Rutherford Health PLC

Interim Accounts for the six months ended 31 August 2021

2 November 2021: Rutherford Health plc (AQSE: RUTH, the "Company", or the "Group"), the healthcare group committed to providing innovative cancer care of the highest quality, announces its unaudited interim results for the six months ended 31 August 2021.

<u>Highlights for the period</u>

- Revenues up 36% to £4.850m compared to the first half of FY21 (H1 2021: £3.575m).
- A key driver of revenue growth was from expansion of the Company's activities into Diagnostics.
- NHS contracts entered into at the end of the period in Thames Valley and South Wales for radiotherapy and diagnostic support.
- Completed Infrastructure funding transaction of £40m with Equitix Investment Management Limited in relation to one of the Group's four cancer centres and repayment of Triple Point loan of £18.597m
- Significant reduction in capital spend during the period (£0.924m) (H1 2021: £7.820m) reflecting the fact that the Group's centres are all now open.

<u>Post-period end operational highlights</u>

- Trend towards increasing demand: particularly strong trading in September with monthly unaudited revenue in excess of £1 million.
- Significant increase in number of Proton trained Oncologist's with practicing privileges (84 now compared to 65 at the beginning of the financial year) with a strong pipeline of additional of additional consultants.
- Opening of first Rutherford Diagnostics Centre in Taunton, Somerset in September 2021 – in partnership with Somerset NHS Foundation Trust, expected to be a driver of future revenue.
- In partnership with Panthera, first patient treated in the first clinical trial to take place at a Rutherford Cancer Centre: expected to raise the profile of the Group and its state-of-the-art facilities.
- Focus on driving the Group's revenue generating opportunities.

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

-Ends-

For more information, please contact:

Rutherford Health plc Michael Moran, Chief Executive Officer Marcus King, Finance Director	**+44 (0) 16 3381 0661** **Investors@therutherford.com**
Grant Thornton (Corporate Adviser) Colin Aaronson/ George Grainger	**+44 (0) 20 7383 5100**
Instinctif Partners Melanie Toyne-Sewell / Jeremy Durrant / Rozi Morris	**+44 207 457 2020** **Rutherford@Instinctif.com**
Media House International Ramsay Smith	**07788 414 856 / 0207 710 0020** **ramsay@mediahouse.co.uk**

About Rutherford Health plc

Rutherford Health plc is a leading UK provider of innovative cancer care. Operating a network of four state-of-the-art centres in Wales, Reading, Northumberland and Liverpool, Rutherford Health offers a comprehensive range of the latest technology in cancer treatments and is the only independent provider of proton beam therapy ("PBT") in the UK. It also provides conventional radiotherapy, chemotherapy, immunotherapy, imaging and wellbeing services.
The Group is listed on the Apex segment of the AQSE Growth Market under the symbol: RUTH. For more information, visit the Group's website: www.rutherfordhealth.com.

Chief Executive Officer's Statement

The first half of the year has been another extremely busy six months for the Group. This is a summary of events and interim results for Rutherford Health PLC for the six months ended 31 August 2021.

Covid-19 continues to have a significant impact on the cancer pathway, due to the backlog and continued delays in diagnostics. Patient numbers for the six months to 31 August 2021 were 166 for cancer treatment and 4,772 for diagnostics which compares to 229 and 2,370 respectively for the six months ended 31 August 2020. Revenues grew 36% compared to the first six months of the previous financial year. Within that, Proton Beam Therapy revenues remained steady at £1.4 million. The growth has been driven by the focus on Diagnostics, both within the cancer centres, and through contracts with Somerset Foundation Trust in preparation for the opening of the Rutherford Diagnostics Centre Somerset.

Covid-19 Backlog

The enforced lockdowns and focus on fighting Covid-19 came at the cost of maintaining normal NHS services, such as routine and investigative Diagnostics. One of the impacts of this was fewer patients being diagnosed with cancer and progressing to treatment. This in turn resulted in the reduction in the number of cancer patients. Despite this, demand for Proton Beam Therapy remained resilient with similar patient numbers and revenues. The reduction in cancer patients was mainly in Radiotherapy as a key customer of the Group for this service is the NHS, and the focus on Covid-19 meant that they were less able to provide a similar patient flow to prior years.

NHS Radiotherapy revenues are expected to recover as the Diagnostic pathway is unlocked, and more patients are diagnosed with cancer. Towards the end of the period under review the Group signed contracts with two NHS trusts in Wales, and another in South East England to provide Radiotherapy from the South Wales and Thames Valley centres. Referrals are now being received from all three trusts.

With the current cancer care backlog faced by the NHS, the Group remains fully available to help in any way to ensure that cancer treatments are not adversely affected any further by the pandemic.

Oncologist Recruitment & Training

At the beginning of the financial year the Group had 65 Oncologists signed up with Practicing Privileges. The Group now has 84, and 65 of these have had specialist training in Proton Beam Therapy from a leading centre in the USA.

There are a further 61 Oncologists in active discussions and the Group expects to be able to offer Practicing Privileges and training to the majority of these.

The Group believe that continued engagement with Oncologists will lead to a greater awareness of Proton Beam Therapy among patients, and the healthcare community, and that this will lead to increased demand for the Group's services.

Rutherford Diagnostics

On 20 September 2021, the new Rutherford Diagnostic Centre Somerset opened in Taunton, offering MRI, CT, Ultrasound and X-ray to NHS patients, insured patients and self-pay patients.

The Rutherford Diagnostic Centre Somerset in Taunton is the result of a partnership and agreement between Somerset NHS Foundation Trust and Rutherford Diagnostics Limited (Rutherford Health's diagnostics subsidiary) to provide diagnostic services to the population of Somerset and the surrounding areas.

In preparation for the opening of the permanent centre, the Group had been providing facilities and staffing through a mobile solution.

Negotiations are already ongoing with several NHS Trusts in England & Wales, for the development of additional Rutherford Diagnostic Centres.

Equitix Infrastructure Transaction

On 23 March 2021, the Company announced that it had agreed an infrastructure investment with Equitix Investment Management Ltd, ("Equitix"), for £40 million.

The investment is backed by the freehold transfer of the Rutherford Cancer Centre South Wales and supported by other security over the Group's other centres. The agreement is for a term of 25 years on normal commercial rates on the expiry of which the Group will have the option to repurchase the freehold of the South Wales centre for an agreed nominal sum.

The investment builds on the relationship with Equitix first developed through the launch of Rutherford Diagnostics. The investment allowed the Group to repay the Triple Point debt facility, and provided further working capital for the Group.

SDI & Potential Acquisition of GICC

In August 2021, the Group signed a conditional subscription agreement with SDI Holding Ltd to provide £12.35m of additional working capital. Discussions are ongoing with SDI regarding the timing of the receipt of funds and the completion of the required regulatory checks. Should the investment by SDI not complete in the near term, the Company will require working capital by around the end of November 2021 and accordingly it is exploring alternative options to provide the Group with working capital and to support the Group’s expected future growth.

The Group also signed a conditional agreement to acquire the Gulf International Cancer Centre in the UAE, via a share for share exchange. Work is continuing on the legal due diligence ahead of completing the transaction, however there is no certainty that the acquisition will complete.

Outlook

Due to the impact of Covid-19, there was a reduction in the number of cancer patients in the first half year, however revenue still grew by 36% driven primarily by the growth of the Group’s Diagnostics activities. The Group has been experiencing an increase in demand over the last couple of months, with September revenues exceeding £1m, the first time the Group has recorded revenue over £1m in a calendar month. Further growth through is expected through to the end of the financial year.

Despite the growth in revenue through the first six months of the financial year, the Company expects to make losses in the current financial year. Cashflow forecasts have been prepared to support the Going Concern assumption, and these include short term revenue growth and additional equity or debt investment which may not materialise.

Given the challenges of Covid-19 and the backlog of diagnostics slowing the revenue growth rate of the Group, the Company needs additional working capital to deliver on its growth plans. Accordingly, the company is exploring a number of options which may involve further infrastructure investment with Equitix, or the raising of funds through the capital markets.

It is an exciting time for Rutherford Health plc, and the Group looks forward to delivering on its potential.

Mike Moran MBE
Chief Executive Officer

GROUP FINANCIAL REVIEW

The first half of FY 2021/2022 has seen a continuation of revenue growth, along with the further development of the Diagnostics business with the new Rutherford Diagnostics Centre Somerset opening in September 2021.

A summary of key financial results is set out in the table below:

	Unaudited 2022 1HY £'000	Unaudited 2021 1HY £'000	Audited 2021 £'000
Revenue	**4,850**	**3,575**	7,269
Operating expenses	**(19,163)**	**(15,231)**	(30,911)
EBITDA	**(14,313)**	**(11,656)**	(23,642)
Depreciation and Amortisation	**(4,163)**	**(3,564)**	(7,499)
Operating loss	**(18,476)**	**(15,220)**	(31,141)
Finance expense	**(1,426)**	**(510)**	(1,300)
Loss before tax	**(19,902)**	**(15,730)**	(32,441)
Tax credit	**-**	**77**	213
Loss for the period	**(19,902)**	**(15,653)**	(32,228)
Fair value loss on investment	**-**	**-**	(346)
Total Comprehensive Loss	**(19,902)**	**(15,653)**	(32,574)

Revenue

Revenue has grown by 36%, compared to the first half of FY 2021. Total revenue for the first half year ended 31 August 2021 was £4.850m (2021 1HY: £3.575m). A key driver of the revenue growth was from the Groups expansion within Diagnostic services, and a significant increase in SACT treatments across all centres. Proton Beam Therapy revenues remained consistent throughout the pandemic, and the Group is now experiencing further growth in this area heading into the second half of the year.

Operating Results

Operating expenses increased by £3.932m (26%) compared with the first six months of FY21. The main areas of expenditure increases were additional employee costs and set-up expenditure in preparation for the opening of the first Rutherford Diagnostics Centre in Somerset, which started treating patients in September 2021.

Depreciation and Amortisation increased by £0.599m to £4.163m compared to the first six months of FY21. This was expected due to assets in the North West centre coming online during the comparable period.

The operating loss during the six months was £18.476m (2021 1HY: £15.220m). The finance expense has increased following the Equitix infrastructure investment, which allowed the Group to repay the debt to Triple Point Leasing Limited.

The Group continues to recognise a potential deferred tax asset. At year end it was decided to continue to hold the asset on the balance sheet at the current level of £10.342m and to leave the increase in this asset as unrecognised at this time. The position will be reviewed further at the end of the financial year.

Financial Position

The Group balance sheet at 31 August 2021 can be summarised as set out in the table below:

	Unaudited 2022 1HY £'000	Unaudited 2021 1HY £'000	Audited 2021 £'000
Property, plant and equipment	**147,981**	**154,747**	151,160

Intangible assets	**-**	**180**	60
Investments	**-**	**3,704**	-
Deferred tax asset	**10,342**	**10,342**	10,342
Net current assets/(liabilities)	**761**	**1,347**	(16,137)
Non-current liabilities	**(34,178)**	**(8,737)**	(691)
Net assets	**124,906**	**161,583**	144,734

Capital Expenditure

Capital expenditure has slowed significantly in the period, as the estate is now complete. A further £0.924m (2020 1HY:£7.820m) was invested in property, plant and equipment in the first half year, taking the closing net book value at 31 August 2021 to £147.981m (2021 1HY: £154.747m). All four cancer centres are now open, and the first diagnostic centre opened in September 2021. Further capital expenditure is expected to install Proton Beam Therapy machinery in the North West centre during the next 12-18 months.

Treasury Management

At 31 August 2021, the Group had total shareholders funds of £124.906m (2021 1HY: £161.583m). A subscription agreement, with a new investor, SDI Holding Ltd, was signed in August 2021 to provide £12.35m of additional working capital funding. Work is continuing on the regulatory checks to allow us to receive this investment.

Finance costs have increased to £1.426m in the first six months ended 31 August 2021 (2021 1HY: £0.510m), following the infrastructure investment with Equitix. The Group expects these costs to be stable going forward.

At 31 August 2021 the Group's cash balance stood at £3.115m (28 February 2021 £1.493m), and is currently £1.845m.

The Group is in the early stages of its revenue life cycle, is currently loss-making and expects to continue making losses in the current financial year until revenue grows as expected. Detailed cash flow forecasts have been prepared to support the going concern presumption and include short term revenue growth targets that may not materialise.

The Group is funded through a combination of equity funding and an infrastructure facility, accounted for as debt to support the cashflow requirements during the growth phase of the business. Additional working capital is needed, and the Company is considering a number of options, including further infrastructure investment through Equitix, or the raising of funds through the Equity Capital Markets.

Further information is set out in note 3 to the financial statements.

Marcus King
Finance Director

Unaudited Consolidated Statement of Total Comprehensive Income

Unaudited Consolidated Statement of Total Comprehensive Income

Six Months ended 31 August 2021

	Note	**Unaudited 6 months to 31 August 2021 £'000**	Unaudited 6 months to 31 August 2020 £'000	Audited 12 months to 28 February 2021 £'000
Revenue		**4,850**	3,575	7,269
Cost of sales		**(5,352)**	(3,389)	(7,611)
Gross (loss)/profit		**(502)**	186	(342)
Administrative expenses		**(17,974)**	(15,406)	(30,799)
Operating loss		**(18,476)**	(15,220)	(31,141)
Finance expense		**(1,426)**	(510)	(1,300)
Loss before taxation		**(19,902)**	(15,730)	(32,441)
Income tax credit	4	**—**	77	213
Loss for the financial year		**(19,902)**	(15,653)	(32,228)

Fair value loss on investment		**—**	—	(346)
Total comprehensive loss		**(19,902)**	(15,653)	(32,574)
Earnings per share				
Basic and diluted earnings per share (pence)	5	**(10.1)**	(7.9)	(16.5)

Unaudited Consolidated Statement of Financial Position

As at 31 August 2021

	Note	**Unaudited 6 months to 31 August 2021 £'000**	Unaudited 6 months to 31 August 2019 £'000	Audited 12 months to 28 February 2021 £'000
Non-current assets				
Intangible assets		**—**	180	60
Property, plant and equipment		**147,981**	154,747	151,160
Investments		**—**	3,704	—
Deferred Tax Asst	4	**10,342**	10,342	10,342
Non-current assets		**158,323**	168,973	161,562
Current assets				
Trade and other receivables		**8,096**	7,337	9,465
Current tax receivable		**230**	510	460
Cash and cash equivalents		**3,115**	3,977	1,493
Current assets		**11,441**	11,824	11,418
Total assets		**169,764**	180,797	172,980
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS				
Called up share capital		**198**	198	198
Share premium account		**202,268**	202,268	202,268
Fair Value reserve		**—**	(459)	—
Retained Earnings		**(77,560)**	(40,424)	(57,732)
Total equity		**124,906**	161,583	144,734
LIABILITIES				
Non-current liabilities				
Borrowings		**34,178**	8,737	632
Current liabilities				
Borrowings		**3,867**	—	17,641
Trade and other payables		**6,813**	10,477	9,973
Total liabilities		**44,858**	19,214	28,246
Net equity and liabilities		**169,764**	180,797	172,980

Unaudited Consolidated Statement of Changes in Equity

Six months ended 31 August 2021

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Fair Value reserve £'000	Total £'000
AT 1 MARCH 2020	192	192,596	(24,816)	(459)	167,513
Loss for the period	—	—	(15,653)	—	(15,653)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**—**	**—**	(15,653)	—	(15,653)
Proceeds of share issues	6	9,672	—	—	9,678
Share-based payments	**—**	—	45	—	45
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	6	9,672	45	**—**	9,723
AT 31 AUGUST 2020	198	202,268	(40,424)	(459)	161,583
Loss for the period	—	—	(16,575)	—	(16,575)
Fair value loss on investment	—	—	—	(346)	(346)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**—**	**—**	(16,575)	(346)	(16,921)
Share-based payments	**—**	—	72	—	72

Reclass divestment	—	—	(805)	805	—
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	—	—	(733)	805	72
AT 28 FEBRUARY 2021	**198**	**202,268**	**(57,732)**	**—**	**144,734**
Loss for the period	—	—	**(19,902)**	—	**(19,902)**
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	—	—	**(19,902)**	—	**(19,902)**
Share-based payments	—	—	**74**	—	**74**
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	—	—	**74**	—	**74**
AT 31 AUGUST 2021	**198**	**202,268**	**(77,560)**	**—**	**124,906**

Unaudited Consolidated Statement of Cash Flows

Six months ended 31 August 2021

	Unaudited 6 months to 31 August 2021 £'000	Unaudited 6 months to 31 August 2020 £'000	Audited 12 months to 28 February 2021 £'000
Loss before income tax	**(19,902)**	(15,730)	(32,441)
Adjustments for:			
– Depreciation and amortisation	**4,163**	3,564	7,500
– Finance costs	**1,426**	510	1,300
_ Loss on disposal of Fixed Assets	—	—	(180)
– Non-cash employee benefits expense – share-based payments	**74**	45	117
Changes in working capital			
– Trade and other receivables	**1,369**	2,376	248
– Trade and other payables	**(3,160)**	(5,467)	(5,971)
Cash flows from operating activities	**(16,030)**	(14,702)	(29,427)
Income taxes received/(paid)	**230**	77	263
Net cash generated from/(used in) operating activities	**(15,800)**	(14,625)	(29,164)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(924)**	(7,820)	(9,055)
Disposal of property plant and equipment	—	—	1,132
Proceeds from sale of Investment	—	—	3,358
Net cash used in investing activities	**(924)**	(7,820)	(4,565)
Cash flows from financing activities			
Net proceeds from issue of shares	—	9,677	9,678
Net proceeds/(repayments) of loans	**19,793**	(1,850)	7,677
Lease payments	**(46)**	(62)	(15)
Interest paid	**(1,401)**	(500)	(1,275)
Net cash generated from financial activities	**18,346**	7,265	16,065
Net increase/(decrease) in cash and cash equivalents	**1,622**	(15,180)	(17,664)
Cash and cash equivalents at the start of the period	**1,493**	19,157	19,157
Cash and cash equivalents at the end of the period	**3,115**	3,977	1,493

Notes to the Financial Statements

1. General Information

Rutherford Health plc (hereinafter the 'Company', and together with its subsidiaries, the 'Group') is a public limited company incorporated and domiciled in the United Kingdom. The registered office of the Company is Suite 4 Penn House, 9-10 Broad Street, Hereford,HR4 9AP. The registered company number is 09420705.

The Group's principal activity is that of developing cancer centres & diagnostic centres including Proton Beam Therapy, together with facilitating the provision of clinical treatment.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are as set out in the Company's financial statements for the financial year ended 28 February 2021.

3. Basis of preparation

The interim accounts, which have not been audited, have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before Implementation Period ('IP') completion day (end of transition period), including where the Group also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise stated.

The Group is funded through a combination of equity and borrowings which supported the building of its facilities and cashflow requirements during the growth phase of the business. During the 6 months to 31 August 2021, the Group have generated further funds from a secured borrowing of £40m. Part of the proceeds from the secured borrowing was used to repay the current borrowing.

All four centres were operational in 2020/2021, however revenues are growing at a slower rate than initially anticipated. As a result, the Group expects to continue to be loss-making in the current financial year, and potentially beyond.

The Group has prepared cashflow forecasts that take account of the current capital expenditure plans and an expectation of increases in patient numbers across all its sites. However, the Group is still in the early stages of its revenue life cycle and the future cash flow forecasts prepared by the Group include some significant growth assumptions.

Sensitivity analysis has been prepared on the cash flow projections to evaluate the uncertainty as to the future impact on the Group of the ongoing COVID-19 global pandemic. There has continued to be a slower growth rate in patient numbers due to COVID-19 and the sensitivity analysis assumes: continued slowdown in revenue growth across the centres, no reductions in overheads and forecast capital expenditure continues to plan.

A downside scenario is currently considered unlikely, not least because the current low rate of treatment of cancer in the UK does not represent a reduction in cancer in the population, but it is still plausible as it is difficult to predict the continuing impact of COVID-19 over the coming year. Under a downside scenario whereby there is a significant delay in the Group achieving its planned revenue growth, it is likely that a greater level of additional funding would be required. In the event that the investment by SDI does not complete in the very near term and in the absence of alternative funding, the Company may not be able to continue as a going concern. In addition, the Company will require additional future funding before the Group is profitable. The board regularly reviews its financing options and its discussions with potential funders and investors indicate that should the Group require further funding, this would be available, although at this point such funding is not committed. As such a downside scenario detailed above together with the potential for future fundraising not completing indicates the existence of a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern. The Consolidated Financial Statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

4. Tax

The carrying value of deferred tax will be assessed at year end.

5. Earnings per share

	Unaudited 6 months to 31 August 2021	Unaudited 6 months to 31 August 2020	Audited 12 months to 28 February 2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**198,011,701**	197,526,427	197,777,462
Total comprehensive loss for the period	**£19,902,000**	£15,653,000	£32,574,000
Basic and diluted earnings per share (pence)	**(10.1)**	(7.9)	(16.5)

6. Auditor Review

These Interim statements have not been reviewed by the Company’s Auditor.