Valirx
Bioscience Innovation

ONCOLOGICAL AND THERAPEUTIC TECHNOLOGIES AND BIOMARKERS

ValiRx plc Annual Report and Accounts 2015

WELCOME TO VALIRX PLC

ValiRx plc is a biopharmaceutical company developing technologies and products in oncology therapeutics and diagnostics.

Our Product Pipeline

We aim to make a significant contribution in "precision" medicine and science, namely to engineer a breakthrough into human health and well-being, through the early detection of cancer and its therapeutic intervention.

VAL201

Read more on p. 12

VAL401

Read more on p. 13

VAL101 (GeneICE, VAL101 & TRAC)

Read more on p. 15

HIGHLIGHTS

In Summary

- £4.0 million Convertible Loan Note Facility agreed with Bracknor on 1 April 2016.
- Placing to raise £0.5 million in February 2016 with existing and new investors.

Operational Highlights

- Significant year for ValiRx both in terms of restructuring the capital of the Company and technical advancements made with both therapeutic compounds.
- Phase I/II Clinical Trial of VAL201 has confirmed that compound is well tolerated up to a putative therapeutic dose and has shown a high degree of safety, with no significant adverse events being reported.
- Expansion of VAL201 trial into a multi-centre study.
- VAL401, for the treatment of lung cancer and other oncology indications, is in the late to final stages of preparation prior to its Phase II Clinical Trial.
- Positive enhancements of ValiRx biomarker development programme, with new European, Japanese and US patents being secured during the period.
- TRAC actively marketing itself to third parties and growing its revenue stream.
- Expansion into the US with the opening of a ValiRx office in Cambridge, Boston, Massachusetts in November 2015.

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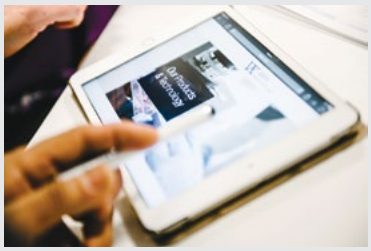
Financial Statements



View more on our website
www.valirx.com

Strategic Report

CHAIRMAN'S STATEMENT

"I am pleased to report that in the last 12 months we have seen continued progress across all areas of our business."

Oliver de Giorgio-Miller
Chairman

I am pleased to report that in the last 12 months we have seen continued progress across all areas of our business.

2015 proved to be a significant year for ValiRx both in terms of restructuring the capital of the Company and technical advancements made with both our therapeutic compounds, VAL201 and VAL401. We also saw development in our Finnish subsidiary, ValiFinn, which includes TRAC and our biomarker technologies.

We have taken a number of steps forward in the development of VAL201 in terms of its Phase I/II Clinical Trial and we have also completed the final preparatory pre-clinical work for VAL401, which now means that this drug candidate is about to enter a pivotal Phase IIb efficacy trial.

Our Finland–based operation continues to generate interest among Clinical Research Organisations ("CROs") regarding our unique TRAC gene expression analysis platform technology, which we acquired in February 2015. We have seen positive enhancements of our own biomarker development programme, with new European, Japanese and US patents being secured during the period.

ValiRx attended the 2015 BIO International convention in Philadelphia, USA, which took place in June 2015 alongside many other leading UK biotechnology and biopharma businesses. This invitation to participate in the 'Market Visit', organised by the Mayor of London's Export Programme, was very welcome recognition and an endorsement of the potential inherent in the Company's product portfolio to answer unmet needs in the treatment of cancer. Furthermore, the visit enabled us to interface with larger US biotech companies and investors and on the back of an encouraging response from them, we have established a presence in the US with the opening in November 2015 of a ValiRx office in Cambridge, Boston, Massachusetts. Recently, we engaged a leading US investor relations firm to further discussions with potential partners and these are continuing.

Our financial results show revenues for the year at £82,603 (2014: £87,558) with net operating expenses falling by 4% to £3,034,139 (2014: £3,164,664) after receipts of £203,391 (2014: £210,802) of grants towards R&D. The net loss for the year decreased to £2,118,335 (2014: £3,160,031) resulting in a reduced loss per share (basic and diluted) of 6.66p (2014: 13.48p). As at 31 December 2015, the Group had cash and cash equivalents of £232,465 (2014: £452,824); however, since the period end, our cash position has increased following a further raising of equity and debt finance, which we believe positions the Group well to reach its goals across all areas in 2016.

£232,465

Cash and cash equivalents of £232,465 (2014: £452,824).

£203,391

In grants towards R&D (2014: £210,802).

£82,603

Revenues for the year £82,603 (2014: £87,558).

Looking to the future, I believe the Company is making encouraging progress towards achieving a number of its goals. The expansion of the VAL201 trial into a multi-centre study in prostate cancer and other solid tumours, is underway and this expansion will expedite the production of data within a shorter timeframe. We are poised to enter VAL401 into the clinical trial process and anticipate the availability of data from this pivotal Phase IIb efficacy trial. The opportunity for developing and exploiting the compound VAL201 for a further indication in the treatment of endometriosis or hormone induced abnormal cell growth in women, via partnering and collaboration, is similarly fast approaching and the necessary preparatory steps are underway.

Finally and in the months ahead, we will seek to exploit value from our portfolio of technological assets, whilst looking to further build on and strengthen the Group's balance sheet.

Oliver de Giorgio-Miller
Chairman

19 May 2016

The Group operates through the following divisional companies:

- **ValiPharma**
  ValiPharma is the therapeutics division, with two embedded technologies primarily directed at the treatment of cancers.
- **ValiFinn**
  ValiFinn is the biomarkers and diagnostic development division. ValiRx acquired through its ValiFinn subsidiary, the complimentary TRAC technology later in the year to strengthen the portfolio.
- **ValiSeek**
  ValiSeek is a joint venture between ValiRx and Tangent Ltd to develop Val401 in lung cancer and potentially other indications.

A Dynamic Portfolio
with Products in the Clinic and a Pre-clinical Pipeline

VAL201

Read more on p. 12

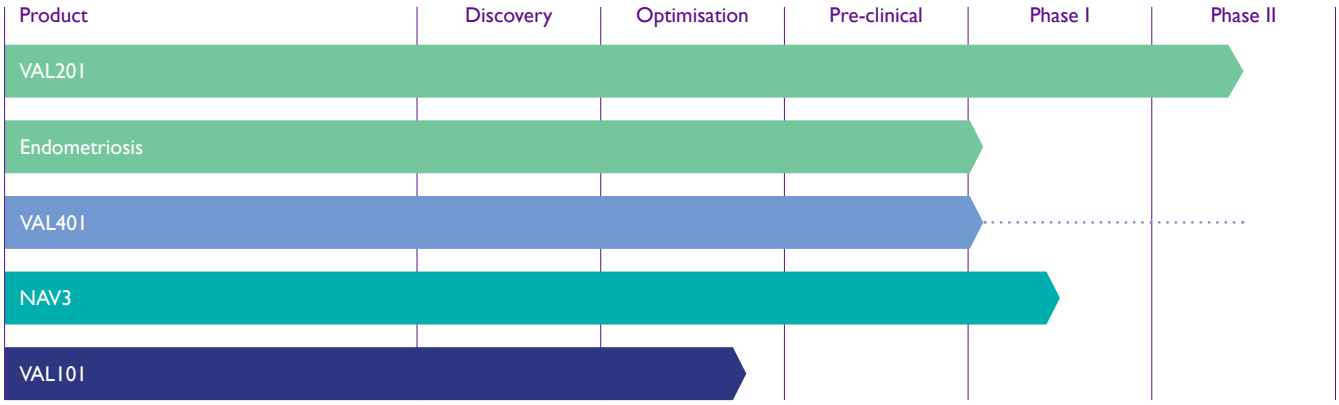
VAL401

Read more on p. 13

VAL101 (GenelCE, VAL101 & TRAC)

Read more on p. 15

Product Pipeline



Strategic Report

HOW WE CREATE VALUE

ValiRx is a clinical stage biotechnology company with a focus in cancer and which has three classes of drugs in development with a clear goal to address unmet needs.

Our Business Model

Our business model spreads the risks of life science technology developments by minimising financial exposure and running a set of projects to defined commercial endpoints. This maximises returns to shareholders by adding value at the earlier stages where value increases per investment unit are the greatest.

Vision

Our vision is to make a structural change in science.

Aim

Our aim is to engineer a scientific breakthrough in human health and wellbeing.

Strategy

We will achieve these goals through early detection of disease and therapeutic intervention.

1

Reduce risk in new product development through rigorous clinical and commercial due diligence.

2

Select drug candidates and technologies with evidence-based potential to address unmet market needs.

3

Maximise returns to shareholders by adding value at the earlier stages where value increases per investment unit are the greatest.

Our Strategy

We focus on the treatment of cancer and associated Biomarkers, specialising in epigenomic and genetic analysis. We will achieve our goals through early detection of disease and therapeutic intervention.

Commercialise lead VAL201 anti-cancer therapy for prostate cancer.

VAL201 is a novel and exciting approach for targeted cancer chemotherapy and is currently in a Phase I/II Clinical Trial in subjects with hormone resistant prostate cancer. The compound selectively halts tumour growth by specifically preventing the proliferation of tumour cells while leaving DNA synthesis unaffected; hence tumour growth is suppressed and metastases are significantly reduced.

Develop the potential of VAL401.

VAL401 is a re-formulation of a generic anti-psychotic drug, in an oral form, which has shown pronounced anti-cancer properties in pre-clinical testing. Due to the safety profile of the active drug, VAL401 is accelerating directly from pre-clinical studies into a Phase 2 efficacy trial in non-small cell lung cancer patients,

Continue promising testing in VAL101.

ValiRx's proprietary GenelCE technology enables selective silencing of overzealous, rebellious or inappropriate activity by specific genes, which contribute to many disease states including cancers and inflammatory conditions, Alzheimer's and auto-immune diseases. The specially designed molecule mimics natural mechanisms, with one part of the molecule identifying and targeting the rebellious gene and the other part silencing it.

What we've Achieved in 2015

2015 has been a significant year for ValiRx both in terms of restructuring the capital of the Company and technical advancements made with both therapeutic compounds.

Read more on p. 06 to 07

- Our Phase I/II Clinical Trial of VAL201 has confirmed that the compound is well tolerated up to a putative therapeutic dose and that it has shown a high degree of safety, with no significant adverse events being reported in its study to combat metastatic prostate cancer and other advanced solid tumours.
- With safety and tolerability in VAL201 now shown, we are starting to look for efficacy.
- **Endometriosis** – We have started to design the protocol to test VAL201 for treatment of this debilitating female condition.
- **Biomarker Developments** are being explored with regard to VAL201 for use in clinical trials and beyond.

- **VAL401** for lung cancer and other oncology indications – Clinical Trial to commence in H1 2016.

- **GeneICE Platform** – Development of VAL101 is in late-stage oncology pre-clinical studies with partners.

Our Risk Management

ValiRx is a clinical stage biotechnology company and in common with other companies operating in this field, is subject to a number of risks and uncertainties. The principal risks and uncertainties identified by ValiRx for the year ended 31 December 2015 are indicated below.

Read more on p. 18

1 Industry risk
2 Competition risk
6 Intellectual property risk

2 Competition risk
4 Clinical and regulatory risk
6 Intellectual property risk

3 Financial risk
5 Counterparty risk
6 Intellectual property risk
7 Return on investment

Strategic Report

OUR PROGRESS

ValiRx was formed in 2006 – here is a brief look at our recent development.

ValiRx Finland Acquired

ValiRx acquires Finnish Subsidiary ValiRx Finland. The acquisition will benefit from the favourable environment for regulated medical and clinical studies in the Nordic region.

Successful Collaboration with Oxford University

Successful outcome of a study conducted with Oxford University where VAL201 has proven to prevent cancerous growth in live models with no serious side effects. Followed by a jump in share price due to the announcement.

Exclusive Supplier of SELFCheck

ValiMedix Ltd becomes the exclusive supplier of the SELFCheck brand of Personal Health Screening Tests, which is increasingly available in pharmacies throughout the UK.

ValiRx Raised £900,000

ValiRx raised £900,000 through a placing to fund ongoing pre-clinical work on its cancer treatments and pipeline projects.

Agreement with First Health Products Limited

ValiMedix enters into a UK distribution agreement with First Health Products Limited for the distribution and sale of ValiRx's SELFCheck health screening products in the UK.

ValiRx Raised £2.9 million

Successful placing to raise £2.9 million allows VAL201 to enter into in-human clinical trials.

£2.9m

ValiRx Granted Patent in US

ValiRx is granted a patent in the US for a cancer screening method, using specific gene biomarkers in the field of genetics and oncology.

ValiRx Granted Patent in Australia

ValiRx has been granted patent protection in Australia for VAL201. The new patent will enable ValiRx to extend its current patent protection and add to its portfolio.

2011 2012 2013

ValiRx Raised £1 million

ValiRx raised £1 million through a placing of 307 million shares with institutional and other investors.

VAL201 Efficacy, NAV3 Biomarker Granted Patent in Australia

Lead Compound ValiRx's drug substance VAL201 has efficacy in prostate, breast and ovarian cancer models and also addresses endometriosis or hormone-induced abnormal cell growth in women whilst the NAV3 Biomarker receives approval by the Australian patent office. ValiRx and Phamatest Services Limited is also awarded a new Eurostars II grant for further GeneICE development.

ValiSeek Launched

ValiSeek was set up to speed the progress of partner Tangent Reprofiling's lung cancer treatment, now called VAL401, towards Phase II trials.

NAV3 Granted Patent in Japan

ValiRx receives patent approval from the Japanese patent office (JPO) for NAV3.

NAV3 Granted Patent in Europe

ValiRx receives European Patent Grant for NAV3 biomarker.

Collaboration with DKFZ

ValiRx enters into a collaboration agreement (the "Agreement") with the DKFZ to further develop GeneICE.

Phase I/II Clinical trial VAL201 Approved

A Phase I/II Clinical trial on VAL201 is approved by the Medicine and Healthcare Products Regulatory Agency ("MHRA").

New Office in Boston

ValiRx opens a new office in Boston, USA. Facilitating greater interactions with the leaders in the field of oncological development.

VAL201 Phase I/II Dose Escalation

Lead drug VAL201 in Phase I/II dose escalation clinical trials in patients with locally advanced or metastatic prostate cancer and other advanced solid tumours at University College London Hospital.

Collaboration with the German Cancer Research Centre

Detection of GeneICE targeting technologies and compounds accelerating through collaboration with world-renowned R&D institution, the German Cancer Research Centre, to bring personalised cancer treatment from laboratory to bedside.

2014 2015

Strategic Report

MARKETPLACE

We focus on the treatment of cancer and associated Biomarkers, specialising in epigenomic and genetic analysis.

The principal activity of the Group continued to be that of an oncology therapeutics and companion diagnostics development company.

The Group has undertaken to develop a novel and ground-breaking class of therapeutics across a number of fields in oncology and has taken its lead compound, Val201, into Phase I/II clinical trials. The Company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange in October 2006.

ValiRx now has two compounds in clinical development and a growing pipeline to address an expanding market of high unmet medical need. Its technologies originate from world-class universities and institutes and all have substantial patent protection.

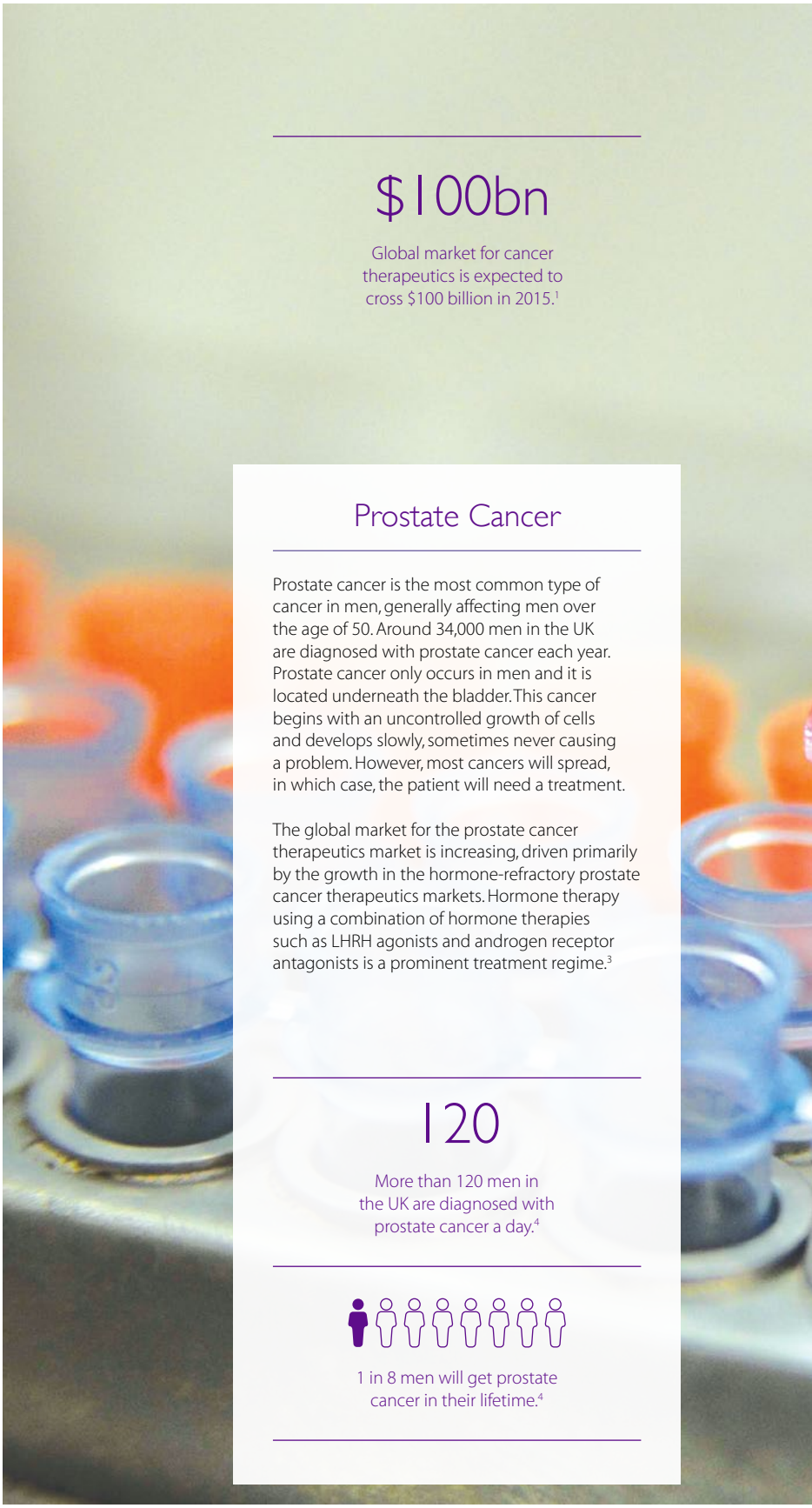
The Group's corporate focus is to partner or out-license within the Phase II development pathway and to this end a new office has been opened in Boston, USA.

Strengthening our Operational and Investor Presence

A new office has been opened in Boston, USA. The operation has been formed to encourage and facilitate greater interaction with academic, clinical and business leaders in the field of oncological development.

"ValiRx's expansion into the US is part of our strategy to strengthen our investor base and to take advantage of close proximity to the biggest biotech market in the World."

Dr Satu Vainikka
Chief Executive Officer



$100bn

Global market for cancer therapeutics is expected to cross $100 billion in 2015.[1]

Prostate Cancer

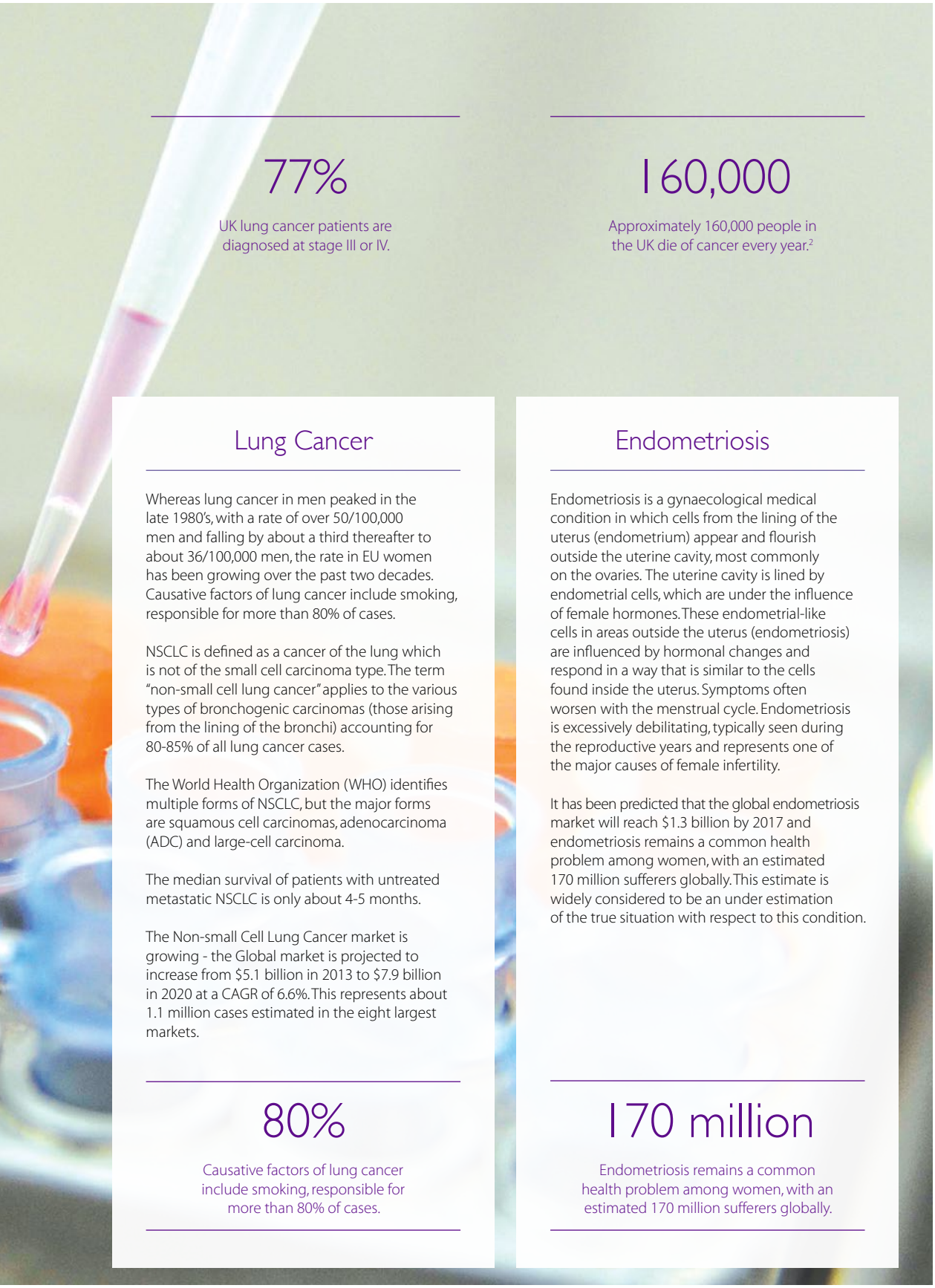
Prostate cancer is the most common type of cancer in men, generally affecting men over the age of 50. Around 34,000 men in the UK are diagnosed with prostate cancer each year. Prostate cancer only occurs in men and it is located underneath the bladder. This cancer begins with an uncontrolled growth of cells and develops slowly, sometimes never causing a problem. However, most cancers will spread, in which case, the patient will need a treatment.

The global market for the prostate cancer therapeutics market is increasing, driven primarily by the growth in the hormone-refractory prostate cancer therapeutics markets. Hormone therapy using a combination of hormone therapies such as LHRH agonists and androgen receptor antagonists is a prominent treatment regime.[3]

120

More than 120 men in the UK are diagnosed with prostate cancer a day.[4]

1 in 8 men will get prostate cancer in their lifetime.[4]



77%

UK lung cancer patients are diagnosed at stage III or IV.

160,000

Approximately 160,000 people in the UK die of cancer every year.[2]

Lung Cancer

Whereas lung cancer in men peaked in the late 1980's, with a rate of over 50/100,000 men and falling by about a third thereafter to about 36/100,000 men, the rate in EU women has been growing over the past two decades. Causative factors of lung cancer include smoking, responsible for more than 80% of cases.

NSCLC is defined as a cancer of the lung which is not of the small cell carcinoma type. The term "non-small cell lung cancer" applies to the various types of bronchogenic carcinomas (those arising from the lining of the bronchi) accounting for 80-85% of all lung cancer cases.

The World Health Organization (WHO) identifies multiple forms of NSCLC, but the major forms are squamous cell carcinomas, adenocarcinoma (ADC) and large-cell carcinoma.

The median survival of patients with untreated metastatic NSCLC is only about 4-5 months.

The Non-small Cell Lung Cancer market is growing - the Global market is projected to increase from $5.1 billion in 2013 to $7.9 billion in 2020 at a CAGR of 6.6%. This represents about 1.1 million cases estimated in the eight largest markets.

Endometriosis

Endometriosis is a gynaecological medical condition in which cells from the lining of the uterus (endometrium) appear and flourish outside the uterine cavity, most commonly on the ovaries. The uterine cavity is lined by endometrial cells, which are under the influence of female hormones. These endometrial-like cells in areas outside the uterus (endometriosis) are influenced by hormonal changes and respond in a way that is similar to the cells found inside the uterus. Symptoms often worsen with the menstrual cycle. Endometriosis is excessively debilitating, typically seen during the reproductive years and represents one of the major causes of female infertility.

It has been predicted that the global endometriosis market will reach $1.3 billion by 2017 and endometriosis remains a common health problem among women, with an estimated 170 million sufferers globally. This estimate is widely considered to be an under estimation of the true situation with respect to this condition.

80%

Causative factors of lung cancer include smoking, responsible for more than 80% of cases.

170 million

Endometriosis remains a common health problem among women, with an estimated 170 million sufferers globally.

1 Fiercebiotech, 2015
2 http://www.who.int/mediacentre/factsheets/fs297/en/
3 http://www.pharmaceutical-technology.com/features/feature125729/feature125729-3.html
4 http://www.macmillan.org.uk/Documents/AboutUs/Research/Keystats/StatisticsFactsheet.pdf

Strategic Report

LICENSING COLLABORATIONS

Imperial Innovations, London

Licensed technology since: 2006 (GenelCE).

Imperial Innovations Group plc ("Innovations") creates, builds and invests in pioneering technology companies and licensing opportunities developed from outstanding scientific research focusing on the 'Golden Triangle', the geographical region broadly bounded by London, Cambridge and Oxford.

This area has an unrivalled cluster of outstanding academic research and technology businesses, and is home to four of the world's top 10 universities[1], as well as leading research institutions, the cream of the UK's science and technology businesses and many of its leading investors.

Innovations supports scientists and entrepreneurs in the commercialisation of their ideas, through the licensing of intellectual property, by leading the formation of new companies, by recruiting high-calibre management teams and by providing investment and encouraging co-investment.

Cancer Research UK

Licensed technology since: 2016 (VAL201).

Cancer Research UK is a cancer research and awareness charity in the United Kingdom, formed on 4 February 2002 by the merger of The Cancer Research Campaign and the Imperial Cancer Research Fund. Its aim is to reduce the number of deaths from cancer. As the world's largest independent cancer research charity, it conducts research into the prevention, diagnosis and treatment of the disease. Research activities are carried out in institutes, universities and hospitals across the UK, both by the charity's own employees and by its grant-funded researchers. It also provides information about cancer and runs campaigns aimed at raising awareness of the disease and influencing public policy.

Cancer Research UK's work is almost entirely funded by the public. It raises money through donations, legacies, community fundraising, events, retail and corporate partnerships. Over 40,000 people are regular volunteers.

On 18 July 2012 it was announced that Cancer Research UK was to receive its largest ever single donation of £10 million from an anonymous donor. The money will go towards the £100 million funding needed for the Francis Crick Institute in London, the largest biomedical research building in Europe.

University College London Hospital

Out-sourced contractor to run clinical trial since: 2015.

University College London Hospitals NHS Foundation Trust (UCLH) is one of the most complex NHS trusts in the UK, serving a large and diverse population. In July 2004, UCLH was one of the first NHS trusts to achieve Foundation Trust status. It provides academically-led acute and specialist services, to people from the local area, from throughout the United Kingdom and overseas. UCLH is committed to delivering top-quality patient care, excellent education and world class research.

It has a turnover of £882 million and contracts with over 70 primary care trust commissioning bodies to provide services. It sees over 950,000 outpatients and admits over 156,000 patients each year.

It works with the Royal Free and University College Medical School, London South Bank and City universities to offer high-quality training and education.

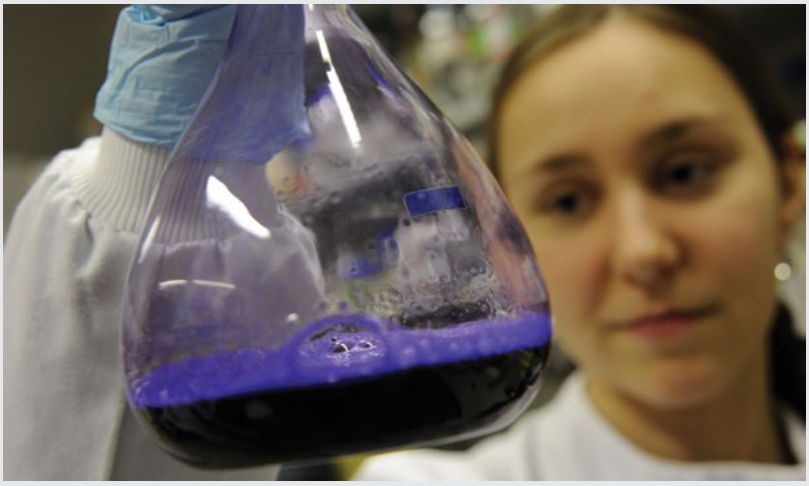
[1] QS World University Rankings 2015/16

"Pharmatest has been our preferred supplier of preclinical proof-of-concept studies for some time now and we are very satisfied with the high quality and scientific expertise that they provide."

Dr Satu Vainikka
Chief Executive Officer

Collaboration **Agreement**

Collaboration with Leeds University and its newly appointed professor, appointed to investigate new, broader technologies.



ValiRx participated in a collaborative research project with Professor Paul Taylor, Director of Student Education and Professor of Chemical Education at the School of Chemistry, University of Leeds.

Professor Taylor has recently moved to Leeds from the University of Warwick, where he achieved recognition as the co-inventor of ValiSeek's VAL401 programme.

The collaboration will give ValiRx access to Professor Taylor's new research results, once he starts work on the project: 'A translated retrotransposon as a biomarker and a therapeutic agent', which will seek to develop and establish a new gene-based technology and technique for developing biomarkers and targeted therapeutic agents.

ValiRx will own and be responsible for protecting the IP arising out of the collaboration, whilst exploitation shall be subject to all arising benefits being shared equally between ValiRx and the University of Leeds.

The research project will see a PhD student develop the project for three and a half years under the guidance of Professor Taylor and Dr Suzanne Dilly, with Dr Dilly acting as industrial supervisor for ValiRx to co-ordinate the programme between the Company and the academic collaborators.

"I am delighted to be working with Suzanne again and the team at ValiRx and to be generating new science, safe in the knowledge that our industrial partner is well placed to take that science forward into worthwhile clinical usage."

Professor Paul Taylor
University of Leeds

Strategic Report

THERAPEUTICS

Two drug candidates in clinical stage development. Others in pre-clinical.

Our portfolio

VAL201

VAL401

VAL101 (GeneICE, VAL101 & TRAC)

VAL201

50%

The prognosis for many patients with prostate cancer is very poor – less than 50% survive beyond 2 years.

Prostate Cancer

The Company's leading anti-cancer therapeutic VAL201 is currently in clinical trials for the treatment of prostate cancer and potentially other indications of hormone induced unregulated growth including endometriosis. The Phase I/II trial has been initiated and VAL201 was safe and well tolerated at the doses tested. Progressing through the dose escalation and expansion stages, the study is then designed to investigate further details of these aspects as well as efficacy. Particular emphasis will be placed on evaluating the pharmacokinetics, pharmacodynamics and early assessment of anti-tumour activity in response to VAL201, using a variety of measurements including ValiRx's biomarkers, with biomarkers being key indicators in personal medicine.

VAL201 selectively prevents tumour growth by specifically inhibiting the proliferation of tumour cells. As a result, tumour growth is suppressed and metastasis is significantly reduced. The approach is a targeted therapeutic with pre-clinical results that indicate that due to the specific nature of this treatment, this therapy is likely to be less toxic than many other therapeutic options. The VAL201 target is also associated with other cancers and there is significant potential for VAL201 to be used as a treatment for other hormone-induced cancers, such as breast and ovarian and also endometriosis.

Endometriosis

Endometriosis is a gynaecological medical condition in which cells from the lining of the uterus (endometrium) appear and flourish outside the uterine cavity lined by endometrial cells, which are under the influence of female hormones. These endometrial-like cells in areas outside the uterus (endometriosis) are influenced by hormonal changes and respond in a way that is similar to the cells found inside the uterus and symptoms often worsen with the menstrual cycle. The treatments chosen will depend on symptoms, age, and lifestyle plans. VAL201 has been shown though to reduce abnormal endometrial growth, whilst leaving other hormone-induced activities working normally. ValiRx's initial in-vitro results show a reduction in endometrial lesion size directly related to dose and two generations of offspring produced by treated animals. This strongly suggests that the peptide does not affect fertility the same way other treatments do.

"I am thrilled that the VAL201 clinical development has now entered the human patient phase and I am looking forward to receiving information about the compound's performance and behaviour in this critical stage of development."

Dr Satu Vainikka
Chief Executive Officer

VAL401

Lung Cancer and others

VAL401 is the reformulation of a generic drug that has over 20 years of clinical use for treatment of a chronic non-oncology disease in an oral capsule. The re-formulation allows the drug to access previously unexploited anti-cancer activity. VAL401 is progressing satisfactorily through its remaining preclinical development and towards clinical Phase II trials for the treatment of lung cancer and other oncology indications. Progress into clinical trials will comprise a shorter than usual route to Market Authorisation by use of prior clinical data gathered on the original generic drug. Preclinical efficacy data has been collected in both non-small cell lung and prostate cancers. Preclinical toxicology has revealed no side effects beyond those expected from the parent drug, with preclinical pharmacokinetc data allowing bridging from VAL401 to the historical full clinical data package on the parent. Formulation stability tests are currently underway to complete the CMC package.

20 years

During 20 years of prior clinical use, the active drug has been safely administered long term (chronic use of over 2 year's duration) with good compliance.

Indications

Other possible indications include prostate and pancreatic cancer.

"I am delighted that VAL401 has progressed according to schedule since being in-licensed to the ValiRx group last year. We look forward to hearing reports from ValiSeek of further advancement over the coming year."

Dr Satu Vainikka
Chief Executive Officer

Strategic Report

THERAPEUTICS continued

NAV3 (BioMarkers and Diagnostics)

Biomarker development programme, to support clinical and pre-clinical development, is continuing to produce results with the recent acquisition of complimentary TRAC technology. The programme is supported extensively by Finnish government regional funding.

The use of biomarkers with oncology therapeutics is one of the fastest growing areas of cancer research, as not only can the biomarkers identify patients who are more likely to respond to a particular drug therapy, but they can also indicate tumour progression.

ValiRx's biomarker subsidiary, ValiFinn in Finland provides the Group with exposure to the Biomarker market, a key and increasingly exciting field within its industry, but also to a revenue stream, derived from the provision of contract services to the pharmaceutical industry.

ValiFinn has built on its specialist biomarker expertise to develop its own companion diagnostic biomarkers to complement ValiRx's therapeutics, its existing intellectual property and its companion diagnostic activities, as well as marketing that expertise for the development programmes of other companies. Its services for consumers include biomarker measurements for health monitoring.

ValiFinn conducts the management of certain aspects of VAL201 late preclinical work and will assist in the regulatory work pertaining to the clinical trials and will manage certain aspects of the clinical work regarding hormone induced refractory cancer.

ValiRx's proprietary novel NAV3 Cancer Screening Test enables the detection of cancer cells in tissue samples, whether they are primary tumours, metastases or pre-malignant cell, at a stage when tumour development is only about to start. The test is based on the detection of specific changes in the NAV3 gene and the system of tests can be applied to a range of cancers.

Transcript Analysis with the Aid of Affinity Capture' or TRAC technology enables the efficient screening of a large number of drug candidates for a wide range of genetic safety and efficacy markers. The technology platform already has an established customer base and it has been generating revenue since 2012. Going forward, ValiRx will look to leverage upon TRAC's market presence and grow the sales of this diagnostic business. The Company believes that together with clinical validation, revenues from TRAC will grow, which will support both the biomarker and therapeutic development businesses. ValiFinn, which is itself already generating revenues, is well placed to further develop as a service/licensing business.

"The use of biomarkers with oncology therapeutics is one of the fastest growing areas of cancer research, as not only can the biomarkers identify patients who are more likely to respond to a particular drug therapy, but they can also indicate tumour progression."

Dr George Morris
Chief Operating Officer

VAL101 (GenelCE, VAL101 & TRAC)

GenelCE

GenelCE "rebellious gene" technology continues to show good progress in the pre-clinical phase – the programme currently benefits from a second Eurostars grant for up to €1.6 million.

Rebellious genes are genes that are overexpressed or are erroneously expressed when they should not be, e.g. in cancers, inflammatory conditions, Alzheimer's and autoimmune diseases. ValiRx's proprietary GenelCE technology enables the selective silencing of specific genes by targeted histone deacetylation leading to chromatin condensation. This prevents access and silences gene expression. In nature histone deacetylation of a particular gene is brought about by recruitment of a histone deacetylase complex (HDAC) to the gene. GenelCE constructs mimic this natural mechanism by delivery to the nucleus of a dual-module construct comprising: the binding of GenelCE construct to its target gene leads to deacetylation of the histones associated with the gene, localised chromatin condensation and gene silencing.

VAL101

VAL101 is a novel therapeutic based on the Company's proprietary GenelCE (Gene Inactivation by chromatin engineering) platform. It acts to target and switch "OFF" the gene that expresses Bcl-2, a protein that is implicated in about half of all carcinomas. Pre-clinical studies have established VAL101's efficacy in prostate, ovarian and pancreatic cancers and it may also have anti-tumour activity against orphan oncologic indications. ValiRx's GenelCE technology enables the selective silencing or the shutting down of particular rebellious genes, thereby halting and reversing tumour growth.

€1.6m

GenelCE has attracted a €1.6 million second Eurostars grant to fund its development.

$3.6bn

The global cancer biomarkers market for 2007 was estimated to be $3.6 billion.[1]

+6.3%

By 2016, the global cancer biomarkers market is expected to have grown by 6.3% to $6.3 billion.[1]

$7-9bn

The global prostate cancer market looks set to expand to $7-9 billion by 2020.[2]

25%

Prostate cancer population is predicted to expand by 25% from 2010 to 2020.[2]

[1] BCC Research and researchandmarkets 2010/2011
[2] GlobalData 2012

Strategic Report

CHIEF EXECUTIVE'S REPORT

"Following on from the Chairman's comprehensive review I will comment on the events and activities that I find the most significant and point the way to the future of the Company."

Dr Satu Vainikka
Founding Director & Chief Executive Officer

In what has been a pivotal period of momentum for the Group, ValiRx's lead compound VAL201, has performed exceptionally in clinical trials, demonstrating safety, tolerability and early signs of potential efficacy against prostate cancer. Our other re-profiled and reformulated therapeutic drug, VAL401, has been prepared and is poised to enter the clinic and our diagnostic technologies are conducting various pilot studies in order to grow their revenue streams.

VAL201

The Phase I/II Clinical Trial of VAL201 and its application in subjects with hormone resistant prostate cancer has confirmed that the compound is well tolerated up to a putative therapeutic dose and that it has shown a high degree of safety, with no drug related significant adverse events being reported. Indeed we were delighted that the readout from the first part of the trial – from first in human dosing through to a therapeutically meaningful dose – showed such strong safety and tolerability in all trial subjects. Other measurements taken were completely consistent and comparable to the results seen in the pre-clinical studies, both in vivo and in vitro, which completed prior to the early Human phase of development in which efficacy was shown.

VAL201 selectively prevents tumour growth by specifically inhibiting the proliferation of tumour cells. As a result, tumour growth is suppressed and metastasis is significantly reduced. The approach is a targeted therapeutic with pre-clinical results that indicate that due to the specific nature of the treatment, this therapy was likely to be less toxic than many other therapeutic options, a result borne out by the early clinical data. The VAL201 target is also associated with other cancers and there is significant potential for VAL201 to be used as a treatment for other hormone-induced cancers, such as breast and ovarian and also endometriosis.

Additional Clinical Trial Centres

Our desire to open additional Clinical Trial Centres has been stated in previous updates. These centres will be integrated into the study to assist with the dose expansion stage of the trial, in which strengthening of the dosing, safety and tolerability data will continue while further aspects of VAL201 anti-tumour activity are investigated. The additional capacity this trial-centre expansion represents will help ensure trial completion according to the expected timetable. Currently, further cohorts of subjects are being recruited as the dose elevation phase completes.

Endometriosis

The VAL201 clinical trial protocol also permits investigation of other solid hormone resistant tumour types. In the light of the excellent results shown by the compound with respect to tolerability and safety and with promising pre-clinical evidence of the compound's efficacy with respect to the treatment of the non-cancerous condition of endometriosis, we have started the design of the protocol to test VAL201 for its clinical potential in the treatment of the debilitating female condition, Endometriosis. Our preclinical results are good and encouraging and we anticipate this to be an important development of the compound's therapeutic use.

Endometriosis is a gynaecological medical condition in which cells from the lining of the uterus (endometrium) appear and flourish outside the uterine cavity (lined by endometrial cells), which are under the influence of female hormones. These endometrial-like cells in areas outside the uterus (endometriosis) are influenced by hormonal changes and respond in a way that is similar to the cells found inside the uterus and symptoms often worsen with the menstrual cycle. The treatments chosen will depend on symptoms, age, and lifestyle plans. VAL201 has been shown to reduce abnormal endometrial growth, whilst leaving other hormone-induced activities working normally. ValiRx's initial in vitro results show a reduction in endometrial lesion size directly related to dose and two generations of offspring produced by treated animals. This strongly suggests that the peptide does not affect fertility the same way most other treatments do.

VAL401

The Company's Clinical Efficacy trials of the novel cancer treatment drug, VAL401, for the treatment of lung cancer and other oncology indications, is in the late to final stages of preparation. The trial, namely (VAL401-001: "A Phase II study to assess the efficacy, safety and tolerability of VAL401 in the treatment of patients with locally

VAL401

The Company's VAL401 trial has been registered with the European Union Drug Regulating Authorities Clinical Trials Database (EudraCT). Work is now continuing to advance the regulatory approval process, with a primary trial site and Principal Investigator successfully identified and engaged.

"Now that we are actually in the midst of the Trial at UCLH and the initial results are very encouraging I am looking forward with optimism for VAL201 and its future."

advanced or metastatic Non-Small Cell Lung Cancer (NSCLC) after failure of at least one prior chemotherapeutic regimen") has been registered with the European Union Drug Regulating Authorities Clinical Trials Database (EudraCT).

VAL401 is the reformulation of a generic drug that has over 20 years of clinical use for treatment of chronic non-oncology conditions. The re-formulation allows the drug to access previously unexploited anti-cancer activity. VAL401 is progressing satisfactorily through its remaining preclinical development and towards clinical Phase II trials for the treatment of lung cancer and other oncology indications. Progress into clinical trials will comprise a shorter than usual route to Market Authorisation by use of prior clinical data gathered on the original generic drug. Preclinical efficacy data has been collected in both non-small cell lung, prostate and pancreatic cancers. Preclinical toxicology has revealed no side effects beyond those expected from the parent drug, with preclinical pharmacokinetic data allowing bridging from VAL401 to the historical full clinical data package on the parent drug. Formulation stability tests are currently underway to complete the CMC package.

TRAC

In February 2015, ValiRx acquired the Finnish gene expression and biomarker technology 'Transcript Analysis with the Aid of Affinity Capture' ("TRAC") for use by its wholly owned biomarker unit, ValiRx Finland Oy ("ValiFinn"), based in Oulu, Finland. This TRAC technology has already strengthened ValiFinn's biomarker development and service offering, by providing a high-content gene expression analysis platform, which will support ValiRx's development of oncology biomarkers and will support the Group's development of its oncology drug pipeline. TRAC is actively marketing itself to third parties growing its revenue stream.

VAL201 Passes Safety Test with Flying Colours

Following on from the Company's update on 19 November 2015 regarding its Phase I/II Clinical Trial of VAL201 and its application to subjects with hormone resistant prostate cancer, ValiRx confirms that the compound is well tolerated up to a putative therapeutic dose and that it has shown a high degree of safety, with no drug related significant adverse events being reported. The Company is pleased that the readout from the first part of the trial – from first in human dosing through to a therapeutically meaningful dose – has shown such strong safety and tolerability in all trial subjects. ValiRx is also happy to advise that other measurements taken are completely consistent and comparable to the results seen in the pre-clinical studies, both in vivo and in vitro, that completed prior to this early Human phase of development in which efficacy was shown. The trial also permits investigation of other solid hormone resistant tumour types.

"The Company is pleased that the readout from the first part of the trial – from first in human dosing through to a therapeutically meaningful dose – has shown such strong safety and tolerability in all trial subjects."

View more on our website www.valirx.com/news

Furthermore regarding ValiRx's proprietary 'gene-silencing' GenelCE technology (or "Gene inactivation by chromatin engineering"), the Board believes there are further synergies and advantages to be gained through GenelCE's access to and pairing with TRAC's gene expression analysis technology. Since GenelCE down regulates "rebellious Genes", TRAC can be used as a fast method to test GenelCE expression biomarkers and is well placed to select future GenelCE therapeutic targets.

GenelCE

Activities are continuing within the GenelCE Eurostars pre-clinical programme.

GenelCE "rebellious gene" technology continues to show good progress in the pre-clinical phase - the programme currently benefits from a second Eurostars grant for up to €1.6 million.

Rebellious genes are genes that are overexpressed when they should not be or are erroneously expressed, e.g. in cancers, inflammatory conditions, Alzheimer's and autoimmune diseases. ValiRx's proprietary GenelCE technology enables the selective silencing of specific genes by targeted histone deacetylation leading to chromatin condensation. This prevents access and silences gene expression. In nature histone deacetylation of a particular gene is brought about by recruitment of a histone deacetylase complex (HDAC) to the gene. GenelCE constructs mimic this natural mechanism by delivery to the nucleus of a dual-module construct comprising: the binding of GenelCE construct to its target gene leads to deacetylation of the histones associated with the gene, localised chromatin condensation and gene silencing.

Outlook

In conclusion, the period under review has been pleasingly satisfactory and our teams around the VAL201 and VAL401 compounds have started talking to parties for late stage clinical studies and for potential partnerships and collaboration with pharmaceutical partners.

ValiRx continues to look to expand its Intellectual Property ("IP") as its development programmes go forward and it remains open to technology acquisition opportunities and ways in which it can both deliver and grow shareholder value.

Dr Satu Vainikka
Founding Director & Chief Executive Officer

19 May 2016

Strategic Report

RISKS AND UNCERTAINTIES

Risk	Description	Mitigation	Change
1 Industry risk	The success of the Group's programmes depends upon the quality of the design and the implementation of each programme. The Group utilises a range of external scientific, regulatory and clinical experts to help guide its development programmes. The progress of the development programmes therefore represents the best indicator of the Group's performance. Successful commercialisation of the Group's products is likely to depend on successful progress through clinical studies, licensing and or partnering and registration. Development of product candidates involves a lengthy and complex process and products may not meet the necessary requirements in terms of toxicity, efficacy or safety, or the relevant regulators may not agree with the conclusions of the Group's research and may require further testing or withhold approval altogether.	The Group manages its clinical and regulatory risk by working closely with its expert regulatory advisors and, where appropriate, seeking advice from regulatory authorities on the design of key development plans for its pre-clinical and clinical programmes.	↑
2 Competition risk	The Group's success depends on acceptance of the Group's products by the markets, including pharmaceutical and biotechnology companies users and third party payers, and consequently the Group's progress may be adversely affected if it is unable to achieve market acceptance of its products. Factors which may affect the rate and level of market acceptance of any of the Group's products include the existence or entry on to the market of superior competing products or therapies and the price of the Group's products, compared to competing products and overall cost effectiveness of the product.	The Group works closely with its legal and other advisors and obtains, where necessary opinions on competition risk relevant to the Group's programmes and activities.	↑
3 Financial risk: Cash flow	The Group has a history of operating losses which are anticipated to continue until the Group is able to generate sufficient revenues from its development programmes. However, the Group may need to seek further capital through equity or debt financings in the future and if this is not successful, the financial condition of the Group may be adversely affected.	As at 31 December 2015, the Group had cash resources of £0.23 million, which the Group considers sufficient to finance its operational activities until at least Q1 2016 and has since raised further funding of £1.02 million.	→
4 Clinical and regulatory risk	Successful commercialisation of the Group's products is likely to depend on successful progress through clinical studies and registration. Development of product candidates involves a lengthy and complex process and products may not meet the necessary requirements in terms of toxicity, efficacy or safety, or the relevant regulators may not agree with the conclusions of the Group's research and may require further testing or withhold approval altogether.	The Group manages its clinical and regulatory risk by working closely with its expert regulatory advisors and, where appropriate, seeking advice from bodies on clinical and regulatory risk relevant to the Group's programmes and activities.	→
5 Counterparty risk	The Group's success depends on acceptance of the Group's products by the markets, including various buyers, users and third party payers, and consequently the Group's progress may be adversely affected if it is unable to achieve market acceptance of its products. Factors which may affect the rate and level of market acceptance of any of the Group's products include the existence or entry on to the market of superior competing products or therapies and the price of the Group's products compared to competing products and overall cost effectiveness of the product.	The Group works closely with its legal advisors and obtains, where necessary opinions on the Counterparty risk relevant to the Group's programmes and activities.	→
6 Intellectual property risk	The Group's success depends, in part, on its ability to obtain and maintain protection for its intellectual and proprietary information, so that it can stop others from making, using or selling its inventions or proprietary rights. The Group's patent applications may not be granted and its existing patent rights may be successfully challenged and revoked.	The Group invests in maintaining and protecting this intellectual property to reduce risks over the enforceability and validity of the Group's patents. The Group works closely with its legal advisors and obtains where necessary opinions on the intellectual property landscape relevant to the Group's programmes and activities.	→
7 Return on investment	The drug development process is inherently risky and is conducted over several years and consequently is costly. Many drug candidates fail in development due to the clinical and regulatory risks, and even in those circumstances where drugs are sold, licensed or partnered prior to or subsequent to potential or actual approval, sales levels can be disappointing due to competition, healthcare regulation and/or intellectual property challenges. As a result the returns achieved may be insufficient to cover the costs incurred.	The Group looks to mitigate the development and commercial risk by partnering drug candidates for late-stage development and commercialisation. By partnering in this way, part of the risk profile is reduced and the cost to the Company of programme development is minimised.	→
8 Environmental matters	The Board is committed to minimising the Group's impact on the environment and ensuring compliance with environmental legislation. The Board considers that its activities have a low environmental impact. The Group strives to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations. Disposal of hazardous waste is handled by specialist agencies.	The Group recognises its responsibility towards the environment and in the way it conducts its business and it works closely with all its expert scientific advisors to ensure its compliance with environmental legislation and to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations.	→

Risk Status Key ↑ Risk increased → Risk unchanged ↓ Risk decreased

Corporate Social **Responsibility**

ValiRx recognise the obligation to behave as a responsible corporate citizen and believe that by doing so we will minimise business risk and enhance our reputation.

The Board recognises the potential benefits of corporate social responsibility ("CSR") for the competitiveness of ValiRx and encourages a culture of continuous improvement in CSR-related issues. We have set specific policies that cover key aspects of CSR and strive to operate at the highest level of integrity.

Corporate **Governance**

Corporate Social Responsibility represents our commitment to economic and social development that will have a positive impact on the health and well-being of our team members, local and global communities, and stakeholders at large while advancing the quality of our company through engagement in the world around us.

At ValiRx, Our Board of Directors recognise that good corporate governance is essential to running a successful company, and they are committed to ensuring that high standards are maintained to solidly underpin the management of our business affairs.

"Delivering healthcare solutions that reduce complexity, drive efficiency and improve patient wellbeing."

- Our Corporate Social Responsibility Vision
  The overriding goals and objective of CSR encapsulate our higher mission.
- Core Values
  Our values of respect, trust, passion, innovation and continuous improvement all call for and are enhanced by a focus on the non-financial aspects of our business.
- What is it about
  Our vision is to create, develop and deliver innovative healthcare solutions and services that help reduce complexity, drive efficiency and improve overall patient wellbeing.
- What are we doing about it
  We continually refine our vision and people strategy for the future of our business and the markets we serve. Reporting is an essential tool for tracking and communicating progress against our commitments. It will help us advance our vision and demonstrate our efforts to innovate in the industry.

Governance

BOARD OF DIRECTORS

Our experienced Board of Directors comprises six dedicated members who are all well respected within their field.

Oliver de Giorgio-Miller
Non-executive Chairman

Appointment: Oliver joined the Board of ValiRx plc in May 2011.

Experience and Accreditation: Oliver has a wealth of experience in the management and commercial advancement of life science companies. He has worked for over 30 years with several global pharmaceutical and medical device companies including Schering AG, Hoffman la Roche, Intavent-Orthofix and Photo Therapeutics, a Cancer Research UK company, and he has extensive experience advising a number of other early stage biopharmaceutical and medical device companies.

Since 2002 Oliver has worked as a life sciences analyst in the City, working alongside corporate finance, investor relations and sales teams on a wide range of transactions including IPOs, secondary issues and M&As.

External Appointments: He is a director and investment manager of an offshore fund, Sarum Investment (SICAV) plc, which is exclusively focused on the oncology sector.

Dr Satu Vainikka
Founding Director & Chief Executive Officer

Appointment: Satu joined the Board in September 2006.

Experience and Accreditation: Satu has many years' experience of the biotechnology industry, including extensive first hand experience of equity financing, business management and developing life science technology into commercial enterprises. Prior to her current role as CEO of ValiRx, she was a founder, director and CEO of Cronos Therapeutics Limited.

In her past roles, Dr Vainikka has developed and exited successful business models, negotiated corporate and academic transactions and raised funding for a number of companies.

Dr Satu Vainikka has gained the following qualifications and awards:

- MBA at Imperial College Business School 2000;
- PhD in signal transduction in oncology, University of Helsinki 1996; and
- Prestigious "embo" fellowship for Postdoctoral research at Imperial Cancer Research (now CRC).

Dr George Morris
Founding Director & Chief Operating Officer

Appointment: George joined the Board in September 2006.

Experience and Accreditation: George has over 25 years' experience in biological and medical research and financial services. In the past he has worked for Guy's Hospital Medical School Department of Medicine, King's College and University College London. As a research scientist, he is an author of numerous books and articles on refereed papers, approximately 70 abstracts, short reports and posters, and an inventor of multiple patents.

George was a founding member of the expert advisory panel, the "Biotechnology and Finance Forum", set up jointly between the European Commission and the European Association of Securities Dealers. George is involved in a number of conferences and workshops with the EU research and agricultural directorates and is an "expert" to the Commission and has been invited into several policy discussion groups.

George has worked with a variety of commercial, governmental organisations and financial institutions in the US, Europe and Australia and many consultancy projects covering various biotechnology and financial activities.

External Appointments: He is regularly asked to chair or participate in conferences in his areas of experience, including acting as a "Venture Academy" mentor.

To view our Scientific Advisory Board, visit
www.valirx.com/about-us/scientific-advisory-board

Gerry Desler
Founding Director & Chief Financial Officer

Appointment: Gerry joined the Board in September 2006.

Experience and Accreditation: Gerry is a chartered accountant, who qualified in 1968 with a City firm, before becoming a partner in 1970. Between 1985 to 1990 he was the senior partner. During his time in the City, he has specialised in consultancy work, much of it involving funding and venture capital.

He was involved in one of the first joint ventures in what was then the People's Republic of China in 1980.

External Appointments: Gerry is also the finance director of Prospex Oil & Gas Plc, an AIM listed company and is on the board of a number of private companies.

Kevin Alexander
Non-executive Director

Appointment: Kevin joined the Board in September 2006.

Experience and Accreditation: Kevin is a qualified solicitor in England and an attorney in New York and he was a partner at major law firms in both London and the United States for over 25 years. Since leaving the law, he has been involved in forming and managing various businesses, both private and public. He has an MA in law from Cambridge University.

Seppo Mäkinen
Non-executive Director

Appointment: Seppo joined the Board in October 2013.

Experience and Accreditation: Seppo Mäkinen has more than 25 years executive experience at board level and of venture capital management in life science companies. His special expertise is on biotech/medtech/diagnostics. His career includes ten years as a Director in Life Sciences at Sitra (Finnish Government Fund), followed by thirteen years as co-founder and Managing Partner in Bio Fund Management Oy. His experience also includes five years as President of BioFund A/S, Copenhagen. With €200 million under management, BioFund was one of the biggest European VC funds investing into life sciences. He received his M.Sc. Degree in physical chemistry from University of Jyväskylä in 1979.

External Appointments: Seppo Mäkinen is currently Board Member in five life science/healthcare companies and advisor to Merieux Développement Fund.

Company **Information**

Directors
Oliver de Giorgio-Miller
Dr Satu Vainikka
Dr George Morris
Gerry Desler
Kevin Alexander
Seppo Mäkinen

Secretary
Kevin Alexander

Company number
03916791

Registered office
24 Greville Street
London
EC1N 8SS

Auditors
Adler Shine LLP
Chartered Accountants
and Statutory Auditor
Aston House
Cornwall Avenue
London
N3 1LF

Bankers
Royal Bank of Scotland Plc
St Ann Street
Manchester
M50 2SS

Solicitors
Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

DIRECTORS' REPORT

For the year ended 31 December 2015

The Directors present their report and financial statements for the year ended 31 December 2015.

Results and dividends

The results for the year are set out on page 25.

The Directors do not recommend payment of an ordinary dividend.

Financial risk management objectives and policies

Note 25 to the financial statements gives details of the Group's objectives and policies for risk management of financial instruments.

Research and development

The Group will continue its policy of investment in research and development. In accordance with International Financial Reporting Standards (IFRS), during the year the Group expensed to the income statement £1,543,441 (2014: £1,772,338) on research and development. Further details on the Group's research and development are included in the Chief Executive's Report on page 16.

Directors

The following Directors have held office since 1 January 2015:

O de Giorgio-Miller
Dr S Vainikka
Dr G Morris
G Desler
K Alexander
S Mäkinen

The market value of the Company's shares at 31 December 2015 was 22.75p and the high and low share prices during the period were 64.00p and 16.00p respectively.

Significant shareholders

As at 13 March 2016, so far as the Directors are aware, there are no parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital.

Directors' insurance

The Directors and officers of the Company are insured against any claims against them for any wrongful act in their capacity as a Director, officer or employee of the Group, subject to the terms and conditions of the policy.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Adler Shine LLP be reappointed as auditors of the Company will be put to the Annual General Meeting.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) including FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the Company and the group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- state, with regard to the parent company financial statements, whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as each person serving as a Director of the Company at the date this report is approved is aware:

(a) there is no relevant audit information of which the Company's auditors are unaware, and

(b) each Director hereby confirms that he or she has taken all the steps that he or she ought to have taken as Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board of Directors and signed on its behalf by:

Dr Satu Vainikka
Chief Executive Officer

19 May 2016

INDEPENDENT AUDITORS' REPORT

to the members of ValiRx plc

We have audited the Group and Parent Company financial statements (the "financial statements") of ValiRx Plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Parent Company Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB') Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice – FRS 102; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Darsh Shah (Senior Statutory Auditor)
for and on behalf of Adler Shine LLP
Aston House Chartered Accountants and Statutory Auditor
Cornwall Avenue
London
N3 1LF

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Revenue	3	**82,603**	87,558
Cost of sales		**(77,875)**	(61,025)
Gross profit		**4,728**	26,533
Research and development		**(1,543,441)**	(1,772,338)
Administrative expenses		**(1,694,089)**	(1,603,128)
Other operating income	4	**203,391**	210,802
Operating loss	4	**(3,029,411)**	(3,138,131)
Fair value profit/(loss) on derivative financial assets	14	**463,023**	(72,202)
Finance income	5	**1,074**	8,023
Loss on disposal of financial assets		**–**	(437,493)
Finance costs	6	**(1,793)**	(1,532)
Loss on ordinary activities before taxation		**(2,567,107)**	(3,641,335)
Income tax expense	7	**391,202**	396,864
Loss on ordinary activities after taxation		**(2,175,905)**	(3,244,471)
Non-controlling interest		**57,570**	84,440
Loss for the year and total comprehensive income		**(2,118,335)**	**(3,160,031)**
Loss per share – basic and diluted	8		
From continuing operations		**(6.66)p**	(13.48)p

There are no recognised gains and losses other than those passing through the Consolidated Statement of Comprehensive Income.

The notes on pages 30 to 44 form part of these statutory accounts.

Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Share capital £	Share premium £	Merger reserve £	Reverse acquisition reserve £	Share option reserve £	Non controlling interests £	Retained earnings £	Total £
Balance at 1 January 2014		6,359,357	5,925,231	637,500	602,413	73,852	–	(10,367,941)	3,230,412
Changes in equity for 2014									
Loss for the year		–	–	–	–	–	(84,440)	(3,160,031)	(3,244,471)
On acquisition of subsidiary		–	–	–	–	–	110,814	–	110,814
Issue of shares		922,449	2,069,701	–	–	–	–	–	2,992,150
Costs in respect of shares issued		–	(390,200)	–	–	–	–	–	(390,200)
Movement in the year		–	–	–	–	89,324	–	–	89,324
Transfer between share option reserve and retained earnings		–	–	–	–	(9,032)	–	9,032	–
Balance at 31 December 2014		7,281,806	7,604,732	637,500	602,413	154,144	26,374	(13,518,940)	2,788,029
Changes in equity in 2015									
Loss for the year		–	–	–	–	–	(57,570)	(2,118,335)	(2,175,905)
On acquisition of subsidiary		–	–	–	–	–	110,265	–	110,265
Issue of shares	18	838,930	3,291,070	–	–	–	–	–	4,130,000
Costs in respect of shares issued		–	(368,940)	–	–	–	–	–	(368,940)
Movement in the year		–	–	–	–	49,375	–	–	49,375
Balance at 31 December 2015		**8,120,736**	**10,526,862**	**637,500**	**602,413**	**203,519**	**79,069**	**(15,637,275)**	**4,532,824**

Merger reserve

The merger reserve of £637,500 exists as a result of the acquisition of ValiRx Bioinnovation Limited. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the fair value of ValiRx Bioinnovation Limited at 3 October 2006, the date of acquisition.

Reverse acquisition reserve

The reverse acquisition reserve exists as a result of the method of accounting for the acquisition of ValiRx Bioinnovation Limited and ValiPharma Limited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	2015 £	2015 £	2014 £	2014 £
ASSETS					
Non-current assets					
Intangible assets	9		**2,673,363**		2,380,021
Property, plant and equipment	10		**22,177**		1,507
			2,695,540		2,381,528
Current assets					
Inventories	12	**43,950**		11,150	
Trade and other receivables	13	**686,394**		777,602	
Derivative financial assets	14	**1,463,023**		–	
Cash and cash equivalents		**232,465**		452,824	
		2,425,832		1,241,576	
LIABILITIES					
Current liabilities					
Trade and other payables	15	**(588,548)**		(835,075)	
Net current assets			**1,837,284**		406,501
Net assets			**4,532,824**		2,788,029
SHAREHOLDERS' EQUITY					
Called up share capital	18		**8,120,736**		7,281,806
Share premium			**10,526,862**		7,604,732
Merger reserve			**637,500**		637,500
Reverse acquisition reserve			**602,413**		602,413
Share option reserve			**203,519**		154,144
Profit and loss account			**(15,637,275)**		(13,518,940)
Total shareholders' equity			**4,453,755**		2,761,655
Non-controlling interests			**79,069**		26,374
Total equity			**4,532,824**		2,788,029

The notes on pages 30 to 44 form part of these statutory accounts.

Approved by the Board and authorised for issue on 19 May 2016.

Dr Satu Vainikka
Chief Executive Officer

Company Registration No. 03916791

Financial Statements

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

	2015		2014	
	£	£	£	£
Net cash outflow from operating activities		**(2,977,116)**		(3,316,712)
Returns on investments and servicing of finance				
Interest received	**1,074**		8,023	
Interest paid	**(1,793)**		(1,532)	
Net cash (outflow)/inflow for returns on investments and servicing of finance		**(719)**		6,491
Taxation		**387,747**		309,541
Capital expenditure and financial investment				
Payments to acquire intangible assets	**(389,926)**		(273,846)	
Payments to acquire tangible assets	**(31,670)**		(1,408)	
Receipts from sales of investments	**–**		330,830	
Net cash (outflow)/inflow for capital expenditure		**(421,596)**		55,576
Acquisitions and disposals				
Non-controlling interest	**110,265**		63	
Net cash inflow for acquisitions and disposals		**110,265**		63
Financing				
Issue of Ordinary Share capital	**3,050,000**		2,900,000	
Cost of share issue	**(368,940)**		(390,200)	
Cost of derivative financial asset	**–**		(1,500,000)	
Proceeds received from issue of derivative financial asset	**–**		1,427,798	
Net cash inflow from financing		**2,681,060**		2,437,598
Decrease in cash in the year		**(220,359)**		(507,443)
Cash and cash equivalents at beginning of period		**452,824**		960,267
Cash and cash equivalents at end of period		**232,465**		452,824

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

1 Reconciliation of operating loss to net cash outflow from operating activities

	2015 £	2014 £
Operating loss	**(3,029,411)**	(3,138,131)
Depreciation of tangible assets	**10,906**	517
Amortisation of intangible assets	**91,831**	90,697
Increase in stocks	**(32,800)**	(7,072)
Decrease/(increase) in debtors	**94,663**	(199,884)
Decrease in creditors within one year	**(166,527)**	(158,873)
Other non-cash movements	**4,847**	6,710
Share option charge	**49,375**	89,324
Net cash outflow from operating activities	**(2,977,116)**	(3,316,712)

2 Analysis of net funds

	1 January 2015 £	Cash flow £	Other non- cash changes £	31 December 2015 £
Net cash				
Cash at bank and in hand	452,824	(220,359)	–	**232,465**
	452,824	(220,359)	–	**232,465**

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

1.1 Basis of preparation

ValiRx Plc is a company incorporated in the United Kingdom under the Companies Act 1985, which is listed on the AIM market of the London Stock Exchange Plc. The address of its registered office is 24 Greville Street, London EC1N 8SS.

The registered number of the Company is 03916791.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The Group financial statements have been prepared under the historical cost convention or fair value where appropriate.

1.2 Going concern

The current economic environment is challenging and the Group have reported an operating loss for the year. These losses will continue in the current accounting year to 31 December 2016.

The company carries out regular fund-raising exercises in order that it can provide the necessary working capital for the Group. Further funds will be required to finance the Group's work programme. As detailed in note 24, since the year end, the Group has raised £1.02m before expenses through two issues of new Ordinary Shares.

The board expects to continue to raise additional funding as and when required to cover the Group's development, primarily from the issue of further shares.

As such the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries ("the Group"). Subsidiaries include all entities over which the Group has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

On 3 October 2006, ValiRx Bioinnovation Limited ('Bioinnovation') acquired 60.28% of the issued share capital of ValiPharma Limited ('ValiPharma') in exchange for shares in Bioinnovation. Concurrently, the Company, ("ValiRx"), acquired the entire issued share capital of Bioinnovation in a share for share transaction. As a result of these transactions, the former shareholders of ValiPharma became the majority shareholders in ValiRx. Accordingly, the substance of the transaction was that ValiPharma acquired ValiRx in a reverse acquisition. Under IFRS 3 "Business Combinations", the acquisition of ValiPharma has been accounted for as a reverse acquisition.

In May 2008 the Company acquired the remaining 39.72% of the issued share capital of ValiPharma, which is now wholly owned by the Group. This acquisition was accounted for using the acquisition method of accounting.

In August 2011, the Company acquired for a nominal amount, the outstanding equity of a Finnish non-trading company – ValiRx Finland OY ("ValiFinn") – that it had jointly established with local partners in 2008. As a result of the acquisition, ValiFinn has become a wholly owned subsidiary of the Company.

In November 2013 ValiSeek Limited was formed to enable the Company to entered into a joint venture agreement. The company has a 55.5% holding in the issued share capital of ValiSeek.

The assets and liabilities of the Group's foreign operations are expressed in pounds sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Material exchange differences arising are classified as equity. The translation differences are recognised in the period in which the foreign operation is disposed of.

Intra-group transactions, profits and balances are eliminated in full on consolidation.

1.4 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable net assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually, or when trigger events occur, for impairment and is carried at cost less accumulated impairment losses.

1 Principal accounting policies continued

1.5 Other intangible assets

Acquired licences, trademarks and patents are capitalised at cost and are amortised on a straight-line basis over their useful life. Patents are amortised over 16 years and licences over 16 to 20 years.

Acquired brands are written off in equal annual instalments over their useful economic life, which the Directors estimate to be 15 years. However, following the cancellation of ValiMedix Limited's distribution agreement and the cessation of the Company's trade in 2014, the Directors carried out a review of the carrying value of brands, as a consequence of which the value has been fully impaired. This resulted in an amortisation charge of £nil (2014: £9,603) in excess of the normal annual charge of £nil (2014: £996).

1.6 Research and development

Research expenditure is recognised as an expense and is charged to the income statement in the year in which it is incurred.

Development expenditure is recognised as an expense in the same way unless it meets the recognition criteria of IAS 38 "Intangible Assets". Regulatory and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation.

Depreciation is provided at the following rates per annum to write off the cost of property, plant and equipment, less estimated residual value, on a straight line basis from the date on which they are brought into use:

Plant and machinery	33% per annum straight line
Computer equipment	33% per annum straight line

1.8 Impairment of assets

The carrying value of property, plant and equipment and intangibles is reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

1.10 Financial assets

The Company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Management determines the classification of its investments at initial recognition.

1.11 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The principal financial assets of the Company are loans and receivables, which arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

The Group's loans and receivables are recognised and carried at the lower of their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered possible.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less. The Company considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the cash flow statement.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

1 Principal accounting policies continued

1.13 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value with the changes in fair value recognised in the Income Statement.

1.14 Financial liabilities

The Group does not have any financial liabilities that would be classified as fair value through the profit or loss. Therefore all financial liabilities are classified as other financial liabilities as follows.

The Group's trade and other payables are recognised at their original amount.

1.15 Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary and deferred shares are classified as equity instruments.

1.16 Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the Consolidated Statement of Comprehensive Income in the year to which they relate.

1.17 Taxation

The taxation charge represents the sum of current tax and deferred tax.

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised of the deferred tax liability is settled.

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

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

1.18 Foreign currency translation

Transactions in currencies other than Sterling, the presentational and functional currency of the Company, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity, where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas entities (none of which has the currency of a hyper-inflationary economy) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

1.19 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

1.20 Revenue recognition

Revenue represents sales and services to third party customers in the health sector, stated net of any applicable value added tax. Revenue is recognised when the goods and services have been provided.

1.21 Share-based payments

IFRS 2 "Share-based Payments" requires that an expense for equity instruments granted is recognised in the financial statements based on their fair values at the date of the grant. This expense, which is in relation to employee share options, is recognised over the vesting period of the scheme. The fair value of employee services is determined by reference to the fair value of the awarded grant calculated using the Black Scholes model.

At the year end date, the Group revises its estimate of the number of share incentives that are expected to vest. The impact of the revisions of original estimates, if any, is recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity, over the remaining vesting period.

1 Principal accounting policies continued

1.22 New standards and interpretations

As at the date of approval of these financial statements, the following standards were in issue but not yet effective. These standards have not been adopted early by the Company as they are not expected to have a material impact on the financial statements other than requiring additional disclosure or alternative presentation.

		Effective date (period beginning on or after)
IFRS 2	Share based payments – Amendments resulting from the annual improvements cycle 2010-2012 (definition of "vesting conditions")	01/02/2015
IFRS 3	Business combinations – Amendments resulting from the annual improvements cycle 2010-2012 (scope exception for joint ventures")	01/02/2015
IFRS 3	Business combinations – Amendments resulting from the annual improvements cycle 2011-2013 (scope exception for joint ventures")	01/01/2015
IFRS 5	Non-current assets held for sale and discontinued operations – Amendments resulting from September 2014 annual improvements to IFRSs	01/01/2016
IFRS 7	Financial instruments disclosure – Amendments resulting from September 2014 annual improvements to IFRSs	01/01/2016
IFRS 8	Operating segments – Amendments resulting from the annual improvements cycle 2010-2012 (aggregation of segments, reconciliation of segment assets)	01/02/2015
IFRS 9	Financial instruments – incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition	01/01/2018
IFRS 10	Consolidated financial statements – Amendments regarding the application of consolidation exception	01/01/2016
IFRS 12	Disclosure of interests in other entities – Amendments regarding the application of consolidation exception	01/01/2016
IFRS 13	Fair value measurement – Amendments resulting from the annual improvements cycle 2011-2013 (scope of the portfolio exception)	01/01/2015
IAS 1	Presentation of financial Statements – Amendments resulting from the disclosure initiative	01/01/2016
IAS 7	Statement of cash flows – Amendments resulting from the disclosure initiative	01/01/2017
IAS 12	Income taxes – Amendments regrading recognition of deferred tax assets for unrealised losses	01/01/2017
IAS 16	Property, plant and equipment – Amendments resulting from the annual improvements cycle 2010-2012 (proportionate restatement of accumulated depreciation on revaluation)	01/02/2015
IAS 16	Property, plant and equipment – clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	01/01/2016
IAS 16	Property, plant and equipment – Amendments bringing bearer plants into scope of IAS 16	01/01/2016
IAS 19	Employee benefits – Amendment to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	01/02/2015
IAS 19	Employee benefits – Amendment resulting from September 2014 Annual Improvements to IFRSs	01/01/2016
IAS 24	Related party disclosures –Amendments resulting from annual improvements 2010-2012 cycle (management entities)	01/02/2015
IAS 27	Separate financial statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	01/01/2016
IAS 28	Investments in associates and joint ventures – Amendments regarding the application of the consolidation exception	01/01/2016
IAS 36	Impairment of assets – clarification of acceptable methods of depreciation and amortisation	01/01/2016
IAS 38	Intangible assets – Amendments resulting from annual improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation and revaluation)	01/02/2015
IAS 38	Intangible assets – Amendments regarding the clarification of acceptable methods of depreciation and amortisation	01/02/2015

The International Financial Reporting Interpretations Committee has also issued interpretations which the Company does not consider will have a significant impact on the financial statements.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

2 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The material areas in which estimates and judgements are applied as follows:

Goodwill impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Share-based payments

The estimates of share-based payments costs require that management selects an appropriate valuation model and makes decisions on various inputs into the model, including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees.

Deferred tax assets

Deferred taxation is provided for using the liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium-term plans for each taxable entity within the Group. If the actual profits earned by the Group's taxable entities differ from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

3 Turnover and loss on ordinary activities before taxation

The Directors are of the opinion that under IAS 14 – "Segmental Information" the Group operates in two primary business segments, being drug development and the sale of self-test drug kits. The secondary segment is geographic. The Group's geographical segments are determined by location of operations. The Group's revenues and net assets by both primary and secondary business segments are shown below.

Class of business	**2015 £**	2014 £
Revenue		
Diagnostics	**82,603**	87,558
Loss before taxation		
Drug development	**2,236,471**	3,377,752
Diagnostics	**330,636**	263,583
	2,567,107	3,641,335
Net assets		
Drug development	**4,384,768**	2,680,889
Diagnostics	**148,056**	107,140
	4,532,824	2,788,029

Geographical market	**2015 £**	2014 £
Revenue		
UK	**–**	2,935
Europe	**82,603**	84,623
	82,603	87,558
Loss before taxation		
UK	**2,239,765**	3,402,102
Europe	**327,342**	239,233
	2,567,107	3,641,335
Net assets		
UK	**4,384,823**	2,682,266
Europe	**148,001**	105,763
	4,532,824	2,788,029

4 Operating loss

	2015 £	2014 £
Operating loss is stated after charging		
Amortisation of intangible assets	**91,831**	90,697
Depreciation of tangible assets	**10,906**	517
and after crediting		
Government grants	**(203,391)**	(210,802)
(Profit)/loss on foreign exchange transactions	**–**	15,870
Auditors' remuneration		
Fees payable to Company auditors for the audit of the Company and consolidated accounts	**14,000**	14,000
– The audit of Company's subsidiaries pursuant to legislation	**13,000**	13,000
– Auditor's fees for review of interim accounts	**1,270**	1,270

5 Finance income

	2015 £	2014 £
Bank interest	**1,074**	8,023

6 Finance costs

	2015 £	2014 £
On bank loans and overdrafts	**55**	1,532
On other loans wholly repayable within five years	**1,636**	–
On overdue tax	**102**	–
	1,793	1,532

7 Taxation

	2015 £	2014 £
Domestic current year tax		
Tax credits on research and development – current year	**(391,202)**	(396,864)
Current tax charge	**(391,202)**	(396,864)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	**2,567,107**	(3,641,335)
Loss on ordinary activities before taxation multiplied by effective rate of UK corporation tax of 20.25% (2014: 21.50%)	**(519,839)**	(782,887)
Effects of		
Non deductible expenses	**16,370**	57,259
Capital allowances for the year in (excess)/deficit of depreciation and amortisation	**(3,350)**	2,036
Tax losses not utilised	**602,751**	351,451
Research and development expenditure	**(393,372)**	(122,099)
Other tax adjustments	**(93,762)**	97,376
	128,637	386,023
Current tax charge	**(391,202)**	(396,864)

No corporation tax arises on the results for the year ended 31 December 2015 due to the losses incurred for tax purposes.

The deferred tax asset, arising from tax losses of £12.3 million (2014: £9.3 million) carried forward, has not been recognised but would become recoverable against future trading profits, subject to agreement with HM Revenue and Customs.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

8 Loss per Ordinary Share

The earnings and number of shares used in the calculation of loss per Ordinary Share are set out below:

	2015	2014
Basic		
Loss for the financial period	**(2,118,335)**	(3,160,031)
Weighted average number of shares	**31,789,529**	23,434,303
Loss per share	**(6.66)p**	(13.48)p

The loss and the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. The outstanding share options (note 17) would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 'Earnings per Share'. The number of shares included in the comparative figure for 2014 has been updated to give effect to the restructuring of the share capital which took place during the current year (note 18).

Following the issue of 4,187,333 Ordinary Shares of 0.1p each in February 2016, and a further 1,184,211 Ordinary Shares of 0.1p each in April 2016, the number of allotted Ordinary Shares of 0.1p each in issue was 43,710,395.

9 Intangible fixed assets

	Patents £	Goodwill £	Brands and licences £	Total £
Cost				
At 1 January 2014	786,802	1,177,592	115,000	2,079,394
Additions	223,846	110,751	260,000	594,597
Exchange differences	(8,795)	–	–	(8,795)
At 31 December 2014	1,001,853	1,288,343	375,000	2,665,196
Exchange differences	(6,777)	–	–	(6,777)
Additions	279,662	110,264	–	389,926
At 31 December 2015	**1,274,738**	**1,398,607**	**375,000**	**3,048,345**
Amortisation				
At 1 January 2014	172,231	–	24,401	196,632
Exchange differences	(2,154)	–	–	(2,154)
Charge for the year	60,098	–	30,599	90,697
At 31 December 2014	230,175	–	55,000	285,175
Exchange differences	(2,024)	–	–	(2,024)
Charge for the year	79,956	–	11,875	91,831
At 31 December 2015	**308,107**	**–**	**66,875**	**374,982**
Net book value				
At 31 December 2015	**966,631**	**1,398,607**	**308,125**	**2,673,363**
At 31 December 2014	771,678	1,288,343	320,000	2,380,021

The goodwill arising on the acquisitions of ValiRx Bioinnovation Limited, ValiPharma Limited, ValiRx Finland OY and ValiSeek Limited is not being amortised but will be reviewed on an annual basis for impairment, or more frequently if there are indications that goodwill might be impaired. The impairment review comprises a comparison of the carrying amount of the goodwill with its recoverable amount (the higher of fair value less costs to sell and value in use). ValiRx Plc has used the value in use method, applying a 15% discount rate.

Goodwill per cash generating unit:	£
ValiPharma Limited	772,229
ValiRx Bioinnovations Limited	394,613
ValiMedix Limited	–
ValiRx Finland OY	10,750
ValiSeek Limited	221,015

Sensitivity analysis is not required as a reasonably possible change in assumptions would not result in an impairment.

10 Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2014	26,467
Exchange differences	(117)
Additions	1,408
At 31 December 2014	27,758
Exchange differences	(148)
Additions	31,670
Disposals	(21,755)
At 31 December 2015	**37,525**
Depreciation	
At 1 January 2014	25,782
Exchange difference	(48)
Charge for the period	517
At 31 December 2014	26,251
Exchange differences	(54)
On disposals	(21,755)
Charge for the year	10,906
At 31 December 2015	**15,348**
Net book value	
At 31 December 2015	**22,177**
At 31 December 2014	1,507

11 Financial assets – available-for-sale investments

	Unlisted investments £
Cost	
At 1 January 2015 & at 31 December 2015	**1,333,770**
Provisions for diminution in value	
At 1 January 2015 & at 31 December 2015	**1,333,770**
Net book value	
At 31 December 2015	**–**
At 31 December 2014	–

The Group owns 5.5% (2014: 5.5%) (on a fully diluted basis) of the issued share capital of Morphogenesis Inc., a company incorporated in USA. Morphogenesis Inc. is a private company in which ValiRx Plc holds a minority interest.

12 Inventories

	2015 £	2014 £
Finished goods and goods for resale	**43,950**	11,150

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

13 Trade and other receivables

	2015 £	2014 £
Trade receivables	**33,290**	18,078
Tax recoverable	**400,319**	396,864
Called up share capital not paid	**73**	73
Other receivables	**195,939**	219,857
Prepayments and accrued income	**56,773**	142,730
	686,394	777,602

Amounts falling due after more than one year and included in the receivables above are:

	2015 £	2014 £
Other receivables	**21,967**	14,638

In the Directors' opinion the carrying amount of receivables is considered a reasonable approximation of fair value.

14 Derivative financial assets

	2015 £	2014 £
Due within one year	**1,463,023**	–

In September 2015, the Company issued 8,161,637 new shares of 0.1p per share at a price of 30.018p per share to YA Global Master SPV Ltd ("Yorkville") with a notional value of £2.45 million. On subscription, the Company received £1.45 million less costs of £167,500.

At the same time, the Company entered into an equity swap agreement with Yorkville for 6,430,872 of these shares with a notional price of 15.55p per share i.e. £1 million. Yorkville have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 12 month period.

All 8,161,637 shares were allotted with full rights on the date of the transaction.

At each swap settlement, the Company will receive greater or lower consideration calculated on pro-rata basis depending on whether the applicable Market Price for the previous month was greater or less than the Benchmark Price (34.21p per share).

As the amount of the consideration receivable by the Company from Yorkville will vary subject to the change in the Company's share price and will be settled in the future, the receivable has been treated as a derivative financial asset and has been designated at fair value through profit or loss.

The fair value of the derivative financial assets has been determined by reference to the Company's share price and has been estimated as follows:

	Share price	Notional number of shares outstanding	Fair value £
Value of derivative financial assets at 1 January 2015			
Value recognised on inception (notional)	15.55p	6,430,872	1,000,000
Gain on revaluation of derivative financial asset	–	–	463,023
Value of derivative financial assets at 31 December 2015	**22.75p**	**6,430,872**	**1,463,023**

In December 2013, the Company issued 800 million new Ordinary Shares of 0.1p per share at a price of 0.325p ("Benchmark Price") per share to YA Global Master SPV Limited ("Yorkville") with a notional value of £2.6 million. The Company entered into an equity swap price mechanism with Yorkville for 753,846,154 of these shares for £1.5 million of that amount. Yorkville hedged the consideration they pay for shares in the Company against the performance of the Company's share price over an 18 month period. All 800 million shares were allotted with full rights on the date of the transaction.

At each swap settlement, the Company would receive greater or lower consideration calculated on pro-rata basis depending on whether the applicable Market Price for the previous month was greater or less than the Benchmark Price.

As the amount of the consideration receivable by the Company from Yorkville would vary subject to the change in the Company's share price and would be settled in the future, the receivable was treated as a derivative financial asset and has been designated at fair value through profit or loss.

In October 2014, the equity swap agreement was exercised in full by agreement between the parties. The Company received back £1,427,798 of the amount swapped with Yorkville, resulting in a loss of £72,202.

15 Trade and other payables

	2015 £	2014 £
Trade payables	**447,639**	514,200
Taxes and social security costs	**18,074**	25,076
Other payables	**5,040**	4,732
Accruals and deferred income	**117,795**	291,067
	588,548	835,075

In the Directors' opinion the carrying amount of payables is considered a reasonable approximation of fair value.

16 Retirement benefits

The Group operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds.

Defined contribution

	2015 £	2014 £
Contributions payable by the Company for the year	**53,389**	47,019

17 Share-based payments

At 31 December 2015 outstanding awards to subscribe for Ordinary Shares of 0.1p each in the Company, granted in accordance with the rules of the ValiRx share option schemes, were as follows:

	2014	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	367,040	–	95.00
Granted	2,256,000	–	43.13
Lapsed	(51,200)	–	(95.70)
Carried forward	2,571,840	8.08	52.09

	2015	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	**2,571,840**	**–**	**52.09**
Granted	**1,221,560**	**–**	**51.00**
Carried forward	**3,793,400**	**8.54**	**51.74**

All options were exercisable at the year end. No options were exercised or lapsed during the year.

The number of share options included in the comparative figures for 2014, and the weighted average exercise price, have been updated to give effect to the restructuring of the share capital which took place during the year (note 18).

The following share-based payment arrangements were in existence during the current and prior years:

Options	Number	Expiry date	Exercise price	Fair value at grant date
1. Granted 23 November 2007	3,440	23/11/2017	1312.50p	193.75p
2. Granted 17 September 2009	20,400	17/09/2019	125.00p	90.00p
3. Granted 8 July 2011	292,000	08/07/2021	93.75p	12.50p
4. Granted 19 January 2014	1,064,000	19/01/2024	43.13p	5.00p
5. Granted 21 October 2014	1,192,000	21/10/2024	45.00p	3.75p
6. Granted 26 June 2015	1,221,560	26/06/2025	51.00p	4.04p

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

17 Share-based payments continued

The fair value of the remaining share options has been calculated using the Black-Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

Options	Grant date share price	Exercise price	Expected volatility	Expected option life	Risk-free interest rate
1. Granted 23 November 2007	1312.50p	1312.50p	35.00%	3.50	4.36%
2. Granted 17 September 2009	262.50p	125.00p	40.00%	4.00	2.50%
3. Granted 8 July 2011	80.00p	93.75p	52.00%	3.00	1.24%
4. Granted 19 January 2014	43.13p	43.13p	17.00%	3.00	0.99%
5. Granted 21 October 2014	45.00p	45.00p	17.00%	3.00	1.00%
6. Granted 26 June 2015	50.50p	51.00p	16.00%	3.00	0.38%

The fair value has been calculated assuming that there will be no dividend yield.

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of daily share prices over a 3 year period to grant date. All of the above options are equity settled and the charge for the year is £49,375 (2014: £89,324).

18 Share capital

	2015 Number	2014 Number	**2015 £**	2014 £
Allotted, called up and fully paid				
Ordinary Shares of 0.1p each	**38,338,851**	–	**38,339**	–
Ordinary Shares of 0.1p each	**–**	2,941,382,514	**–**	2,941,383
Deferred shares of 5p each	**58,378,365**	58,378,365	**2,918,918**	2,918,918
Deferred shares of 0.9p each	**157,945,030**	157,945,030	**1,421,505**	1,421,505
Deferred shares of 12.4p each	**30,177,214**	–	**3,741,974**	–
			8,120,736	7,281,806

In January 2015, the Company raised £800,000, before expenses, through the issue of 400 million new Ordinary Shares of 0.1p each at 0.20p per share. The net proceeds of this fundraising will be used for future oncology development work and for general working capital purposes.

In March 2015, the Company raised £800,000, before expenses, through the issue of 400 million new Ordinary Shares of 0.1p each at 0.20p per share. The net proceeds of this fundraising will be used for future oncology development work and for general working capital purposes.

In March 2015, the Company issued 30,769,231 Ordinary Shares of 0.1p each to Cancer Research Technology Limited at a price of 0.26p per share in lieu of an £80,000 milestone payment.

In May 2015, the shareholders passed the resolutions required to effect a Capital Reorganisation. Every 125 existing Ordinary Shares of 0.1p each ('Existing Ordinary Shares') were consolidated into one consolidated Ordinary Share of 12.5p each ('Consolidated Share'). Immediately afterwards, each of the Consolidated Shares was sub-divided into one new Ordinary Share of 0.1p each ('New Ordinary Share') and one new deferred share of 12.4p each ('New Deferred Shares'). The existing issued share capital at the time of 3,772,151,750 Existing Ordinary Shares was reorganised into 30,177,214 New Ordinary Shares.

On 21 September 2015, the Company raised £2.45m before fees and expenses by way of a Placing of 8,161,637 new Ordinary Shares of 0.1 pence each at 30.018 pence per share. Consideration was part satisfied by the issue of a derivative financial instrument (note 14).

The deferred shares have no rights to vote, attend or speak at general meetings of the Company or to receive any dividend or other distribution and have limited rights to participate in any return of capital on a winding-up or liquidation of the Company.

19 Financial commitments

At 31 December 2015 the Company was committed to making the following payments under non- cancellable operating leases in the year to 31 December 2016:

	Land and buildings	
	2015 £	2014 £
Operating leases which expire		
Within one year	**42,764**	27,000

20 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, and are all Directors of the Company.

	2015 £	2014 £
Salaries and other short-term employee benefits	**297,600**	366,125
Salaries and other short-term employee benefits – research & development	**311,250**	–
Post-employment benefits	**23,796**	23,796
	632,646	389,921

Salaries and fees	Salary, bonus and fees £	Post-employment benefits £	2015 £	2014 £
S Vainikka	201,250	8,796	**210,046**	158,796
G Morris	158,500	15,000	**173,500**	103,000
K Alexander	53,000	–	**53,000**	25,000
G Desler	82,100	–	**82,100**	54,125
O de Giorgio-Miller	61,000	–	**61,000**	24,000
S Mäkinen	53,000	–	**53,000**	25,000
	608,850	23,796	**632,646**	389,921

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2014: 2).

The Directors interests in share options as at 31 December 2015 are as follows:

Director	Options at 31 December 2015	Exercise price	Date of grant	First date of exercise	Final date of exercise
S Vainikka	8,000	125.00p	17.09.09	17.09.13	17.09.19
S Vainikka	80,000	93.75p	08.07.11	08.07.11	08.07.21
S Vainikka	192,000	43.125p	19.01.14	19.01.14	19.01.24
S Vainikka	192,000	45.00p	21.10.14	21.10.14	21.10.24
S Vainikka	222,000	51.00p	26.06.15	26.06.15	25.06.25
G Morris	6,000	125.00p	17.09.09	17.09.13	17.09.19
G Morris	48,000	93.75p	08.07.11	08.07.11	08.07.21
G Morris	176,000	43.125p	19.01.14	19.01.14	19.01.24
G Morris	176,000	45.00p	21.10.14	21.10.14	21.10.24
G Morris	191,000	51.00p	26.06.15	26.06.15	25.06.25
K Alexander	3,200	125.00p	17.09.09	17.09.13	17.09.19
K Alexander	48,000	93.75p	08.07.11	08.07.11	08.07.21
K Alexander	160,000	43.125p	19.01.14	19.01.14	19.01.24
K Alexander	160,000	45.00p	21.10.14	21.10.14	21.10.24
K Alexander	173,800	51.00p	26.06.15	26.06.15	25.06.25
G Desler	1,040	1312.50p	23.11.07	23.05.09	23.11.17
G Desler	3,200	125.00p	17.09.09	17.09.13	17.09.19
G Desler	48,000	93.75p	08.07.11	08.07.11	08.07.21
G Desler	176,000	43.125p	19.01.14	19.01.14	19.01.24
G Desler	176,000	45.00p	21.10.14	21.10.14	21.10.24
G Desler	189,760	51.00p	26.06.15	26.06.15	25.06.25
O de Giorgio-Miller	24,000	93.75p	08.07.11	08.07.11	08.07.21
O de Giorgio-Miller	160,000	43.125p	19.01.14	19.01.14	19.01.24
O de Giorgio-Miller	160,000	45.00p	21.10.14	21.10.14	21.10.24
O de Giorgio-Miller	211,000	51.00p	26.06.15	26.06.15	25.06.25
S Mäkinen	64,000	43.125p	19.01.14	19.01.14	19.01.24
S Mäkinen	160,000	45.00p	21.10.14	21.10.14	21.10.24
S Mäkinen	105,000	51.00p	26.06.15	26.06.15	25.06.25

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

21 Staff costs

Number of employees

The average monthly number of employees (including Directors) during the year was:

	2015 Number	2014 Number
Directors	**8**	6
Staff	**4**	6
	12	12

Employment costs

	2015 £	2014 £
Wages and salaries	**975,229**	660,771
Social security costs	**70,022**	59,855
Other pension costs	**53,389**	47,019
Costs of share option scheme	**49,375**	89,324
	1,148,015	856,969

22 Control

The Directors consider that there is no ultimate controlling party.

23 Related party transactions

During the year the Director, G Desler, provided the Company and its subsidiaries with bookkeeping services totalling £33,577 (2014: £25,077).

During the year the Director O de-Giorgio Miller invoiced the Company £70,745 (2014: £49,500) for research and development work.

At the year end, the amounts owed to Directors included in trade payables and relating to Directors remuneration and expenses to be reimbursed were as follows:

	2015 £	2014 £
G Desler	**86**	–
O de Giorgio-Miller	**–**	–
G Morris	**488**	–
S Vainikka	**–**	2,975
K Alexander	**–**	–
S Mäkinen	**–**	–

24 Post balance sheet events

In February 2016, the Company raised £502,480, before expenses, through the issue of 4,187,333 new Ordinary Shares of 0.1p each at 12p per share. The net proceeds of this fundraising will be used for ongoing drug development and for general working capital purposes.

In March 2016, the Company entered into an agreement with Bracknor Fund Ltd ("Bracknor"), a private mutual fund incorporated in the British Virgin Islands ("BVI"), pursuant to which Bracknor has agreed to subscribe for convertible loan notes with an aggregate principal amount of up to £4 million ("CLNs"). As part of the agreement, the Company has agreed to issue warrants to Bracknor ("CLN Warrants"). Further details of the CLNs and the CLN Warrants are set out below.

Convertible Loan Note Facility

Subject to certain conditions, Bracknor has agreed to subscribe for the CLNs in eight equal tranches of £0.5 million each ("Tranche"). The Company issued the Initial Tranche in April 2016 and has the exclusive option to require Bracknor to subscribe for up to seven Tranches of £0.5 million at any time after the earlier of (i) 60 days after the issue of the previous Tranche (unless extended in accordance with terms set out in the agreement) and (ii) the date on which all existing issued CLNs have been converted into Ordinary Shares in the Company (together the "Trigger Events") provided that the Company gives notice to Bracknor requiring it to subscribe for a further Tranche within 30 trading days of a Trigger Event occurring.

Each Tranche is convertible into Ordinary Shares of the Company (at the election of Bracknor) at the price equivalent to 90% of the of the lowest volume weighted average price of the Company's Ordinary Shares in the 15 trading days immediately preceding the date of conversion, subject to a floor price of (i) in respect of the initial tranche 37.5% of the lowest average share price in the 15 trading days immediately preceding the initial tranche issue date and (ii) in respect of the subsequent tranches at a rate of 30% of the lowest average trading price in the 15 trading days immediately prior to the relevant issue date. The CLNs shall mature on the third anniversary of the issue of the Initial Tranche at which point any outstanding issued CLNs will be converted into Ordinary Shares. No interest is payable on the CLNs. An arrangement fee equating to 5% is payable by the Company to Bracknor.

24 Post balance sheet events continued

Issue of Warrants

The Company has agreed to issue CLN Warrants such that, at the point of any conversion of CLNs ("Conversion"), the Company shall issue CLN Warrants to Bracknor at a rate of 115% of the number of shares to be issued pursuant to the corresponding Conversion. The CLN Warrants shall be exercisable at any time prior to the fifth anniversary of the date of their issue.

Use of proceeds

The proceeds of this facility enables ValiRx to expand the VAL201 clinical trial, currently being conducted at UCLH, to a multi-centre study, which also includes patients with other solid tumours.

Issue of Convertible Loan Note ("CLN")

Following the issue of the Initial Tranche CLNs of £500,000 to Bracknor, the Company has also received a conversion notice from Bracknor to convert £90,000 of the CLN into Ordinary Shares of the Company (the "Conversion"). Following the Conversion £410,000 of the loan notes remain in issue.

Issue of Equity

As a consequence of the Conversion, the Company conditionally issued and allotted 1,184,211 Ordinary Shares in the Company in consideration of the £90,000 loan note. The 1,184,211 Ordinary Shares will rank pari passu with the existing Ordinary Shares. Application for the 1,184,211 Ordinary Shares was made to the London Stock Exchange and trading in the shares is commenced on or around 7 April 2016.

Following the issue of equity above the Company's issued share capital will comprise of 43,710,395 Ordinary Shares.

Issue of Warrants

Pursuant to the Bracknor agreement the Company has also issued Bracknor with a warrant over 4,926,741 Ordinary Shares in the Company, which may be exercised at a price of 9 pence per share at any time until the fifth anniversary of issue, being 31 March 2021.

25 Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows.

- derivative financial assets;
- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

The main purpose of these financial instruments is to finance the Group's operations. The fair value measurement of the derivative financial assets is as follows:

	Fair value measurement		
	Level 1 £	Level 2 £	Level 3 £
At 31 December 2015	**–**	**1,463,023**	**–**
At 31 December 2014	–	–	–

A summary of the financial instruments held by category is provided below:

Financial assets	**2015 £**	2014 £
Loans and receivables		
Trade and other receivables	**686,394**	777,602
Derivative financial assets	**1,463,023**	–
Cash and cash equivalents	**232,465**	452,824
Total loans and receivables	**2,381,882**	1,230,426
Total financial assets	**2,381,882**	1,230,426

Financial liabilities	**2015 £**	2014 £
Trade and other payables	**588,548**	835,075

The Directors consider that the carrying value for each class of financial asset and liability, approximates to their fair value.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

25 Financial instruments continued

Financial risk management

The Group's activities expose it to a variety of risks, including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and, through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance.

The Board provides written objectives, policies and procedures with regards to managing currency and interest risk exposures, liquidity and credit risk including guidance on the use of certain derivative and non-derivative financial instruments

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its receivables and its cash deposits. It is Group policy to assess the credit risk of new customers before entering contracts. The credit risk on liquid funds is limited because the counterparties are banks with high credit- ratings assigned by international credit-rating agencies.

Liquidity risk and interest rate risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Board regularly receives cash flow projections for a minimum period of twelve months, together with information regarding cash balances monthly.

The Group is principally funded by equity and invests in short-term deposits, having access to these funds at short notice. The Group's policy throughout the period has been to minimise interest rate risk by placing funds in risk free cash deposits but also to maximise the return on funds placed on deposit.

All cash deposits attract a floating rate of interest. The benchmark rate for determining interest receivable and floating rate assets is linked to the UK base rate.

Foreign currency risk

The Group has an entity which operates in Europe and is therefore exposed to foreign exchange risk arising from currency exposure to the Euro, the functional currency of that subsidiary. The overseas subsidiary operates a separate bank account that is used solely for that subsidiary, thus managing the currency in that country. The Group's net assets arising from the overseas subsidiary are exposed to currency risk resulting in gains or losses on retranslation into Sterling. Given the levels of materiality, the Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Intangible assets	2		**165,000**		170,000
Tangible fixed assets	4		**21,113**		–
Investments	3		**3,362,635**		3,128,532
			3,548,748		3,298,532
Current assets					
Debtors	6	**2,017,188**		1,822,376	
Derivative financial asset	7	**1,463,023**		–	
Cash at bank and in hand		**216,339**		433,232	
		3,696,550		2,255,608	
Creditors: amounts falling due within one year	8	**(706,011)**		(936,034)	
Net current assets			**2,990,539**		1,319,574
Total assets less current liabilities			**6,539,287**		4,618,106
Capital and reserves					
Called up share capital	10		**8,120,736**		7,281,806
Share premium account			**10,526,862**		7,604,732
Merger reserve			**637,500**		637,500
Share option reserve			**203,519**		154,144
Profit and loss account			**(12,949,330)**		(11,060,076)
Total equity			**6,539,287**		4,618,106

The financial statements were approved by the Board of Directors and authorised for issue on 19 May 2016.

Signed on its behalf by:

Dr S Vainikka
Chief Executive Officer

Company Registration No. 03916791

Financial Statements

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital £	Share premium account £	Merger reserve £	Share option reserve £	Retained earnings £	Total £
Balance at 1 January 2014	6,359,357	5,925,231	637,500	73,852	(7,696,714)	5,299,226
Changes in equity for 2014						
Loss for the year	–	–	–	–	(3,372,394)	(3,372,394)
Issue of share capital	922,449	2,069,701	–	–	–	2,992,150
Cost of shares issued	–	(390,200)	–	–	–	(390,200)
Movement in the year	–	–	–	89,324	–	89,324
Transfers between reserves	–	–	–	(9,032)	9,032	–
Balance at 31 December 2014	7,281,806	7,604,732	637,500	154,144	(11,060,076)	4,618,106
Changes in equity for 2015						
Loss for the year	–	–	–	–	(1,889,254)	(1,889,254)
Issue of share capital	838,930	3,291,070	–	–	–	4,130,000
Costs of share issue	–	(368,940)	–	–	–	(368,940)
Movement in the year	–	–	–	49,375	–	49,375
Balance at 31 December 2015	**8,120,736**	**10,526,862**	**637,500**	**203,519**	**(12,949,330)**	**6,539,287**

Share capital
Represents the nominal value of the issued share capital.

Share premium account
Represents amounts received in excess of the nominal value on the issue of share capital less any costs associated with the issue of shares.

Merger reserve
Represents the difference between the nominal value of the share capital issued by the Company and the fair value of ValiRx Bioinnovations at the date of acquisition.

Share option reserve
Represents the fair value of the share-based payment, determined at the grant date, and expensed over the vesting period.

Retained earnings
Represents accumulated comprehensive income for the year and prior periods.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 Accounting policies

Company information

ValiRx Plc is a company limited by shares incorporated in England and Wales. The registered office is 24 Greville Street, London, EC1N 8SS.

1.1 Accounting convention

The balance sheet and the associated notes have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of ValiRx Plc prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 13.

The company has taken advantage of the exemption in FRS 102 from the requirement to produce a cash flow statement on the basis that it is a qualifying entity and the Company's cash flows are included in its own consolidated financial statements. The consolidated accounts of ValiRx Plc are available to the public and may be obtained from 24 Greville Street, London EC1N 8SS.

1.2 Investments in associates and subsidiaries

Fixed asset investments are stated at cost less provision for diminution in value.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer equipment	33% per annum straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.4 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	20 years, straight line

1.5 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

1 Accounting policies continued

1.5 Impairment of tangible and intangible assets continued

The 'percentage of completion method' is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Bank interest accruing on capital borrowed to fund the production of long term contracts is carried forward within long term contract balances.

1.6 Financial assets

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1.7 Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1 Accounting policies continued

1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.9 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.11 Share-based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest.

1.12 Grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.13 Profit and loss account

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone. A loss of £1,889,254 is attributable to shareholders for the financial year ended 31 December 2015 (2014: £3,372,394).

1.14 Financial instruments

Full details of the Company's policy in relation to financial instruments and management of financial risk are set out in note 25 to the Group financial statements. The Company does not hold any derivatives and there is no material difference in the fair value and carrying value of any financial instruments held by the Company.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

2 Intangible fixed assets

	Development costs £
Cost	
At 1 January 2015	200,000
At 31 December 2015	**200,000**
Amortisation/impairment	
At 1 January 2015	30,000
Charge for the year	5,000
At 31 December 2015	**35,000**
Carrying amount	
At 31 December 2015	**165,000**
At 31 December 2014	170,000

3 Investments

	Fixed assets	
	2015 £	2014 £
Investments in subsidiaries (note 12)	**3,362,635**	3,128,532

Movements in fixed asset investments

	Shares £
Cost or valuation	
At 1 January 2015	3,128,532
Additions	234,103
At 31 December 2015	**3,362,635**
Impairment	
At 1 January 2014 & 31 December 2014	–
Carrying amount	
At 31 December 2015	**3,362,635**
At 31 December 2014	3,128,532

4 Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2015	21,755
Additions	31,670
Disposals	(21,755)
At 31 December 2015	**31,670**
Depreciation and impairment	
At 1 January 2015	21,755
Depreciation charged in the year	10,557
Eliminated in respect of disposals	(21,755)
At 31 December 2015	**10,557**
Carrying amount	
At 31 December 2015	**21,113**
At 31 December 2014	–

5 Financial instruments

	2015 £	2014 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	**2,017,188**	4,747,711
Equity instruments measured at cost less impairment	**3,362,635**	3,128,532
Instruments measured at fair value through profit or loss	**1,463,023**	–
Carrying amount of financial liabilities		
Measured at amortised cost	**(706,011)**	(936,034)

6 Debtors

	Due within one year	
	2015 £	2014 £
Loans and other receivables	**63,268**	22,904
Corporation tax recoverable	**380,147**	370,240
VAT recoverable	**106,657**	146,363
Amounts due from subsidiary undertakings	**1,426,933**	1,140,139
Prepayments and accrued income	**40,183**	142,730
	2,017,188	1,822,376

7 Derivative financial assets

	2015 £	2014 £
Due within one year	**1,463,023**	–

In September 2015, the Company issued 8,161,637 new shares of 0.1p per share at a price of 30.018p per share to YA Global Master SPV Ltd ("Yorkville") with a notional value of £2.45 million. On subscription, the Company received £1.45 million less costs of £167,500.

At the same time, the Company entered into an equity swap agreement with Yorkville for 6,430,872 of these shares with a notional price of 15.55p per share i.e. £1 million. Yorkville have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 12 month period.

All 8,161,637 shares were allotted with full rights on the date of the transaction.

At each swap settlement, the Company will receive greater or lower consideration calculated on pro-rata basis depending on whether the applicable Market Price for the previous month was greater or less than the Benchmark Price (34.21p per share).

As the amount of the consideration receivable by the Company from Yorkville will vary subject to the change in the Company's share price and will be settled in the future, the receivable has been treated as a derivative financial asset and has been designated at fair value through profit or loss.

The fair value of the derivative financial assets has been determined by reference to the Company's share price and has been estimated as follows:

	Share price	Notional number of shares outstanding	Fair value £
Value of derivative financial assets at 1 January 2015	–		
Value recognised on inception (notional)	15.55p	6,430,872	1,000,000
Gain on revaluation of derivative financial asset	–	–	463,023
Value of derivative financial assets at 1 January 2015	22.75p	6,430,872	1,463,023

In December 2013, the Company issued 800 million new Ordinary Shares of 0.1p per share at a price of 0.325p ("Benchmark Price") per share to YA Global Master SPV Limited ("Yorkville") with a notional value of £2.6 million. The Company entered into an equity swap price mechanism with Yorkville for 753,846,154 of these shares for £1.5 million of that amount. Yorkville hedged the consideration they pay for shares in the Company against the performance of the Company's share price over an 18 month period. All 800 million shares were allotted with full rights on the date of the transaction.

At each swap settlement, the Company would receive greater or lower consideration calculated on pro-rata basis depending on whether the applicable Market Price for the previous month was greater or less than the Benchmark Price.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

7 Derivative financial assets continued

As the amount of the consideration receivable by the Company from Yorkville would vary subject to the change in the Company's share price and would be settled in the future, the receivable was treated as a derivative financial asset and has been designated at fair value through profit or loss.

In October 2014, the equity swap agreement was exercised in full by agreement between the parties. The Company received back £1,427,798 of the amount swapped with Yorkville, resulting in a loss of £72,202.

8 Creditors

	Due within one year	
	2015 £	2014 £
Taxation and social security	**14,401**	15,147
Trade creditors	**325,385**	379,950
Amounts due to subsidiary undertakings	**300,670**	320,670
Accruals	**60,515**	215,535
Other creditors	**5,040**	4,732
	706,011	936,034

9 Share-based payment transactions

At 31 December 2015 outstanding awards to subscribe for Ordinary Shares of 0.1p each in the Company, granted in accordance with the rules of the ValiRx share option schemes, were as follows:

	2014	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	367,040	–	95.00
Granted	2,256,000	–	43.13
Lapsed	(51,200)	–	(95.70)
Carried forward	2,571,840	8.08	52.09

	2015	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	**2,571,840**	**–**	**52.09**
Granted	**1,221,560**	**–**	**51.00**
Carried forward	**3,793,400**	**8.54**	**51.74**

All options were exercisable at the year end. No options were exercised or lapsed during the year.

9 Share-based payment transactions

The number of share options included in the comparative figures for 2014, and the weighted average exercise price, have been updated to give effect to the restructuring of the share capital which took place during the year (note 10).

The following share-based payment arrangements were in existence during the current and prior years:

Options	Number	Expiry date	Exercise price	Fair value at grant date
1. Granted 23 November 2007	3,440	23/11/2017	1312.50p	193.75p
2. Granted 17 September 2009	20,400	17/09/2019	125.00p	90.00p
3. Granted 8 July 2011	292,000	08/07/2021	93.75p	12.50p
4. Granted 19 January 2014	1,064,000	19/01/2024	43.13p	5.00p
5. Granted 21 October 2014	1,192,000	21/10/2024	45.00p	3.75p
6. Granted 26 June 2015	1,221,560	26/06/2025	51.00p	4.04p

9 Share-based payment transactions continued

The fair value of the remaining share options has been calculated using the Black-Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

Options	Grant date share price	Exercise price	Expected volatility	Expected option life	Risk-free interest rate
1. Granted 23 November 2007	1312.50p	1312.50p	35.00%	3.50	4.36%
2. Granted 17 September 2009	262.50p	125.00p	40.00%	4.00	2.50%
3. Granted 8 July 2011	80.00p	93.75p	52.00%	3.00	1.24%
4. Granted 19 January 2014	43.13p	43.13p	17.00%	3.00	0.99%
5. Granted 21 October 2014	45.00p	45.00p	17.00%	3.00	1.00%
6. Granted 26 June 2015	50.50p	51.00p	16.00%	3.00	0.38%

The fair value has been calculated assuming that there will be no dividend yield.

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of daily share prices over a 3 year period to grant date. All of the above options are equity settled and the charge for the year is £49,375 (2014: £89,324).

10 Share capital

	2015 £	2014 £
Ordinary Share capital		
Issued and fully paid		
38,338,851 Ordinary Shares of 0.1p each	**38,339**	–
2,941,380,514 Ordinary Shares of 0.1p each	**–**	2,941,383
58,378,365 Deferred shares of 5p each	**2,918,918**	2,918,918
157,945,030 Deferred shares of 0.9p each	**1,421,505**	1,421,505
30,177,214 Deferred shares of 12.4p each	**3,741,974**	–
	8,120,736	7,281,806

In January 2015, the Company raised £800,000, before expenses, through the issue of 400 million new Ordinary Shares of 0.1p each at 0.20p per share. The net proceeds of this fundraising will be used for future oncology development work and for general working capital purposes.

In March 2015, the Company raised £800,000, before expenses, through the issue of 400 million new Ordinary Shares of 0.1p each at 0.20p per share. The net proceeds of this fundraising will be used for future oncology development work and for general working capital purposes.

In March 2015, the Company issued 30,769,231 Ordinary Shares of 0.1p each to Cancer Research Technology Limited at a price of 0.26p per share in lieu of an £80,000 milestone payment.

In May 2015, the shareholders passed the resolutions required to effect a Capital Reorganisation. Every 125 existing Ordinary Shares of 0.1p each ('Existing Ordinary Shares') were consolidated into one consolidated Ordinary Share of 12.5p each ('Consolidated Share'). Immediately afterwards, each of the Consolidated Shares was sub-divided into one new Ordinary Share of 0.1p each ('New Ordinary Share') and one new deferred share of 12.4p each ('New Deferred Shares'). The existing issued share capital at the time of 3,772,151,750 Existing Ordinary Shares was reorganised into 30,177,214 New Ordinary Shares.

On 21 September 2015, the Company raised £2.45 million before fees and expenses by way of a Placing of 8,161,637 new Ordinary Shares of 0.1 pence each at 30.018 pence per share. Consideration was part satisfied by the issue of a derivative financial instrument (note 7).

The deferred shares have no rights to vote, attend or speak at general meetings of the Company or to receive any dividend or other distribution and have limited rights to participate in any return of capital on a winding-up or liquidation of the Company.

Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

11 Related party transactions

Remuneration of key management personnel

Full details of remuneration of key management personnel are given in note 20 to the consolidated financial statements.

Other transactions with related parties

The company has taken advantage of the exemption available in accordance with Financial Reporting Standard 102, Section 33, not to disclose transactions entered into between two or more members of a group, as the Company is the ultimate parent undertaking of the group to which it is party to the transactions.

During the year, G Desler, Director, provided the Company with bookkeeping services totalling £9,000 (2014: £12,500).

During the year, O de-Giorgio Miller, Director, invoiced the Company £70,745 (2014: £49,500) for research and development work.

At the year end, the amounts owed to the Directors included in creditors and relating to Directors' remuneration and expenses to be reimbursed were as follows:

	2015 £	2014 £
G Desler	**86**	–
G Morris	**488**	–
S Vainikka	**–**	2,975

12 Subsidiaries

These financial statements are separate company financial statements for ValiRx Plc.

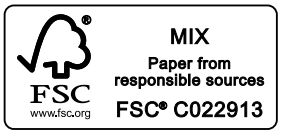
Details of the Company's subsidiaries at 31 December 2015 are as follows:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
ValiRx Bioinnovation Limited	England & Wales	100.00%	100.00%	Intermediate Holding Company
ValiPharma Limited*	England & Wales	100.00%	100.00%	Therapeutic research & development
ValiMedix Limited	England & Wales	100.00%	100.00%	Dormant
ValiRx Finland OY	Finland	100.00%	100.00%	Therapeutic research & development
ValiSeek Limited	England & Wales	55.00%	55.00%	Therapeutic research & development

* 60.28% is owned by ValiRx Bioinnovation Limited and 39.72% by the Company.

13 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There have been no changes in accounting policies between UK GAAP and FRS 102. Therefore no reconciliation is required for the profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 as previously reported.



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