	(9,045)	-	(9,045)
Depreciation	**365,470**		**365,470**	345,371	-	345,371
Share based payments	**1,543,961**	**-**	**1,543,961**	1,909,871	-	1,909,871
Cash flows from operations before changes in working capital	**(12,583,163)**	**-**	**(12,583,163)**	(10,832,065)	22,100	(10,809,965)
Changes in inventories	**(191,784)**	**-**	**(191,784)**	(3,019,219)	-	(3,019,219)
Property deposits made	**(838,887)**	**-**	**(838,887)**	-	-	-
Change in trade and other receivables	**(2,139,752)**	**-**	**(2,139,752)**	14,770	-	14,770
Change in trade and other payables	**4,341,687**	**(8,530)**	**4,333,157**	662,213	14,912	677,125
Cash (used) / generated from operations	**(11,411,899)**	**(8,530)**	**(11,420,429)**	(13,174,302)	37,012	(13,137,290)
Interest paid	**(568,667)**	**-**	**(568,667)**	(246,550)	-	(246,550)
Convertible loan costs paid	**(721,327)**	**-**	**(721,327)**	-	-	-
Corporation Tax Receipt	**3,125,121**	**-**	**3,125,121**	2,454,268	-	2,454,268
Cash flows from operating activities	**(9,576,772)**	**(8,530)**	**(9,585,302)**	(10,966,583)	37,012	(10,929,571)
Cash flows from investing activities:						
Capital expenditure on intangible assets	**(8,437,115)**	**-**	**(8,437,115)**	(8,908,411)	-	(8,908,411)
Purchase of buildings plant and equipment	**(123,597)**	**-**	**(123,597)**	(770,339)	-	(770,339)
Interest received	**-**	**-**	**-**	16,713	-	16,713
Cash flows from investment activities	**(8,560,712)**	**-**	**(8,560,712)**	(9,662,037)	-	(9,662,037)
Cash flows from financing activities:						
Equity share capital raised	**250,000**	**-**	**250,000**	13,538,747	-	13,538,747
Convertible loans	**7,800,000**	**-**	**7,800,000**	-	-	-
Other short term loans	**8,703,968**	**-**	**8,703,968**	(456,750)	-	(456,750)
Intra Group Cash Transfers	**(9,163)**	**9,163**	**-**	19,991	(19,991)	-
Cash flows from financing activities	**16,744,805**	**9,163**	**16,753,968**	13,101,988	(19,991)	13,081,997
Increase/(decrease) in cash and cash equivalents	**(1,392,679)**	**633**	**(1,392,045)**	(7,526,633)	17,021	(7,509,612)
Cash and cash equivalents at 01 January 2017	**1,431,502**	**17,021**	**1,448,524**	8,958,135	-	8,958,135
Cash and cash equivalents at 31 December 2017	**38,824**	**17,654**	**56,479**	1,431,502	17,021	1,448,524

The accompanying notes on pages 62 to 81 form part of the financial statements.

Principal accounting policies – group

For the year ended 31 December 2017

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 public limited 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 1 to 38 and 52 to 53. These consolidated financial statements are presented in pounds sterling because that is the predominant currency of the economic environment in which the Group operates.

Critical judgments in applying accounting policies:

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 2017, 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 u. 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 for the next 12 months from the date of the approval of these financial statements. The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future performance and taking into account the Group's cash balances. The Board is planning to continue with its programme to deliver the first installation with the objective of treating first patients by the end of 2020. This will involve further funding and it is anticipated this should be achieved in the near future to ensure targets are met. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

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 2017 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 Group 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 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, the proton therapy machine 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 the cost of gross direct labour that is directly attributable to preparing the asset for its intended use or 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 2017 the proton therapy machines are still in the development phase and therefore no amortisation has been recognised in the income statement. The directors estimate the useful economic life of the proton machines to be 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 - equipment	14 % to 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 investment 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
Inventories 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 Group 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 sales order contracts, turnover and related costs will be recognised in comprehensive income as each contract actively 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 Group 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 entity's 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 retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The Group's functional and presentational currency is GBP.

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 Group are recorded at the proceeds received, net of direct issue costs.

r. Financial liability and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

s. Borrowing costs
All borrowing costs are recognised in profit or loss in the period in which they are incurred.

t. 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.

u. 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), their knowledge of competitor activity and their 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. For the determination of normative cash flows in a terminal year, it was assumed that cash flows would increase by 3% p.a. on average which is in line with the long term inflation forecast provided by the IMF without taking into account (i) the growing incidence of cancer (new cancer cases: >2% per annum) and, (ii) the significant growth potential of the particle therapy devices market as forecasted by independent analysts. The methods used to determine recoverable amounts have remained consistent with the prior year. In arriving at value in use, we desegregate 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. We then calculate the present value of each group of assets, taking into account the time value of money and associated risks and tax effect and sum the value of these groups of assets to derive the overall risk-adjusted present value of the company's cash flows. The weighted average pre-tax discount rate before risk adjustment we used was approximately 11.5% to 12.5% (2016: 13.5%).

As a further check, directors compare our market capitalisation to the book value of our net assets. Currently, the market capitalisation is in excess of the book value of the net assets.

v. Standards and interpretations applied for the first time
Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017. The following amendments to IFRSs became mandatorily effective in the current year.

- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle.

The adoption of these amendments has not had any significant impact on the amounts reported in the financial statements.

New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017:

- IFRS 9 Financial Instruments; *1
- IFRS 15 Revenue from Contracts with Customers and the related Clarifications; *1
- IFRS 16 Leases; *2
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions; *1
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; *3
- Amendments to IAS 40 Transfers of Investment Property; *1
- Annual Improvements to IFRS Standards 2014-2016 Cycle; *1
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. *1
- Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest) *2
- IFRS 9 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities. *2
- IAS 19 Employee Benefits Amendments regarding plan amendments, curtailments or settlements *2
- IAS 28 Investments in Associates and Joint Ventures Amendments regarding long-term interests in associates and joint ventures *2

*1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
*2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
*3 Effective for annual period beginning on or after a date to be determined.

The group will adopt the new requirements when effective. The only new standard or amendment expected to have a material impact on the amounts reported in the financial statements is IFRS 16 Leases.

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of £4 million. IAS 17 does not require the recognition of any right-of- use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 32. A preliminary assessment Indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

Notes to the accounts – group

For the year ended 31 December 2017 - Financials in £

1. Discontinued operations

	Note	2017 Healthcare related properties- Germany	2017 Group	2016 Healthcare related properties- Germany	2016 Group
Revenue	3	-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administrative expenses		-	-	22,100	22,100
Loss on disposal of Oncotherapy Resources Ltd		-	-	-	-
Operating loss		-	-	22,100	22,100
Finance income		-	-	-	-
Finance costs	2	-	-	-	-
Loss on ordinary activities before taxation		-	-	22,100	22,100

No further costs are expected to be incurred in closing down the discontinued operations that have not already been provided for. The non-controlling interest disclosed in the Consolidated Statement of Comprehensive Income for 2016 is the loss attributable to a 10% shareholder in the German healthcare related property business.

It is expected that the remaining German companies will be wound up in 2018 following the nominal sale of their remaining assets.

2. Segment reporting

	Notes	2017 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		**(9,548,038)**	**(4,155,358)**	**(725,342)**	**(63,857)**	**(14,492,595)**	-	**(14,492,595)**
Operating loss		**(9,548,038)**	**(4,155,358)**	**(725,342)**	**(63,857)**	**(14,492,595)**	-	**(14,492,595)**
Finance income	6	-	-	-	-	-	-	-
Finance costs	7	**(1,996,160)**	-	-	**1,269**	**(1,994,891)**	-	**(1,994,891)**
Loss on ordinary activities before taxation		**(11,544,198)**	**(4,155,358)**	**(725,342)**	**(62,588)**	**(16,487,486)**	-	**(16,487,486)**
Capital Expenditure								
Intangible Assets	13	**3,405,901**	**5,031,214**	-	-	**8,437,115**	-	**8,437,115**
Property, Plant and Equipment	14	**18,917**	**100,597**	**4,084**	-	**123,597**	-	**123,597**
Total assets		**21,840,961**	**23,197,398**	**22,005**	**322,076**	**45,382,438**	**17,928**	**45,400,366**
Total liabilities		**(14,510,846)**	**(2,138,070)**	**(65,584)**	**(11,134)**	**(16,725,634)**	**(12,874)**	**(16,738,508)**
Net assets/(liabilities)		**7,330,115**	**21,059,328**	**(43,579)**	**310,942**	**28,656,804**	**5,054**	**28,661,858**

During 2017 the Group 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.

2. Segment reporting continued

		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	6	9,045	-	-	-	9,045	-	9,045
Finance costs	7	-	-	-	(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								
Intangible Assets	13	5,444,272	3,464,139	-	-	8,908,411	-	8,908,411
Property, Plant and Equipment	14	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	37,670,330
Total liabilities		(2,320,595)	(526,382)	(73,376)	(735,808)	(3,656,161)	(21,404)	(3,677,564)
Net assets/(liabilities)		16,204,626	18,226,327	(42,507)	(392,309)	33,996,137	(3,372)	33,992,766

3. Revenue

	2017	2016
Proton therapy equipment	-	-
Total	-	-

4. Acquisitions

Acquisitions during the year

There were no acquisitions in the current or comparative period.

Notes to the accounts – group

Continued - Financials in £

5. Operating loss

	Note	2017	2016
Operating loss is arrived at after charging:			
Staff costs	9	**6,828,056**	6,051,779
Depreciation	14	**365,470**	345,371
Foreign exchange loss or (gain)		**(79,203)**	478,880
Charitable donations		**-**	-
Research and Development costs		**2,522,040**	2,468,446
Amounts payable to the Group's Auditor and their associates for:			
- audit of the Group's annual accounts		**15,000**	15,000
- audit of the Group's subsidiaries		**32,500**	32,500
- taxation compliance		**5,500**	5,000

6. Finance income

	2017	2016
Interest receivable on deposits	**-**	9,045
Total	**-**	9,045

7. Finance costs

	2017	2016
On mortgage finance (see note 20)	**(1,269)**	98,090
On other short term loans	**1,274,833**	8,248
Convertible loan note costs	**721,327**	-
Total	**1,994,891**	106,338

The convertible loan note costs of £721,327 relate to the enforcement of a provision of the contract Bracknor and the Company entered into and according to which if the applicable conversion price at the time of the conversion was lower than the par value of the shares, the Company was entitled to align the conversion price with the par value of the shares and compensate Bracknor in cash for the difference between the conversion price and the par value.

8. Taxation on profit for ordinary activities

(a) Tax (credit) / charge comprises	2017	2016
Current tax		
UK corporation tax charge/(credit) for the year	**(2,850,000)**	**(3,073,799)**
UK corporation tax charge/(credit) for the previous year	**22,885**	**255,749**
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Total tax credit	**(2,827,115)**	(2,818,050)

(b) Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (19.3%) (2016: 20.0%)
The differences are explained below:

	2017	2016
Loss on ordinary activities before tax	**(16,487,486)**	(13,184,600)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 19.25% (2016: 20.0%)	**(3,173,841)**	(2,636,909)
Effects of:		
Research and Development claim this year	**(2,850,000)**	(3,073,799)
Research and Development claim prior year	**22,885**	255,749
Permanent differences	**315,764**	414,942
Capital allowances in excess of depreciation	**48,385**	59,786
Short term timing differences	**1,080**	-
Unprovided losses carried forward / (utilised)	**2,808,611**	2,162,182
Tax credit for the year	**(2,827,115)**	(2,818,050)

(c) Unprovided deferred tax assets at 19.3% (2016: 20.0%)	2017	2016
Losses carried forward	**(7,937,048)**	(5,619,893)
R&D tax credit on Intangible assets	**4,142,078**	2,722,348
Accelerated capital allowances	**186,230**	26,722
Total	**(3,608,740)**	(2,870,823)

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 £

9. Staff costs

	2017	2016
Wages and salaries	**8,302,410**	6,793,807
Compensation for loss of office	**-**	118,750
Social security costs	**1,009,215**	885,072
Pension costs	**646,961**	470,886
Other benefits	**190,687**	62,768
Capitalised cost of development project	**(4,070,526)**	(3,234,947)
Share based payments	**749,310**	955,443
Total	**6,828,056**	6,051,779

Staff costs include amounts of £4,070,526 (2016: £3,234,947) which have been capitalised within development projects during the year.

Details of employee share options are set out in Note 23.

The monthly average number of persons employed during 2017 was 90 (2016: 75), categorised as follows:

	2017	2016
Managerial	**9**	9
Operational	**9**	8
Product Development	**52**	43
Administrative	**20**	15
Total	**90**	75

The total number of employees at 31 December 2017 was 93 (31 December 2016 - 78)

10. Directors' Remuneration

The salaries and benefits of the Directors of the Company payable by the Company or any other Group company for the year ended 31 December 2017 were as follows:

	Appointed	Resigned	Base salary	Bonus payment	Pension	Medical Board Fees	Other benefits	2017	2016
Dr Michael Sinclair, Exec Chairman	16 Jun 06		189,000	-	18,900	-	11,223	**219,123**	214,264
Nicolas Serandour, CEO	27 Aug 14		215,250	-	21,525	-	1,935	**238,710**	208,369
Sanjeev Pandya	22 Nov 13		213,676	-	21,367	-	1,817	**236,860**	236,362
Michael Bradfield	26 Apr 13		30,000	-	-	-	-	**30,000**	30,000
Prof Steve Myers	26 Jan 17		208,412	-	-	-	4,148	**212,560**	-
Prof Chris Nutting	25 Oct 13		30,000	-	-	6,000	-	**36,000**	30,000
Dr Nick Plowman	09 Feb 17		27,500	-	-	6,000	-	**33,500**	-
Dr Euan Thomson	20 Feb 14		30,000	-	-	-	-	**30,000**	30,000
Dr Enrico Vanni	01 Oct 13		30,000	-	-	-	-	**30,000**	30,000
Hans Von Celsing	26 Jan 17		27,500	-	-	-	-	**27,500**	-
Tim Lebus	08 Apr 13	26 Jan 17	2,500	-	-	-	-	**2,500**	30,000
Lord David Evans	31 Jul 06	01 Nov 16	-	-	-	-	-	**-**	45,000
Dr Sanjeev Kanoria	09 Oct 14	10 Oct 16	-	-	-	-	-	**-**	3,724
Total			1,003,838	-	61,792	12,000	19,123	**1,096,753**	857,719

Dr Enrico Vanni elected to take his salary in shares for 2016 and 2017. Market value at the time of the share issue was £30,000 (2016: £30,000)

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 £nil (2016: £31,733)

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

10. Directors' Remuneration continued

Directors' share options

	At 01 Jan 2017	Granted during the year	Lapsed or expired during the year	Exercised during the year	At 31 Dec 2017	Option price pence	Date of grant	Earliest exercise date	Expiry date
Michael Bradfield	266,667	-	(266,667)	-	-	125.0p	01 Oct 14	01 Oct 16	30 Sep 17
	266,667	-	-	-	266,667	125.0p	01 Oct 14	01 Oct 17	30 Sep 18
	266,666	-	-	-	266,666	125.0p	01 Oct 14	01 Oct 18	30 Sep 19
	800,000	-	(400,000)	-	400,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Tim Lebus	300,000	-	(300,000)	-	-	200.0p	05 May 15	01 Jul 15	30 Jun 20
Prof Chris Nutting	200,000	-	-	-	200,000	75.0p	03 Jan 14	03 Jan 14	31 Oct 18
	100,000	-	-	-	100,000	87.5p	01 Feb 14	01 Feb 14	31 Jan 19
Sanjeev Pandya	800,000	-	-	-	800,000	80.0p	30 Apr 14	30 Apr 14	29 Apr 19
	400,000	-	(133,332)	-	266,668	87.5p	30 Apr 14	30 Apr 14	29 Apr 19
	200,000	-	(200,000)	-	-	125.0p	01 Oct 14	01 Oct 16	30 Sep 18
	400,000	-	(200,000)	-	200,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Nicolas Serandour	400,000	-	-	-	400,000	95.0p	01 Oct 14	01 Oct 14	30 Sep 19
	400,000	-	(200,000)	-	200,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Dr Michael Sinclair	32,000	-	-		32,000	725.0p	13 Sep 07	13 Sep 10	13 Sep 18
	1,200,000	-	(400,000)	-	800,000	87.5p	30 Apr 14	30 Apr 14	29 Apr 19
	200,000	-	(200,000)	-	-	125.0p	01 Oct 14	01 Oct 16	30 Sep 18
Dr Euan Thomson	200,000	-	-	-	200,000	87.5p	20 Feb 14	20 Feb 14	31 Jan 19
Dr Enrico Vanni	200,000	-	(100,000)	-	100,000	200.0p	05 May 15	01 Jul 15	30 Jun 20
Hans von Celsing	-	200,000	-	-	200,000	250.0p	17 Mar 17	17 Mar 17	31 Mar 19

As disclosed above 200,000 (2016: nil) options have been issued to the Directors during in the year. 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 23.

The fair value of Options issued in this and prior years and charged to the Consolidated Statement of Comprehensive Income was £610,976 (2016: £675,646) for the year.

Directors' share warrants

	At 01 Jan 2017	Lapsed or expired during the year	Exercised during the year	At 31 Dec 2017	Option price pence	Date of grant	Earliest exercise date	Expiry date
Dr Enrico Vanni	200,000	-	-	**200,000**	125.0p	30 Sep 13	30 Sep 13	30 Sep 18

11. Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the period are charged in the statement of comprehensive income. Three Directors (2016: Three) accrued retirement benefits during the year. A charge of £61,792 (2016: £56,350) has been included in the year for the Directors.

Notes to the accounts – group

Continued - Financials in £

12. Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue during the year. This is disclosed on page 58 on the income statement. An alternative to this is the loss per share based on the comprehensive loss attributable to the equity holders of the group. This is shown below.

	2017	2016
Loss attributable to equity holders of the Group (£'s)	**(14,725,501)**	(8,735,745)
Weighted average number of ordinary shares in issue (000s)	**77,832**	60,799
Loss per share (pence per share) - continuing operations	**(18.92)p**	(14.37)p
Loss per share (pence per share) - discontinued operations	**-**	0.04p

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.

Events after reporting period

As at 5 June 2018 the Company now has 155,629,233 ordinary shares in issue. Assuming the same loss for the year ended 31 December 2017 the basic loss per share for the year ended 31 December 2017 divided by the current number of shares in issue would decrease to 8.77p per share. Using the full comprehensive loss, the loss would decrease to 9.46p per share.

13. Intangible assets

	LIGHT Accelerator	Treatment Software	Total
Development costs			
At 01 January 2016	12,036,209	707,742	12,743,951
Foreign exchange difference on conversion of LIGHT intangibles at closing rate	1,608,143	94,560	1,702,703
Additions	6,639,240	2,269,171	8,908,411
At 31 December 2016	20,283,592	3,071,473	23,355,065
Development costs			
At 01 January 2017	20,283,592	3,071,473	23,355,065
Foreign exchange difference on conversion of LIGHT intangibles at closing rate	(990,699)	(231,502)	(1,222,201)
Additions	5,486,710	2,950,405	8,437,115
At 31 December 2017	**24,779,603**	**5,790,376**	**30,569,979**

The total cost includes £10,170,272 (2016: £6,099,746) of internally generated costs. In the annual report for 2016, the value was incorrectly stated as £14,235,223.

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 flow 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 12.5% (2016: 13.5%).

As a further check, the market capitalisation is compared to the book value of the Group's net assets: as of the date of this report, the market capitalisation is higher than the book value of the net assets.

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 2017, 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.

As disclosed on page 62, the Company needs to secure funding to complete the development project. The directors are confident of this being secured, in order to meet the project timeline.

14. Plant and equipment

	Leasehold property	Plant and machinery	Computer hardware and software	Fixtures, fittings and equipment	Total
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	-	96,554	1,190,460	1,464,264
Cost					
At 01 January 2017	177,251	-	185,560	1,467,967	1,830,778
Foreign exchange difference on conversion of ADAM assets at closing rate	-	-	(7,086)	(54,777)	(61,863)
Additions	-	-	63,336	60,261	123,597
Disposals	-	-	(1,998)	-	(1,998)
At 31 December 2017	**177,251**	**-**	**239,812**	**1,473,452**	**1,890,514**
Depreciation					
At 01 January 2017	-	-	89,006	277,507	366,514
Foreign exchange difference on conversion of ADAM assets at closing rate	-	-	(2,385)	(18,025)	(20,409)
Charge for the year	-	-	69,987	295,483	365,470
Disposals	-	-	(1,998)	-	(1,998)
At 31 December 2017	**-**	**-**	**154,612**	**554,966**	**709,577**
Net book value					
At 01 January 2017	177,251	-	96,554	1,190,460	1,464,264
At 31 December 2017	**177,251**	**-**	**85,200**	**918,486**	**1,180,937**

Notes to the accounts – group

Continued - Financials in £

15. Investment property

	Freehold	Leasehold over 50 years	Total
Investment properties			
At 01 January 2016	-	310,000	310,000
Impairment charge	-	-	-
At 31 December 2016	-	310,000	310,000
Investment properties			
At 01 January 2017	-	310,000	310,000
Impairment charge	-	-	-
At 31 December 2017	**-**	**310,000**	**310,000**

Long leasehold investment properties of £310,000 (2016: £310,000) had 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 in 2015 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 £63,857 (2016: £40,098) 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 2017	**-**	**310,000**	**310,000**

16. Trade and other receivables

	2017	2016
Due greater than 1 year		
Property rent deposits	**838,887**	-
Total due greater than 1 year	**838,887**	-
Current receivables		
VAT recoverable	**104,139**	153,449
Advance payments to suppliers	**1,327,896**	-
Prepayments	**532,758**	353,514
	1,964,792	506,963
Corporation tax	**2,850,000**	3,148,006
Total current receivables	**4,814,792**	3,654,969

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 and the 2016 claim of £3,050,914, was received in August 2017. It is expected that full payment of the 2017 claim will be received in Q3 2018.

17. Cash and cash equivalents

		2017	2016
Cash and cash equivalents		**56,479**	1,448,524
Amounts in foreign exchange denominated by	Swiss Franc	**9,307**	343,135
	Euro	**7,718**	17,916
	US Dollar	**6,836**	24,698
	Sterling	**32,618**	1,062,775

18. Inventories

	2017	2016
Work in progress - LIGHT	**7,629,292**	7,437,508
Total	**7,629,292**	7,437,508

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 are intended to be sold as part of the first LIGHT installation.

Notes to the accounts – group

Continued - Financials in £

19. Trade and other payables

	2017	2016
Current		
Trade payables	**4,032,260**	1,575,930
Other taxes and social security	**1,253,635**	241,399
Customer order deposits received	**-**	161,033
Accruals and deferred income	**2,205,395**	1,155,952
Total	**7,491,290**	3,134,314

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.

20. Borrowings/(net funds)

	2017	2016
Amounts falling due within one year		
Secured loans	**7,295,000**	-
Unsecured loans	**1,952,218**	-
Bank loans	**-**	543,250
Total amounts falling due within one year	**9,247,218**	543,250
Total borrowings	**9,247,218**	543,250
Cash and cash equivalents	**(56,479)**	(1,448,524)
Net debt/(Net funds)	**9,190,739**	(905,274)
The maturity profile of gross debt is as follows		
Repayable within one year	**9,247,218**	543,250
Total borrowings	**9,247,218**	543,250

Bank loans in 2016 included £543,250 of a loan relating to the property at Folkestone. The loan was fully repaid on 28 April 2017.

The secured loans of which £6.7 million provided by Blackfinch Investment Ltd through its subsidiary Henslow Trading Ltd were secured on the agreement to enter into a lease for the Harley Street site and on certain other equipment of the Group. These loans were repaid in May 2018. As a result, the assets of the Group are free of any security arrangement at the date of this report.

Of the unsecured loans, £500,000 was converted into equity in February 2018, the remaining loans were repaid in full by the end of February 2018.

21. Financial instruments

The Group's principal financial instruments comprise short-term receivables and payables, 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 Group's 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 £56,479 of cash as at 31 December 2017.

	2017	2016
Assets		
Total assets	**45,400,366**	37,670,330
Debt		
Secured Loans	**7,295,000**	-
Unsecured Loans	**1,952,218**	-
Bank borrowings	**-**	543,250
	9,247,218	543,250
Equity		
Share capital and share premium	**63,493,188**	61,234,687
Reserves	**(34,831,331)**	(27,241,922)
	28,661,858	33,992,766
Total capital	**37,909,076**	34,536,016
Debt as a % of total capital	**24.4%**	1.6%
Debt as a % of total assets	**20.4%**	1.4%

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 debts which are the subject of fixed interest rate agreements.

Exchange rate risk

The Group has substantial assets denominated in Swiss Francs (CHF), principally the development cost of the LIGHT system.

For a 1% change in the CHF/£ the effect would be a change of £231,974 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 Intangible assets and work in progress which would take time to realise and are not immediately liquid.

Maturity of loan facilities is as set out in the table in Note 20.

Notes to the accounts – group

Continued - Financials in £

21 . 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 2016 and 31 December 2017 were not past due and were, thus, not impaired.

	2017		2016	
	Loans and receivables	**Amortised cost**	Loans and receivables	Amortised cost
Trade and other receivables - current	**4,814,792**	**-**	3,654,969	-
Cash and cash equivalents	**56,479**	**-**	1,448,524	-
Trade and other payables	**-**	**(7,491,290)**	-	(3,134,314)
Borrowings - current	**-**	**(9,247,218)**	-	(543,250)
	4,871,271	**(16,738,508)**	5,103,493	(3,677,564)

	2017	2016
Bank debt		
Sterling denominated:		
Fixed (average rate nil (2016: 6.5%))	**-**	543,250
Other debt		
Short term loans:		
Other short term loans (average rate 12.0% (2016:0%))	**9,247,218**	-
	9,247,218	543,250

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 2017 and comparing these with estimates of the present value of the cash flows using market rates as at 31 December 2017.

	2017		2016	
	Book value	**Fair value**	Book value	Fair value
Trade and other receivables	**4,814,792**	**4,814,792**	3,654,969	3,654,969
Trade and other payables	**(7,491,290)**	**(7,491,290)**	(3,134,314)	(3,134,314)
Cash and cash equivalents	**56,479**	**56,479**	1,448,524	1,448,524
Borrowings - current	**(9,247,218)**	**(9,247,218)**	(543,250)	(543,250)

22. 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:

	2017		2016	
Ordinary shares of 1p each	**Number**	**£**	Number	£
At the beginning of the period	**-**	**-**	1,418,328,375	14,183,284
Issued for cash	**-**	**-**	1,180,650	11,806
Total as at 30 June 2016	**-**	**-**	1,419,509,025	14,195,090
Ordinary shares of 25p each				
Share Consolidation	**-**	**-**	56,780,361	14,195,090
At the beginning of the period	**72,467,783**	**18,116,946**	-	-
Issued for cash	**833,333**	**208,333**	15,000,934	3,750,234
Issued for other than cash	**7,634,078**	**1,908,520**	686,488	171,622
At the end of the period	**80,935,194**	**20,233,799**	72,467,783	18,116,946

During the year, 8,467,411 Ordinary Shares of 25p were issued at an average of 26.67p 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 during 2016 and a further 1,012,743 by the end of the year. The remaining authority has expired.

The Directors were further authorised at an EGM in March 2017 to allot and issue up to 71,067,491 additional shares in connection with the Bracknor convertible loan facility, 7,454,668 of these had been allotted and issued by the end of the year, 24,160,933 share warrants have been issued under this authority. At the same Meeting, a further 24,223,900 shares were authorised but none of them were allotted or issued by the end of the year. Both authorities will lapse at the 2018 Annual General Meeting.

The Directors were additionally authorised at an EGM in January 2018 to allot and issue up to 75,066,479 additional shares in connection with the Yantai CIPU investment, 69,566,479 of these had been allotted at the date of this report. This authority will also lapse at the 2018 Annual General Meeting.

The total ordinary shares and total increase in equity including share premium during the year was:

	Number of Shares	Equity £	p/Share
Issued for cash	833,333	250,000	30.00p
Issued for other than cash	7,634,078	2,008,500	26.31p
Total	8,467,411	2,258,500	26.67p
Shares issued for other than cash were issued to:			
Conversion of loan notes	7,411,729	1,950,000	26.31p
Costs associated with conversion of loan notes	222,349	58,500	26.31p
Total	**7,634,078**	**2,008,500**	**26.31p**

Notes to the accounts – group

Continued - Financials in £

23. Share based payments

Share options and warrants- IFRS 2 share based payment expense

Issued in the year for:

	Options		Warrants	
	2107	**2016**	2017	2016
Employees	**800,000**	**-**	-	-
Directors for services to the Group	**200,000**	**-**	-	-
Total	**1,000,000**	**-**	-	-

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

	2017	2016
Equity-settled share-based payment expense in income statement:		
- market value of shares issued for the costs of raising equity	**-**	200,000
- market value of shares issued for the costs of raising finance	**-**	-
- market value of shares issued for employee services	**58,500**	497,500
- annual charge for Options and Warrants issued in the year	**544,163**	-
- annual charge for Options and Warrants issued in prior years	**941,298**	1,212,371
Total	**1,543,961**	1,909,871

Fair value is measured based on the share value of the Group 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 2017 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 outstanding at the year end are as follows:

Exercise period		Exercise price	**Share options held at 31 December 2017**	Share options held at 31 December 2016
12-Sep-11	13-Sep-18	725.00p	**84,000**	84,000
01-Sep-13	31-Aug-18	75.00p	**80,000**	80,000
03-Jan-14	31-Oct-18	75.00p	**300,000**	300,000
03-Jan-14	02-Jan-19	126.25p	**80,000**	80,000
20-Jan-14	20-Jan-19	93.75p	**100,000**	100,000
01-Feb-14	31-Jan-19	87.50p	**300,000**	300,000
30-Apr-14	29-Apr-19	80.00p	**800,000**	800,000
30-Apr-14	29-Apr-19	87.50p	**1,506,669**	3,200,000
01-Jul-15	30-Jun-20	200.00p	**1,033,334**	2,700,000
01-Oct-16	30-Sep-17	125.00p	**-**	266,667
01-Oct-16	30-Sep-21	95.00p	**400,000**	400,000
01-Oct-16	30-Sep-18	125.00p	**-**	760,000
01-Oct-17	30-Sep-18	125.00p	**266,667**	266,667
01-Oct-18	30-Sep-19	125.00p	**266,666**	266,666
13-Feb-17	12-Feb-22	200.00p	**400,000**	-
17-Mar-17	16-Mar-19	250.00p	**200,000**	-
29-Aug-17	28-Aug-22	130.00P	**400,000**	-
Total			**6,217,336**	9,604,000

23. Share based payments continued

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

	2017		2016	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**123.75p**	**9,604,000**	99.50p	10,250,667
Lapsed during the period	**139.02p**	**(4,386,664)**	110.00p	(333,332)
Exercised during the period	**-**	**-**	67.50p	(313,335)
Issued during the period	**182.00p**	**1,000,000**	-	-
Outstanding at the end of the period	**132.58p**	**6,217,336**	130.50p	9,604,000
Exercisable at the end of the period	**133.01p**	**5,870,670**	123.75p	5,847,343

Warrants

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

Exercise period		Exercise price	**Share warrants held at 31 December 2017**	Share warrants held at 31 December 2016
25-Sep-13	25-Sep-17	**25.00p**	**-**	85,307
03-Oct-13	02-Oct-18	**125.00p**	**200,000**	200,000
08-Sep-14	07-Sep-19	**150.00p**	**1,120,254**	1,120,254
03-Apr-15	02-Apr-20	**177.50p**	**1,840,000**	1,840,000
01-May-15	30-Apr-20	**200.00p**	**535,674**	535,674
14-May-15	13-May-20	**206.25p**	**168,652**	168,652
22-Feb-17	21-Feb-21	**86.00p**	**302,325**	-
27-Mar-17	23-Mar-22	**150.00p**	**1,000,000**	-
26-Apr-17	25-Apr-21	**36.00p**	**722,223**	-
13-Jun-17	11-Jun-22	**50.00p**	**500,000**	-
24-May-17	23-May-21	**31.00p**	**838,710**	-
20-Jul-17	19-Jul-22	**25.00p**	**22,600,000**	-
Total			**29,827,838**	3,949,887

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

	2017		2016	
	Weighted average exercise price	**Number of warrants**	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	**168.32p**	**3,949,887**	121.00p	5,959,919
Lapsed during the period	**25.00p**	**(85,307)**	125.00p	(9,472)
Exercised during the period	**-**	**-**	27.53p	(2,000,560)
Issued during the period	**31.51p**	**25,963,258**	-	-
Outstanding at the end of the period	**49.64p**	**29,827,838**	168.32p	3,949,887
Exercisable at the end of the period	**49.64p**	**29,827,838**	168.32p	3,949,887

Notes to the accounts – group

Continued - Financials in £

24. Share premium reserve

Company law restricts the use of the share premium reserve of £43,259,389 (2016: £43,117,741), 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 2017 were £nil (2016: £nil)

25. Share option reserve

The share option reserve of £5,743,609 (2016: £4,258,148) arises owing to the provision in respect of IFRS 2 "Share based payments".

The increase of £1,485,461 in the share option reserve (2016: £1,212,369) relates to an annual charge in respect of options and warrants issued during 2017 as explained in Note 23, 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.

26. 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.

27. Loan note conversion reserve

The loan note conversion reserve of £5,650,631 was created on 22 February 2017 when the Company made the first drawdown under the convertible loan facility with Bracknor Ltd. and increased in July 2017 under a further facility announced at that time.

	Bracknor	Others	**2017**	2016
Loan notes issued under convertible loan facilities	3,491,322	4,109,309	**7,600,631**	-
Loan notes converted	(1,950,000)	-	**(1,950,000)**	-
Loan notes remaining unconverted	1,541,322	4,109,309	**5,650,631**	-

The loan note conversion reserve of £5,650,631 included in equity consisted of two transactions in 2017:

1. Between February and May 2017 the company received gross cash of £3,900,000 from Bracknor and issued convertible loan notes for the corresponding value. As at 31 December 2017 £1,950,000 of the loan notes had not been converted, and have been included in equity in accordance with IAS32 for the following reasons:

   - The company has no obligation to repay the balance and has not defaulted on any conditions in respect of the loan notes
   - The company has no obligation to pay any financing costs in respect of the convertible loan notes
   - All of this balance in the loan note conversion reserve has now been converted into ordinary shares

2. On 2 December 2017 the company received notice from convertible loan note holders that loan notes of £3,900,000 and accrued interest of £209,309 totalling £4,109,309 would be converted to equity. The shares were issued on 16 February 2018 in respect of the loan conversion. Therefore all of this reserve has now been converted into share capital and share premium and this will be reflected in the 2018 financial statements.

28. Exchange movement reserve

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

The balance decreased by £1,065,129 to £460,410 (2016: £1,525,539)

29. Capital commitments

The Group and its subsidiaries had capital commitments at 31 December 2017 of £nil (2016: £nil).

30. Contingent liabilities

The Directors are not aware of any contingent liabilities at the 31 December 2017 (2016: £nil).

31. Related party transactions

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

	2017	2016
A family member of Dr Michael Sinclair, Executive Chairman, was employed by the Group. The remuneration and benefits payable under the contract, excluding Company statutory and other costs, were:	**205,975**	269,265
The Group received services from Berkshire Investment Management Limited, a company controlled by Hans von Celsing, a Group Director	**81,883**	49,253
The balance due to Berkshire Investment Management Limited as at 31 December 2017 was:	**41,597**	6,000

Hans von Celsing was appointed to the Board on 26 January 2017 and the values for 2016 were, therefore, not included in the 2016 annual report.

The Group has taken advantage of the exemption available under IAS 24 'Related Party Disclosures' not to disclose de-tails of transactions between Group undertakings which are eliminated on consolidation in the group financial statements.

32. Operating lease commitments

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

	2017	2016
the next year	**805,286**	116,328
years 2 through 5 combined	**3,317,149**	193,880
beyond five years	**-**	-

33. Post balance sheet events

In February 2018, the Group raised additional equity of £20.9 million through subscriptions, placings and the conversion of debt. As detailed in a circular dated 22 December 2017, included in this was a subscription for £13.5 million by Chinese investor Yantai CIPU Medical Technology Co. Ltd. ("Yantai CIPU"). Debt and interest converted was £4.6 million and the net cash raised was £14.4 million.

In addition to this, the Group entered into an exclusive distribution agreement with Yantai CIPU to market and sell Advanced Oncotherapy's LIGHT system across China, Macau, Taiwan, Hong-Kong and South Korea. Under the agreement, Yantai CIPU made a payment of £16.5 million to the Group in May 2018.

Company statement of financial position

As at 31 December 2017 - Financials in £

	Notes	2017	2016
Non-current assets			
Intangible assets	C	**10,367,635**	6,961,734
Property, plant and equipment	D	**297,031**	338,662
Investment in subsidiaries	E	**8,051,567**	8,051,567
Trade and other receivables	F	**22,549,929**	13,054,252
		41,266,161	28,406,214
Current assets			
Trade and other receivables	F	**1,693,377**	455,802
Corporation tax R&D refund	F	**2,850,000**	3,148,006
Cash and cash equivalents		**23,078**	1,088,778
Inventories	G	**7,015,109**	7,437,508
		11,581,564	12,130,093
Total assets		**52,847,725**	40,536,307
Current liabilities			
Trade and other payables	H	**(5,597,158)**	(2,320,593)
Borrowings	I	**(8,913,688)**	-
Total liabilities		**(14,510,846)**	(2,320,593)
Net assets		**38,336,879**	38,215,714
Equity			
Share capital		**20,233,799**	18,116,946
Share premium reserve		**43,259,389**	43,117,741
Share option reserve		**5,743,609**	4,258,148
Loan note conversion reserve		**5,650,631**	-
Accumulated losses		**(36,550,549)**	(27,277,122)
Total equity		**38,336,879**	38,215,714

These financial statements have been approved and were authorised for issue by the Board of Directors on 26 June 2018.
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 85 to 89 form part of the financial statements.

Company statement of changes in equity

For the year ended 31 December 2017 - Financials in £

	Share capital	Share premium reserve	Share options reserve	Loan note conversion reserve	Accumulated losses	Total
Balance as at 01 January 2016	14,183,284	32,815,156	3,045,782	-	(19,464,810)	30,579,413
Loss for the year	-	-	-	-	(7,812,312)	(7,812,312)
Total comprehensive income	-	-	-	-	(7,812,312)	(7,812,312)
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	-	-	1,452,942
- 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
Balance as at 01 January 2017	18,116,946	43,117,741	4,258,148	-	(27,277,122)	38,215,713
Loss for the year	-	-	-	-	(9,273,427)	(9,273,427)
Total comprehensive income	-	-	-	-	(9,273,427)	(9,273,427)
Arising on issues of ordinary shares	208,334	41,666	-	-	-	250,000
Conversion of loan notes	1,852,932	97,068	-	-	-	1,950,000
Share based payment						
- employee services	55,587	2,913	690,810	-	-	749,310
- acquisition of ADAM S.A.	-	-	161,742	-	-	161,742
- cost of raising equity	-	-	16,877	-	-	16,877
- cost of raising finance	-	-	544,163	-	-	544,163
- other services	-	-	71,869	-	-	71,869
Convertible loans raised	-	-	-	5,650,631	-	5,650,631
Balance as at 31 December 2017	**20,233,799**	**43,259,389**	**5,743,609**	**5,650,631**	**(36,550,549)**	**38,336,879**

The accompanying notes on pages 85 to 89 form part of the financial statements.

Company statement of cash flows

For the year ended 31 December 2017 - Financials in £

	2017	2016
Cash flow from operating activities		
Loss after taxation	**(9,273,427)**	(7,812,313)
Adjustments:		
Taxation	**(2,827,115)**	(2,818,050)
Finance costs	**1,966,609**	5,648
Finance income	**(1,088,128)**	(1,241,144)
Depreciation	**60,548**	138,799
Write down on intra group investments	**1,674,025**	706,960
Share based payments	**1,543,961**	1,909,871
Cash flows from operations before changes in working capital	**(7,943,527)**	(9,110,229)
Change in inventories	**422,399**	(3,019,219)
Property deposits made	**(500,000)**	-
Change in trade and other receivables	**(11,392,761)**	(6,938,642)
Change in trade and other payables	**2,786,443**	1,099,671
Cash used in operations	**(16,627,446)**	(17,968,419)
Interest paid	**(380,918)**	(5,648)
Finance costs paid	**(721,327)**	-
Interest received	**-**	9,046
Convertible loan note costs	**-**	-
Corporation Tax receipt	**3,125,121**	2,454,268
Cash flows from operating activities	**(14,604,570)**	(15,510,753)
Cash flows from investing activities:		
Capital expenditure on intangible assets	**(3,405,901)**	(5,444,272)
Purchase of property, plant and equipment	**(18,917)**	(281,292)
Cash flows from investment activities	**(3,424,818)**	(5,725,564)
Cash flows from financing activities:		
Issue of share capital	**250,000**	13,538,747
Short term loans	**8,913,688**	-
Convertible loans	**7,800,000**	-
Cash flows from financing activities	**16,963,688**	13,538,747
Decrease in cash and cash equivalents	**(1,065,700)**	(7,697,570)
Cash and cash equivalents at 01 January 2017	**1,088,778**	8,786,348
Cash and cash equivalents at 31 December 2017	**23,078**	1,088,778

The accompanying notes on pages 85 to 89 form part of the financial statements.

Notes to the accounts – company

As at 31 December 2017 - 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 FRS 101 United Kingdom generally accepted accounting practice.

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 £9,273,427 (2016: £7,812,313 loss).

The audit fee for the Company is set out in note 5 of the Group's financial statements.

C. Intangible Assets

Development Costs

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

At 01 January 2017	**6,961,734**
Additions	**3,405,901**
At 31 December 2017	**10,367,635**

In accordance with IAS 38, £3,405,901 (2016:£5,444,272) 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 and 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	**-**	**54,619**	**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**
2017				
Cost				
At 01 January 2017	177,251	115,479	115,213	407,943
Additions	-	12,791	6,126	18,917
Disposals	-	(1,999)	-	(1,999)
At 31 December 2017	**177,251**	**126,271**	**121,339**	**424,861**
Depreciation				
At 01 January 2017	-	54,619	14,662	69,281
Charge for the year	-	37,082	23,466	60,548
Disposals	-	(1,999)	-	(1,999)
At 31 December 2017	**-**	**89,702**	**38,128**	**127,830**
Net book value				
At 01 January 2017	177,251	60,860	100,551	338,662
At 31 December 2017	**177,251**	**36,569**	**83,211**	**297,031**

E. Investment in subsidiaries

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

	2017
At 01 January 2017	**8,051,567**
Additions	**-**
Impairment	**-**
Disposals	**-**
At 31 December 2017	**8,051,567**

The Company owned the following principal subsidiary companies as at 31 December 2017:

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 and Co. KG	[1 2]	Germany	Ordinary	100%

Notes
[1] Dormant [2] Indirectly held

F. Trade and other receivables

	2017	2016
Due greater than 1 year		
Property rent deposits	**500,000**	-
Amounts owed by subsidiary undertakings	**22,049,929**	13,054,252
Total	**22,549,929**	13,054,252
Current		
VAT recoverable	**44,063**	119,999
Advance payments to suppliers	**1,327,896**	-
Prepayments	**321,418**	335,803
	1,693,377	455,802
Corporation Tax	**2,850,000**	3,148,006
Total	**4,543,377**	3,603,808

Notes to the accounts – company

Continued - Financials in £

G. Inventories

	2017	2016
Inventories		
Work in progress - LIGHT	**7,015,109**	7,437,508
Total	**7,015,109**	7,437,508

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

	2017	2016
Current		
Trade payables	**3,525,780**	1,153,997
Social security and other taxes	**168,873**	116,122
Other creditors	**181,520**	67,181
Customer deposits received	**-**	161,033
Accruals and deferred income	**1,720,985**	822,260
Total	**5,597,158**	2,320,593

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. Borrowings

	2017	2016
Current		
Secured loans	**7,295,000**	-
Unsecured loans	**1,618,688**	-
Total	**8,913,688**	-

The secured loans of which £6.7 million provided by Blackfinch Investment Ltd through its subsidiary Henslow Trading Ltd were se-cured on the agreement to enter into a lease for the Harley Street site and on certain other equipment of the Group. These loans were repaid in May 2018. As a result, the assets of the Group are free of any security arrangement at the date of this report.

Of the unsecured loans, £500,000 was converted into equity in February 2018, the remaining loans were repaid in full by the end of February 2018.

J. Related party transactions

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

	2017	2016
A family member of Dr Michael Sinclair, Executive Chairman, was employed by the Group. The remuneration and benefits payable under the contract, excluding Company statutory and other costs, were:	**205,975**	269,265
The Company received services from Berkshire Investment Management Limited, a company controlled by Hans von Celsing, a Group Director	**81,883**	49,253
The balance due to Berkshire Investment Management Limited as at 31 December 2017 was:	**41,597**	6,000

The Company has taken advantage of the exemption available under IAS 24 'Related Party Disclosures' not to disclose details of transactions between Group undertakings which are eliminated on consolidation in the group financial statements.

K. 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:

	2017		2016	
	Loans and receivables	**Amortised cost**	Loans and receivables	Amortised cost
Trade and other receivables	**4,543,377**	**-**	3,603,808	-
Cash and cash equivalents	**23,078**	**-**	1,088,778	-
Borrowings	**-**	**(8,913,688)**	-	-
Trade and other payables	**-**	**(5,597,158)**	-	(2,320,593)
	4,566,455	**(14,510,846)**	4,692,586	(2,320,593)

	Book value	**Fair value**	Book value	Fair value
Trade and other receivables	**4,543,377**	**4,543,377**	3,603,808	3,603,808
Cash and cash equivalents	**23,078**	**23,078**	1,088,778	1,088,778
Borrowings	**(8,913,688)**	**(8,913,688)**	-	-
Trade and other payables	**(5,597,158)**	**(5,597,158)**	(2,320,593)	(2,320,593)

L. Operating lease commitments

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

	2017	2016
Land and Buildings		
the next year	**135,928**	116,328
years 2 through 5 combined	**472,374**	193,880
beyond five years	**-**	-

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 1 Wimpole Street - home of The Royal Society of Medicine, 1 Wimpole Street, London W1G 0AE on Wednesday, 25 July 2018 at 2:30p.m for the following purposes:

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

1. To receive the audited financial statements and the Auditor's and Directors' reports for the year ended 31 December 2017.
2. To re-appoint Michael Bradfield as a Director of the Company.
3. To re-appoint Hans von Celsing as a Director of the Company.
4. To re-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 re-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.
14. That:
    a) the rules of the Advanced Oncotherapy plc Savings Related Share Option Scheme (SAYE), described in the Explanatory Notes to the notice of this Annual General Meeting and in the form produced in draft to the meeting and for the purpose of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted;

    b) the Directors of the Company be and are hereby authorised:
        1) to do all such things as may be necessary or desirable to carry the SAYE into effect, including making any changes to the rules of the SAYE that are necessary or desirable in order to ensure that the Directors can make a valid declaration to HM Revenue & Customs that the SAYE satisfies the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003; and
        2) to adopt further plans based on the SAYE but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the SAYE.
15. THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company and/ or to grant rights to subscribe for, or to convert any securities into shares in the Company, and/or the grant of rights to subscribe for or to convert any securities into Ordinary Shares up to a maximum aggregate nominal amount of £7,525,083.75 (the equivalent of up to 30,100,335 Ordinary Shares), this authority to expire on the earlier of fifteen months from the date of the passing of this resolution or the conclusion of the next AGM of the Company to be held in 2019 unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or agreement which would or might require shares in the Company to be allotted and/or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry and the Directors may allot shares in the Company, or grant rights to subscribe for or to convert any securities into shares in the Company, in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION
16. THAT, subject to the passing of Resolution 15 above, in substitution for all previous powers to the extent unused, the Directors be and are hereby unconditionally empowered pursuant to sections 570 and 571 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority granted to the Directors pursuant to Resolution 15 above as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    a) the allotment of equity securities in connection with a rights issue, open offer or equivalent offer in favour of the holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine in which such holders are offered the right to participate in proportion (as nearly as may be) to their respective holdings of such equity securities or in accordance with the rights attached thereto but subject to such exclusions or other arrangements as the Directors may consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any recognised regulatory body or stock exchange in any territory;

    b) other than pursuant to sub-paragraph 15(a) above, the allotment of equity securities up to an aggregate nominal amount of £7,525,083.75 (the equivalent of up to 30,100,335 Ordinary Shares). This power shall expire on the earlier of fifteen months from the date of passing of this Resolution and upon the conclusion of the next AGM of the Company to be held in 2019 unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Dr Michael Sinclair
Executive Chairman

Registered Office: Level 17, Dashwood House,
69 Old Broad Street, London EC2M 1QS
26 June 2018

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 and 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 and 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 23 July 2018 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 23 July 2018 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, sixteen 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 2017, 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.

SPECIAL BUSINESS

Resolution 14: Approval of SAYE share scheme

General

The SAYE is a savings related share option scheme designed to take advantage of the tax beneficial status of savings related share option schemes which comply with Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 (Schedule 3).

The SAYE will be administered by the Board of Directors of the Company ("Board") or a duly authorised committee of the Board.

Eligibility

UK employees and full-time directors of the Company and participating companies within the Group are eligible to participate in the SAYE. The Board may, however, determine that a qualifying period of service (of up to one year) is required before an employee or full-time director can participate in the SAYE.

The Savings Contract

To participate in the SAYE, an eligible employee must enter into a Save As You Earn contract (Savings Contract) with the savings body designated by the Board, agreeing to make monthly contributions of between £5 and £500 for a specified savings period of three or five years (or such other period as may be specified from time to time under Schedule 3). The Board has discretion to determine the length of the Savings Contracts that will be available in respect of any invitation to apply for options (three years, five years or both). A bonus determined by HMRC may be payable after the expiration of the savings period. Applications to participate in the SAYE may be scaled down by the Board if applications exceed the number of shares available for the grant of options. Such scaling down may include:

(a) excluding the HMRC bonus;

(b) reducing monthly contributions above a certain level pro rata;

(c) reducing monthly contributions for each eligible employee pro rata; or

(d) treating elections for five-year Savings Contracts as elections for three-year Savings Contracts.

Option price

The option price for each ordinary share in respect of which an option is granted shall not be less than the greater of:

(a) 80% of the closing middle-market quotation as derived from the London Stock Exchange Daily Official List for the dealing day immediately prior to the date on which the invitation to participate in the SAYE is made (or, if the Board so determines, the average of the closing mid-market quotations for the three dealing days immediately prior to the invitation date); and

(b) the nominal value of the shares.

Grant of options

The number of shares over which options may be granted must as nearly as possible be equal to, but not in excess of, that number of shares which may be purchased out of the repayment proceeds (including, if the Board so determines, any bonus payable) of the relevant Savings Contract at the option price. Subject to any regulatory restrictions, options under the SAYE may only be granted within the period of 30 days following the date on which the option price is determined or, if the option price is determined over three consecutive dealing days, within 30 days after the earliest of those dealing days. No options may be granted more than ten years after the adoption of the SAYE.

Options granted under the SAYE may not be transferred (other than on death). No consideration will be required for the grant of the option. Benefits under the SAYE are not pensionable.

Limits on the issue of shares

In any ten-year period no more than 10% of the issued ordinary share capital of the Company for the time being may be issued or issuable pursuant to rights acquired under the SAYE and any other employees' share plans established by the Company. For the purposes of this limit, options or other rights to acquire shares which lapse or have been released do not count.

Exercise of options

Options will only normally be exercisable for a period of six months commencing on the third or fifth anniversary (as the case may be) of the starting date of the related Savings Contract and, if not exercised by the end of that period, the option will lapse.

Earlier exercise may, however, be permitted in specified circumstances, including:

(a) termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works; and

(b) in the event of a takeover or liquidation of the Company.

In these early exercise circumstances, options will only be exercisable to the extent of the savings in the relevant Savings Contract at the date of exercise.

Rights attaching to shares
All shares allotted or transferred under the SAYE will rank pari passu with all other shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment or transfer) and the Company will apply for the listing of any new shares issued under the SAYE.

Corporate events
In the event of a takeover, reconstruction or winding up of the Company, options will become exercisable for a limited period. Alternatively, options may be exchanged for new equivalent options over shares in the acquiring company where appropriate.

Variation of capital
In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital, the Board may make such adjustments as it considers appropriate to the number of shares subject to options and/or the price payable on the exercise of options.

Amendments to the SAYE
The Board may alter the provisions of the SAYE in any respect provided that the prior approval of shareholders in general meeting is obtained for alterations or additions to the advantage of participants to provisions relating to eligibility, option price and variation, limits on the number of newly issued shares available under the SAYE or the rights attaching to options or Shares.

The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the SAYE, to take account of any changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any of its subsidiaries or for participants.

Termination
The SAYE will terminate on the tenth anniversary of its adoption, or such earlier time as the Board may determine, but the rights of existing participants will not be affected by such termination. In the event of termination, no further options will be granted.

Employees outside the UK
The Board may at any time without further shareholder approval establish appendices to the SAYE or further share plans corresponding to the SAYE for the benefit of employees in non-UK jurisdictions. Any such appendices or plans will be similar to the SAYE, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further appendices or plans are treated as counting against the relevant limits in the SAYE.

Resolution 15: Authority to allot shares
Section 549 of the Companies Act 2006 stipulates that Directors cannot allot shares or rights to subscribe for shares in the Company (other than the shares allotted in accordance with an employee share scheme) unless they are authorised to do so by the shareholders in general meeting. The Directors' general authority to allot shares was granted at General Meetings held in June 2016, March 2017 and January 2018 have expired or will expire at the conclusion of this AGM. Resolution 15 seeks a new general authority from shareholders for the Directors to allot Ordinary Shares or to grant rights to subscribe for and/or to convert any securities into Ordinary Shares up to an aggregate nominal value of £7,525,083.75. The Directors consider it desirable that the specified number of Ordinary Shares and/or rights to subscribe for and/or to convert any securities into Ordinary Shares be increased by 20% so that they can satisfy existing warrants and options and allow headroom to more readily take advantage of possible equity raising opportunities. Unless renewed, revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company to be held in 2019 or fifteen months from the date of the passing of the resolution, whichever is the earlier.

SPECIAL RESOLUTION

Resolution 16: Disapplication of pre-emption rights
If the Directors wish to allot any Ordinary Shares for cash in accordance with the authority proposed in Resolution 15, the Companies Act 2006 requires that new Ordinary Shares must generally be offered first to shareholders in proportion to their existing holdings. These are the pre-emption rights of shareholders. In certain circumstances, it may be in the interest of the Company for the Directors to be able to allot some shares for cash without having to offer them first to existing shareholders. In line with common practice, Resolution 16 therefore seeks authority to empower the Directors to allot equity securities for cash other than in accordance with the statutory pre-emption rights, in connection with a rights issue and other pre-emptive offers and otherwise up to a maximum nominal amount of £7,525,083.75. In addition, there are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this, this Resolution also permits the Directors to make appropriate exclusions or arrangements to deal with such difficulties. Unless renewed, revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company to be held in 2019 or fifteen months from the date of the passing of the resolution, whichever is the earlier.

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*

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