ValiRx

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REPORT & ACCOUNTS

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CONNECTED INNOVATION

ValiRx

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ValiRx

GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS

AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

FOR

VALIRX PLC

www.valirx.com

CONNECTED INNOVATION

ValiRx Plc

Contents of the Consolidated Financial Statements for the year ended 31 December 2020

ValiRx

COMPANY INFORMATION

CONNECTED INNOVATION

CONNECTED INNOVATION
Company Information
for the year ended 31 December 2020

DIRECTORS:	K J Alexander Dr K Cox G Desler Dr S J Dilly M Lampshire
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

ValiRx

STRATEGIC REPORT

CONNECTED INNOVATION

ValiRx Plc

CONNECTED INNOVATION
Accelerating biomedical innovation by connecting science, finance and commerce

Company information and highlights
ValiRx accelerates the development of treatments in cancer and women's health to improve patient lives.

We provide the scientific, financial and commercial framework to enable the rapid translation of innovative science into clinical development. With our extensive and proven experience in research and drug development, we select and incubate promising novel drug candidates and guide them through an optimised process of development, from preclinical studies to clinic and investor-ready assets.

Integrating science and business
We connect diverse disciplines across scientific, technical and commercial domains, with the promise of achieving a more streamlined, less costly, drug development process. We work closely with our selected collaborators and leverage the combined expertise required for science to advance.

Lead candidates from our portfolio are **out-licensed or partnered** with investors through ValiRx subsidiary companies for further clinical development and commercialisation.

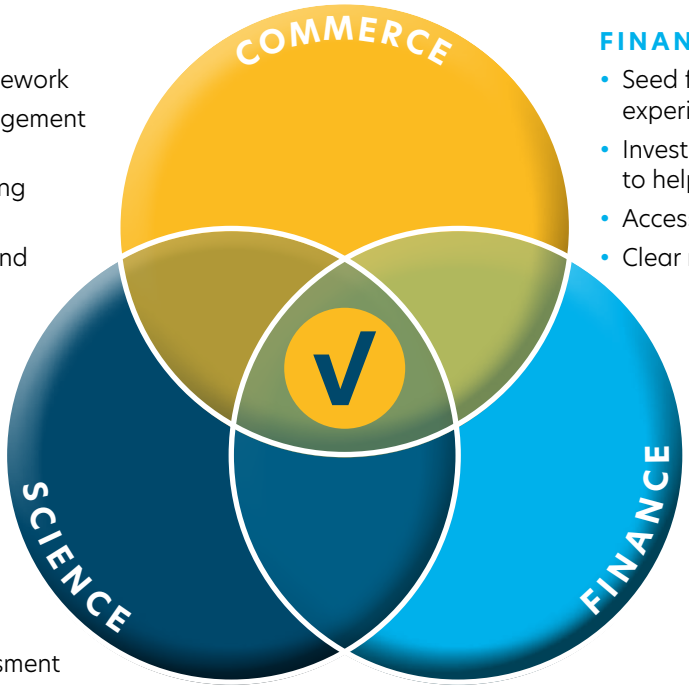
ValiRx Plc

CONNECTED INNOVATION
Accelerating biomedical innovation by connecting science, finance and commerce

WHAT MAKES VALIRX UNIQUE?

COMMERCE
- Flexible corporate framework
- Extensive project management experience
- Network or world leading service providers
- Collaborative, nimble and adaptable

FINANCE
- Seed funding for the 'killer experiements'
- Investment/City contacts to help finance subsidiaries
- Access to corporate funding
- Clear routes to exit



SCIENCE
- Oncology and women's health focus
- Preclinical interest
- Rigorous project assessment with expert advisors
- Industrialising innovation
- Risk balanced portfolio

ValiRx accelerates the translation of innovative science into impactful medicines
We identify, incubate and accelerate innovations that focus on the needs of those who matter most – the patients. With a sense of urgency and determination, we select molecules with the highest potential to improve patient lives throughout treatment.

Our therapeutic focus prioritises cancer, related conditions and women's health. The pipeline is enriched by robust partnerships with academia and industry, fuelled by our intellectual and financial resources.

We develop treatments derived from diverse and disruptive innovations that have the potential to progress rapidly upstream and deliver value to all of our stakeholders. Our virtual model and industry expertise enable us to accelerate the translation of promising new drug candidates to early clinical studies. Strategic partnering to co-develop and fund later stage clinical trials, allows ValiRx to continue to build a risk-balanced pipeline of novel projects.

CONNECTED INNOVATION
Accelerating biomedical innovation by connecting science, finance and commerce

FIND – FOCUS –TRANSFORM – GROW

Find – We identify and select innovations which fit our therapeutic interests, expertise and strategic model.

Focus – We devote intellectual and financial resources to deliver a risk balanced pipeline of projects that are investor and industry ready.

Transform – Starting with the end in mind, we collaborate with world-leading innovators to enhance and accelerate the translation of great science into effective treatments.

Grow – Our strategy includes building a portfolio of independent entities with a common support framework and a shared vision. Dynamic joint ventures and end-focused partnerships will progress each entity to commercialisation and deliver maximum value.

Business Structure
Following the required scientific and commercial preparation, projects are launched as a ValiRx Special Purpose Vehicle (SPV), presenting an opportunity for external funding and investment from partners, to continue progression into clinical development.

When the SPV has been established and has obtained independent financing, ValiRx will continue to provide the commercial, financial and corporate support necessary to progress development of each asset towards a successful out-licence or sale. The Company's strategy is to select and incubate promising novel drug candidates and guide them through an optimised process of development, from preclinical studies to investor-ready assets. The income received from this is re-invested into the next generation of ValiRx preclinical projects. SPVs are valuable commercial entities, each positioned to strategically exit from ValiRx when the time is right.

Impact of coronavirus pandemic on company operations
Despite the profound impact of the coronavirus pandemic on society as a whole and the restrictions placed on person-to-person interactions, ValiRx has been able to continue operations with minimal impact on core programmes and processes. Close out of the VAL201 became a little more challenging but was ultimately delivered on the predicted timelines. The newly constituted Board has carried out its business entirely remotely and has driven successful implementation of the new strategy.

Disappointingly, we have not been able to meet face-to-face with shareholders. In the meantime, we have implemented an effective Q&A process and issued a number of blogs to help understanding of our products and the science behind them.

We very much hope to have the opportunity for in-real-life meetings in the near future.

ValiRx Plc

CONNECTED INNOVATION
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2020 Company Highlights

- Launch of a new strategy and implemented significant structural changes to develop a risk-diversified approach to early-stage drug development
- Providing the scientific, financial and commercial framework to enable rapid translation of innovative science into clinical development
- New management and board appointed to deliver the strategy. Dr Suzanne Dilly was appointed to the Board as Chief Executive and Dr Kevin Cox joined as the Non-executive Chairman of the Board
- Phase 1/2 clinical trial close out and reporting of lead asset VAL201, demonstrating good safety and tolerability and early indications of efficacy
- Cost reductions to significantly reduce cash burn
- Successful £1.35M Placing in July 2020 to provide the runway for commercial and scientific progress with the existing pipeline (VAL201, VAL301, VAL401, BC201) and implementation of the new strategy
- Excellent progress in identifying new collaborative pipeline projects, with KTH222 from Kalos Therapeutics under initial evaluation

CONNECTED INNOVATION
Chairman's Report
for the year ended 31 December 2020

Having joined ValiRx in June 2020, I can only really comment on activity in the second half of the year with any great insight. Nevertheless, despite all the turmoil of the coronavirus pandemic and restrictions on the Board to meet in person, I believe that ValiRx has made excellent progress in realigning its strategy and consolidating the position of all key projects. We also achieved a major milestone with the close out and reporting of the VAL201 Phase I/II clinical trial, demonstrating good safety and tolerability and early indications of efficacy.

During the latter half of 2020 the Company successfully made significant changes to the way it operates and its strategic focus. Operational changes included:

- re-structuring the Board to ensure a breadth of skills and experience
- reducing costs and streamlining the organisation
- exiting non-core technologies that did not support the strategy
- re-locating the office outside of London and
- introducing the new shareholder engagement process

The successful fund-raise in July 2020 and completion of these changes means that we now have a period of stability to implement the new strategy and also to make commercial and scientific progress with VAL201, VAL301, VAL401 and BC201.

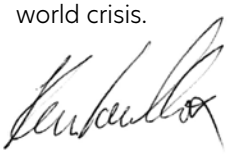
The realignment of the strategy to focus on 'Connected Innovation' and the development of a risk-balanced pipeline of earlier stage projects is progressing well. The business development team is building good relationships with a wide range of innovators and investors and we have already identified a number of interesting technologies which have entered our rigorous evaluation process. The nature of our assessments means that not all projects will be adopted into the pipeline, therefore being visible and accessible to scientists developing novel technologies will be necessary to maintain a good flow of opportunities. The new website and communications plan has been designed to ensure ValiRx is recognised as a Company that is 'open for business'.

Selecting a commercial partner for VAL201 remains a high priority for ValiRx and completion of the clinical trial and study report at the end of 2020 has enabled us to actively engage with a variety of interested parties. Due diligence of the science and clinical data, commercial negotiations and internal decision-making processes will all be on the critical path to a successful outcome.

Effective communication with shareholders has also been high on the agenda for ValiRx throughout 2020 and the Board is committed to implementing processes that ensure information is made available in a timely, fair and transparent way, and meets the regulatory requirements of an AIM listed company. However, given the nature of the biopharmaceutical industry, the uncertainties of novel scientific development and the importance of commercial confidentiality, there are likely to be periods when news flow is slow or apparently low key. The adoption of the new strategy, focusing on multiple programmes of earlier stage science, should increase the frequency of scientific updates, as the need for patient confidentiality and lengthy clinical processes will no longer be as relevant. As the Covid rules gradually relax, we are looking forward to the time when we can meet shareholders face-to-face and the opportunity to put more colour on the business activities.

I believe the new strategy will deliver long term growth and value creation for shareholders, but we are only at the beginning of this journey and our activities in 2021 will be focused on maintaining the momentum initiated in 2020.

We very much value the continued commitment of our shareholders and thank you for your support and understanding through a period of significant change for the company and during an unprecedented world crisis.



Kevin Cox
Chairman

Date: 26 April 2021

CONNECTED INNOVATION
Chief Executive's Report
for the year ended 31 December 2020

The key theme for 2020 has been creating stability. Against the backdrop of the pandemic as well as significant management and strategy changes in the Company, I am delighted to summarise a year of substantial progress at ValiRx.

We have fully assessed each of our development programmes and business processes to ensure that the most efficient routes are chosen. Our new long-term strategy to develop a risk-diversified approach to early-stage drug development has been established. By directing our internal resources more precisely, we have been able to focus on the priority activities. This has allowed the Company to streamline resources and continue to identify new projects to build the pipeline.

The clinical phase of the VAL201 clinical trial in men with prostate cancer completed in January 2020, with notification being formalised on 27 January 2020, shortly before the pandemic restrictions came into force. Due to restrictions on visits to the clinic, the normal processes for data verification, database lock and study close down were modified to encompass remote working practices. Nevertheless, the expected timelines were broadly achieved, with database lock and headline results released in Q3 2020 and the full results announced on schedule in Q4 2020. The challenging logistics of achieving these timelines are a credit to the network of partners who have supported the trial process throughout, as well as to the dedication and persistence of our team to manage the process.

With the data now harnessed, securing full value for VAL201, both scientifically and commercially, is a priority task for the Company. Since the close of the 2020 reporting period, we have announced the extension of the collaboration between the Company and Physiomics PLC. This will enable additional systematic analysis of our clinical results using their Virtual Tumour model and related software to delve deeper into the data and enhance our scientific understanding of the data. This will benefit the scientific foundation not just of VAL201, and the use in prostate cancer, but also for the two other programmes involving the peptide, namely VAL301 and BC201. Commercial value for VAL201 is intended to be obtained via an external partnership and the divesting of both VAL201 and VAL401 clinical assets from our pipeline will demonstrate that our science is conducted always with a view to the end partnership.

A major scientific development during 2020 was the establishment of the consortium between ValiRx, OncoLyitka and Black Cat Bio to consider the use of the VAL201 peptide as the key active ingredient in a combination product (BC201) for use in the treatment of patients suffering severe symptoms of coronavirus infection. Preclinical proof-of-concept studies have been initiated with ValiRx providing additional scientific and commercial support. Given the mode of action of BC201, we believe it could also have an application in viral-induced sepsis, and potentially incorporated into future "pandemic preparedness" protocols to ensure the world is ready for the next viral outbreak.

VAL301, our preclinical programme for the treatment of endometriosis, was announced on 1 May 2020 to be the subject of a material transfer agreement with an undisclosed Japanese Pharma Company. In this agreement, ValiRx provided surplus clinical trial drug to enable a preclinical study designed by the Japanese Pharma Company as part of their evaluation of suitability for further development and commercialisation. Although this evaluation has not yet completed, we are actively pursuing additional options to continue the development of VAL301.

VAL401 was announced on 14 January 2020 to be the subject of an agreement with Black Cat Bio, in which Black Cat Bio would acquire the rights to further develop VAL401 for the treatment of pancreatic cancer, subject to a minimum fund-raise. This has allowed funding discussions to continue without diverting resources from our core focus for 2020.

A major drive behind the change in Company processes was to open the door for greater transparency with shareholders. We believe this has been demonstrated by our Company announcements since June 2020 and our new Q&A protocol actively encourages shareholders to ask questions.

The launch of our new strategy has enabled us to start building connections with universities, institutions and medical research charities. Innovators and technology transfer departments alike have been able to introduce us to a range of fascinating projects. The wealth of high-quality academic science we have uncovered never ceases to delight me. Although this process has started with predominantly UK based institutions, we intend to increase our reach to assess the very best opportunities available worldwide.

Finally, I would like to thank our investors for their continuing support. I would also like to thank our team, advisers and collaborators for their ongoing efforts to ensure that ValiRx makes progress. We are looking forward to 2021 and are confident in the outlook for ValiRx.

CONNECTED INNOVATION
Chief Executive's Report
for the year ended 31 December 2020

Outlook

After a period of re-alignment and consolidation throughout 2020, we look forward to the new strategy beginning to have the desired impact in 2021.

Over the course of the year, we are targeting up to four new projects entering the evaluation stage of our process, with at least two of those progressing to a full license. R&D expenditure during this period will increase to cover the initial evaluation costs and support programmes as they enter the fully licensed period. The expected costs are budgeted and incorporated into our cash forecasts.

Where appropriate, in-licenced programmes will be positioned in a subsidiary company, or SPV (Special Purpose Vehicle) and third-party funding and/or partners will be sought towards the end of the preclinical development period, subject to successful outcomes of the required experiments.

Our research strategy aims to mitigate risks by two means. Firstly, by carrying out initial evaluations of therapeutic candidates prior to incorporation into our pipeline we will be able to establish suitability with minimal cost before making long term commitments. Secondly, we intend to evaluate multiple projects each year across a range of technologies and applications with the aim of creating a risk balanced portfolio and a steady flow of opportunities for further development.

Dependent on the nature and the specific requirements of each programme, additional personnel may be required, either recruited directly into ValiRx or into the relevant SPV. The objective would be to build on the expertise of the existing team, while maintaining the flexibility of a virtual biotech model. Team growth is built into our financial planning over the next 2-3 years but will ultimately be determined according to the needs and resources available to the Company.

As a result of the funds raised in 2020 and significant costs reductions, and assuming no major perturbations, we anticipate that our current cash balance will be sufficient to progress the strategy as described over the next period. Subject to successful outcomes, the ongoing out-licencing discussions for the Company's clinical assets will further extend the cash runway and potentially allow an expansion of activities.

Financial overview

Our financial results show the total comprehensive loss for the year ended 31 December 2020 of £1,443,248 (2019: £2,388,707) and a loss per share of 3.81p (2019: loss 33.08p).

Research and developments costs were £230,115 for the year ended 31 December 2020 as compared to £984,457 in 2019, a decrease of £754,342.

Administrative expenses, before loss on disposal of intangible assets of £154,968, were £1,276,619 for the year ended 31 December 2020 as compared with £1,860,379 in 2019, a decrease of £583,760.

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: 26 April 2021

CONNECTED INNOVATION
Group Strategic Report
for the year ended 31 December 2020

The Directors present the strategic report and financial statements for the year ended 31 December 2020.

Company information and highlights

ValiRx accelerates the development of treatments in cancer and women's health to improve patient lives.

We provide the scientific, financial and commercial framework to enable the rapid translation of innovative science into clinical development. With our extensive and proven experience in research and drug development, we select and incubate promising novel drug candidates and guide them through an optimised process of development, from preclinical studies to clinic and investor-ready assets.

Integrating science and business

We connect diverse disciplines across scientific, technical and commercial domains, with the promise of achieving a more streamlined, less costly, drug development process. We work closely with our selected collaborators and leverage the combined expertise required for science to advance. Lead candidates from our portfolio are out-licensed or partnered with investors through ValiRx subsidiary companies for further clinical development and commercialisation.

Strategy and Vision

ValiRx accelerates the translation of innovative science into impactful medicines.

We identify, incubate and accelerate innovations that focus on the needs of those who matter most – the patients. With a sense of urgency and determination, we select molecules with the highest potential to improve patient lives throughout treatment.

Our therapeutic focus prioritises cancer, related conditions and women's health. The pipeline is enriched by robust partnerships with academia and industry, fuelled by our intellectual and financial resources.

We develop treatments derived from diverse and disruptive innovations that have the potential to progress rapidly upstream and deliver value to all of our stakeholders. Our virtual model and industry expertise enable us to accelerate the translation of promising new drug candidates to early clinical studies. Strategic partnering to co-develop and fund later stage clinical trials, allows ValiRx to continue to build a risk-balanced pipeline of novel projects.

Find - Focus -Transform - Grow

Find - We identify and select innovations which fit our therapeutic interests, expertise and strategic model.

Focus - We devote intellectual and financial resources to deliver a risk balanced pipeline of projects that are investor and industry ready.

Transform - Starting with the end in mind, we collaborate with world-leading innovators to enhance and accelerate the translation of great science into effective treatments.

Grow - Our strategy includes building a portfolio of independent entities with a common support framework and a shared vision. Dynamic joint ventures and end-focused partnerships will progress each entity to commercialisation and deliver maximum value.

Business Structure

ValiRx accelerates scientific development and prepares the business infrastructure to present each SPV project as partnership ready.

With the necessary scientific and commercial preparation, projects are launched as a ValiRx Special Purpose Vehicle (SPV), presenting an opportunity for external funding and investment from partners, to continue progression into clinical development.

When the SPV has been established fledged and has obtained independent financing, ValiRx will continue to provide all the support necessary to deliver success. The income received from each SPV is re-invested into the next generation of ValiRx preclinical projects. SPVs are valuable commercial entities, each positioned to strategically exit from ValiRx when the time is right.

The Group operates through two current 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.

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 preclinical 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.

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

THERAPEUTIC AREAS

Cancer

We are focused on finding better treatments for difficult-to-treat types of cancer. Many cancer treatments use traditional approaches such as chemotherapy, which, while they extend patient survival, also bring high side effect burdens and complex combination treatment regimens.

Whilst individualised treatments and target therapies have improved outcomes for some types of cancer, many types of cancer have insufficient treatment options and rely on drugs that have remained unchanged for decades.

By targeting precise biological mechanisms, we aim to improve the patient experience in terms of both survival and quality of life.

VAL201 in prostate cancer

VAL201 is a short peptide being studied for the treatment of prostate cancer. The peptide structure is inspired by the structure of the naturally occurring androgen receptor and is designed to intercept and prevent the binding of the androgen receptor to SRC kinase; an enzyme implicated in cancerous cell growth pathways. By preventing the androgen -mediated activation of SRC kinase, VAL201 can prevent cancerous cell proliferation (or growth) without interfering with other functions of the androgen receptor or SRC kinase. This precision method, mimicking a natural process, proposes a high specificity of cancer treatment, with a lower side effect profile.

VAL201 has recently completed a Phase 1/2 clinical trial in the UK, investigating the effects of different dose levels of the drug to establish the safety, tolerability and first indications of disease impact (see below).

VAL401 in adenocarcinoma

VAL401 is the reformulation of the established anti-psychotic drug risperidone. Formulated into a lipid-filled capsule for oral, once daily administration, VAL401 enables an anti-cancer activity, via cancer cell metabolism enzyme, Hydroxysteroid-dehydrogenase type 10 (HSD10), not seen with conventional risperidone.

VAL401 has completed a pilot Phase 2 clinical trial, treating patients with end-stage non-small cell lung cancer. These patients demonstrated a statistically significant improvement in overall survival from diagnosis over case-matched control patients in the same clinics; and showed improvements in quality of life during treatment..

Identifying quality of life improvement in nausea, pain and appetite, has identified pancreatic adenocarcinoma to be a preferred disease to assess in the next clinical trial of VAL401.

WOMEN'S HEALTH

Endometriosis

Endometriosis is a gynaecological medical condition in which cells from the lining of the uterus (endometrium) appear and grow outside the uterine cavity. This growth fluctuates in a pattern alongside the menstrual cycle, under the influence of female hormones.

These misplaced endometrial-like cells are influenced by hormonal changes and respond in a way that is similar to the cells found inside the uterus; hence symptoms often worsen with the menstrual cycle.

The treatments chosen will depend on symptoms, age, and lifestyle plans, currently centring around pain relief and hormone suppression; the latter leading to potential infertility and bone weakening side effects.

VAL301 in endometriosis

VAL301 presents an opportunity to suppress hormone-driven cellular growth in the absence of outright hormone suppression. By interrupting only the hormone driven cell growth while sparing the other hormone activities, the infertility and related side effects are expected to be avoided.

Currently in preclinical testing, this theoretical benefit will be looked for in future trials.

THERAPEUTIC AREAS

Covid-19

Coronavirus SARS-CoV2 is the causative pathogenic virus of Covid-19. This highly contagious virus causes Acute Respiratory Distress Syndrome (ARDS) in many patients, which can lead to hospitalisation and death.

The pandemic was declared in March 2020, and the world is now fully aware of the prevalence and serious nature of the virus.

Patients displaying ARDS can respond well to supportive treatment including administration of positive pressures of oxygen, however, despite this, a proportion still go on to experience more severe symptoms.

These symptoms are believed to be caused by the significant, multi-organ damage that can be caused by an excessive response of the immune system, even after the viral infection has reduced.

This is known as a hyperimmune response.

BC201 in Covid-19

BC201 is a combination of the peptide ingredient of VAL201/VAL301 with complementary active components to dampen this excessive immune response and consequently improve severe symptoms of Covid-19.

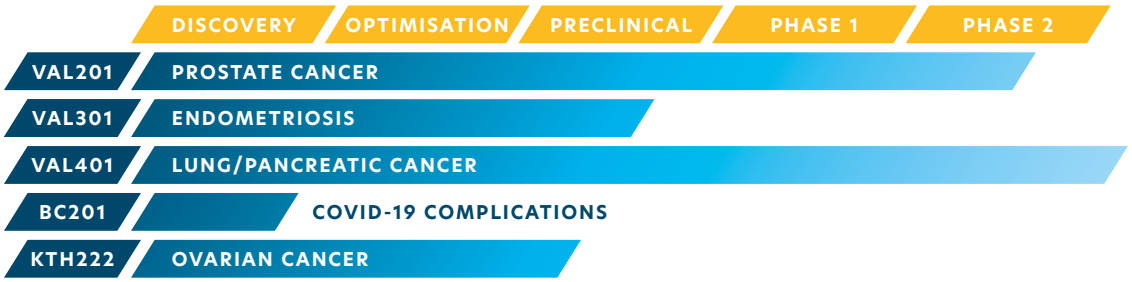
The theoretical action of the peptide is two-fold: by blocking the Androgen Receptor mediated activity of SRC Kinase, the peptide is postulated to down-regulate the expression of TMPRSS2 a transmembrane protein believed to be required for Coronavirus cell entry; and by directly dampening the immune response.

PIPELINE

Our priority areas of therapeutic focus are cancer and women's health. We select only the most promising preclinical projects for progression through the drug development process, to become ready for clinical trials.

Developing with the end-point in mind

Our development process for each molecule is specifically structured to minimise risk and maximise the chances of successful clinical development and approval for clinical use.



VAL201

In November 2020, ValiRx received the full dataset to be used for the Clinical Study Report from the Phase 1/2 clinical trial of lead asset, VAL201, for the treatment of locally advanced or metastatic prostate cancer and other solid tumours and performed at University College Hospital (UCLH), London.

The dataset provides a complete breakdown of the full data of safety and tolerability as well as evidence for encouraging disease impact as observed during the clinical trial. This data has been used to formulate the Clinical Study Report and to report the results on the www.clinicaltrials.gov database.

Additional detailed analysis of the results will form the basis of peer-reviewed journal publications.

About the VAL201-001 clinical trial

The clinical trial opened to recruitment in December 2014 and closed in January 2020.

Patients were scheduled for treatment of a once weekly injection of VAL201 in 3-week cycles for a maximum of 6 cycles. A total of 12 patients received at least 1 dose of VAL201.

Patients were eligible if they were: Adult men (over the age of 18) with incurable locally advanced or metastatic prostate cancer who had 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.

In February 2021, ValiRx entered into a new agreement with Physiomics PLC (AIM:PYC) ("Physiomics"), an oncology consultancy using mathematical models to support the development of cancer treatment regimens and personalised medicine solutions. The new agreement supersedes the previous agreement between Physiomics and the Group announced on 13 September 2011.

Under the terms of the new agreement, ValiRx will benefit from Physiomics' experience in modelling the effects of prostate cancer treatment, as well the use of the latest version of its Virtual Tumour™ technology, which will be applied to derive valuable information from the additional data generated by the completed clinical trial of VAL201. Physiomics will also support ValiRx in modelling the use of the VAL201 peptide in endometriosis (VAL301) and Coronavirus (BC201).

Physiomics has developed a quantitative systems pharmacology approach that uses preclinical and clinical data to model the activity of a drug candidate. This data can be used to explore the mechanism of action, disease impact and optimal dosing strategies.

VAL301

VAL301, the same peptide ingredient as VAL201, is being investigated for the treatment of women with endometriosis in the preclinical stage of development.

PIPELINE

VAL301 presents an opportunity to suppress hormone-driven cellular growth in the absence of outright hormone suppression. By interrupting only the hormone driven cell growth while sparing the other hormone activities, the infertility and related side effects are expected to be avoided. Currently in preclinical testing, this theoretical benefit will be looked for in future trials.

The Company announced on 1 May 2020 that a Material Transfer Agreement was signed with an undisclosed Japanese pharmaceutical company, which is carrying out laboratory-based evaluations using their own processes to determine whether to enter a licensing agreement with ValiRx for further development of the project. The Company will maintain discussions with other interested parties during the period of evaluation by the Japanese company.

VAL401

VAL401 was originally developed for treating lung cancer. VAL401 completed an exploratory phase 2 trial in late-stage cancer patients in 2017. The data indicated that some patients treated with VAL401 benefited an improvement in quality of life, particularly in measures of pain, nausea, anxiety and insomnia; and a statistically significant improvement in overall survival from time of diagnosis when compared to case matched control patients from the same clinic.

Following discussions with clinical key opinion leaders, it was suggested that patients with pancreatic cancer could derive great benefit from a product like Val401 due to improvements to severe abdominal pain, lack of appetite and nausea related to the disease. Consequently, the next trial for VAL401 will include pancreatic cancer patients with the aim to help exemplify both the therapeutic and palliative effects of VAL401. As VAL401 is the reformulation of a widely used generic drug, with a well-documented safety profile and targeting an underserved disease with low survival rates, we expect regulators to have a favourable view on approval.

On 14 January 2020, the Company announced that its subsidiary, ValiSeek Limited, signed a letter of intent with Tangent Reprofiling Limited and Black Cat Bio Limited to enable Black Cat Bio Limited to seek funding for the further development of VAL401. When an un-disclosed threshold of funding is reached, the VAL401 IP license will be transferred from ValiSeek to Black Cat Bio, and all shareholders of ValiSeek, including ValiRx, will become shareholders of Black Cat Bio.

BC201

BC201 is a combination of the peptide ingredient of VAL201 with complementary active components to dampen this excessive immune response and consequently improve severe symptoms of Covid-19.

The theoretical action of the peptide is two-fold: by blocking the Androgen Receptor mediated activity of SRC Kinase, the peptide is postulated to down-regulate the expression of TMPRSS2 a transmembrane protein believed to be required for Coronavirus cell entry; and by directly dampening the immune response.

On 2 June 2020, the Company announced that it has entered into a collaboration agreement with Oncolytika Limited and Black Cat Bio Limited to consider the potential for VAL201 to be used in conjunction with other components for treatment of patients suffering a hyperimmune response after Coronavirus SARS-CoV2 infection.

Black Cat Bio is co-ordinating the project overall, with project management of specific elements contributed by ValiRx and Oncolytika. ValiRx will provide samples of VAL201 to enable the testing program. Subject to a successful outcome, ValiRx will receive 40% of any licensing income generated by the project.

Pipeline Development

ValiRx has initiated contact with a wide variety of innovators to identify suitable candidates to enter the development pipeline. This has already resulted in increased visibility of the company's objectives and the benefit it provides in connecting science, finance and commerce. It is expected that ca. 4-6 innovative compounds will undergo rigorous scientific evaluation each year and approximately 50% will progress to full adoption for further development by ValiRx.

Non-core assets

As a result of the business review notified on 19 May 2020, several projects were identified as non-core assets and deemed not to fit with the future strategy of the Company. Subsequent to this review, the assets acquired from FitBiotech Oy and the portfolio surrounding the TRAC technology were disposed of via a patent assignment as announced on 29 May 2020; and the licenses for the GeneICE technology are in the process of being terminated as announced on 29 May 2020.

CONNECTED INNOVATION
Accelerating biomedical innovation by connecting science, finance and commerce

Management Team and Board Team Overview

We are a multi-disciplinary team of scientists, technologists and business leaders, committed to providing the framework required for effective and efficient drug development. Collaboration is the key to making this happen; each member of the ValiRx team plays a vital role in the strength and success of our programmes, which are focused on achieving the best outcomes for patients, at the lowest cost, in the shortest timeframe.

Dr Suzanne Dilly
Chief Executive Officer (Appointed June 2020)

Suzanne is an experienced entrepreneurial scientist. After commercialising her Chemical Biology post-doctoral research in the University of Warwick spin-out, a2sp Limited, Suzanne was awarded a prestigious Royal Society of Edinburgh Enterprise Fellowship, during which formal commercial and entrepreneurial training completed her transition from lab to boardroom.

Completing commercial transactions to progress projects through multiple companies, Suzanne has been working in small company virtual biotechs since 2006.

Dr Kevin Cox
Non-Executive Chairman (Appointed June 2020)

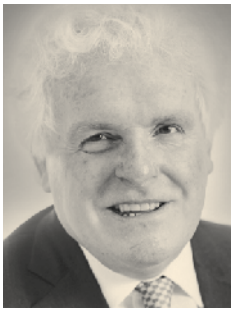
Kevin has over 25 years' experience in the life science industry. Serving as CEO of high growth biotechnology businesses, he has extensive experience in strategy, corporate development, M&A, financing and joint ventures. With a passion for improving translational science, Kevin has strong links to government, funding bodies and academia, and has contributed to a number of public sector advisory committees.

Kevin currently has non-executive roles with Biorelate Limited, the British Neuroscience Association and Biotaspheric Limited.

Mr Gerry Desler
Chief Financial Officer

Gerry is a chartered accountant, who qualified in 1968 with a City firm, before becoming a partner (1970) and Senior Partner (1985). During his time in the City, he has specialised in consultancy work, much of it involving funding and venture capital.

Gerry also holds the position as Company Secretary at AIM listed company Prospex Energy PLC.



Mr Kevin Alexander
Non-Executive Director

Kevin is a qualified solicitor in England and an attorney in New York and he was a partner at major law firms in both London and the United States for over 25 years.

Since leaving the law he has been involved in forming and managing various businesses, both private and public. Kevin is a director of ValiRx Plc, and joined the Board in September 2006.

He has an MA in law from Cambridge University.

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Management Team and Board Team Overview

Mr Martin Lampshire
Non-Executive Director (Appointed May 2020)

Martin started his career in Lloyds Bank's Commercial Services division in 1989 after completing the ACIB qualification. He has over thirty years' experience in Corporate Broking, assisting in a variety of equity raises including IPOs, secondary fundraisings, vendor and private placings across a variety of sectors.

He has also worked in a number of overseas financial centres including Hong Kong, Singapore, Kuala Lumpur and Dubai. Martin is currently an Executive Director of Global Resources Investment Trust Plc and a Non-Executive Director of Bould Opportunities Plc.

Mr Mark Treharne
Corporate Development Manager

Mark began his career in the City in 2011 and has worked in Corporate Broking and Equity sales working for numerous different firms including Daniel Stewart, Northland Capital Partners and Pello Capital.

His role includes enhancing the reputation of the company within the City and working closely with City firms to identify new therapeutic assets to incorporate into the ValiRx portfolio.

Mr Kumar Nawani
Head of Operations

Kumar has been working over 20 years in international trade, client & vendor management, business development, brand development, e-commerce, procurement, IT management & compliance roles with established public and private companies in the UK and previously in Hong Kong.

Kumar has been with the ValiRx Group since January 2008 as an active member of the ValiRx management team.

Scientific Advisors

ValiRx retains the services of a core team of scientific advisors to provide expert opinions on all pipeline projects in a wide range of therapeutic areas. A Science Advisory Board (SAB) has been established, which meets quarterly to critically review all projects and identify future trends in biomedical research, in addition to holding meetings with individual members of the ValiRx team in between.

As a virtual company, ValiRx has the flexibility to select the most appropriate experts for each project as the need arises. In particular, the Company has sought expert input from internationally renowned clinicians in prostate cancer to provide opinions on the optimum clinical utility of VAL201 and how best to progress clinical and commercial development.

ValiRx

STAKEHOLDER ENGAGEMENT

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Frequently Asked Questions

ValiRx launched a new communication process to standardise and improve shareholders' experience of communicating with the Company.

The Board recognise the importance of effective and timely communication with all stakeholders, including shareholders, investors, innovators and staff. The business and science of biomedical development can be complex and difficult to articulate in a clear and concise way through regulated channels. The Company understands and encourages the desire of shareholders to ask questions about scientific or corporate progress, and is mindful of the need to ensure all shareholders have fair and equal access to information about the Company, as required by the AIM Rules and the Market Abuse Regulations.

As part of the new strategy, a new email address - Questions@Valirx.com - allows shareholders to ask questions, with answers made publicly available via the ValiRx website.

VAL201

What Phase of Development is VAL201 at?

VAL201 completed a Phase 1/2 clinical trial in the treatment of patients with prostate cancer in 2020.

The results from this trial underwent an initial analysis, and readout that the treatment was seen to be safe and well tolerated at the dose levels administered, and that 54.5% of patients "responded" to the treatment, that is that their cancer did not progress during their period on trial.

Drugs are typically progressed through Phase 1, Phase 2 and Phase 3 clinical trials, with at least one trial being run at each stage before being considered for authorisation for use in the general patient population.

What can we expect to happen next for VAL201?

ValiRx is currently in the process of identifying a partner to progress further scientific development of VAL201. Such a partner would be able to fund a larger trial to look in greater detail at the activity of VAL201 in patients, with the confidence of knowing they are building on the encouraging results we have already gathered.

The exact nature of the partnership and of the next clinical trial will depend on the identity of that partner, but the next stage of scientific development is expected to be a full Phase 2 clinical trial.

VAL301

What Phase of Development is VAL301 at?

VAL301 uses the same active ingredient as VAL201, but proposes the treatment of women with endometriosis. VAL301 is in preclinical development. As it uses the same ingredient as VAL201, the safety and tolerability data collected during the clinical trial, and preclinical safety data collected to support that trial can also be used to support development of VAL301.

However, additional preclinical work is required to ensure that the treatment does not adversely affect otherwise healthy women, as the prostate cancer trial only enrolled men with a terminal cancer diagnosis.

A clinical development plan has been compiled that considers several different clinical trial designs and the level of safety data that would be needed to collect to enable them.

ValiRx Plc

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Frequently Asked Questions

VAL401

What can we expect to happen next for VAL401?

VAL401 completed a pilot Phase 2 clinical trial in end-stage non-small cell lung cancer patients. This trial demonstrated an improvement in patient survival when compared to case matched patients in the same clinics who were not enrolled on the trial. The patients also reported improvements in quality of life, including improvements in pain, nausea and appetite.

On analysis of the results of this trial, independent oncologists recommended the next trial to be in patients with pancreatic ductal adenocarcinoma (pancreatic cancer) who typically present with symptoms with particular burdens of pain, nausea and anorexia.

A clinical trial has been planned to treat newly diagnosed patients with standard of care in conjunction with VAL401, in a blinded comparison against standard of care with placebo in around 120 patients. This clinical trial is outside the remit for direct ValiRx involvement, and external partners are being sought to further this development.

BC201

How does BC201 work?

BC201 incorporates the VAL201 peptide as a component of a possible treatment for patients suffering severe symptoms of Covid-19. The mechanism of action for VAL201 in this application should be considered from several angles.

- Firstly, the link between the levels of expression of the Androgen Receptor on cells and susceptibility to severe symptoms of Covid-19 are clear and well published. Treatment with VAL201 has the potential to moderate activity of the Androgen Receptors and expression of the protease TMPRSS2, which is required alongside the ACE2 receptor for the virus to enter the cell, thus reducing infectivity.
- Secondly, the role of VAL201 in blocking the hormone mediated activity of SRC kinase is proposed to have a direct impact of the production of Neutrophil Extracellular Traps (NETs). These NETs are part of the immune response and are initially helpful for removing virus (or bacteria) after an infection. In severe cases of Covid-19, just as in sepsis, these NETs can cause bystander collateral damage, causing multi-organ failure, which triggers further production of NETs and perpetuates the cycle. By breaking this NET cycle, severe symptoms caused by the over-reaction of the immune system is moderated. It is not as straightforward as an "anti-inflammatory effect".
- Finally, as the virus uses the infected cell's internal machinery to replicate, the inhibition of a key pathway by the VAL201 peptide, may also slow the replication rate of the virus, giving additional time for the immune system to respond appropriately. This multi-faceted approach is considered a key advantage of the BC201 programme, and the consortium developing BC201 is investigating each benefit individually, as well as in synergy.

What stage of development is BC201 at?

BC201 is undergoing preclinical experiments to assess whether the theoretical mechanism of action is demonstrated in appropriate biological systems. The development is being carried out by the consortium that has been formed between ValiRx, OncoLytika and Black Cat Bio. This consortium has commissioned the experimental work to date, is applying for UK government grants, and actively seeking development partners to progress the project.

What can we expect to happen next for BC201?

BC201 continues to be developed for treatment of patients in the current Coronavirus pandemic, but also with a view to widening usage to viral-induced sepsis and other diseases with similar immune system driven causes. The next steps will be to complete the preclinical work and to commence regulatory proceedings if a clinical trial is planned outside of the emergency pandemic situation.

ValiRx

GOVERNANCE

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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 24 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 shareholders, employees, suppliers and partners. 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 Section 172 considerations.

Long term value

The aim of all business resources allocation is to create long-term value through the management of a balanced but dynamic portfolio of preclinical projects for development towards clinical readiness and partnering.

The Chief Executive's Report on page 8 describes the Company's activities, strategy and future prospects. Section 172 considerations are also addressed in the Chief Executive's Report, including the considerations for long term strategic development.

Our people

The Company strategy is to remain a virtual organisation with a small core of highly experienced employees managing a wider portfolio of service providers and expert scientific advisors. It is imperative that the core team has the right breadth of experience to manage all facets of early drug development, including scientific, commercial and operational considerations. The Company has and will continue to ensure appropriate training and engagement of employees to ensure successful delivery of the strategy. Effective project management processes will be employed so that all employees are clearly aware of the role they play in achieving the business objectives.

Business relationships
Given the virtual nature of ValiRx, it is essential the Company maintains good relationships with its suppliers by taking a collaborative approach and abiding by mutually agreed and commercially acceptable business terms that benefit all parties.

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 and suppliers act in an ethically and in an environmentally conscious manner. The Board intends to continue to minimise unnecessary travel when current restrictions are lifted. The Company is also committed the 3R's principles in all its preclinical studies.

Business conduct
The Board recognises its responsibility for setting and maintaining a high standard of behaviour and business conduct. The Company operates within the QCA Code framework and complies with all relevant regulatory requirements for developing new treatments for human use. The Company maintains a suite of standard operating procedures (SOPs) and corporate governance policies that describe the management system.

All employees are trained regularly on these procedures. All material information is disseminated though appropriate channels and is available to all stakeholders through the company's corporate presentations, news releases and website, www.ValiRx.com. This is described in more detail 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, and the ValiRx website. The Company has also introduced a monthly Q&A process with shareholders to help improve clarity of business activities, where possible, in a timely and transparent manner. For more information see Principles 2 and 3 in the Corporate Governance Report.

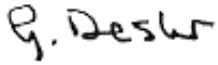
PRINCIPAL RISKS AND UNCERTAINTIES

ValiRx is a biopharmaceutical research and development Company and, in common with other companies operating in this field, is subject to a number of risks and uncertainties. The principal risks and uncertainties identified by ValiRx for the year ended 31 December 2020 are below.

Risk Area	Description	Mitigation
Research and development	The Company is embarking on a new strategy and may not be successful in building a balanced pipeline of product candidates. The success of the Company depends upon the selection and implementation of novel, high quality projects. The Company utilises a range of external scientific, regulatory and clinical experts to help guide its development programmes. The progress of the development programmes and identification of commercial partners for clinical development represents the best indicator of performance. Development of product candidates to be ready for clinical studies involves a lengthy and complex process and products may not meet the necessary requirements in terms of toxicity, potential efficacy or safety and therefore may need to be dropped from the pipeline.	High levels of business development activity to identify a range of promising candidates. Rigorous assessment and selection processes for any candidate entering the development pipeline. Effective project management processes and stage-gates to review suitability for further development and eventual out-licencing
Commercial (current clinical programmes)	Failure to complete out-licencing of current clinical projects on acceptable commercial terms. The strategic shift towards projects at an earlier stage means that ValiRx will no longer lead and fund clinical studies. VAL201 and VAL401 will require out-licencing partners for continued development.	Completion of the Phase I/II clinical study for VAL201 has provided an opportunity to prepare a comprehensive clinical study report and engage with expert clinicians to identify the most appropriate application. This has provided a robust platform for marketing VAL201 to prospective partners. The Company is vigorously pursuing all business development avenues to identify out-licencing options.
Cash flow	The cash position is currently sufficient to make good progress with the new strategy, but the Company may need to seek further capital through equity or debt financings in the future if additional time and resources are required to progress each project to become clinic and partnership ready.	It is expected that out-licencing of VAL201 and VAL401 will provide additional reserves to support the new strategy. Income is also expected to be generated through provision of services to subsidiary companies. The Company has significantly reduced its underlying fixed costs to focus expenditure on the development programmes.
Return on investment	Drug development has risks at all stages and is conducted over several years. Many drug candidates fail in development due to the clinical and regulatory risks. As a result, the returns achieved may be insufficient to cover the costs incurred. This is exacerbated when failures occur in later stages of clinical development.	The Company strategy has been shifted to focus on developing a pipeline of earlier stage preclinical projects with the aim of adding value by carrying out the studies necessary to enter clinical trials. At this stage, partners will be sought to fund and preferably manage clinical trials. ValiRx will seek to generate fee income to cover near-term working capital requirements and will retain a stake in each project for longer term return on investment.

Risk Area	Description	Mitigation
Regulatory	The Company'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 regulation, which may adversely affect the business or financial condition of the Company	The Company 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 Company's programmes and activities.
Intellectual property	The Company's success depends on its ability to obtain and maintain protection for its intellectual and proprietary information Patent applications may not be granted, and existing patent rights may be successfully challenged and revoked.	The Company invests in maintaining and protecting this intellectual property to reduce risks over the enforceability and validity of patents. The Company has a retained patent agent and works closely with its legal advisors and obtains where necessary opinions on the intellectual property landscape relevant to all programmes and activities.
Operational	The Company's 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 unplanned 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.	The Company has invested in its management team at all levels. The Directors also believe that the senior management team is appropriately structured for the Company's size and is not overly dependent upon any particular individual. The Company has entered into contractual arrangements with these individuals with the aim of retaining their ongoing commitment.
Environmental matters	The Board is committed to minimising the Group's impact on the environment and ensuring compliance with environmental legislation. The Board considers that its activities have a low environmental impact. The Group strives to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations. Disposal of hazardous waste is handled by specialist agencies.	The Group recognises its responsibility towards the environment and in the way it conducts its business. It works closely with all its expert scientific advisors to ensure its compliance with environmental legislation and to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations.

ON BEHALF OF THE BOARD:



G Desler
Director, Chair Audit and Risk Committee
Date: 26 April 2021

CONNECTED INNOVATION
Corporate Governance
for the year ended 31 December 2020

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 Company has applied the 10 principles of the QCA Code this year.

Corporate Governance Statement

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.

We believe the Company is in full compliance with each of the 10 principles of the Quoted Companies Alliance Corporate Governance Code (QCA Code) and that our governance framework ensures that the Company operates effectively and with integrity. In 2020, the Company went through a number of organisational and strategic changes that re-defined our purpose, values and culture. All changes were implemented in full compliance with the principles of the QCA Code

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 the development of treatments for cancer and women's health that also help to improve a patient's quality of life. Recognising the costs and inherent risks of carrying out clinical trials, ValiRx has re-aligned its strategy to focus on developing a risk balanced portfolio of preclinical drug candidates. The Company will add value by applying commercial, scientific and operational experience to make each project ready for clinical trials and external funding. A successful flow of candidates through the pipeline and a retained financial interest will increase value to shareholders over time.
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 Company. The Board of Directors is committed to ensuring that the Company 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 Company's activities, strategy, and financial position. In addition to the necessary RNS releases, the Company has implemented a monthly process to provide shareholders with a forum to ask and receive responses to questions about the business. The Q&A is open to all shareholders and ensures transparency, consistency and timeliness of information sharing. All Q&A documents are published on the ValiRx website, www.valirx.com. In addition, the CEO regularly presents podcasts on topics of current interest, including scientific explanations and updates. The Company website has been refreshed to reflect the new strategy and corporate objectives. Disappointingly, in 2020, the Covid crisis prevented any in-person meetings with shareholders. If this situation continues into 2021, the Company intends to provide an online opportunity for shareholders to speak directly with the Directors. 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 on regular basis.

Principle	How Company complies
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 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. The new strategy of ValiRx has been adopted, in part, in recognition of the fact that effective treatments for debilitating diseases are often not developed due to the innovators having a lack of expertise and financial resource. The Company intends to improve the translation of novel science into effective treatments for patients through collaboration with innovators and providing complementary expertise. This approach necessitates a comprehensive understanding of areas of unmet medical need, the likely adoption of new treatments and the data required for successful commercialisation. This can only be achieved through effective engagement with all stakeholder groups to identify the routes to success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Company maintains a current risk register, which is regularly reviewed by the Board. ValiRx also operates an internal Quality Management System (QMS) comprising 14 SOPs to comply with the most stringent quality standards expected of a drug development company. The Company regularly audits its suppliers to ensure the manufacturing process, quality process, and also the sample shipment process all conform to the standard required.

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 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: 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. **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

Principle	How Company complies
	• 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/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/board-directors-and-management-team.** 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 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

Principle	How Company complies
	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 • 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 benefit patients. Moreover, it ensures that the Company's strategies and requirements for excellence and good governance are instilled into the culture of the business. The Executive Directors interface regularly with all personnel within ValiRx, 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 of key stakeholders, including scientists, clinicians, regulators and suppliers and is mindful of the potential impacts of decisions it makes.

CONNECTED INNOVATION
Corporate Governance
for the year ended 31 December 2020

Principle	How Company complies
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 has implemented new processes for communication with shareholders as detailed in Principle 2 above. The Board is also in regular communication with its advisors to ensure regulatory, legal and financial compliance. **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 2020: Kevin Alexander 12/12 Dr Kevin Cox 9/12 (Appointed 26 June 2020) Gerry Desler 12/12 Dr Suzanne Dilly 9/12 (appointed 8 June 2020) Martin Lampshire 9/12 (appointed 7 May 2020) Dr George Morris 2/12 (Resigned 14 April 2020) Dr Satu Vainikka 2/12 (Ceased to be a director 14 April 2020)

Principle	How Company complies
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 preclinical 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 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 (Chief Financial Officer) Kevin Alexander (Non-Executive Director)

Principle	How Company complies
	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)

CONNECTED INNOVATION
Report of the Directors
for the year ended 31 December 2020

The Directors present their report and financial statements for the year ended 31 December 2020.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020.

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 £230,115 (2019: £984,457) 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 10 to 23.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2020 until 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

DIRECTORS' SHAREHOLDINGS

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

	2020	2019
	No. of shares	No. of shares *
K J Alexander	**167,500**	834
Dr K Cox (appointed 26 June 2020)	**250,333**	N/A
G Desler	**81,667**	15,001
Dr S Dilly (appointed 8 June 2020)	**233,335**	N/A
M Lampshire (appointed 7 May 2020)	**-**	N/A
Dr G S Morris (Resigned 14 April 2020)	**N/A**	14,572
Dr S Vainikka (Ceased to be a director 14 April 2020)	**N/A**	15,665

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. The options for Dr Dilly were granted prior to 2020 but were only disclosed for the period since she became a Director.

	2020	2019
	No. of shares	No. of shares *
K J Alexander	**24,334**	24,334
Dr K Cox (appointed 26 June 2020)	**-**	N/A
G Desler	**28,718**	28,718
Dr S Dilly (appointed 8 June 2020)	**4,512**	N/A
M Lampshire (appointed 7 May 2020)	**-**	N/A
Dr G S Morris (Resigned 14 April 2020)	**N/A**	29,728
Dr S Vainikka (Ceased to be a director 14 April 2020)	**N/A**	34,488

DIRECTORS' WARRANTS

The Directors of the Company held warrants to subscribe for shares in the Company. Full details of the warrants held are disclosed in note 25 to the financial statements.

	2020	2019
	No. of shares	No. of shares *
K J Alexander	**83,333**	-
Dr K Cox (appointed 26 June 2020)	**-**	N/A
G Desler	**-**	-
Dr S Dilly (appointed 8 June 2020)	**83,333**	N/A
M Lampshire (appointed 7 May 2020)	**-**	N/A
Dr G S Morris (Resigned 14 April 2020)	**N/A**	-
Dr S Vainikka (Ceased to be a director 14 April 2020)	**N/A**	-

* The comparative number of shares for 2019 have been adjusted to take account of the share reorganisation that took place during the year whereby 1 new ordinary share of 0.1p each was issued in exchange for 125 existing ordinary shares of 0.1p each (note 17).

COMPANY SHARE PRICE

The market value of the Company's shares at 31 December 2020 was 19.50p and the high and low share prices during the period were 59.50p and 3.10p 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 26th April 2021, 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	6.6%
Monecor (London) Limited	6.9%
Adam Hargreaves	5.0%

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 30 days' purchases.

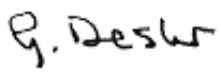
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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, Chair Audit and Risk Committee
Date: 26 April 2021

CONNECTED INNOVATION
Statement of Directors' Responsibilities for the year ended 31 December 2020

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 Accounting Standards ("IAS") and in comformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Parent Company financial statements in accordance with IAS in conformity with the requirements of the Companies Act 2006.

The Group financial statements are required by law and IAS 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 IAS in conformity with the requirements of the Companies Act 2006, 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 IAS in conformity with the requirements of the Comapnies Act 2006, 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.

CONNECTED INNOVATION
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 2020 on pages 39 to 66. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 2020 and of the Group's loss for the year then ended
- the Group's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act
- the Parent Company financial statements have been properly prepared in accordance with International Standards in conformity with the requirements of the Comapnies Act 2006
- 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors' disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

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 £1.3m.

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 £1,846,901 at 31 December 2020.

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

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

CONNECTED INNOVATION
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 £109,000 which was updated during the course of our audit to £113,000 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 2020. 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

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 34, 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.

CONNECTED INNOVATION
Report of the Independent Auditors to the Members of ValiRx Plc

Auditors' responsibilities for the audit of the financial statements

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we have:

- considered the nature of the industry and sectors, control environment and business performance including the design of the Group's remuneration policies, key drivers for director's remuneration, bonus levels and performance targets
- made enquires of management about their own identification and assessment of the risk of irregularities; performed audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness and reviewing accounting estimates for bias
- reviewed minutes of meetings of those charged with governance
- undertaken appropriate sample-based testing of bank transactions
- assessed whether judgements made in making accounting estimates are indicative of potential bias
- identified and evaluated compliance with relevant laws and regulations and made enquiries of any instances of non-compliance
- discussed matters among the audit engagement team regarding how and where fraud might occur in the financial statements and potential indicators of fraud

Due to the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

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: 26 April 2021

ValiRx

FINANCIAL STATEMENTS

CONNECTED INNOVATION

ValiRx Plc (Registered number: 03916791)

CONNECTED INNOVATION

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	Notes	**2020** **£**	2019 £
Continuing Operations			
Other operating income	7	**11,077**	146,517
Research and development		**(230,115)**	(984,457)
Administrative expenses		**(1,431,587)**	(1,860,379)
Operating Loss		**(1,650,625)**	(2,698,319)
Discount on settlement of financial liability	19	**122,000**	-
Finance costs	6	**(14,880)**	(21,175)
Loss Before Income Tax	7	**(1,543,505)**	(2,719,494)
Income tax credit	8	**75,182**	293,738
Loss After Income Tax		**(1,468,323)**	(2,425,756)
Non-controlling interest		**25,075**	37,049
Total Comprehensive Loss For The Year		**(1,443,248)**	(2,388,707)
Loss Per Share - Basic And Diluted	10	**(3.81p)**	(33.08p)

ValiRx Plc (Registered number: 03916791)

CONNECTED INNOVATION
Consolidated Statement of Financial Position
31 December 2020

	Notes	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**1,602,522**	1,602,522
Intangible assets	12	**1,329,188**	1,620,207
Property, plant and equipment	13	**-**	-
Right-of-use assets	20	**20,995**	-
		2,952,705	3,222,729
CURRENT ASSETS			
Trade and other receivables	15	**66,735**	90,083
Tax receivable		**71,346**	291,787
Cash and cash equivalents	16	**1,846,901**	-
		1,984,982	381,870
TOTAL ASSETS		**4,937,687**	3,604,599
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**9,669,828**	9,417,225
Share premium		**24,380,356**	20,596,143
Merger reserve		**637,500**	637,500
Reverse acquisition reserve		**602,413**	602,413
Share option reserve		**540,803**	830,449
Retained earnings		**(30,919,728)**	(29,729,817)
		4,911,172	2,353,913
Non-controlling interests		**(155,888)**	(130,813)
TOTAL EQUITY		**4,755,284**	2,223,100
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	19	**44,486**	-
Lease liabilities	20	**13,439**	-
		57,925	-
CURRENT LIABILITIES			
Trade and other payables	18	**111,342**	1,182,084
Bank overdraft	16,19	**-**	5,634
Borrowings	19	**5,514**	193,781
Lease liabilities	20	**7,622**	-
		124,478	1,381,499
TOTAL LIABILITIES		**182,403**	1,381,499
TOTAL EQUITY AND LIABILITIES		**4,937,687**	3,604,599

The financial statements were approved by the Board of Directors on 26th April 2021 and were signed on its behalf by:

G Desler - Director

ValiRx Plc (Registered number: 03916791)

CONNECTED INNOVATION
Company Statement of Financial Position
31 December 2020

	Notes	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	**80,000**	100,000
Property, plant and equipment	13	**-**	-
Right-of-use assets	20	**20,995**	-
Investments	14	**3,617,838**	3,617,838
		3,718,833	3,717,838
CURRENT ASSETS			
Trade and other receivables	15	**3,263,551**	2,954,352
Tax receivable		**62,151**	270,346
Cash and cash equivalents	16	**1,846,288**	-
		5,171,990	3,224,698
TOTAL ASSETS		**8,890,823**	6,942,536
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**9,669,828**	9,417,225
Share premium		**24,380,356**	20,596,143
Merger reserve		**637,500**	637,500
Share option reserve		**540,803**	830,449
Retained earnings		**(26,931,101)**	(26,119,974)
TOTAL EQUITY		**8,297,386**	5,361,343
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	19	**44,486**	-
Lease liabilities	20	**13,439**	-
		57,925	-
CURRENT LIABILITIES			
Trade and other payables	18	**522,376**	1,381,641
Bank overdraft	16,19	**-**	5,771
Borrowings	19	**5,514**	193,781
Lease liabilities	20	**7,622**	-
		535,512	1,581,193
TOTAL LIABILITIES		**593,437**	1,581,193
TOTAL EQUITY AND LIABILITIES		**8,890,823**	6,942,536

The financial statements were approved by the Board of Directors on 26th April 2021 and were signed on its behalf by:

G Desler - Director

CONNECTED INNOVATION
Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Share capital £	Share premium £	Merger reserve £	Reserve acquisition reserve £
Balance at 1 January 2019		8,680,694	19,779,905	637,500	602,413
Changes in equity					
Loss for the year		-	-	-	-
Issue of shares		736,531	1,105,969	-	-
Costs of shares issued		-	(289,731)	-	-
Lapse of share options and warrants		-	-	-	-
Movement in year		-	-	-	-
Balance at 31 December 2019		9,417,225	20,596,143	637,500	602,413
Changes in equity					
Loss for the year		-	-	-	-
Issue of shares	17	252,603	3,993,579	-	-
Costs of shares issued		-	(245,675)	-	-
Exercise of warrants		-	50,447	-	-
Lapse of share options and warrants		-	-	-	-
Movement in year		-	(14,138)	-	-
Balance at 31 December 2020		**9,669,828**	**24,380,356**	**637,500**	**602,413**

	Share based payment reserve £	Non-controlling interest £	Retained earnings £	Total £
Balance at 1 January 2019	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	-	-	-	1,842,500
Costs of shares issued	-	-	-	(289,731)
Lapse of share options and warrants	(120,661)	-	120,661	-
Movement in year	65,147	-	-	65,147
Balance at 31 December 2019	830,449	(130,813)	(29,729,817)	2,223,100
Changes in equity				
Loss for the year	-	(25,075)	(1,443,248)	(1,468,323)
Issue of shares	-	-	-	4,246,182
Costs of shares issued	-	-	-	(245,675)
Exercise of warrants	(50,447)	-	-	-
Lapse of share options and warrants	(253,337)	-	253,337	-
Movement in year	14,138	-	-	-
Balance at 31 December 2020	**540,803**	**(155,888)**	**(30,919,728)**	**4,755,284**

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 2006, the date of acquisition.

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

CONNECTED INNOVATION
Company Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Share capital £	Share premium £	Merger reserve £
Balance at 1 January 2019		8,680,694	19,779,905	637,500
Changes in equity				
Loss for the year		-	-	-
Issue of shares		736,531	1,105,969	-
Costs of shares issued		-	(289,731)	-
Lapse of share options		-	-	-
Movement in year		-	-	-
Balance at 31 December 2019		9,417,225	20,596,143	637,500
Changes in equity				
Loss for the year		-	-	-
Issue of shares	17	252,603	3,993,579	-
Costs of shares issued		-	(245,675)	-
Exercise of warrants		-	50,447	-
Lapse of share options and warrants		-	-	-
Movement in year		-	(14,138)	-
Balance at 31 December 2020		**9,669,828**	**24,380,356**	**637,500**

	Share based payment reserve £	Retained earnings £	Total £
Balance at 1 January 2019	885,963	(24,111,988)	5,872,074
Changes in equity			
Loss for the year	-	(2,128,647)	(2,128,647)
Issue of shares	-	-	1,842,500
Costs of shares issued	-	-	(289,731)
Lapse of share options and warrants	(120,661)	120,661	-
Movement in year	65,147	-	65,147
Balance at 31 December 2019	830,449	(26,119,974)	5,361,343
Changes in equity			
Loss for the year	-	(1,064,464)	(1,064,464)
Issue of shares	-	-	4,246,182
Costs of shares issued	-	-	(245,675)
Exercise of warrants	(50,447)	-	-
Lapse of share options and warrants	(253,337)	253,337	-
Movement in year	14,138	-	-
Balance at 31 December 2020	**540,803**	**(26,931,101)**	**8,297,386**

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.

CONNECTED INNOVATION
Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Notes	2020 £	2019 £
Cash flows from operations			
Cash outflow from operations	1	**(2,200,088)**	(1,801,714)
Interest paid		**(6,252)**	(3,093)
Tax credit received		**295,623**	463,144
Net cash outflow from operating activities		**(1,910,717)**	(1,341,663)
Cash flows from investing activities			
Proceeds from sale of investments		**-**	146,517
Proceeds from sale of intangible fixed assets		**2,000**	-
Purchase of intangible fixed assets		**(93,287)**	(396,776)
Net cash outflow from investing activities		**(91,287)**	(250,259)
Cash flows from financing activities			
Loan repayments		**(80,000)**	(138,000)
Bank loan		**50,000**	-
Repayment of lease liabilities		**(2,500)**	-
Share issue		**4,132,714**	1,576,000
Costs of shares issued		**(245,675)**	(224,584)
Net cash inflow from financing activities		**3,854,539**	1,213,416
Increase/(decrease) in cash and cash equivalents		**1,852,535**	(378,506)
Cash and cash equivalents at beginning of year	2	**(5,634)**	372,872
Cash an cash equivalents at end of year	2	**1,846,901**	(5,634)

CONNECTED INNOVATION
Notes to the Consolidated Statement of Cash Flows
for the year ended 31 December 2020

1. Reconciliation Of Operating Loss To Cash Generated From Operations

	2020 **£**	2019 £
Operating loss	**(1,650,625)**	(2,698,319)
Amortisation and impairment of intangible assets	**227,338**	400,519
Depreciation of right-of-use assets	**2,157**	
Decrease in trade and other receivables	**23,348**	84,006
(Decrease)/increase in trade and other payables	**(957,274)**	346,097
Loss on disposal of intangible fixed assets	**154,968**	-
Profit on sale of investments	**-**	(146,517)
Share-based payments charge	**-**	212,500
Net cash outflow from operations	**(2,200,088)**	(1,801,714)

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 2020 £	**1 January 2020 £**
Cash and cash equivalents	**1,846,901**	**(5,634)**

	31 December 2019 £	1 January 2019 £
Cash and cash equivalents	(5,634)	372,872

Opinion

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's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Group for the year ended 31 December 2020. The Company's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the year ended 31 December 2020 and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

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 2021.

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. 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.

In addition, there are significant uncertainties around the continuing 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.

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 of £1,846,901 held by the Group as at 31 December 2020 together with known receivables will be sufficient to support the current level of activities for at least the next 12 months.

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 beyond the 12 months from the date of approval of these financial statements.

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 11 years and licences over 10 - 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

Leases and right-of-use assets
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets (e.g. tablets and personal computers, small items of office furniture). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

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.

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.

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.

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-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.

New and amended 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	AMENDMENTS - INTEREST RATE BENCHMARK REFORM - PHASE 2	1 JAN 2021
IFRS 1	AMENDMENTS - FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - SUBSIDIARY AS A FIRST-TIME ADOPTER	1 JAN 2022
IFRS 9	AMENDMENT - FINANCIAL INSTRUMENTS - FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES	1 JAN 2022
IFRS 16	LEASES - LEASE INCENTIVES	1 JAN 2022
IFRS 41	AGRICULTURE - TAXATION IN FAIR VALUE MEASUREMENTS	1 JAN 2022
IFRS 16	AMENDMENTS - PROPERTY, PLANT AND EQUIPMENT - PROCEEDS BEFORE INTENDED USE	1 JAN 2022
IFRS 3	AMENDMENTS - REFERENCE TO THE CONCEPTUAL FRAMEWORK	1 JAN 2022
IFRS 37	ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT	1 JAN 2022
IFRS 27	INSURANCE CONTRACTS	1 JAN 2023
IFRS 4	AMENDMENTS - APPLYING IFRS 9 'FINANCIAL INSTRUMENTS' WITH IFRS 4 'INSURANCE CONTRACTS'	1 JAN 2023
IFRS 1	AMENDMENT - CORRECTION OF LIABILITIES AS CURRENT AND NON-CURRENT	1 JAN 20232

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 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.

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:

	2020 Number	2019 Number
Directors	**7**	5
Staff	**3**	6
	10	11

Employment costs	**2020 £**	2019 £
Wages and salaries	**407,710**	708,305
Social security costs	**36,240**	66,975
Other pension costs	**15,275**	65,192
Compensation for loss of office	**72,000**	-
	531,225	840,472

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

6. FINANCE COSTS

	2020 £	2019 £
Bank interest	**719**	122
Interest on lease liability	**409**	-
Other interest payable	**-**	622
Interest on overdue tax	**5,533**	2,349
Deferral fees on equity swap	**8,219**	18,082
	14,880	21,175

7. LOSS BEFORE INCOME TAX

After charging:	**2020 £**	2019 £
Research and development	**230,115**	984,457
Other operating leases	**29,637**	120,511
Amortisation - intangible fixed assets	**227,338**	182,807
Depreciation - right-of-use assets	**2,157**	-
Impairment - intangible fixed assets	**-**	217,712
Loss on disposal of intangible fixed assets	**154,968**	-
Auditors remuneration	**30,000**	30,000
Foreign exchange differences	**14,569**	(11,421)
After crediting:		
Profit on sale of investments	**-**	(146,517)
Rates grant	**(10,000)**	-
Discount of settlement of financial liability	**(122,000)**	-

8. INCOME TAX

	2020	2019
Domestic current year tax	**£**	£
Tax credits on research and development - current year	**(71,346)**	(291,788)
Tax credits on research and development - prior years	**(3,836)**	(1,950)
Current tax credit	**(75,182)**	(293,738)
Factors affecting the tax charge for the year:		
Loss before income tax	**(1,543,505)**	(2,719,492)
Loss before income tax multiplied by effective rate of UK corporation tax of 19.00% (2019: 19.00%)	**(293,266)**	(516,703)
Effects of		
Non-deductible expenses	**2,702**	45,273
Capital allowances for the year in deficit of depreciation and amortisation	**3,775**	3,770
Tax losses not utilised	**238,448**	327,921
Research and development expenditure	**(29,649)**	(124,211)
Adjustment to prior years	**(3,836)**	(1,950)
Discount on settlement of financial liability	**(23,180)**	-
Loss on disposal of intangible fixed assets	**29,824**	-
Profit on sale of investments	**-**	(27,838)
	218,084	222,965
Current tax charge	**(75,182)**	(293,738)

No corporation tax arises on the results for the year ended 31 December 2020 due to the losses incurred for tax purposes.

The deferred tax asset, arising from tax losses of £20.7 million (2019: £19.5 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 £1,064,464 (2019 - £2,128,647).

10. LOSS PER SHARE

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

	2020 **£**	2019 £
Loss for the financial period	**(1,468,323)**	(2,425,756)
Non-controlling interest	**25,075**	37,049
Loss attributable to owners of Parent Company	**(1,443,248)**	(2,388,707)
Basic:		
Weighted average number of shares	**37,898,019**	7,221,102
Loss per share	**(3.81p)**	(33.08p)

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

The comparative weighted average number of shares has been adjusted to account of the share capital reorganisation which took place during 2020 whereby 1 new ordinary share of 0.1p each was issued in exchange for 125 existing ordinary shares of 0.1p each (note 17).

11. GOODWILL

Group	£
COST	
At 1 January 2019 and 2020 and 31 December 2020	**1,602,522**
Net book value	
At 31 December 2020	**1,602,522**
At 31 December 2019	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 2019	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
Additions	93,287	-	93,287
Disposals	(179,225)	-	(179,225)
At 31 December 2020	**2,289,553**	**375,000**	**2,664,553**
AMORTISATION			
At 1 January 2019	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
Amortisation for year	200,138	27,200	227,338
Eliminated on disposal	(22,257)	-	(22,257)
At 31 December 2020	**1,154,691**	**180,674**	**1,335,365**
NET BOOK VALUE			
At 31 December 2020	**1,134,862**	**194,326**	**1,329,188**
At 31 December 2019	1,398,681	221,526	1,620,207

Company	Brands and licences	Total
COST	£	£
At 1 January 2019, 31 December 2019 and 2020	**200,000**	**200,000**
AMORTISATION		
At 1 January 2019	80,000	80,000
Amortisation for year	20,000	20,000
At 31 December 2019	100,000	100,000
Amortisation for year	20,000	20,000
At 31 December 2020	**120,000**	**120,000**
NET BOOK VALUE		
At 31 December 2020	**80,000**	**80,000**
At 31 December 2019	100,000	100,000

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Plant and machinery £	Total £
COST		
At 1 January 2019 and 2020	**31,670**	**31,670**
DEPRECIATION		
At 1 January 2019 and 2020 and 31 December 2020	**31,670**	**31,670**
NET BOOK VALUE		
At 31 December 2020	-	-
At 31 December 2019	-	**-**

14.INVESTMENTS

Company	Shares in group undertakings £	Unlisted investments £	Total £
COST			
At 1 January 2019	3,617,838	1,333,770	4,951,608
Disposals	-	(1,333,770)	(1,333,770)
At 31 December 2019 & 2020	**3,617,838**	**-**	**3,617,838**
PROVISIONS			
At 1 January 2019	-	1,333,770	1,333,770
Eliminated on disposal	-	(1,333,770)	(1,333,770)
At 31 December 2019 and 2020	-	-	-
NET BOOK VALUE			
At 31 December 2020	**3,617,838**	-	**3,617,838**
At 31 December 2019	3,617,838	-	3,617,838

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	
Current	**2020** £	2019 £	**2020** £	2019 £
Amounts owed by Group under-takings	**-**	-	**3,174,627**	2,843,650
Other debtors	**21,600**	23,252	**19,553**	20,953
Rent deposit	**1,500**	31,807	**1,500**	31,807
VAT	**11,079**	13,033	**35,315**	35,951
Prepayments and accrued income	**32,556**	21,991	**32,556**	21,991
	66,735	90,083	**3,263,551**	2,954,352

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

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020 £	2019 £	**2020** £	2019 £
Bank accounts	**1,846,901**	137	**1,846,288**	-
Bank overdraft	**-**	(5,771)	**-**	(5,771)
	1,846,901	(5,634)	**1,846,288**	(5,771)

17. CALLED UP SHARE CAPITAL

	GROUP		COMPANY	
	2020 Number	2019 Number	**2020** £	2019 £
Allotted, called up and fully paid				
New ordinary shares of 0.1p each	**64,882,490**	N/A	**64,882**	-
Ordinary shares of 0.1p each	**N/A**	1,334,827,184	**-**	1,334,828
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	**42,455,832**	30,177,214	**5,264,523**	3,741,974
			9,669,828	9,417,225

In January 2020, the Company raised £0.2 million, before expenses, through the issue of 200,000,000 new ordinary shares at a price of 0.1 pence per share. The funds were to be used for advancing the clinical trial of VAL201, for the preclinical progress of other programmes and for general working capital.

At a General Meeting in February 2020, a Capital Reorganisation was approved which comprised a Consolidation and Sub-Division of shares. This was achieved by 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 Share of 12.4 pence each.

In April 2020, the Company raised £0.2 million before expenses, through the issue of 5,714,288 new ordinary shares at a post reorganisation price of 3.5 pence per share.

In May 2020, the Company raised £1 million, before expenses, through the issue of 16,666,667 new ordinary shares at a price of 6 pence per share. The funds were to be used for advancing the clinical trial of VAL201, for the preclinical progress of other programmes and for general working capital.

In May 2020, the Company settled existing liabilities amounting to £84,168 through the issue of 1,402,800 new shares at a price of 6 pence per share.

17. CALLED UP SHARE CAPITAL - continued

In July 2020, the Company raised £1.35 million, before expenses, through the issue of 18,000,000 new ordinary shares at a price of 7.5 pence per share. The funds were to be used to accelerate the implementation of the Company's strategy to incubate early stage clinical candidates, to advance the current clinical programmes and for general working capital purposes.

Between August 2020 and December 2020, the Company raised £1.41 million through the issue of shares to warrant holders, who exercised their warrants over 10,820,117 shares, at prices between 12.5 pence and 25.0 pence per share.

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	
Current	**2020** £	2019 £	**2020** £	2019 £
Trade creditors	**72,356**	945,854	**39,082**	723,296
Amounts owed to Group under-takings	**-**	-	**447,187**	447,187
Social security and other taxes	**6,107**	119,169	**6,107**	107,953
Wages and salaries	**-**	6,310	**-**	5,221
Other payables	**2,879**	23,109	**-**	23,109
Accruals and deferred income	**30,000**	87,642	**30,000**	74,875
	111,342	1,182,084	**522,376**	1,381,641

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

19. FINANCIAL LIABILITIES - BORROWINGS

	GROUP		COMPANY	
Current:	**2020** £	2019 £	**2020** £	2019 £
Bank overdraft	**-**	5,634	**-**	5,771
Bank loan	**5,514**	-	**5,514**	-
Equity swap loan	**-**	193,781	**-**	193,781
	5,514	199,415	**5,514**	199,552

Swap settlement
In August 2020, the Company agreed with Yorkville to make a full and final settlement payment of £80,000 with the balance of the liability to be written off.

	2020 £	2019 £
At 1 January	**193,781**	313,699
Repayment	**(80,000)**	(138,000)
Deferral fee	**8,219**	18,082
Balance agreed to be written off	**(122,000)**	-
At 31 December	**-**	193,781

19. FINANCIAL LIABILITIES - BORROWINGS - continued

	GROUP		COMPANY	
Non-current:	**2020** £	2019 £	**2020** £	2019 £
Bank loan:		-		-
1-2 years	**9,647**	-	**9,647**	-
2-5 years	**30,429**	-	**30,429**	-
More than 5 years	**4,410**	-	**4,410**	-
	44,486	-	**44,486**	-

	GROUP		COMPANY	
Total bank loan	**2020** £	2019 £	**2020** £	2019 £
Current	**5,514**	-	**5,514**	-
Non-current	**44,486**	-	**44,486**	-
	50,000	-	**50,000**	-

20. LEASES

Right-of-use assets
Group and Company

COST	Leasehold property £	Total £
At 1 January 2019 and 2020	-	-
Additions	23,152	23,152
At 31 December 2020	**23,152**	**23,152**
DEPRECIATION		
At 1 January 2019 and 2020	-	-
Depreciation for the year	2,157	2,157
At 31 December 2020	2,157	2,157
NET BOOK VALUE		
At 31 December 2020	**20,995**	**20,995**
At 31 December 2019	-	**-**

The Company and the Group entered into a new property lease in the current financial year with a lease term of 3 years.

20. LEASES - continued

Lease Liabilities
Group and Company

Set out below is the movement in lease liabilities during the period.

	£
At 1 January 2019 and 2020	-
Addition	23,152
Interest expense	409
Repayments	(2,500)
At 31 December 2020	**21,061**
Current	7,622
Non-current	13,439
At 31 December 2020	**21,061**

Non-current:	**2020 £**	2019 £
Lease liability		
1-2 years	**7,758**	-
2-5 years	**5,681**	-
	13,439	-

21. OTHER FINANCIAL COMMITMENTS

At 31 December 2020, the Company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2021:-

	LAND AND BUILDINGS	
	2020 £	2019 £
Operating leases which expire:		
Within one year	**-**	26,163
2-5 years	**9,000**	-

22. RELATED PARTY DISCLOSURES

During the year the Director, G Desler, provided the Company and its subsidiaries with bookkeeping services totalling £18,450 (2019: £18,450).

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

	2020 £	2019 £
K Alexander	**-**	-
Dr K Cox (appointed 26/06/20)	**-**	-
G Desler	**-**	7,147
Dr S Dilly (appointed 08/06/20)	**2,879**	-
M Lampshire (appointed 07/05/20)	**-**	-
G Morris (Resigned 14/04/20)	**-**	-
S Vainikka (Ceased to be director 14/04/20)	**-**	-
O de Giorgio-Miller (died 21/10/19)	**-**	5,800

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 take into account the share capital re-organisation that was effected during 2020 (note 17). As a consequence, the comparative number of shares for 2019, together with the attached exercise price, fair value and grant date share price, have been amended whereby 1 new ordinary share of 0.1p each was issued for 125 existing ordinary shares of 0.1p each.

Share option
At 31 December 2020 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:

2019	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	165,703	-	1,470.00
Lapsed during the year	(26,603)	-	1,528.75
Carried forward	139,100	7.53	1,458.71

2020	**Number of shares**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	**139,100**	**-**	**1,458.71**
Lapsed during the year	**(64,216)**	**-**	**1,440.37**
Carried forward	**74,884**	**6.51**	**1,474.44**

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	1,120	08/07/2021	11,718.75p	1,562.50p
2	Granted 19 January 2014	3,392	19/01/2024	5,391.25p	625.00p
3	Granted 21 October 2014	4,032	21/10/2024	5,625.00p	468.75p
4	Granted 26 June 2015	3,940	26/06/2025	6,375.00p	505.00p
5	Granted 9 February 2018	62,400	09/02/2028	500.00p	348.75p

24.SHARE-BASED PAYMENT TRANSACTIONS - continued

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

Options		Grant date share price	Exercise price	Expected volatility	Expected option life (years)	Risk-free interest rate
1	Granted 8 July 2011	10,000.00p	11,718.75p	52.00%	3.00	1.24%
2	Granted 19 January 2014	5,391.25p	5,391.25p	17.00%	3.00	0.99%
3	Granted 21 October 2014	5,625.00p	5,625.00p	17.00%	3.00	1.00%
4	Granted 26 June 2015	6,312.50p	6,375.00p	16.00%	3.00	0.38%
5	Granted 9 February 2018	500.00p	500.00p	196.00%	3.00	0.88%

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

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of daily share prices over a 3-year period to grant date. All of the above options are equity settled.

All of the share options are equity settled and the charge for the year is £nil (2019: £nil)

Warrants

At 31 December 2020 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.

2019	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	816,425	1.30	800.08
Granted during the year	342,051	-	29.24
Lapsed during the year	(437,869)	-	705.60
Carried forward	720,607	2.11	491.58

2020	**Number of shares**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	**720,607**	**2.11**	**491.58**
Granted during the year	**10,794,733**	**-**	**12.92**
Lapsed during the year	**(10,820,117)**	**-**	**13.05**
Carried forward	**695,223**	**0.59**	**507.01**

All warrants were exercisable at the year end.

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.

	2020 £	2019 £
Salaries and other short-term employee benefits	**238,162**	189,324
Salaries and other short-term benefits - research and development	**-**	213,790
Compensation for loss of office	**72,000**	-
Post-employment benefits	**7,076**	45,832
	317,238	448,946

	Salary £	Compensation for loss of office £	Benefits in kind £	Post-employment benefits £	**2020 £**	2019 £
K Alexander	65,625	-	-	-	**65,625**	25,625
Dr K Cox (appointed 26/06/2020)	21,000	-	-	-	**21,000**	-
G Desler	65,037	-	-	-	**65,037**	52,890
Dr S Dilly (appointed 08/06/20)	20,000	-	-	2,917	**22,917**	-
M Lampshire (appointed 07/05/20)	16,667	-	-	-	**16,667**	-
G Morris (Resigned 14/04/20)	21,271	36,000	278	420	**57,969**	147,844
S Vainikka (Ceased to be director 14/04/20)	28,147	36,000	137	3,739	**68,023**	192,587
O de Giorgio-Miller (died 21/10/19)	-	-	-	-	**-**	30,000
	237,747	**72,000**	**415**	**7,076**	**317,238**	448,946

Details of fees paid to Directors are shown in note 22 above.

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2019: 2).

25.KEY MANAGEMENT PERSONNEL COMPENSATION - continued

The number of shares and the share prices shown in this note take into account the share capital re-organisation that was effected during the year (note 17).

The Directors interests in share options as at 31 December 2020 are as follows

	Number of options	Exercise price	Date of grant	First date of exercise	Final date of exercise
K Alexander	384	11,718.75p	08/07/2011	08/07/2011	08/07/2021
K Alexander	1,280	5,390.63p	19/01/2014	19/01/2014	19/01/2024
K Alexander	1,280	5,625.00p	21/10/2014	21/10/2014	21/10/2024
K Alexander	1,390	6,750.00p	26/06/2015	25/06/2015	25/06/2025
K Alexander	20,000	500.00p	07/02/2018	07/02/2018	07/02/2028
	24,334				
G Desler	384	11,718.75p	08/07/2011	08/07/2011	08/07/2021
G Desler	1,408	5,390.63p	19/01/2014	19/01/2014	19/01/2024
G Desler	1,408	5,625.00p	21/10/2014	21/10/2014	21/10/2024
G Desler	1,518	6,750.00p	26/06/2015	26/06/2015	25/06/2025
G Desler	24,000	500.00p	07/02/2018	07/02/2018	07/02/2028
	28,718				
Dr S Dilly	512	5,625.00p	21/10/2014	21/10/2014	21/10/2024
Dr S Dilly	4,000	500.00p	07/02/2018	07/02/2018	07/02/2028
	4,512				

The Directors interests in warrants as at 31 December 2020 are as follows:

	Number of warrants	Exercise price	Date of grant	Expiry date
K Alexander	83,333	13.00p	26/05/2020	26/05/2021
Dr S Dilly	83,333	13.00p	26/05/2020	26/05/2021

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	2020 £	2019 £
Loans and receivables		
Trade and other receivables	**66,735**	90,083
Cash and cash equivalents	**1,846,901**	-
Total loans and receivables	**1,913,636**	90,083
Total financial assets	**1,913,636**	90,083

Financial liabilities	2020 £	2019 £
Trade and other payables	**105,235**	1,256,696
Lease liabilities	**21,061**	-
Cash and cash equivalents	**50,000**	5,634
Total financial liabilities	**176,296**	1,262,330

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.

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.

ValiRx

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