

VALIRX PLC
(“VALIRX” OR THE “COMPANY”)
FINAL RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008

ValiRx (AIM: VAL), the cancer therapeutics and diagnostics company, today announces its final results for the twelve month period ended 31 December 2008.

HIGHLIGHTS

Operations

- Leading GenelCE compound yielded encouraging preclinical results
- Neucleosomics diagnostic platform has provided the Company with a novel cancer diagnostic in prototype format
- Disposal of a 10% stake in the Company’s diagnostics operation, ValiBio, with a related distribution agreement for diagnostic products developed by ValiBio

Post year end

- Successful completion of an equity fundraising
- European Union Eurostar grant to progress therapeutic product development
- HPV diagnostic in pre launch production for sales later this year

Dr Satu Vainikka, Chief Executive, commented:

'We are pleased with the progress the Company has made during the year, particularly post the period end where we completed an equity fundraising as well as received a prestigious grant to progress the therapeutic product development. We look forward to developing the Company’s diagnostic and therapeutic products towards commercialisation.'

For more information please contact:

ValiRx plc
Dr. Satu Vainikka

Tel: +44 (0) 20 3008 4416

WH Ireland Limited
Adrian Kirk

Tel: +44 (0) 161 832 2174

Westport Communications
Alan Frame

Tel: +44 (0) 207 065 2696 / 07850 944 187

CHAIRMAN'S REPORT

Once again, after an interesting and challenging year, it gives me great pleasure to present my second set of year-end results for your Company since being appointed Chairman in October 2007. Furthermore it is gratifying to be able to report on a successful equity funding, as a result of which your Company raised £979,000 before expenses.

I was able to report a similarly successful fundraising in my first statement to you twelve months ago. Our ability to complete both these fundings in some of the most testing of market conditions in recent times is largely due to the continuing progress which your Company has made over the last twelve months in both the therapeutics and diagnostics sides of the business. This will be dealt with in greater detail by Dr Satu Vainikka in the CEO's report.

Last year I reported on the creation of our diagnostics development and commercialisation business, ValiBio, located in Belgium. In December we announced the sale of a 10% stake in this subsidiary company for 600,000 Euros. Unfortunately, this transaction has taken much longer to complete than originally envisaged and we now hope that the terms of the agreement will be fulfilled by the end of November. We have also reached agreement in principle for a substantial loan from one of the Belgian Regions.

In my last year's report I also mentioned that we hoped to generate revenues for the first time from our range of diagnostics and drug research products in early 2009. This stage is now some twelve months behind schedule owing to various difficulties we have encountered.

The re-branded therapeutics division, Valipharma, has continued to advance its development programme satisfactorily, and we have just received confirmation of a substantial grant from Eurostar, which should enable the Company to move forward the development of GenelCE to Phase I trials sometime during the latter part of next year. The winning of the Eurostar grant highlights our success as an emerging pharmaceutical company, as we came fourth out of over one hundred other European companies applying for such grants. In the individual countries we came first in Denmark, and second in the UK and Finland, and we were awarded substantially what we had applied for.

Outside the Company's own activities, ValiRx's position is being strengthened as the industry moves towards a greater recognition of epigenomics and early screening diagnostic or prognostic approaches.

I am pleased to welcome to the Board Dr Norman Hardman, as a non-executive director. Norman has had an extensive career in the pharmaceutical and biotechnology industries. He is currently President and CEO of Oxalis Partners LLC. Norman also serves as a strategic consultant to several US and EU biotechnology companies and venture capital funds. He is also an Honorary Professor at the University of Aberdeen where he currently serves as Vice President and Treasurer of the University Development Trust and as an advisor to the University management.

On a personal note, I would also like to thank both the executive team and the non-executive directors for the significant contribution both groups have made to the business over the past year.

N Thorniley
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The year was not without its challenges. However, it is pleasing to report the successful fund raising activity that we undertook during the year and subsequently. This has set the Company in the right direction to generate sustainable revenues from the diagnostic activities and to progress the therapeutic development programmes.

The major strategic activities and milestones have been covered in the Chairman's Report and my report will highlight the key operational activities.

Over the period under review we have been able to advance the preclinical programme and late stage programme for our lead Gene ICE and prostate cancer products with successful results announced over the year from our collaboration with Cancer Research Technology Limited and Imperial College. For the current period I am very happy to be able to report that the Company has obtained a prestigious European Union Eurostars grant, in collaboration with a Danish and a Finnish Company, to progress the therapeutic product development. With respect to the new in-licensed compound announced earlier last year, I am satisfied with its progress towards first human trials and the extension of our investigations into new indications with considerable markets. Significant work has been done and encouraging results are starting to emerge in the areas of its utility and delivery. The intellectual property covering our therapeutic activities continues to develop, providing the Company with medium and longer term potential for significant value creation.

With respect to the diagnostic activities, the Company has made useful progress with its portfolio of Nucleosomics early stage cancer diagnostic products. We are also making progress in developing commercially valid diagnostic products from the information database that we have and continue to develop. Our own second generation HPV cervical cancer prediction test is now in final testing and can expect to contribute to the Company's finances in the near future. Additionally, the Company has been seeking other complimentary diagnostic products for medium term revenue generation and expects these to be launched on to the market and bring commercial returns in the short term.

Nevertheless and despite all the economic turmoil of the year the Company has made substantial progress over all and is in a good position to overcome the current financial woes and to continue development and growth.

Satu Vainikka
Chief Executive Officer

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
Revenue	2	30,748	42,289
Administrative expenses		(1,258,063)	(882,957)
Other operating income		1,400	-
		-----	-----
Operating loss	3	(1,225,915)	(840,668)
Cost of capital reconstruction		-	(33,600)
Amounts written off investments	11	(664,239)	(428,794)
		-----	-----
Loss on ordinary activities before interest		(1,890,154)	(1,303,062)
Finance income	4	5,092	13,198
Finance costs	5	(2,725)	(121)
		-----	-----
Loss on ordinary activities before taxation		(1,887,787)	(1,289,985)
Income tax expense	6	-	-
		-----	-----
Loss on ordinary activities after taxation		(1,887,787)	(1,289,985)
Minority interest		31,890	50,444
		-----	-----
Loss for the year		(1,855,897)	(1,239,541)
		=====	=====
Loss per share - basic and diluted	8	(4.13)p	(4.11)p
		=====	=====

There are no recognised gains and losses other than those passing through the income statement.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Notes	2008		2007	
		£	£	£	£
ASSETS					
Non current assets					
Intangible assets	9		1,421,207		611,507
Property, plant and equipment	10		9,608		8,792
Financial assets: available-for-sale investments	11		240,737		904,976
			-----		-----
			1,671,552		1,525,275
			-----		-----
Current assets					
Trade and other receivables	12	94,159		153,305	
Cash and cash equivalents		15,722		88,275	
		-----		-----	
			109,881		241,580
LIABILITIES					
Current liabilities					
Borrowings	14		(2,332)		(2,332)
Trade and other payables	13		(406,689)		(93,974)
			-----		-----
Net current (liabilities)/assets			(299,140)		145,274
			-----		-----
Total assets less current liabilities			1,372,412		1,670,549
Non current liabilities					
Borrowings	14		-		(1,322)
			-----		-----
			1,372,412		1,669,227
			=====		=====
SHAREHOLDERS' EQUITY					
Called up share capital	15		3,479,986		1,896,786
Share premium			71,120		145,643
Merger reserve			637,500		637,500
Reverse acquisition reserve			602,413		602,413
Share option reserve			2,801		-
Profit and loss account			(3,421,408)		(1,593,692)
			-----		-----
Total shareholders' equity			1,372,412		1,688,650
Minority interest			-		(19,423)
			-----		-----
	16		1,372,412		1,669,227
			=====		=====

Approved by the Board and authorised for issue on

.....
S Vainikka
Director

.....
G Desler
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	£	2008 £	£	2007 £
Cash outflows from operating activities	1		(791,810)		(838,628)
Investing activities					
Interest received		5,092		13,198	
Interest paid		(2,725)		(121)	
Payments to acquire intangible assets		(80,590)		(132,221)	
Payments to acquire tangible assets		(6,118)		(2,963)	
Cost of minority interest share in subsidiary undertaking		(31,988)		-	
		-----		-----	
Cash flows used in investing activities			(116,329)		(122,107)
Financing activities					
Issue of ordinary share capital		893,200		320,124	
Cost of share issue		(74,523)		(48,078)	
Cost of share reorganisation		-		(33,600)	
Capital element of hire purchase contracts		-		(75)	
		-----		-----	
Net cash generated from financing activities			818,677		238,371
			-----		-----
Net decrease in cash and cash equivalents			(89,462)		(722,364)
Cash and cash equivalents at beginning of period			88,275		810,639
			-----		-----
Cash and cash equivalents at end of period			(1,187)		88,275
			=====		=====

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

1 Cash flows from operating activities

	2008	2007
	£	£
Operating loss	(1,225,915)	(840,668)
Depreciation of tangible assets	5,302	2,733
Amortisation of intangible assets	14,158	8,741
Decrease in debtors	59,146	1,174
Increase/(decrease) in creditors within one year	295,440	(10,884)
Other non-cash movements	57,259	276
Share option charge	2,800	-
	-----	-----
Cash outflows from operating activities	(791,810)	(838,628)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. Principal accounting policies

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

1.1 Basis of preparation

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

The registered number of the company is 03916791.

The group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

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

1.2 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 Bioinnovations Limited ('Bioinnovations') acquired 60.28% of the issued share capital of Cronos Therapeutics Limited ('Cronos') in exchange for shares in Bioinnovations. Concurrently, the Company, then called Azure Holdings plc ("Azure"), acquired the entire issued share capital of Bioinnovations in a share for share transaction. As a result of these transactions, the former shareholders of Cronos became the majority shareholders in Azure. Accordingly, the substance of the transaction was that Cronos acquired Azure in a reverse acquisition. As part of the business combination, Azure changed its name to ValiRx Plc ("ValiRx"). Under IFRS 3 'Business Combinations', the acquisition of Cronos has been accounted for as a reverse acquisition.

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

In July 2007, the company invested in ValiBio SA, a newly formed company incorporated in Belgium. From July 2007 the Group owned 100% of ValiBio SA.

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

1.3 Sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Material estimates and assumptions are made in particular with regard to the carrying value of the financial assets - available-for-sale investments, goodwill impairment testing and the likelihood that tax assets can be realised.

1.4 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable net assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill

on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested annually for impairment or when trigger events occur, and is carried at cost less accumulated impairment losses.

1.5 Other intangible assets

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

1.6 Research and development

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

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

1.7 Property, plant and equipment

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

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

Plant and machinery	over 3 years straight line
Computer equipment	33% per annum straight line

1.8 Impairment of assets

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

1.9 Leasing and hire purchase commitments

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets acquired under finance leases are recognised as assets of the Group at the fair value or, if lower, at the present value of the minimum lease payments, each determined at the start of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

1.10 Investments

The group classifies its investments as available-for-sale financial assets in accordance with IAS 39.

Available-for-sale financial investments are non-derivative assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. After initial recognition available-for-sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is de-recognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. If a fair value for an investment cannot be reliably measured that investment will be carried at cost.

An impairment test is performed annually on the carrying value of each investment. If an available-for-sale asset is impaired, an amount comprising the difference between its carrying value and its cost and its fair value is transferred from equity to the income statement.

1.11 Trade and other receivables

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

1.12 Taxation

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

The tax currently payable is based on the taxable loss for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable loss differs from the net loss 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 or the deferred tax liability is settled.

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

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

1.13 Foreign currency translation

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

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

1.14 Government grants

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

1.15 Turnover

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

1.16 Share based payments

FRS 20 "Share - based payments" requires that the fair value of options awarded to employees is charged to the profit and loss account over the period during which the employees become unconditionally entitled to the options.

1.17 Standards and interpretations

A number of new Standards and amendments to Standards and Interpretations have been issued by the IASB and IFRIC with an effective date after the date of this financial information. Those that are relevant to the group are as follows:

	Effective date
International Accounting Standards (IFRS/IAS)	
IFRS 2 Amendments to Share-based payments - Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised 2008)	1 July 2009
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised 2007 and 2008)	1 January 2009
IAS 16 Property, Plant and Equipment (revised 2008)	1 January 2009
IAS 19 Employee benefits (revised 2008)	1 January 2009
IAS 23 Borrowing Costs (revised 2007 and 2008)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (revised 2008)	1 July 2009
IAS 28 Investments in Associates (revised 2008)	1 January 2009
IAS 31 Investments in Joint Ventures (revised 2008)	1 January 2009
IAS 32 Financial Instruments: Presentation (revised 2008)	1 January 2009
IAS 36 Impairment of Assets	1 January 2009
IAS 39 Financial instruments: Recognition and Measurement (revised 2008)	1 January 2009

The Group does not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements on adoption.

2 Segmental information

The Directors are of the opinion that under IAS 14 - 'Segmental information' the Group operates in one primary business segment, being drug development.

The secondary segment is geographic and the Group's revenues and net assets by geographical segment are shown below. The Group's geographical segments are determined by location of operations.

Geographical market

	Revenue	Net assets
	£	£
UK	30,748	1,702,286
Belgium	-	(329,874)
	-----	-----
	30,748	1,372,412
	=====	=====

3. Operating loss

	2008	2007
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	14,158	8,741
Depreciation of tangible assets	4,589	2,733
Loss on foreign exchange transactions	62,856	-
Research and development	145,882	156,048

Auditors remuneration

Fees payable to Company auditor for the audit of the Company and consolidated accounts

	15,000	10,000
- The audit of company's subsidiaries pursuant to legislation	2,500	10,000
- Auditor's fees for review of interim accounts	1,270	-
	=====	=====

4 Finance income

	2008	2007
	£	£
Bank interest	5,092	13,198
	=====	=====

5 Finance costs

	2008	2007
	£	£
On bank loans and overdrafts	2,274	112
Hire purchase interest	193	9
On overdue tax	258	-
	-----	-----
	2,725	121
	=====	=====

6 Taxation

	2008	2007
	£	£
Current tax charge	-	-
	=====	=====
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(1,887,787)	(1,289,985)
	=====	=====
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2007 - 20.00%)	(396,435)	(257,997)
	-----	-----
Effects of:		
Non deductible expenses	13,026	579
Capital allowances for the year in deficit/(excess) of depreciation and	245	102
Tax losses not utilised	238,945	160,781
Share capital	-	6,720
Expenses relating to share issue	-	4,056
Impairment charge	139,490	85,759
Other tax adjustments	4,729	-
	-----	-----
	396,435	257,997
	-----	-----
Current tax charge	-	-
	=====	=====

No corporation tax arises on the results for the year ended 31 December 2008 due to the loss incurred.

The deferred tax asset, arising from tax losses, of £712,400 (2007 - £447,296) carried forward has not been recognised but would become recoverable against future trading profits.

7 Business Combination

On 14 July 2008, the company acquired 39.72% of Cronos Therapeutics Limited for a share consideration of £2,900,000 plus costs. The acquired business contributed revenues of £nil and a net loss of £14,164 to the group from the date of acquisition to 31 December 2008.

Net identifiable assets acquired:

	£
Intangible assets	85,010
Tangible assets	1,128
Cash and cash equivalents	596
Receivables	1,229
Payables	(139,277)
	<hr/>
Fair value of net identifiable assets acquired	(51,313)
	<hr/>

Purchase consideration:

6,500,000 ordinary shares of 6p - issued at par which approximates to fair value	390,000
5,000,000 ordinary shares of 6p each - issued at par which approximates to fair value	300,000
Direct costs relating to acquisition	1,955
	<hr/>
	691,955
	<hr/>
Goodwill (Note 9)	743,268
	<hr/>

8 Earnings per ordinary share

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

	2008	2007
Basic:		
Loss for the financial period	1,855,897	1,239,541
Weighted average number of shares	44,965,094	29,973,745
Loss per share	4.13p	4.11p
	=====	=====

There was no dilutive effect from the share options outstanding during the year (note 15).

9 Intangible fixed assets

	Patents	Goodwill	Total
	£	£	£
Cost			
At 1 January 2007	70,987	423,574	494,561
Additions	132,221	-	132,221
	-----	-----	-----
At 31 December 2007	203,208	423,574	626,782
Additions	80,590	743,268	823,858
	-----	-----	-----
At 31 December 2008	283,798	1,166,842	1,450,640
	-----	-----	-----
Amortisation			
At 1 January 2007	6,534	-	6,534
Charge for the year	8,741	-	8,741
	-----	-----	-----
At 31 December 2007	15,275	-	15,275
Charge for the year	14,158	-	14,158
	-----	-----	-----
At 31 December 2008	29,433	-	29,433
	-----	-----	-----
Net book value			
At 31 December 2008	254,365	1,166,842	1,421,207
	=====	=====	=====
At 31 December 2007	187,933	423,574	611,507
	=====	=====	=====

The goodwill arising on the acquisition of ValiRx Bioinnovations Limited and Cronos Therapeutics Limited is not being amortised but 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).

10 Property, plant and equipment

	Plant and machiner £
Cost	
At 1 January 2007	6,191
Additions	6,692
	— — — —
At 1 January 2008	12,883
Additions	6,118
	— — — —
At 31 December 2008	19,001
	— — — —
Depreciation	
At 1 January 2007	1,358
Charge for the period	2,733
	— — — —
At 1 January 2008	4,091
Charge for the year	5,302
	— — — —
At 31 December 2008	9,393
	— — — —
Net book value	
At 31 December 2008	9,608
	= = = =
At 31 December 2007	8,792
	= = = =

Included above are assets held under finance leases or hire purchase contracts as follows:

	£
Net book values	
At 31 December 2008	2,165
	= = = =
At 31 December 2007	2,947
	= = = =
Depreciation charge for the year	
At 31 December 2008	782
	= = = =
At 31 December 2007	782
	= = = =

11 Financial assets - available-for-sale investments

	Unlisted investment £
Cost	
At 1 January 2008 & at 31 December 2008	1,333,770

Provisions for diminution in value	
At 1 January 2008	428,794
Charge for the year	664,239

At 31 December 2008	1,093,033

Net book value	
At 31 December 2008	240,737
	=====
At 31 December 2007	904,976
	=====

The Group owns 8.517% (on a fully diluted basis) of the issued share capital of Morphogenesis Inc., a company incorporated in USA. Morphogenesis Inc. is a private company in which ValiRx Plc holds a minority interest. The carrying value of the investment was revalued at 31 December 2008 to reflect the diminution in the market value which at 31 December 2008 was £240,737 (2007 - £904,976).

12 Trade and other receivables

	2008 £	2007 £
Trade receivables	23,547	42,016
Called up share capital not paid	26	-
Other receivables	32,628	102,540
Prepayments and accrued income	37,958	8,749
	-----	-----
	94,159	153,305
	=====	=====

13 Trade and other payables

	2008 £	2007 £
Bank loans and overdrafts	16,909	-
Net obligations under hire purchase contracts	930	-
Trade payables	290,569	49,556
Taxes and social security costs	36,884	13,773
Directors' current accounts	17,804	-
Other payables	26,093	-
Accruals and deferred income	17,500	30,645
	-----	-----
	406,689	93,974
	=====	=====

14 Borrowings

	2008	2007
	£	£
Net obligations under hire purchase contracts - current	2,332	2,332
Net obligations under hire purchase contracts - non current	-	1,322
	-----	-----
	2,332	3,654
	=====	=====

15 Share capital

	2008	2007	2008	2007
	Number	Number	£	£
Authorised				
Ordinary shares of 6p each	85,000,000	85,000,000	5,100,000	5,100,000
	=====	=====	=====	=====
Allotted, called up and fully paid				
Ordinary shares of 6p each	57,999,764	31,613,097	3,479,986	1,896,786
	=====	=====	=====	=====

During the year the company placed the following shares in order to raise working capital:

Date	Number of shares placed	Amount raised
		£
02/04/2008	2,000,000	120,000
04/04/2008	516,666	31,000
06/05/2008	7,473,332	448,400
16/05/2008	4,896,664	293,800

		893,200

Attached to each placing of shares is a warrant to subscribe for one new ordinary share at .10p per share for a period of three years from the admission of placing to trading on the AIM market.

On 14 July 2008, pursuant to the call option agreement dated 8 September 2006, the company exercised the option to acquire a 39.72% stake in Cronos Therapeutics Limited by the issue of 6,500,000 ordinary shares of 6p each at par to the Cronos minority shareholders.

On 26 November 2008 in settlement of the final condition as set out in the purchase agreement made between Cronos Therapeutics Limited and the company, 5,000,000 ordinary shares of 6p each were issued at par.

Equity-settled share-based payments

The following options over ordinary shares were granted in the year:

Date of grant	Exercise price	Exercise period	Number of
15 May 2008	0.04p	15 August 2008 to 14 August 2018	200,000

At the date of grant, the options were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

Date of
15 May

Number of employees	1
Expected volatility	35%
Expected life	4 years
Risk-free interest rate	4.4%
Expected dividend yield	-
Possibility of ceasing employment before vesting	-
Fair value per option	0.55p

The charge to the income statement for share based payments during the year ended 31 December 2008 was £2,801 (2007: £ -).

16 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Opening shareholders' equity	1,669,227	2,655,305
Loss for the financial year	(1,887,787)	(1,289,985)
Minority interest share of loss	31,890	50,444
Currency translation differences on foreign currency net investments	47,605	278
Issue of ordinary share capital	1,583,200	320,124
Cost of shares issued charged to share premium account	(74,523)	(20,278)
Share option reserve	2,800	-
Share premium written-off	-	(27,800)
Share reconstruction scheme	-	562
	-----	-----
Total shareholders' equity	1,372,412	1,688,650
Minority interest	-	(19,423)
	-----	-----
Closing shareholders' equity	1,372,412	1,669,227
	=====	=====

Merger reserve

The merger reserve of £637,500 exists as a result of the acquisition of ValiRx Bioinnovations 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 Bioinnovations Limited at 3 October 2006, the date of acquisition.

Reverse acquisition reserve

The reverse acquisition reserve exists as a result of the method of accounting for the acquisition of ValiRx Bioinnovations Limited and Cronos Therapeutics Limited

17 Directors' emoluments

	2008	2007
	£	£
Emoluments for qualifying services	339,275	312,409
Company pension contributions to money purchase schemes	3,000	-
	-----	-----
	342,275	312,409
	=====	=====

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2007 - 0).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	99,000	90,000
	=====	=====

18 Employees

Number of employees

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

	2008	2007
	Number	Number
Administration	10	10
	=====	=====

Employment costs

	2008	2007
	£	£
Wages and salaries	442,262	329,258
Social security costs	49,577	33,510
Share options granted	2,801	276
	-----	-----
	494,640	363,044
	=====	=====

19 Post balance sheet events

Prior to the year end the company had entered into an exclusive worldwide distribution agreement with international medical devices company Biofield Corp (Biofield) for oncology diagnostic products. Under the terms of the agreement, the company was to sell a 10% stake in its wholly owned subsidiary ValiBIO for €600,000 in cash to Biofield with an option for Biofield to purchase an additional 15% of the Belgian based operation. The sale did not take place. A new contract was negotiated in which the €600,000 was increased to €660,000 for the 10% and is payable at €100,000 per month from 1 June 2009. The company will lodge a substantial number of shares in Biofield as security.

Subsequent to the year end, the directors proposed to re-organise the company's share capital so as to raise funds for working capital. This reorganisation will involve subdividing each issued ordinary share into one new ordinary share and one deferred share and sub divide each of its unissued existing shares into six new ordinary shares. Immediately following the proposed reorganisation, the total new ordinary shares in issue will be unchanged and each existing shareholder will continue to hold one new ordinary share in place of each existing share. At a general meeting of the company held on 13 February 2009 the shareholders, by special resolution, approved the sub-division of the existing 58,378,365 ordinary 6p shares into one new ordinary 1p share and one 5p deferred ordinary share. The new 1p ordinary shares will be traded on the AIM market while the deferred ordinary shares will not be traded.

On 5 January 2009 the company issued 378,606 new ordinary shares of 6p each in the company to certain creditors who have agreed for the company to satisfy, in aggregate, £23,618 of their outstanding fees by the issue of these new ordinary shares.

On 31 March 2009 58,000,000 new ordinary shares of 1p each were placed at 1p each raising £580,000 before expenses.

On 16 April 2009 19,900,000 ordinary share of 1p each were placed at 1p each raising £199,000 before expenses.

On 27 April 2009 200,000 new ordinary 1p shares were issued at 1p in respect of services rendered to the company.

20 Availability of Report & Accounts

The Annual Report and Accounts will be dispatched to shareholders on 10 June 2009. Copies will also be available on the Company's website, www.valirx.com.