Group Strategic Report, Report of the Directors and Audited Consolidated Financial Statements for the Year Ended 31 December 2019 for ValiRx Plc

ValiRX Plc

Contents of the Consolidated Financial Statements for the year ended 31 December 2019

ValiRX Plc

Company Information
for the year ended 31 December 2019

DIRECTORS:	K J Alexander Dr K Cox G Desler M Lampshire Dr S J Dilly
SECRETARY:	K J Alexander
REGISTERED OFFICE:	Stonebridge House Chelmsford Road Hatfield Heath Essex CM22 7BD
REGISTERED NUMBER:	03916791 (England and Wales)
AUDITORS:	Adler Shine LLP
Chartered Accountants & Statutory Auditor	Aston House Cornwall Avenue London N3 1LF

Independent Directors Report
for the year ended 31 December 2019

The period from 1 January 2019 to date has marked some profound changes in the composition of the Company's board. It was with great sadness that we reported that the Chairman, Oliver Degiorgio-Miller, passed away suddenly in October 2019. He was a key member of the board and is greatly missed.

In more recent times, the former Chief Executive, Dr Satu Vainikka ceased to be a director, and Chief Operating Officer, Dr George Morris, resigned. They had both been founder-directors of ValiRx since 2006 and had made significant contributions to the selection of the drug candidates which still form a large part of the Company's drug development activities. We wish them well for the future.

Dr Suzanne Dilly has been appointed to the board as Chief Executive to take the Company forward into the future. We were fortunate to have her as an employee within the Group, and for many years she has been a member of our Senior Management Team. She is therefore very familiar with the Company's operations at the time of these significant changes to the board. Her familiarity with the Company has permitted operations to continue with minimum disruption as is indicated in her Chief Executive's Report.

Martin Lampshire, an experienced small cap corporate financier who also knew the Company well, joined the board in May and will be a valuable source of advice.

Finally, we have also been fortunate to attract a well-respected biotechnology professional, Dr Kevin Cox, as the Non-Executive Chairman of the board. We look forward to working with him following his appointment to the board.

The departures from the board led to some financial and organisational disruption but we have been able to stabilise the situation. Since the year end, we have completed three share issues in February, April and May 2020, raising an aggregate of approximately £1.4m, before expenses, and concluded a consolidation and subdivision of the issued share capital to permit the raising of capital.

We very much look forward to the continued development of the Company and supporting the implementation of an exciting and sustainable growth strategy.

K Alexander
Director

Date: 30 June 2020

Chief Executive's Report
for the year ended 31 December 2019

After a brief period of transition at ValiRx, I am pleased to report on our progress over the period of 2019, and to reflect on the post period changes in the first half of 2020.

With the coronavirus SARs-CoV2 pandemic dominating world events in 2020, the public spotlight is on biotech and pharmaceuticals companies as never before. I find it hard to believe that any investigative scientist has been able to resist considering their own area of science to understand the challenges and help to search for solutions.

The area of drug repurposing, where drugs developed for one disease are recycled into another, has become of particular interest as many known drugs are being tested for beneficial effects in patients affected by the viral infection. In ValiRx, this technique is well known, with VAL401 being the repurposing of an anti-psychotic treatment into being tested for use in oncology, and our oncology therapeutic, VAL201 also being tested in endometriosis, as well as more latterly being evaluated for use in patients following SARS-CoV2 infection.

The ongoing pandemic presents an unpredictable economic environment, which ValiRx faces with renewed strength by the post-period changes on the board. In particular, we look forward to welcoming our new chairman, Dr Kevin Cox, and the strength his presence will contribute to the board.

The reporting period saw scientific development in both VAL201 and VAL301, with the final patients being recruited and dosed in the VAL201 clinical trial, and the clinical development plan for VAL301 being defined and developed, leading to a clearer understanding of the steps required.

Commercial development was ongoing for VAL401, with the post-period announcement of a Letter of Intent signed with UK SME, Black Cat Bio Limited ('Black Cat'). This development could see VAL401 move from the ValiRx Joint Venture subsidiary, ValiSeek Limited, into Black Cat for development using third party private financing.

The current status of the scientific programs is shown below and was published as a scientific review on 19 May 2020.

Clinical Programs:

VAL201 has been subject to an open label Phase 1/2 clinical trial in patients with prostate cancer entitled: **"A Phase I/II, Dose Escalation Study to Assess the Safety and Tolerability of VAL201 in Patients with Locally Advanced or Metastatic Prostate Cancer and Other Advanced Solid Tumours".**

Brief details of this trial are disclosed below. Details can also be found on the Clinical Trials register at www.clinicaltrials.gov, using trial identifier number: NCT02280317; when results are available, these will also be available within this database.

Recruitment open	December 2014 – January 2020
End of Trial Documentation submitted	27th January 2020
Patients dosed	12
Single Site	UCLH (University College London Hospital, UK)

Eligible Patients:

Adult men (over the age of 18), with **incurable locally advanced or metastatic prostate cancer** who have relapsed following radiotherapy treatment, are in 'watchful waiting' or where a policy of intermittent hormone therapy had been decided. Patients were expected to have no or only mild symptoms relating to their prostate cancer.

Primary endpoint:

"To estimate the Maximum Tolerated Dose (MTD) or Maximum Administered Dose (MAD) of VAL201"

This states the principal aim of the clinical trial as assessing how high a dose can or should be given to the patient in order to attempt to elicit a disease relevant response. As a dose escalation

trial, as is typical for first in human studies, the dose level was started at a fraction of the dose tested in Pre-clinical studies (in this case 0.5 mg/kg – so a typical 80 kg adult man received 40 mg per dose), and gradually increased to 8 mg/kg.

As well as assessing the tolerability of the dose (MTD) the trial considers the MAD, hence which doses are practical to give, based primarily on pharmacokinetics (a measure of how the body processes the drug) – considering how long the drug stays in the body, at what level, and whether that level continues to increase with increasing dose in a predictable manner.

Secondary endpoints:

"To assess the safety and tolerability of VAL201"

This endpoint requires a listing of adverse events that occur for each patient, regardless of whether or not the event is related to either the drug or the disease. These events are categorised by whether they are "serious", that is they require significant medical intervention to resolve; the severity of the event; whether it is likely to be related to administration of the drug; whether it results in the patient stopping or reducing intake of the drug; and how many patients the event occurs in.

As previously reported, the most common event during VAL201 administration was the occurrence of an injection site reaction, reported varyingly as bruising, rash or pain.

No drug-related events were reported that resulted in the patient being removed prematurely from the clinical trial.

"To evaluate the pharmacokinetics of VAL201"

Full pharmacokinetic profiles were successfully collected and analysed in two patients, on different doses, at multiple time points during their dosing schedule. When the data has been verified and entered into the database, this will be fully analysed to aid understanding of how the drug behaves in the body.

"To assess anti-tumour activity of VAL201"

Although primarily a safety and tolerability focussed trial, the patients involved undergo continuous monitoring of their disease throughout (as they would have regardless of trial participation). This includes **measurement of disease markers** (such as PSA), regular CT or MRI scans and symptom assessments to assess disease progression.

Outlook

When the datasets have been formally verified and locked against further alteration, analysis and success against each endpoint can be assessed. **Until the analyses are complete it would be premature to remark with confidence on the achievement or the content of any of the endpoints.**

Headline data will be released on completion of the initial analysis; after which the clinical study report will be compiled and submitted to the relevant regulatory authorities; the clinicialtrial.gov database will be updated according to regulatory requirements; and finally details of the results will be assembled into research papers – authored by ValiRx and the clinical trial team for publishing in peer-reviewed journals.

Data verification requires access to the clinic by staff on our behalf, which is currently restricted due to the ongoing Coronavirus pandemic. Dependent on this access, it is anticipated that headline results will be available and announced in Q3. Reporting will then be completed in line with regulatory requirements.

VAL401

VAL401 has been developed by ValiSeek Limited, a 55% owned ValiRx subsidiary. ValiSeek was set up in 2014 as a Joint Venture between ValiRx and Tangent Reprofiling Limited (a SEEK group company) whereby ValiRx provided funding and Tangent Reprofiling provided a licence to the patents for VAL401.

VAL401 has completed an open label, **pilot phase 2 clinical trial** in late stage non-small cell lung cancer patients. Although in a small patient group, with just 8 patients receiving VAL401, data indicated that some patients benefited from an **improved quality of life,** in particular in measures of pain and nausea; and when compared to a case-matched group of 20 patients from the same clinic who did not participate in the trial, demonstrated **statistically significant improved overall survival** from time of diagnosis.

Pharmacokinetic data was collected in all patients, and the analysis of this data published in 2019 *Eur J Drug Metab Pharmacokinet* **44,** 557–565 (2019). https://doi.org/10.1007/s13318-018-00538-4

A **randomised, placebo controlled clinical trial** has been planned to test VAL401 in recently diagnosed patients with **pancreatic ductal adenocarcinoma** in combination with standard of care therapy.

ValiRx recently announced (14thJanuary 2020) an arrangement with UK SME, Black Cat, whereby on completion of successful fund-raising by Black Cat, the VAL401 project will be exclusively licenced to Black Cat with the ValiSeek shareholders each holding a share in the equity of Black Cat; and the ValiSeek shareholders having an entitlement to future royalty payments.

Under this agreement Black Cat would be solely responsible for the funding and execution of the next VAL401 clinical trial.

Outlook

Confirmation of funding is expected within Q2 or Q3 2020, with licensing to be completed shortly after. If this arrangement is unsuccessful, alternative exploitation will be sought.

Pre-clinical Programs

VAL301

VAL301 uses the same active drug as VAL201 but is focussed on the treatment of women with endometriosis.

On 4 July 2019 it was announced that Aptus Clinical had been engaged to work with ValiRx to develop an outline of the work required to **prepare VAL301 for a clinical trial**.

Endometriosis typically affects women of child-bearing potential who are otherwise healthy, therefore **different Pre-clinical toxicology requirements** are considered than were required for the clinical trial of men with prostate cancer. Aptus has helped to identify these requirements, and to outline appropriate clinical trial designs.

Outlook

On 1 May 2020 it was announced that a Japanese pharma company has agreed a Material Transfer Agreement with ValiRx whereby ValiRx are supplying the VAL301 drug material, and the Japanese company will carry out a series of Pre-clinical proof of concept and efficacy studies of VAL301.

VAL201 in treatment of patients following SARS-CoV2 infection

On 2 June 2020, ValiRx announced entering into a collaboration agreement with Oncolytika Limited ("Oncolytika") and Black Cat Bio Limited ("Black Cat") to evaluation the potential use of VAL201 in a combination treatment for patients suffering a hyperimmune response to Coronavirus SARS-CoV2 infection.

Many patients infected with Coronavirus SARS-CoV2 exhibit more severe symptoms, with significant damage believed to be caused by an excessive response of the immune system, even after the viral infection has reduced. This is known as a hyperimmune response.

Oncolytika, a private UK based technical consultancy, has proposed a combination therapy which includes a selective SRC kinase inhibitor, such as VAL201 (which inhibits a potential oncogenic pathway), alongside one or two complementary treatments to treat the excessive response of the immune system. Oncolytika and Black Cat have filed a patent to protect the proposed use of the combination therapy.

ValiRx's contribution to the collaboration is to provide samples of its proprietary SRC kinase inhibitor, VAL201, for preclinical testing, and provide access to safety and tolerability data collected

in the recently completed clinical trial in men with prostate cancer. No cash funding is committed to the project by ValiRx under this agreement.

Under this agreement, ValiRx will receive 40% of all licensing income generated. The collaboration addresses an emergent and immediate unmet medical need and details the commencement of a short-term experimental plan, with the agreement covering a maximum of two years.

Non-core Programs

GeneICE

GeneICE is a **technology platform** designed to control expression levels of genes that may be over or under expressed in disease states. VAL101 is the lead candidate produced by the platform, proposed to modulate BCl2 expression – implicated in many cancers.

At an **early discovery/Pre-clinical** stage of development, the GeneICE program requires further significant scientific development. As announced on 30th April 2020, **GeneICE was considered a "non-core" program** and as announced on 16th June 2020 will not be further maintained by the Company.

TRAC

TRAC is a technology acquired by ValiRx for 75,000 Euros on 5 February 2015. Announced as conditionally sold for 800,000 Euros on 7 July 2016, 202,000 Euros was received, and, following the failure of the purchaser to settle the balance, the technology reverted to ValiRx in 2018, as reported in the 2018 financial statements.

TRAC is a tool to study expression characteristics of genes and has potential use in the diagnostics arena – and has been used by a previous owner as part of a commercial service provision. As announced on 30th April 2020, **TRAC was considered a "non-core" program** and was transferred out of the ValiRx pipeline under the patent assignment announced on 29th May 2020.

FitBio

The Intellectual Property assets acquired from FitBiotech Oy by ValiRx for 5,000 Euros on 2 May 2019 encompass a gene transfer unit, initially envisaged to be paired with the GeneICE products to create potential therapeutic products. As announced on 30 April 2020, **FitBio was considered a "non-core" program** and was transferred out of the ValiRx pipeline under the patent assignment announced on 29 May 2020.

Financial overview

Our financial results show the total comprehensive loss for the year ended 31 December 2019 of £2,388,707 (2018: £4,298,822) and a loss per share of 0.26p (2018: Loss 0.94p).

Research and developments costs were £984,457 for the year ended 31 December 2019 as compared to £1,698,791 in 2018, a decrease of £714,334.

Administrative expenses were £1,860,379 for the year ended 31 December 2019 as compared with £2,166,798 in 2018, a decrease of £306,419

I would like to thank the staff and Board members for all their contributions and shareholders for their continued support during these difficult times.

Dr S J Dilly
Director

Date: 30 June 2020

The directors present the strategic report and financial statements for the year ended 31 December 2019.

Principal activities

ValiRx is a biotechnology company developing novel therapeutics and associated biomarkers for cancer. It aims to make a significant contribution in precision medicine and science, namely, to engineer a breakthrough in human health and well-being, through the early detection of cancer and its therapeutic intervention.

The Company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange in October 2006.

STRATEGY

The Group has a pipeline of therapeutic drugs, which are currently progressing towards clinical trials. The product focus is in the targeted analysis and treatment of cancer, but the technologies can potentially be applied to other fields as well, such as neurology and inflammatory diseases.

It actively manages projects within its portfolio as a trading company. The ValiRx business model spreads the risks of life science technology development 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 of drug development where value increases per investment unit are the greatest.

The Group operates through the following divisional companies:

1. **ValiPharma** is a biopharmaceutical division of ValiRx focused on developing personalised medicines to bring more advanced therapeutic options for the treatment of cancer.

   Currently, ValiPharma is primarily focused on three drug candidates in both clinical and/or in late stage pre-clinical development – androgen independent prostate cancer (VAL201), hormone refractory prostate cancer (VAL201), endometriosis (VAL301) and gene activity regulation (VAL101).

2. **ValiSeek** is ValiRx's joint venture company with Tangent Reprofiling Limited (a SEEK group company), which was formed in 2014 and has progressed product VAL401 through pre-clinical development and through a pilot Phase II clinical trial for the treatment of non-small cell lung cancer. VAL401 is a reformulation of risperidone which has a well-established safety record derived from decades of clinical use in the treatment of psychosis. The reformulation enables anti-cancer activity, and this is the subject of multiple granted patents in US and other world territories.

Business review

A review of the development and performance of the Group, including important events, progress during the year, and likely future developments, can be found in the Chief Executive's Report.

THERAPEUTICS

VAL201 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 at University College London Hospital (UCLH) concluded on 27thJanuary 2020 and this follows the Company receiving approval from the Medicines and Healthcare products Regulatory Agency (MHRA) to escalate VAL201 dosing.

Progressing through the dose escalation and expansion stages, the study is then designed to investigate further safety and tolerability 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.

VAL201 is designed to selectively prevent 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 indicating that due to the specific nature of this treatment, VAL201 is likely to have less side effects than many other therapeutic options. The target for VAL201 is also associated with other cancers and there is potential for VAL201 to be used as a treatment for other hormone-induced cancers, such as breast and ovarian cancer.

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. Symptoms often worsen during the menstrual cycle. The treatments chosen will depend on symptoms, age, and lifestyle plans. In pre-clinical testing, VAL201 has been shown to reduce abnormal endometrial growth, whilst leaving other hormone-induced activities working normally. ValiRx's initial pre-clinical 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 in the same way as other treatments.

VAL 401 Lung Cancer

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 has completed a clinical Phase II trial for the treatment of late-stage non-small cell lung cancer with data from the completed trial indicating a palliative effect and an improvement of quality of life in the patients treated.

Progress of VAL401 through its clinical trials will follow an accelerated route to Market Authorisation through the use of prior clinical data gathered on the original generic drug. Pre-clinical efficacy data has been collected in non-small cell lung, pancreatic and prostate cancers. Pre-clinical toxicology has revealed no side effects beyond those expected from the parent drug, with both pre-clinical and clinical pharmacokinetc data allowing bridging from VAL401 to the historical full clinical data package on the parent. ValiSeek is currently in discussions with potential partners for starting the next clinical trial.

SECTION 172(1) STATEMENT

Each Director is required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so are required to have regard for the following:

— the likely long-term consequences of any decision;

— the interests of the Company's employees;

— the need to foster the Company's business relationships with suppliers, customers and others;

— the impact of the Company's operations on the community and the environment;

— the desirability of the Company maintaining a reputation for high standards of business conduct; and

— the need to act fairly as between shareholders of the Company.

In 2018, the Company adopted the Corporate Governance Code for Small and Mid-Sized Quoted Companies from The Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Company's size and stage of development. In the Corporate Governance Report, on page 15 are comments regarding the application of the ten principles of the QCA Code. Some s.172 considerations are addressed in more detail in the Corporate Governance Report.

The Board considers the Company's major stakeholders to include employees, suppliers, partners and shareholders. When making decisions, the interest of each stakeholder group individually and collectively is considered. Certain decisions require more weight attached to some stakeholders than others and while generally seeing the long-term interest of the shareholders is of primary importance, the directors consider those interests are best served by having regard to the interests of the other key stakeholder groups and, in fact, to all the s. 172 considerations.

Long term value

The aim of all business resources allocation is to create long-term value, being the development and commercialisation of novel drugs.

The Chief Executive's Report on page 5 describes the Company's activities, strategy and future prospects. Some s. 172 considerations are also addressed in the Chief Executive's Report, including the considerations for long term decision making.

Our people

Given the size of the Company and the nature of its business, there are only a few employees of which the majority are themselves directors. The Board considers the Company's employees essential to the success of the Company.

Business relationships

The Group endeavours to maintain good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms.

Community and environment

As a relatively small organisation the Group's impact on the community and the environment is modest but the Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner.

Business conduct

The Board recognises its responsibility for setting and maintaining a high standard of behaviour and business conduct. There is no special treatment for any stakeholders and all material information is disseminated though appropriate channels and is available to all through the company's corporate presentations, news releases and website, www.ValiRx.com. This is described in more details in the Corporate Governance Report Principle 8.

Shareholders

The Directors are committed to treating all shareholders equally. As part of its decision-making process, the Board considers the interests of shareholders as a whole. All shareholders are provided with equivalent information through RNS announcements, circulars and the ValiRx website. All shareholders are invited to attend the Annual General Meeting and have the opportunity to ask questions of the Directors. For more information see Principles 2 and 3 in the Corporate Governance Report.

PRINCIPAL RISKS AND UNCERTAINTIES

ValiRx is a biopharmaceutical Group 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 2019 are below.

Risk	Description	Mitigation
Research and development	The Group is at a relatively early stage of development and may not be successful in its efforts to use and to build a pipeline of product candidates and develop approved or marketable products. 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 external expert scientific, regulatory and clinical advisors and, where appropriate, seeking advice from regulatory authorities on the design of key development plans for its pre-clinical and clinical programmes.
Commercial	ValiRx has products in clinical trials and is dependent on successfully advancing these lead candidates. They include VAL201, to treat hormone induced cancers and abnormal growth and VAL401, a re-purposed compound to treat non-small cell lung cancer, through the Clinical Trial pathway. The business model is to ensure future partnering of these compounds with larger co-development partners.	Successful commercialisation of ValiRx's products is likely to depend on its successful progress through clinical studies, licensing and/or partnering and registration. The Group's competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of its competitors have substantially greater financial, technical and other resources, such as larger numbers of research and development staff. Competition that may lead to third parties discovering or developing products earlier or more successfully than ValiRx, may also impair the Company's ability to secure funding, to advance its clinical trials and have a successful relationship with a co-development partner.
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 2019, the Group had cash resources of £nil. Following the year end, the Company has raised approximately £1.4m, before expenses, by way of three Placings.

Risk	Description	Mitigation
Clinical trials	Successful commercialisation of the Group's products is dependent on the successful progress through clinical studies and registration. Development of product candidates involves an expensive, 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. Clinical trials could be delayed or prevented from completion by a number of factors, including: – delays or failures to raise additional funding; – results of future meetings with the MHRA, EMA, FDA and/or other regulatory bodies; – a limited number of, and competition for, suitable patients with particular types of cancer for enrolment in our clinical trials; – delays or failures in obtaining regulatory approval to commence a clinical trial; – delays or failures in obtaining sufficient clinical materials; – protocol amendments; – failure of patients to complete the clinical trial; – the need to expand the clinical trial; – unforeseen safety issues. Additionally, the Group's clinical trials may be suspended or terminated at any time by the MHRA, other regulatory authorities, or by the Group itself. Any failure to complete, or a significant delay in completing, clinical trials for the Group's product candidates could harm the commercial prospects for its product candidates, and therefore, its financial results.	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.
Regulatory	The Group's operations are subject to laws, regulatory approvals and certain governmental directives, recommendations and guidelines relating to, amongst other things, product health claims, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury, environmental protection and human clinical studies. There can be no assurance that future legislation will not impose further government	The Group manages its regulatory risk by working closely with its expert regulatory advisors and, where appropriate, seeking advice from bodies on regulatory risk relevant to the Group's programmes and activities.

Risk	Description	Mitigation
	regulation, which may adversely affect the business or financial condition of the Group.	
Intellectual property	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.
Operational	The Group's continuing development and future prospects depend to a significant degree on the experience, performance and continued service of its senior management team, including the Directors. The Group has invested in its management team at all levels. The Directors also believe that the senior management team is appropriately structured for the Group's size and is not overly dependent upon any particular individual. The Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them. Retention of these individuals or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance and reduce the value of an investment in the Ordinary Shares.	The Board continually monitors these risks and uncertainties and takes corrective action if considered necessary.
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.
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	The Group recognises its responsibility towards the environment and in the way it conducts its business. 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

Risk	Description	Mitigation
	legislation and regulations. Disposal of hazardous waste is handled by specialist agencies.	accordance with applicable legislation and regulations.
Coronavirus (COVID-19) Pandemic	The rapid emergence of the coronavirus pandemic since the start of 2020 has caused significant disruption to many businesses and has created uncertainty in the market in the short term. Government action is having a significant effect on economies across the world. The eventual severity and length of the economic disruption is impossible to forecast. There is a risk that we will be forced to suspend research and development, or that we cannot source and ship samples for analysis, leading to delay in completion of projects.	We have implemented the following to mitigate the effect of the disruption including: Organising for as many staff as possible to work from home; Improved social distancing by limiting physical meetings and 2expanding flexible working; Utilising any central or regional Government funding available to support businesses during the pandemic; Banning international travel and limiting domestic travel; Increasing supplier contact so as to be able to anticipate issues and react quickly; Increasing cleaning and disinfection cycles

ON BEHALF OF THE BOARD:

G Desler
Director

Date: 30 June 2020

Corporate Governance
for the year ended 31 December 2019

The Board recognises that good corporate governance is essential to building a successful business that is sustainable for the long term.

The Corporate Governance Statement that follows, explains how our governance framework works and how the Group has applied the 10 principles of the QCA Code this year.

Corporate Governance Statement

We are again able to report full compliance with each of the 10 principles of the Quoted Companies Alliance Corporate Governance Code (QCA Code) and that our governance framework continues to ensure that the Group operates effectively and with integrity. As well as ensuring compliance with the QCA Code, we also continue to monitor any developments in the UK Corporate Governance Code to keep abreast of matters which we feel should also be considered for an AIM company like ourselves, and this year, we have considered the Company's purpose, ensuring that it is aligned to our values, strategy and culture.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code). The Board believes that this Code provides an appropriate and suitable governance framework for a Group of our size and complexity.

This Corporate Governance Statement addresses how the Group complies with each of the 10 principles of the QCA Code.

Principle	How Company complies
1. Establish a strategy and business model which promote long-term value for shareholders	ValiRx is a biopharmaceutical company focused on developing personalised, otherwise called precision medicines to bring more advanced therapeutic options for the treatment of cancer. For many years the Company has progressively exploited its proprietary epigenomic technology, which has led to the discovery of promising therapeutics that may prove in clinical trials to treat, among other conditions, cancer safely and more effectively than currently used chemotherapeutics, which act indiscriminately, attacking the whole body and causing irreparable damage to normal cellular processes. ValiRx has four lead drug candidates at varying stages of development for multiple indications. The Company's business model focuses on out-licensing therapeutic candidates early in the development process. By aiming for early-stage value creation, the Company reduces costs considerably while increasing the potential for realising value. The Group is already in licensing discussions with major players in the oncology field. ValiRx operates through the following divisional companies: **ValiPharma:** a biopharmaceutical company focused on developing personalised medicines to bring more advanced therapeutic options for the treatment of cancer. Currently, ValiPharma is primarily focused on three drug candidates in clinical and late stage pre-clinical development for four indications – androgen independent prostate cancer (VAL201), hormone refractory prostate cancer (VAL201), endometriosis (VAL301), and pancreatic cancer (VAL101); and **ValiSeek:** a joint venture company with Tangent Reprofiling Limited (a SEEK group company), which was formed in 2014 and has progressed product VAL401 through pre-clinical development and into a Phase II clinical trial for the treatment of non-small cell lung cancer. ValiRx's therapeutics have each shown potential for meeting hitherto unmet clinical needs by existing treatments, have worldwide patent filings and agreed commercial rights. They originate or derive from World class institutions, such as Cancer Research UK and Imperial College.

Principle	How Company complies
2. Seek to understand and meet shareholder needs and expectations	The Board is accountable to shareholders and other stakeholders and is ultimately responsible for the implementation of sound corporate governance practices throughout the Group. Our Board of Directors is committed to ensuring that the Group adheres to high standards of corporate governance in the conduct of its business. The Board attaches considerable importance to providing shareholders with clear and transparent information on the Group's activities, strategy, and financial position. Details of all shareholder communications are provided on the Group's website. Private shareholders constitute the main body of investors in ValiRx. As such, the Board regards the annual general meeting as the principal opportunity for shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders. Moreover, the Company's contact details are provided on the website: info@ValiRx.com, Questions@valirx.com and https://www.ValiRx.com/contact-us/contact/ should shareholders wish to communicate with the Board. Announcements on the Group's half and full-year results presenting all shareholders with an assessment of the Group's position and prospects are found on https://www.ValiRx.com/aim-rule-26/annual-reports/. Shareholders vote on each resolution, by way of a poll. For each resolution we announce the number of votes received for, against and withheld and subsequently publish them on our website. The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. The Chair and CEO make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. We communicate with institutional investors frequently through a combination of formal meetings, roadshows and informal briefings with management. The majority of meetings with shareholders and potential investors are arranged by the Company's broker. Following meetings, the broker provides feedback to the Board from all fund managers met, from which sentiments, expectations and intentions may be gleaned. In addition, we review analysts' notes to achieve a wide understanding of investors' views.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards employees, partners, customers, suppliers, and the patients who ultimately benefit from its research and drug development programmes. Our corporate social responsibility approach continues to meet these expectations. The Board also understands that it has a responsibility to take into account, where practicable, the social, environmental and economic impact of its approach. Responsibility for the Company's corporate activities lies with the Senior Management Team ("SMT") who set the Group's strategic approach and develop key policies. The Company engages with stakeholders through a number of channels, which include shareholder communications via the

Principle	How Company complies
	Regulatory News Service ("RNS"), the Company's website and its Annual Report & Accounts, results presentations and the Annual General Meeting and via interviews in the broadcast media and attendance at investor shows around the country. Corporate communication and shareholder engagement through these channels not only gives shareholders a deeper insight into and understanding of the Company's activities and of its development, but it also invites feedback, either face-to-face at such meetings or via email, on how the Company can improve its communications with stakeholders to better support their needs. By so doing, such engagement enables the SMT to more effectively work with stakeholders in the future to their mutual advantage. The Board receives formal feedback from the SMT on a quarterly basis on the nature of interaction with the stakeholders they meet during each period. The SMT is comprised of the Chief Executive Officer and the Chief Financial Officer who take leading roles in key strategic areas such as Gender, HR, and Environmental Management. The SMT is also responsible for ensuring global compliance with key internal and external policies including: – Anti-human trafficking and slavery policy – Diversity policy – Anti-corruption and bribery policy – Whistleblowing policy- UK modern slavery act.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	An important aspect of risk management is to put in place and consistently work according to unambiguous Standard Operating Procedures (SOPs). A SOP is a compulsory instruction to carry out a series of operations correctly and always in the same manner, avoiding deviations or non-conformances to ensure that the integrity of scientific investigations and drug manufacture are consistently maintained. ValiRx operates an internal Quality Management System (QMS) comprising 14 SOPs to comply with the most stringent quality standards expected of a drug development company. Furthermore, the Company regularly audits its suppliers to ensure the manufacturing process, quality process, and also the drug's shipment process all conform to the standard required.

SOP	Title	Description
001	Quality Management	SOP describes the QMS, its structure and maintenance at ValiRx.
002	ValiRx Organisation and Training	SOP describes the organisation of ValiRx as a company, and the internal training programme.
003	Clinical Project Management	SOP describes the general process by which ValiRx manages and coordinates the development programme for an Investigational Medicinal Product (IMP).
004	Document Review and Approval	SOP describes the general process by which ValiRx reviews and approves essential documents in support of product development activities.
005	Document Management, Filing and Archiving	SOP describes the general process by which ValiRx Plc manages, files and archives essential documents in support of product development activities.
006	Selection and Management of Vendors/Consultants	SOP describes the process followed at ValiRx to identify, select and manage external service providers.
007	Contracts	SOP describes the process followed at ValiRx to ensure appropriate contracts and agreements are in place with vendors or consultants, and that these are put in place in a timely manner.
008	Investigational Medicinal Product Management	SOP describes the general process for ValiRx to establish that a chain of custody is maintained and documented for the supply of Investigational Product for a clinical trial from release from the manufacturer site, shipment, delivery and receipt at an investigational site, accountability, and then for return or destruction of used/unused product.
009	Investigator's Brochure	SOP describes the process for ValiRx to prepare and maintain an Investigator's Brochure, including review process.
010	Safety Reporting	SOP describes the responsibilities for reporting of safety information from clinical trials to Competent Authorities, Ethics Committees, Investigators and other parties as appropriate.
011	Clinical Trial Transparency	SOP describes the process for ValiRx to follow when registering clinical trials and posting trial results in order to fulfil requirements.
012	Medical Monitoring of Clinical Trials	SOP describes the role of the Medical Monitor (MM) in maintaining and documenting safety oversight and pharmacovigilance during clinical trials.
013	Risk Management, Issue Escalation and Management of Corrective and Preventative Actions (CAPA)	SOP describes the processes implemented by ValiRx to manage risk, escalate issues and ensure Corrective and Preventative Actions (CAPA) are in place for all clinical studies where ValiRx is the Sponsor.
014	Management of Non-compliance and Serious breaches	SOP describes the procedures for identifying, documenting and reporting non-compliance, misconduct and serious breaches of the trial protocol and associated approved documents, and the principles of Good Clinical Practice (GCP), SOPs and all applicable regulatory requirements.

Principle	How Company complies
5. Maintain the board as a well-functioning, balanced team led by the chair	**Board Composition –** The Board currently consists of two Executive Directors, one proposed Non-Executive Chairman, and two Non-Executive Directors, who collectively hold scientific, financial, legal, and business experience necessary to advance the Company and apply corporate governance best practices. The Board is satisfied with its composition and the balance between Executive and Non-Executive Directors. These are: **Dr Kevin Cox** (Non-Executive Chairman – appointed 26 June 2020) **Dr Suzanne Dilly** (Chief Executive Officer – appointed 8 June 2020) **Gerry Desler** (Chief Financial Officer) **Kevin Alexander** (Independent Non-Executive Director) **Martin Lampshire** (Non-Executive Director – appointed 7 May 2020) During the year under review, the following were also directors: **Oliver De Giorgio-Miller** (Non-Executive Chairman – Died 21 October 2019) **Dr Satu Vainikka** (Chief Executive Officer – Ceased to be a director 14 April 2020) **Dr George Morris** (Chief Operating Officer – Resigned 14 April 2020) **Role of CEO** – Leads and manages the day-to-day running of the Group's business in accordance with the business plans and within the budgets approved by the Board;- Leads the management to ensure effective working relationships with the Board by meeting or communicating on a regular basis to review key developments, issues, opportunities and concerns;- Develops and proposes the Group's strategies and policies for the Board's consideration;- Implements, with the support of the management team, the strategies and policies as approved by the Board and its committees in pursuit of the Group's objectives;- Maintains regular dialogue with the Chairman on important and strategic issues facing the Group, and ensures bringing these issues to the Board's attention;- Ensures that the management gives appropriate priority to providing reports to the Board which contain relevant, accurate, timely and clear information necessary for the Board to fulfil its duties;- Ensures that the Board is alerted to forthcoming complex, contentious or sensitive issues affecting the Group- Leads the communication programme with stakeholders including shareholders;- Conducts the affairs of the Group in accordance with the practices and procedures adopted by the Board and promotes the highest standards of integrity, probity and corporate governance within the Group **Role of the Non-Executive Directors –** As members of the Board, all Non-Executive directors have key accountabilities, which include the following:- Provision of entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enable risk to be assessed and managed;- Setting the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance;- Setting the Company's values and standards and ensure that its obligations to shareholders are understood and met;- Constructively challenge and help develop strategy, participate actively in the decision-making process of the Board, and scrutinise the performance of management in meeting agreed goals and objectives; and

Principle	How Company complies
	Independence – The Board will identify in the annual report each Non-Executive Director it considers to be independent. The Board will determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board will state its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which are relevant to its determination, including if the Director: – Has been an employee of the Company or Group within the last five years; – Has, or has had within the last three years, a material business relationship with the Company either directly, or as a Director or senior employee of a body that has such a relationship with the Company; – Has received or receives additional remuneration from the Company apart from a Director's fee;- – Has received or receives additional remuneration from the Company apart from a Director's fee;- Has close family ties with any of the Company's advisers, directors or senior employees;- Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or – Has served on the Board for more than nine years form the date of their first election; – Has a close family tie with any of the Company's advisers, Directors or senior employees. **Role of Board Committees** The Board has established three committees: remuneration, audit and risk and nomination and governance. All of these committees have terms of reference, which set out clearly their role, stating whether it is to take decisions or make recommendations to the Board of Directors. These are available on the Company's website: (https://www.ValiRx.com/aim-rule-26/corporate-governance/).
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Biographical details of the Directors can be found on the Company website at https://www.ValiRx.com/about-us/board-directors/. ValiRx seeks to recruit the best candidates at Board level and considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board (including gender), taking care that appointees have the necessary experience and time available to allocate to the position. Each Director appointed by the Board is subject to election by the shareholders at the first AGM after their appointment. Following advice from the Nomination and Governance Committee, the Board has concluded that each Director is qualified for election or re-election. The current Board members are individuals with extensive industry-specific experience as well as professionals that bring to the Board the skill sets required to meet its strategic, operational and compliance objectives. Their suitability as Directors has therefore been determined largely on the basis of their ability to deliver outcomes in accordance with

Principle	How Company complies
	the Company's short and longer-term objectives and thus add value to shareholders.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	ValiRx considers that assessments of the performance of the Board, the Board Committees, the Chief Executive, the Company Secretary and each of the individual Non-Executive Directors are pivotal to good corporate governance, bringing significant benefits and performance improvements on three levels: organisational; board and individual member level. Establishing an effective process for board evaluation sends a positive signal to the organisation that board members are committed to acting professionally. Performance assessments are conducted annually across the board, applying a matrix of key areas of focus to identify collective and individual strengths and weaknesses within the Company for continuous improvement. **Board Composition:** – Appropriate ratio between Executive and Independent Directors; – Awareness of social, professional and legal responsibilities at individual, company and community level; – ability to identify independence conflicts; – applies sound professional judgement; – identifies when external counsel should be sought; – upholds Board confidentiality; – respectful in every situation; – Effective in working within defined corporate communications policies; – makes constructive and precise contribution to the Board both verbally and in written form; – Negotiation skills to engender stakeholder support for implementing Board decisions; and- Experienced with the mechanisms, controls and channels to deliver effective governance and manage risks. **Effectiveness of the Board of Directors in:** – Monitoring financial performance against agreed financial objectives; – Monitoring the implementation of the strategy approved by the Board; – Appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Financial Officer and Company Secretary; – Ensuring appropriate succession planning for Board members and senior management via the Nomination and Governance Committee; – Approving and monitoring financial and other reporting; – Approving and monitoring major capital expenditure, capital management, funding, acquisitions and divestments; – Overseeing risk management, control, accountability and compliance systems;

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	– Setting standards of behaviour to enhance the reputation of the Company in the market and the community; – Ensuring proper organisation and management so as to achieve conformity goals across all aspects of the business; – Setting appropriate delegated powers between CEO and Board of Directors; – Ensuring quality and continuity of relations with the Group CEO, members of Committees, managers and heads of control functions; and – Setting clear strategy for the Company reflecting goals short to mid-long term. **Effectiveness of Executive Management in:** – Implementing the strategic objectives set by the Board; – Operating within the risk parameters set by the Board; – Operational and business management of the Company; – Managing the Company's reputation and operating performance in accordance with parameters set by the Board; – The day-to-day running of the Company; – Providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; – Interfacing with shareholders and stakeholders, Nomad and Broker; and – Approving capital expenditure (except acquisitions) within delegated authority levels. **Structure and competency of Committees to:** – Advise the Board on the suitability of external auditors and critical accounting policies for financial reports, in particular YE audited accounts, and the Company's risk management and internal control systems; – Provide independent and transparent pay arrangements linked to achievements over a given period; and – Lead the Board appointment and succession planning process considering the requirements of the Company.
8. Promote a corporate culture that is based on ethical values and behaviours	The Board understands the importance of setting the right culture for a biotechnology oncology-focused Company specialising in developing novel treatments for cancer that will provide a breakthrough into human health and wellbeing through the early detection of cancer and its therapeutic intervention. Moreover, it ensures that the Company's strategies and requirements for excellence and good governance are instilled into the culture of our business. The Executive Directors interface regularly with all personnel within ValiRx. In this way we encourage them to take responsibility for advancing their projects within parameters and controls set by the Board. This approach creates a culture that motivates and enables our personnel to develop and express their talents and skills. Moreover, in the performance of its duties the Board listens to the views

Principle	How Company complies
	of key stakeholders, including scientists, clinicians, regulators and suppliers and is mindful of the potential impacts of decisions it makes.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Board of Directors, with the support of the Executive Management and Committees, is ultimately responsible for establishing and maintaining good standards of governance. This can be achieved by creating conditions that enhance overall Board's and individual Directors' effectiveness in order that all key issues are addressed, and sound decisions are taken in a timely manner. Other responsibilities of the Board of Directors include: – Promoting effective relationships and open communication, and creates an environment that allows constructive debates and challenges, both inside and outside the boardroom, between Non-Executive Directors and the management; – Ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategies and policies, and that Board decisions taken are in the Group's best interests and fairly reflect Board's consensus; – Setting, in consultation with the Chief Executive and Company Secretary, the Board meeting schedule and agenda to take full account of the important issues facing the Group and the concerns of all Directors, and ensures that adequate time is available for thorough discussion of critical and strategic issues; – Ensuring that the strategies and policies agreed by the Board are effectively implemented by the Chief Executive and the management; and – Ensuring that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board recognises the importance of sound corporate governance. The Board is satisfied with its composition. The Non-Executive Director brings a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each Non-Executive Director is assessed at least annually and are considered to be independent at the date of this report. **Attendance at Board meetings –** A minimum of ten (10) Board meetings are held each year at which it is expected that all Directors attend in addition to relevant Committee meetings, General Meetings and the Annual General Meeting. Where Directors are unable to attend meetings due to conflicts in their schedules, they will receive the papers scheduled for discussion in the relevant meetings, giving them the opportunity to relay any comments to board members in advance of the meeting. Directors are required to leave the meeting where matters relating to them, or which may constitute a conflict of interest to them, are being discussed. The following table shows the Directors' attendance at scheduled Board meetings, which they were eligible to attend in the 12-month period to December 2019:

Principle	How Company complies
	Oliver de Giorgio-Miller 11/11 (Died 21 October 2019) Dr Satu Vainikka 10/11 (Ceased to be a director 14 April 2020) Dr George Morris 9/11 (Resigned 14 April 2020) Gerry Desler 11/11 Kevin Alexander 11/11
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	**Matters reserved for the Board** – Approval of the Group vision, values and overall governance framework; – Approval of the Company's Annual Report and Accounts and Half Yearly Financial Statements; – Approval of Group financial policy; – Approval to enter into discussions with Biotech companies reference potential joint-partnering projects or licensing of Company's Pre-clinical and clinical assets; – Approval of the Company's long-term finance plan and annual capital budget; – Approval of any significant change in Group accounting policies or practices; – Approval of all circulars, listing particulars, resolutions and corresponding documentation sent to shareholders; – Establishing committees of the Board, approving their terms of reference (including membership and financial authority), reviewing their activities and, where appropriate, ratifying their decisions; – Approval of this schedule of Matters Reserved to the Board. The Board is responsible to the Company's shareholders with its main objective to increase the value of assets and long-term sustainability of the Company. The Board reviews business opportunities and determines the risks and control framework. It also makes decisions on budgets, Group strategy and major capital expenditure. The day-to day management of the business is delegated to the Executive Directors. The Board meets monthly with agendas, Committee papers and other appropriate information distributed prior to each meeting to allow the Board to meet its duties. Effective procedures are in place to deal with conflicts of interest. The Board knows other interests and commitments of Directors and any changes to their commitments are reported. In addition to the Executive Committee, the Board has established a Remuneration Committee, an Audit and Risk Committee, and a Nomination and Governance Committee, which also report into ValiRx's Board. **The Executive Committee** is in charge of the daily management of the Group and is mandated to prepare and plan the overall policies and strategies of the Company for approval by the Board. It may approve intra-group transactions, provided that they are consistent with the consolidated annual budget of the Company, as well as specific transactions with third parties provided that the cost per transaction is within specified spending limits. It informs the Board at its next meeting on each such transaction. Prior to the beginning of each fiscal year, the

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Executive Committee submits to the Board those measures that it deems necessary to be taken in order to meet the objectives of the Company and a consolidated budget for approval. This committee comprises:

Gerry Desler (Chief Financial Officer)
Dr Suzanne Dilly (Chief Executive Officer)

The Audit and Risk Committee meets at least twice per annum and is responsible for assisting the Board in carrying out its oversight responsibilities in relation to corporate policies, risk management, internal control, internal and external audit and financial and regulatory reporting practices. The Committee has an oversight function, providing a link between the external auditors and the Board; it also determines the terms of engagement of the Company's auditors. The current members of the Audit and Risk Committee are:

Gerry Desler (Executive Chief Financial Officer); and
Kevin Alexander (Non-Executive Director)

The Remuneration Committee meets at least twice per annum to determine and agree with the Board the framework or broad policy for the remuneration of executive directors of the Company and advises on the overall remuneration policies applied throughout the Company. The objective of this committee is to attract, retain and motivate executives capable of delivering the Company's objectives. Agreed personal objectives and targets including financial and non-financial metrics are set each year for the executive directors and other personnel and performance measured against these metrics. The committee is made up of Non-Executive Directors, namely:

Kevin Alexander (Non-Executive Director)
Martin Lampshire (Non-Executive Director)

The Chief Executive Officer is consulted on remuneration packages and policy but does not attend discussions regarding her own package. The Board determines the remuneration and terms and conditions of the appointment of Non-Executive Directors.

The Nomination Committee is a sub-committee of the whole Board responsible for the selection and proposal to the Board of suitable candidates for appointment as Executive and Non-Executive Directors The Committee may engage external search consultants to identify candidates for Board vacancies before recommending a preferred candidate to the Board for consideration. The Committee comprises:

Kevin Alexander (Non-Executive Director)
Gerry Desler (Chief Financial Officer)

The Directors present their report and financial statements for the year ended 31 December 2019.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

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 £984,457 (2018: £1,698,791) on research and development. Further details on the Group's research and development are included in the Chief Executive's Report on page 7.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on pages 12 to 15.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in note 22 to the financial statements.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

K J Alexander
G Desler

Other changes in directors holding office are as follows:

M Lampshire	— Appointed 7 May 2020
Dr S J Dilly	— Appointed 8 June 2020
Dr K Cox	— Appointed 26 June 2020
Dr G S Morris	— Resigned 14 April 2020
Dr S Vainikka	— Ceased to be a director 14 April 2020

It is with deep regret that the Board announced the passing of O De Giorgio-Miller on 21 October 2019.

DIRECTORS' SHAREHOLDINGS

The Directors of the Company held the following beneficial interests in the ordinary shares of the Company at the balance sheet date:

	2019 No. of shares	2018 No. of shares
K J Alexander	**104,278**	104,278
O De Giorgio-Miller (Died 21 October 2019)	**N/A**	1,392,888
G Desler	**1,875,208**	1,875,208
Dr G S Morris (Resigned 14 April 2020)	**1,821,620**	1,821,620
Dr S Vainikka (Ceased to be a director 14 April 2020)	**1,958,242**	1,958,242

DIRECTORS' SHARE OPTIONS

The Directors of the Company held share options granted under the Company share option scheme, as indicated below. No share options were exercised during the year. Full details of the share options held are disclosed in note 25 to the financial statements.

	2019 No. of shares	2018 No. of shares
K J Alexander	**3,041,800**	3,045,000
O De Giorgio-Miller (Died 21 October 2019)	**N/A**	3,305,000
G Desler	**3,589,760**	3,592,960
Dr G S Morris (Resigned 14 April 2020)	**3,716,000**	3,722,000
Dr S Vainikka (Ceased to be a director 14 April 2020).	**4,311,000**	4,319,000

COMPANY SHARE PRICE

The market value of the Company's shares at 31 December 2019 was 0.12p and the high and low share prices during the period were 1.13p and 0.12p respectively.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Note 26 to the financial statements gives details of the Group's objectives and policies for risk management of financial instruments.

SIGNIFICANT SHAREHOLDERS

As at 2 June 2020, so far as the Directors are aware, the following shareholders held more than 3% of the Company's issued share capital:

	% of issued share capital held
Nicholas Slater	9.1%
Monecor (London) Limited	7.7%
M J Bown	6.6%

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.

CREDITOR PAYMENT POLICY

The company's current policy concerning the payment of trade creditors is to:

— settle the terms of payment with suppliers when agreeing the terms of each transaction;

— ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

— pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year-end represented 152 days' purchases.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or

herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, Adler Shine LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

G Desler
Director

Date: 30 June 2020

Statement of Directors' Responsibilities for the year ended 31 December 2019

The Directors are responsible for preparing the Strategic Report, Directors' Report, Corporate Governance Statement and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and have elected under company law to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and Parent Company and of the profit or loss of the Group for that period. In preparing each of the Group and Parent Company financial statements the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent;

— for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;

— for the Parent Company financial statements, state whether they have been prepared in accordance with UK GAAP, subject to any material departure disclosed and explained in the Parent Company financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

Report of the Independent Auditors to the Members of ValiRX Plc

Opinion

We have audited the financial statements of ValiRx Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 on pages 31 to 58. 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.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw your attention to note 2 to the financial statements, which indicates that the accounts have been prepared on the going concern basis. The Board has referred to the fact the company is reliant on future fund raisings to continue its activities as budgeted. Should future fund raisings be unsuccessful, this will impact on the group and company's plans to develop its products. As stated in note 2, this condition indicates that a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

The key audit matters identified were:

Impairment of goodwill and intangibles

Area of focus

The Group has goodwill of £1.6m and intangible assets of £1.6m.

IAS 36 requires at least annual impairment assessments in relation to goodwill, indefinite-lived intangible assets and intangible assets that are not yet ready for use, with more regular assessment should an impairment trigger be identified.

The determination of recoverable amount, being the higher of value-in-use and fair value less costs of disposal, requires judgement on the part of management in identifying and then estimating the recoverable amount for the relevant CGUs

Recoverable amounts are based on management's view of future cash flow forecasts and external market conditions such as future pricing and the most appropriate discount rate.

Management engaged an expert to assist them in performing an annual impairment assessment which included the assumptions and estimates around the success of the future development and commercialisation of its products VAL 201, VAL101 and VAL 401. Changes in these assumptions might give rise to a change in the carrying value of intangibles and goodwill.

How our audit addressed the area of focus

We obtained the report prepared by the expert and gained an understanding of the key assumptions and judgements underlying the assessment. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models.

We obtained an understanding of the stage of product development and management's expected timelines for product commercialisation, including updates on the achievement of expected milestones.

We determined the judgement made by the Directors that no impairment was required, and that the disclosures made in the financial statements to be reasonable.

Going concern

Area of focus

Refer to note 2 of the financial statements for the directors' disclosures of related accounting policies, judgements and estimates. The directors have concluded that they have a reasonable expectation that the Group will have sufficient cash resources and cash inflows to continue its activities for not less than twelve months from the date of approval of these financial statements and have therefore prepared these financial statements on a going concern basis.

The Group had cash and cash equivalents of £nil at 31 December 2019. Since the year end, the Company has raised £1.4m through the placing of new ordinary shares.

Management produces a cash flow forecast based on the board plans.

The key judgements within the cash flow forecast that we particularly focused on were:

— The continued availability of funding.

— The likely recovery of other receivables.

— Cash flows expected from research and development tax credits.

— Flexibility of development programme.

How our audit addressed the area of focus

We assessed the reasonableness and support for the judgments underpinning management's forecast, as well as the sensitivity of projections to these judgements.

We reviewed managements financing plans and as the Company is reliant on future fund raisings to continue as a going concern this represents a material uncertainty as disclosed further in note 2 of the financial statements.

We considered the reasonableness of the assumptions within management's proposed cost reduction actions, should future fund raisings be lower than anticipated.

Our conclusion on management's use of the going concern basis of accounting is included in the going concern section of the report above.

Report of the Independent Auditors to the Members of ValiRX Plc

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £93,600, which was updated during the course of our audit to £101,200 based on an average of 5% of adjusted loss before tax and 3% of net assets. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that the audit team obtained sufficient and appropriate audit evidence in relation to significant operations of the Group during the year ended 31 December 2019. This included the performance of full statutory audits on each of the subsidiary undertakings. As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were designed and performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of ValiRX Plc

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Report of the Independent Auditors to the Members of ValiRX Plc

Use of our report

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 a Report of the Auditors 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.

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

Date: 30 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Notes	2019 £	2018 £
CONTINUING OPERATIONS			
Other operating income	7	**146,517**	–
Research and developments		**(984,457)**	(1,698,791)
Administrative expenses		**(1,860,379)**	(2,166,798)
OPERATING LOSS		**(2,698,319)**	(3,865,589)
Fair value loss on derivative financial assets		**—**	(442,229)
Provision for bad debt		**—**	(506,755)
Finance costs	6	**(21,175)**	(14,565)
LOSS BEFORE INCOME TAX	7	**(2,719,494)**	(4,829,138)
Income tax credit	8	**293,738**	461,296
LOSS AFTER INCOME TAX		**(2,425,756)**	(4,367,842)
Non-controlling interest		**37,049**	69,020
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,388,707)**	(4,298,822)
LOSS PER SHARE – BASIC AND DILUTED	10	**(0.26p)**	(0.94)p

Consolidated Statement of Financial Position — continued
31 December 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**1,602,522**	1,602,522
Intangible assets	12	**1,620,207**	1,623,950
Property, plant and equipment	13	**—**	—
Investments	14	**—**	—
		3,222,729	3,226,472
CURRENT ASSETS			
Trade and other receivables	15	**90,083**	174,089
Tax receivable		**291,787**	461,193
Cash and cash equivalents	16	**—**	372,872
		381,870	1,008,154
TOTAL ASSETS		**3,604,599**	4,234,626
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**9,417,225**	8,680,694
Share premium		**20,596,143**	19,779,905
Merger reserve		**637,500**	637,500
Reverse acquisition reserve		**602,413**	602,413
Share option reserve		**830,449**	885,963
Retained earnings		**(29,729,817)**	(27,461,771)
		2,353,913	3,124,704
Non-controlling interests		**(130,813)**	(93,764)
TOTAL EQUITY		**2,223,100**	3,030,940
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	**1,182,084**	889,987
Bank overdraft	16, 19	**5,634**	—
Borrowings	19	**193,781**	313,699
TOTAL LIABILITIES		**1,381,499**	1,203,686
TOTAL EQUITY AND LIABILITIES		**3,604,599**	4,234,626

The financial statements were approved by the Board of Directors on 30 June 2020 and were signed on its behalf by:

G Desler
Director

Consolidated Statement of Financial Position
31 December 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	**100,000**	120,000
Property, plant and equipment	13	**—**	–
Investments	14	**3,617,838**	3,617,834
		3,717,838	3,737,834
CURRENT ASSETS			
Trade and other receivables	15	**2,954,352**	2,788,478
Tax receivable		**270,346**	421,700
Cash and cash equivalents	16	**—**	372,190
		3,224,698	3,582,368
TOTAL ASSETS		**6,942,536**	7,320,202
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**9,417,225**	8,680,694
Share premium		**20,596,143**	19,779,905
Merger reserve		**637,500**	637,500
Share option reserve		**830,449**	885,963
Retained earnings		**(26,119,974)**	(24,111,988)
TOTAL EQUITY		**5,361,343**	5,872,074
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	**1,381,641**	1,134,429
Bank overdraft	16, 19	**5,771**	–
Borrowings	19	**193,781**	313,699
TOTAL LIABILITIES		**1,581,193**	1,448,128
TOTAL EQUITY AND LIABILITIES		**6,942,536**	7,320,202

The financial statements were approved by the Board of Directors on 30 June 2020 and were signed on its behalf by:

G Desler
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Notes	Share capital £	Share premium £	Merger reserve £	Reverse acquisition reserve £	Share-based payment reserve £	Non-controlling interest £	Retained earnings £	Total £
Balance at 1 January 2018		8,432,708	16,419,494	637,500	602,413	464,000	(24,744)	(23,378,744)	3,152,627
Changes in equity									
Loss for the year		—	—	—	—	—	(69,020)	(4,298,822)	(4,367,842)
Issue of shares		247,986	3,861,177	—	—	—	—	—	4,109,163
Costs of shares issued		—	(500,766)	—	—	—	—	—	(500,766)
Lapse of share options and warrants		—	—	—	—	(215,795)	—	215,795	—
Movement in year		—	—	—	—	637,758	—	—	637,758
Balance at 31 December 2018		8,680,694	19,779,905	637,500	602,413	885,963	(93,764)	(27,461,771)	3,030,940
Changes in equity									
Loss for the year		—	—	—	—	—	(37,049)	(2,388,707)	(2,425,756)
Issue of shares	17	736,531	1,105,969	—	—	—	—	—	1,842,500
Costs of shares issued		—	(289,731)	—	—	—	—	—	(289,731)
Lapse of share options		—	—	—	—	(120,661)	—	120,661	—
Movement in year		—	—	—	—	65,147	—	—	65,147
Balance at 31 December 2019		**9,417,225**	**20,596,143**	**637,500**	**602,413**	**830,449**	**(130,813)**	**(29,729,817)**	**2,223,100**

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 at 3 October 22, 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.

Company Statement of Changes in Equity for the year ended 31 December 2019

	Notes	Share capital £	Share premium £	Merger reserve £	Share-based payment reserve £	Retained earnings £	Total £
Balance at 1 January 2018		**8,432,708**	**16,419,494**	**637,500**	**464,000**	**(20,218,087)**	**5,735,615**
Changes in equity							
Loss for the year		—	—	—	—	(4,109,696)	(4,109,696)
Issue of shares		247,986	3,861,177	—	—	—	4,109,163
Costs of shares issued		—	(500,766)	—	—	—	(500,766)
Lapse of share options and warrants		—	—	—	(215,795)	215,795	—
Movement in year		—	—	—	637,758	—	637,758
Balance at 31 December 2018		8,680,694	19,779,905	637,500	885,963	(24,111,988)	5,872,074
Changes in equity							
Loss for the year		—	—	—	—	(2,128,647)	(2,128,647)
Issue of shares	17	736,531	1,105,969	—	—	—	1,842,500
Costs of shares issued		—	(289,731)	—	—	—	(289,731)
Lapse of share options		—	—	—	(120,661)	120,661	—
Movement in year		—	—	—	65,147	—	65,147
Balance at 31 December 2019		**9,417,225**	**20,596,143**	**637,500**	**830,449**	**(26,119,974)**	**5,361,343**

Share capital

The nominal value of the issued share capital.

Share premium account

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

The difference between the nominal value of the share capital issued by the Company and the fair value of ValiRx Bioinnovation at the date of acquisition.

Share option reserve

The fair value of the share-based payment, determined at the grant date, and expensed over the vesting period.

Retained earnings

Accumulated comprehensive income for the year and prior periods.

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash flows from operations			
Cash outflow from operations	1	**(1,801,714)**	(3,776,840)
Interest paid		**(3,093)**	(866)
Tax credit received		**463,144**	424,197
Net cash outflow from operating activities		**(1,341,663)**	(3,353,509)
Cash flows from investing activities			
Proceeds from sale of investments		**146,517**	—
Purchase of intangible fixed assets		**(396,776)**	(324,028)
Net cash outflow from investing activities		**(250,259)**	(324,028)
Cash flows from financing activities			
Loan repayments		**(138,000)**	(25,000)
Share issue		**1,576,000**	3,720,000
Costs of shares issued		**(224,584)**	(346,001)
Net cash inflow from financing activities		**1,213,416**	3,348,999
Decrease in cash and cash equivalents		**(378,506)**	(328,538)
Cash and cash equivalents at beginning of year	2	**372,872**	701,410
Cash and cash equivalents at end of year	2	**(5,634)**	372,872

Notes to the Consolidated Statement of Cash Flows
for the year ended 31 December 2019

1. RECONCILIATION OF OPERATING LOSS TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£	£
Operating loss	**(2,698,319)**	(3,865,589)
Amortisation and impairment of intangible assets	**400,519**	142,988
Decrease/(increase) in trade and other receivables	**84,006**	(31,996)
Increase/(decrease) in trade and other payables	**346,097**	(504,279)
Profit on sale of investments	**(146,517)**	—
Other non-cash movements	**—**	(957)
Share-based payments charge	**212,500**	482,993
Net cash outflow from operations	**(1,801,714)**	(3,776,840)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	31 December 2019	**1 January 2019**
	£	**£**
Cash and cash equivalents	**(5,643)**	**372,872**

	31 December 2018	1 January 2018
	£	£
Cash and cash equivalents	372,872	701,410

1. STATUTORY INFORMATION

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 Stonebridge House, Chelsmford Road, Hatfield Heath, CM22 7BD.

The registered number of the Company is 03916791.

The principal activity of the Group is the development of oncology therapeutics and companion diagnostics.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standard 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.

Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled “Guidance on the Going Concern Basis of Accounting and Reporting on Solvency Risks – Guidance for directors of companies that do not apply the UK Corporate Governance Code”.

The Group and Parent Company are subject to a number of risks similar to those of other development stage pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group’s commercial and development activities and generating a level of revenue adequate to support the Group’s cost structure.

The current economic environment is challenging, and the Group has reported an operating loss for the year. These losses will continue in the current accounting year to 31 December 2020.

In addition, there are significant uncertainties around the impact of the COVID-19 pandemic including the extent and duration of social distancing measures, the inability to travel, the closure of academic institutions and the impact on the economy. Management has considered the current economic uncertainty and market volatility caused by the COVID-19 outbreak. In assessing whether the going concern assumption is appropriate, management has reviewed the impact on the business to date and developed a range of downside scenarios that could impact the business together with mitigating actions.

In the downside scenarios a liquidity shortfall would result. Accordingly, a series of cost saving and cashflow measures have been implemented. These actions include, temporary pay cuts, delaying non-essential capital expenditure and tightening of working capital. This is supplemented by additional funding in respect of share placings, explained further in note 22. The net proceeds of the placings have been used to strengthen the Group’s balance sheet, working capital and liquidity position.

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 22, since the year end, the Group has raised approximately £1.4m before expenses through 3 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.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities into the fourth quarter of 2020. The Directors are continuing to explore sources of finance available to the Group and based upon initial discussions with a number of existing and potential investors they have a reasonable expectation that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis.

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

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 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.

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 – 20 years.

Impairment of non-current assets

At each reporting date, the Directors review the carrying amounts of property, plant and equipment assets, goodwill and other 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 the asset does not generate cash flows that are independent

from other assets, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

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.

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. 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 a provision for impairment. A provision 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.

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.

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.

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.

The Group's financial liabilities include borrowings, trade and other payables and are recognised at their original amount.

Leases

Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

Finance income and finance costs

Finance income is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. It is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All on-going development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the Group's programmes, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the Group. The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

Development costs are capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

— technical feasibility of the completed intangible asset has been established;

— it can be demonstrated that the asset will generate probable future economic benefits;

— adequate technical, financial and other resources are available to complete the development;

— the expenditure attributable to the intangible asset can be reliably measured; and

— the Group has the ability and intention to use or sell the asset.

Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as such.

Foreign currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency) which is UK sterling (£). The Financial Statements are accordingly presented in UK sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

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.

When options expire or are cancelled the expensed value of these lapsed options is transferred from the share-based payment, reserve to retained earnings.

Adoption of new and revised international financial reporting standards

With effect from 1 January 2019, the Company has adopted IFRS 16 'Leases'. This provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the Balance Sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset over the lease term.

The adoption of the standard has no impact on the Company's financial statements as the Company only held a short lease at the date of sign off of these financial statements and during any of the periods presented.

New standards and interpretations

As at the date of approval of these financial statements, the following standards were in issue but no 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 3	Amendment – Definition of a Business	01/01/2020
IFRS 7, IFRS 9, IAS 39	Amendment – Interest Rate Benchmark Reforms	01/01/2020
IFRS 17	Insurance Contracts	01/01/2021
IAS 1, IAS 8	Amendment – Definition of Material	01/01/2020
IAS 1	Amendment – Correction of Liabilities as Current and Non-Current	01/01/2022

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 and other intangible assets impairment

The Group is required to test, on an annual basis, whether goodwill and other intangible assets have suffered any impairment. Determining whether there has been any impairment requires an estimation of the value in use of the cash-generating units. 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. A significant element of judgement is therefore involved in the calculation of the charge.

Capitalisation of development costs

Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will be made only where there is evidence that an economic benefit will accrue to the Group. To date no development costs have been capitalised and all costs have been expensed in the income statement as Research and Development costs.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Black-Scholes model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 16 for further disclosures.

4. REVENUE

Segmental reporting

The Directors are of the opinion that under IFRS 8 – "operating segment" there are no identifiable business segments that are subject to risks and returns different to the core business of drug development. The information reported to the Directors, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. Therefore, the Directors have determined that there is only one reportable segment under IFRS8.

5. EMPLOYEES AND DIRECTORS

Number of employees:

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

	2019 Number	2018 Number
Directors	**5**	5
Staff	**6**	6
	11	11

Employment costs	**2019 £**	2018 £
Wages and salaries	**708,305**	909,127
Social security costs	**66,975**	90,719
Other pension costs	**65,192**	39,327
Costs of share-based payments	**—**	482,993
	840,472	1,522,166

Details of Directors' remuneration can be found in note 25.

6. NET FINANCE COSTS

	2019 £	2018 £
Finance costs		
Bank interest	**122**	—
Other interest payable	**622**	—
Interest on overdue tax	**2,349**	866
Deferral fees on equity swap	**18,082**	13,699
	21,175	14,565

7. LOSS BEFORE INCOME TAX

	2019 £	2018 £
Research and development	**984,457**	1,698,791
Share based payment (note 24)	**—**	482,993
Defined benefit pension cost	**65,192**	39,327
Hire of plant and machinery	**—**	109
Other operating leases	**120,511**	138,514
Patents amortisation	**155,607**	115,788
Impairment of patents	**217,712**	—
Auditors remuneration	**30,000**	31,000
Foreign exchange differences	**(11,421)**	3,869
Bad debt write off	**—**	506,755
Fair value loss of derivative financial assets	**—**	442,229
Profit on sale of investments	**(146,517)**	—

8. INCOME TAX

	2019 £	2018 £
Domestic current year tax		
Tax credits on research and development – current year	**(291,788)**	(461,193)
Tax credits on research and development – prior years	**(1,950)**	(103)
Current tax credit	**(293,738)**	(461,296)
Factors affecting the tax charge for the year:		
Loss before income tax	**(2,719,492)**	(4,829,138)
Loss before income tax multiplied by effective rate of UK corporation tax of 19.00% (2018: 19.00%)	**(516,703)**	(917,536)
Effects of		
Non-deductible expenses	**45,273**	273,629
Capital allowances for the year in deficit of depreciation and amortisation	**3,770**	3,763
Tax losses not utilised	**327,921**	377,395
Research and development expenditure	**(124,211)**	(198,444)
Adjustment to prior years	**(1,950)**	(103)
Profit on sale of investments	**(27,838)**	—
	222,965	456,240
Current tax charge	**(293,738)**	(461,296)

No corporation tax arises on the results for the year ended 31 December 2019 due to the losses incurred for tax purposes.

The deferred tax asset, arising from tax losses of £19.5 million (2018: £17.7 million) carried forward, has not been recognised but would become recoverable against future trading profits, subject to agreement with HM Revenue and Customs.

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The Parent Company's loss for the financial year was £2,128,647 (2018 – £4,109,696).

10. LOSS PER SHARE

The loss and number of shares used in the calculation of loss per ordinary share are set out below:

	2019 £	2018 £
Loss for the financial period	**(2,425,756)**	(4,367,842)
Non-controlling interest	**37,049**	69,020
Loss attributable to owners of Parent Company	**(2,388,707)**	(4,298,822)
Basic:		
Weighted average number of shares	**902,637,711**	458,715,753
Loss per share	**(0.26p)**	(0.94p)

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 and share warrants (note 24) would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 'Earnings per Share'.

Changes to the issued share capital since the year end are detailed in note 22 below.

11. GOODWILL

Group	**£**
Cost	
At 1 January 2018 and 2019 and 31 December 2019	**1,602,522**
Net book value	
At 31 December 2019	**1,602,522**
At 31 December 2018	1,602,522

The goodwill arising on the acquisitions of ValiRx Bioinnovation Limited, ValiPharma Limited, Valisrc Limited and ValiSeek Limited is not being amortised but is 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	772,230
ValiRx Bioinnovation Limited	394,613
Valisrc Limited	—
ValiSeek Limited	435,679

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

12. INTANGIBLE ASSETS

Group

	Patents £	Brands and licences £	Total £
COST			
At 1 January 2018	1,537,060	375,000	1,912,060
Additions	441,655	—	441,655
At 31 December 2018	1,978,715	375,000	2,353,715
Additions	396,776	—	396,776
At 31 December 2019	**2,375,491**	**375,000**	**2,750,491**
AMORTISATION			
At 1 January 2018	487,703	99,074	586,777
Amortisation for year	115,788	27,200	142,988
At 31 December 2018	603,491	126,274	729,765
Amortisation for year	155,607	27,200	182,807
Impairment	217,712	—	217,712
At 31 December 2019	**976,810**	**153,474**	**1,130,284**
NET BOOK VALUE			
At 31 December 2019	**1,398,681**	**221,526**	**1,620,207**
At 31 December 2018	1,375,224	248,726	1,623,950

Company

	Brands and licences £
COST	
At 1 January 2018 and 2019	200,000
Additions	—
At 31 December 2019	**200,000**
AMORTISATION	
At 1 January 2018	60,000
Amortisation for year	20,000
At 31 December 2018	80,000
Amortisation for year	20,000
At 31 December 2019	**100,000**
NET BOOK VALUE	
At 31 December 2019	**100,000**
At 31 December 2018	120,000

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Plant and machinery £
COST	
At 1 January 2018	35,165
Disposals	(3,495)
At 31 December 2018 and 2019	**31,670**
DEPRECIATION	
At 1 January 2018	35,165
Eliminated on disposal	(3,495)
At 31 December 2018 and 2019	**31,670**
NET BOOK VALUE	
At 31 December 2019	**—**
At 31 December 2018	—

14. INVESTMENTS

Group	Unlisted investments £
COST	
At 1 January 2018 and 2019	1,333,770
Disposals	(1,333,770)
At 31 December 2019	**—**
PROVISIONS	
At 1 January 2018 and 2019	1,333,770
Eliminated on disposal	(1,333,770)
At 31 December 2019	**—**
NET BOOK VALUE	
At 31 December 2019	**—**
At 31 December 2018	—

The Group and the Company disposed of their 5.5% shareholding in Morphogenesis Inc., a company incorporated in USA, during the year.

14. **INVESTMENTS – continued**

Company	Shares in group undertakings £	Unlisted investments £	Total £
COST			
At 1 January 2018 and 2019	3,617,834	1,333,770	4,951,604
Additions	4	—	4
Disposals	—	(1,333,770)	(1,333,770)
At 31 December 2019	**3,617,838**	**—**	**3,617,838**
PROVISIONS			
At 1 January 2018 and 2019	—	1,333,770	1,333,770
Eliminated on disposal	—	(1,333,770)	(1,333,770)
At 31 December 2019	—	—	—
NET BOOK VALUE			
At 31 December 2019	**3,617,838**	**—**	**3,617,838**
At 31 December 2018	3,617,834	—	3,617,834

14. **INVESTMENTS – continued**

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

ValiRx Bioinnovation Limited
Registered office: England & Wales
Nature of business: Intermediate holding company

Class of shares:	% holding
Ordinary shares	100.00

ValiPharma Limited
Registered office: England & Wales
Nature of business: Therapeutic research & development

Class of shares:	% holding
Ordinary shares	100.00

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

Valisrc Limited
Registered office: England & Wales
Nature of business: Dormant

Class of shares:	% holding
Ordinary shares	100.00

ValiSeek Limited
Registered office: England & Wales
Nature of business: Therapeutic research & development

Class of shares:	% holding
Ordinary shares	55.55%

ValiGenx Limited
Registered office: England & Wales
Nature of business: Dormant

Class of shares:	% holding
Ordinary shares	100.00

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £	**2018 £**	**2019 £**	**2018 £**
Current				
Amounts owed by Group undertakings	**—**	—	**2,843,650**	2,609,278
Other receivables	**23,252**	15,354	**20,953**	13,059
Rent deposit	**31,807**	25,926	**31,807**	25,926
VAT	**13,033**	77,814	**35,951**	85,398
Prepayments and accrued income	**21,991**	54,995	**21,991**	54,817
	90,083	174,089	**2,954,352**	2,788,478

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

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 £	2018 £	**2019 £**	2018 £
Bank accounts	**137**	372,872	**—**	372,190
Bank overdraft	**(5,771)**	—	**(5,771)**	—
	(5,634)	372,872	**(5,771)**	372,190

17. CALLED UP SHARE CAPITAL

	2019 Number	2018 Number	2019 £	2018 £
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**1,334,827,184**	598,296,049	**1,334,828**	598,297
Deferred shares of 0.5p 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**	30,177,214	**3,741,974**	3,741,974
			9,417,225	8,680,694

In February 2019, the Company raised £0.5 million, before expenses, through the issue of 83,333,333 new ordinary shares at a price of 0.6 pence per share. The funds were to be used for advancing the clinical trial of VAL201 and for the Pre-clinical progress of other programmes.

In April 2019, the Company entered into a subscription agreement (the "Agreement") with European High Growth Opportunities SF (the "Investor"). The first Tranche of 71,000,000 new shares were issued at a price of 0.6 pence per share in May 2019 raising £426,000 before expenses.

In June 2019, the Company raised £0.3 million, before expenses, through the issue of 150,000,000 new ordinary shares at a price of 0.2 pence per share. The funds were to be used for advancing the clinical trial of VAL201 and for the Pre-clinical progress of other programmes.

In June 2019, the Company agreed to terminate the Agreement with European High Growth Opportunities SF. The Company agreed to a final settlement of £212,500 which was settled by the issue of 121,428,571 new shares at a price of 0.175 pence per share.

In October 2019, the Company raised £0.35 million, before expenses, through the issue of 269,230,769 new ordinary shares at a price of 0.13 pence per share. The funds were to be used for advancing the clinical trial of VAL201 and for the Pre-clinical progress of other programmes.

In October 2019, the Company issued 41,538,462 new shares at a price of 0.13 pence per share to settle liabilities amounting to £54,000.

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.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £	**2018 £**	**2019 £**	**2018 £**
Current				
Trade payables	**945,854**	772,244	**723,296**	724,876
Amounts owed to Group undertakings	**—**	—	**447,187**	300,670
Social security and other taxes	**119,169**	71,742	**107,953**	68,882
Wages and salaries	**6,310**	10,001	**5,221**	10,001
Other payables	**23,109**	—	**23,109**	—
Accruals and deferred income	**87,642**	36,000	**74,875**	30,000
	1,182,084	889,987	**1,381,641**	1,134,429

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

19. FINANCIAL LIABILITIES – BORROWINGS

	Group		Company	
	2019 £	**2018 £**	**2019 £**	**2018 £**
Current:				
Bank overdraft	**5,634**	—	**5,771**	—
Equity swap loan	**193,781**	313,699	**193,781**	313,699
	199,415	313,699	**199,552**	313,699

Swap settlement

In September 2018, Yorkville and the Company agreed a final settlement in respect of the Swap Agreement and entered into a deed to terminate that agreement. At the time, the Company owed Yorkville £418,275 under the agreement.

It was agreed that the Company would pay Yorkville £325,000 plus £40,000 deferral fee in full and final settlement by quarterly instalments. At the Company's discretion, it may settle a quarterly instalment by issuing Ordinary Shares in the Company to Yorkville, on the basis of the share price at the time of repayment.

Due to the deferral of the first instalment, the parties agreed a deferral letter whereby further late payment fees were due by the Company to Yorkville.

	2019 £	2018 £
At 1 January	**313,699**	—
Agreed full and final settlement	**—**	325,000
Repayment	**(138,000)**	(25,000)
Deferral fee	**18,082**	13,699
At 31 December	**193,781**	313,699

20. OTHER FINANCIAL COMMITMENTS

At 31 December 2019, the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2020:-

	Land and buildings	
	2019	2018
	£	£
Operating leases which expire:		
Within one year	**26,163**	110,906

21. RELATED PARTY DISCLOSURES

During the year the Director, G Desler, provided the Company and its subsidiaries with bookkeeping services totalling £18,450 (2018: £19,219).

During the year the Director O de Giorgio – Miller invoiced the Company £41,250 (2018: £49,500) for research and development work.

At the year end, the amounts owed to Directors were as follows:

	2019	2018
	£	£
G Desler	**7,147**	8,036
O de Giorgio-Miller (Died 21 October 2019)	**5,800**	5,579
G Morris (Resigned 14 April 2020)	**—**	—
S Vainikka (Ceased to be a director 14 April 2020)	**—**	—
K Alexander	**—**	—

22. EVENTS AFTER THE REPORTING PERIOD

Placing and issue of share warrants

In January 2020, the Company raised £0.2 million of gross proceeds through the issue of 200,000,000 new ordinary shares at a price of 0.1 pence per ordinary share ("Placing Shares") with new and existing investors. The net proceeds of the Placing were to be used to analyse the Phase I/II clinical trial of VAL201 to treat prostate cancer and associated metastatic conditions and continue the development of ValiRx's pre-clinical VAL301 and VAL101/GeneICE programmes towards the clinic, and for general working capital purposes.

Each Placing Share carries a warrant to subscribe for one further share at a price of 0.10p per share, exercisable at any time from Admission (10 January 2020) up to the third-year anniversary of Admission. The funds were raised through ETX Capital, the Company's joint broker. As part of their fee arrangement, the Company agreed to issue to ETX Capital with a warrant over 20,000,000 ordinary shares in the Company, exercisable at any time from Admission at a price of 0.10 pence per share up to the third-year anniversary of Admission.

Capital Reorganisation

At a General Meeting in February 2020, a Capital Reorganisation was approved consolidating 125 Existing Shares into 1 Consolidated Share of 12.5 pence, followed by the Sub-Division of each Consolidated Share into 1 New Ordinary Share of 0.1 pence each and 1 New Deferred Shares of 12.4 pence each. The New Deferred Shares have the same rights as the Existing Deferred Shares and are therefore effectively be worthless.

22. **EVENTS AFTER THE REPORTING PERIOD – continued**

Placing following approval of Capital Reorganisation

In April 2020, the Company raised £200,000 of gross proceeds through the issue of 5,714,288 new ordinary shares (post reorganisation) at a post reorganisation price of 3.5 pence per share.

Placing and issue of Fundraise Warrants

In May 2020, the Company placed 16,666,667 new ordinary shares at 6 pence per share ("Placing Price") raising gross proceeds of £1m before expenses. Attached to every share issued pursuant to the Placing ("Fundraise Share") is a warrant ("Fundraise Warrant") allowing the holder of a Fundraise Share to subscribe for an additional ordinary share in the Company for every two Fundraise Shares held at an exercise price of 13 pence per share (the "Fundraise Warrants" or "Warrant Exercise Price"). The Fundraise Warrants will vest if the closing mid-market share price of the Company exceeds 15p over a 5-consecutive day period within 12 months of the date that the Fundraise Shares are admitted to trading on AIM. The Company may serve notice ("Notice") on the Fundraise Warrant holder to exercise their Fundraise Warrant in the event that the vesting criteria is met. Such Notice will be served by way of a regulatory notification, In the event the Company serves Notice, any Fundraise Warrants remaining unexercised after 5 business days following the notification of the Notice will be cancelled. The Fundraise Warrants are not transferable.

Conversion of liabilities

In May 2020, alongside the Placing, the Company settled existing liabilities amounting to £84,168 through the issue of 1,402,800 new ordinary shares at the Placing Price ("Conversion Shares").

Kevin Alexander, a Director of the Company and Suzanne Dilly, a then proposed Director of the Company, converted existing liabilities of £10,000 each, in aggregate £20,000 into 333,333 ordinary shares at the Placing Price, included within the above figure of 1,402,800 Conversion Shares.

The Conversion Shares have Fundraise Warrants attached – details of which are set out above.

23. **ULTIMATE CONTROLLING PARTY**

The Directors consider that there is no ultimate controlling party.

24. SHARE-BASED PAYMENT TRANSACTIONS

The number of shares and the share prices shown in this note do not take into account the share capital re-organisation that was effected after the year end (note 22).

At 31 December 2019 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:

2018	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	3,460,960		50.98
Granted during the year	17,300,000		4.00
Lapsed during the year	(48,000)		43.13
Carried forward	20,712,960	8.52	11.76

2019	**Number of shares**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	**20,712,960**		**11.76**
Lapsed during the year	**(3,325,400)**		**12.23**
Carried forward	**17,387,560**	**7.53**	**11.67**

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

The following share-based payment arrangements were in existence at the balance sheet date.

	Options	Number	Expiry date	Exercise price	Fair value at grant date
1	Granted 8 July 2011	268,000	08/07/2021	93.75p	12.50p
2	Granted 19 January 2014	792,000	19/01/2024	43.13p	5.00p
3	Granted 21 October 2014	872,000	21/10/2024	45.00p	3.75p
4	Granted 26 June 2015	905,560	26/06/2025	51.00p	4.04p
5	Granted 9 February 2018	14,550,000	09/02/2028	4.00p	2.79p

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 (years)	Risk-free interest rate
1	Granted 8 July 2011	80.00p	93.75p	52.00%	3.00	1.24%
2	Granted 19 January 2014	43.13p	43.13p	17.00%	3.00	0.99%
3	Granted 21 October 2014	45.00p	45.00p	17.00%	3.00	1.00%
4	Granted 26 June 2015	50.50p	51.00p	16.00%	3.00	0.38%
5	Granted 9 February 2018	4.00p	4.00p	196.00%	3.00	0.88%

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

24. **SHARE-BASED PAYMENT TRANSACTIONS – continued**

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.

All of the share options are equity settled and the charge for the year is £nil (2018: £482,993)

Warrants

At 31 December 2019 outstanding warrants to subscribe for ordinary shares of 0.1p each in the Company, granted in accordance with the warrant instruments issued by ValiRx, were as follows.

2018	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	85,040,011	2.34	6.46
Granted during the year	25,413,725		4.55
Exercised during the year	(8,400,000)		1.43
Carried forward	102,053,736	1.30	6.40

2019	**Number of shares**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	**102,053,736**	**1.30**	**6.40**
Granted during the year	**42,756,410**		**0.23**
Lapsed during the year	**(54,733,721)**		**5.46**
Carried forward	**90,076,425**	**2.11**	**3.82**

All warrants were exercisable at the year end.

The following warrants were in existence at the balance sheet date.

	Warrants	Number	Expiry date	Exercise price	Fair value at grant date
1	Granted 7 April 2016	4,926,741	31/03/2021	9.00p	0.92p
2	Granted 22 April 2016	1,710,922	31/03/2021	9.00p	0.67p
3	Granted 12 July 2016	8,333,333	12/07/2021	9.00p	0.36p
4	Granted 16 September 2016	2,000,000	16/09/2021	6.00p	0.78p
5	Granted 16 September 2016	20,000,000	16/09/2021	9.00p	0.13p
6	Granted 2 January 2018	1,882,353	02/01/2021	4.25p	1.95p
7	Granted 14 May 2018	1,800,000	14/05/2021	2.50p	1.40p
8	Granted 31 December 2018	6,666,666	31/12/2021	0.75p	0.40p
9	Granted 28 February 2019	8,333,333	28/02/2022	0.60p	0.35p
10	Granted 18 June 2019	7,500,000	18/06/2022	0.20p	0.14p
11	Granted 11 November 2019	26,923,077	11/11/2022	0.13p	0.10p

24. **SHARE-BASED PAYMENT TRANSACTIONS – continued**

The fair value of the remaining warrants 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:

	Warrants	Grant date share price	Exercise price	Expected volatility	Expected option life (years)	Risk-free interest rate
1	Granted 7 April 2016	9.30p	9.00p	17.00%	3.00	0.48%
2	Granted 22 April 2016	8.60p	9.00p	17.00%	3.00	0.62%
3	Granted 12 July 2016	7.60p	9.00p	18.00%	3.00	0.23%
4	Granted 16 September 2016	6.50p	6.00p	18.00%	3.00	0.14%
5	Granted 16 September 2016	6.50p	9.00p	18.00%	3.00	0.14%
6	Granted 2 January 2018	4.13p	4.25p	112.00%	3.00	0.60%
7	Granted 14 May 2018	2.90p	2.50p	107.60%	3.00	0.83%
8	Granted 31 December 2018	0.80p	0.75p	105.60%	3.00	0.78%
9	Granted 28 February 2019	0.61p	0.60p	133.60%	3.00	0.86%
10	Granted 18 June 2019	0.22p	0.20p	159.20%	3.00	0.54%
11	Granted 11 November 2019	0.13p	0.13p	223.40%	3.00	0.54%

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 warrants are equity settled and the charge for the year is £65,147 (2018: £213,395). As the warrants relating to the charge were all in consideration of shares issued during the year, the charge has been taken directly to equity and charged against the share premium as costs in respect of the issue of shares.

25. **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.

	2019 £	2018 £
Salaries and other short-term employee benefits	**189,324**	343,431
Salaries and other short-term benefits – research and development	**213,790**	209,250
Post-employment benefits	**45,832**	32,541
	448,946	585,222

	Salary £	Bonus £	Benefits in kind £	Post-employment benefits £	**2019 £**	2018 £
S Vainikka (Ceased to be a director 14/04/2020)	165,280	—	1,813	25,494	**192,587**	213,572
G Morris (Resigned 14/04/2020)	124,025	—	3,481	20,338	**147,844**	177,491
K Alexander	25,625	—	–	—	**25,625**	47,968
G Desler	52,890	—	–	—	**52,890**	80,566
O de Giorgio-Miller (Died 21/10/2019)	30,000	—	–	—	**30,000**	65,625
	397,820	—	5,294	45,832	**448,946**	585,222

Details of fees paid to Directors are shown in note 21 above.

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2018: 2).

25. **KEY MANAGEMENT PERSONNEL COMPENSATION – continued**

The number of shares and the share prices shown in this note do not take into account the share capital re-organisation that was affected after the year end (note 22).

The Directors interests in share options as at 31 December 2019 are as follows. S Vainikka ceased to be a director on 14 April 2020 and G Morris resigned on 14 April 2020. They have 12 months from resignation in order to exercise their options, failing which they will lapse.

	Options at 31 December 2019	Exercise price	Date of grant	First date of exercise	Final date of exercise
S Vainikka	80,000	93.75p	08/07/2011	08/07/2011	08/07/2021
S Vainikka	192,000	43.13p	19/01/2014	19/01/2014	19/01/2024
S Vainikka	192,000	45.00p	21/10/2014	21/10/2014	21/10/2024
S Vainikka	222,000	54.00p	26/06/2015	26/06/2015	25/06/2025
S Vainikka	3,625,000	4.00p	07/02/2018	07/02/2018	07/02/2018
	4,311,000				
G Morris	48,000	93.75p	08/07/2011	08/07/2011	08/07/2021
G Morris	176,000	43.13p	19/01/2014	19/01/2014	19/01/2024
G Morris	176,000	45.00p	21/10/2014	21/10/2014	21/10/2024
G Morris	191,000	54.00p	26/06/2015	26/06/2015	25/06/2025
G Morris	3,125,000	4.00p	07/02/2018	07/02/2018	07/02/2018
	3,716,000				
K Alexander	48,000	93.75p	08/07/2011	08/07/2011	08/07/2021
K Alexander	160,000	43.13p	19/01/2014	19/01/2014	19/01/2024
K Alexander	160,000	45.00p	21/10/2014	21/10/2014	21/10/2024
K Alexander	173,800	54.00p	26/06/2015	26/06/2015	25/06/2025
K Alexander	2,500,000	4.00p	07/02/2018	07/02/2018	07/02/2018
	3,041,800				
G Desler	48,000	93.75p	08/07/2011	08/07/2011	08/07/2021
G Desler	176,000	43.13p	19/01/2014	19/01/2014	19/01/2024
G Desler	176,000	45.00p	21/10/2014	21/10/2014	21/10/2024
G Desler	189,760	54.00p	26/06/2015	26/06/2015	25/06/2025
G Desler	3,000,000	4.00p	07/02/2018	07/02/2018	07/02/2018
	3,589,760				

26. **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.

26. **FINANCIAL INSTRUMENTS – continued**

Financial assets	**2019 £**	**2018 £**
Loans and receivables		
Trade and other receivables	**90,083**	174,089
Cash and cash equivalents	**—**	372,872
Total loans and receivables	**90,083**	546,961
Total financial assets	**90,083**	546,961

Financial liabilities	**2019 £**	2018 £
Trade and other payables	**1,256,696**	1,131,944
Cash and cash equivalents	**5,634**	—
Total financial liabilities	**1,262,330**	1,131,944

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

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.

26. **FINANCIAL INSTRUMENTS – continued**

Foreign currency risk

The Group's exposure to foreign currency risk is limited; as most of its invoicing and payments are denominated in Sterling. Accordingly, no sensitivity analysis is presented in this area as it is considered immaterial.