Company Registration No. 3916791 (England and Wales)

VALIRX PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2006

VALIRX PLC

COMPANY INFORMATION

Directors	A Moore	(Appointed 3 October 2006)
	S Vainikka	(Appointed 3 October 2006)
	J Micallef	(Appointed 3 October 2006)
	G Morris	(Appointed 3 October 2006)
	G Desler	(Appointed 12 May 2006)
	K Alexander	(Appointed 3 October 2006)
	J Thorniley	(Appointed 9 January 2007)
Secretary	K Alexander	
Company number	3916791	
Registered office	24 Greville Street London EC1N 8SS	
Auditors	Adler Shine LLP Aston House Cornwall Avenue London N3 1LF	

VALIRX PLC

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CHAIRMAN'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2006

In the short time in which the Company traded as ValiRx Plc, advancements were made in projects and developments with the capacity to deliver significant shareholder value. These will be covered in greater depth in the Chief Executive Officer's report.

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

The interest and support the Company is receiving is very much reflected by the joining of leading academics to the Company's Scientific Advisory Board - Drs Tom Brown, David Fell, Nick Lemoine and Robert Weinzel having joined during the period under review.

I am likewise pleased to welcome post year ended 31st December 2006 Nicholas Thorniley to the Board as a non-executive director. His extensive career in corporate broking and his instrumental role in the Company's re-admission to AIM will be a valuable asset as we look to target further acquisitions, collaborations and investment opportunities going forward.

In short, I am pleased to report that the Company continues to make good progress, delivering on the milestones we set ourselves at the time of the re-admission of the enlarged group in October 2006, whilst maintaining our focus on the development of our product pipeline and enhancement of our intellectual property. The Board looks forward to another successful year of achievement in 2007.

A Moore
Chairman
22 June 2007

CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2006

The Company acquired ValiRx Limited in October 2006. ValiRx Limited is a biopharmaceutical development company, which was incorporated on 1 June 2006 with the intention of exploiting opportunities in the future healthcare, life sciences and biopharmaceutical industries. As such there are three closely inter-related strands to our business:

1 A core science focus - where we look to acquire and develop new and innovative R&D programmes in the epigenomic and diagnostic fields;
2 A disease and diagnostic focus on oncology - where we look to partner with organisations in the field to test or develop our products;
3 A stem cell product and development and diagnostic focus - where we acquire positions in businesses that are complementary to our disease and science focus.

I am pleased to report that during the period ended 31st December 2006 and since then, the business has developed strongly across all its chosen fields of activity.

Science

In December 2006, our subsidiary, Cronos Therapeutics Limited, announced that it received the granting of a European patent for its grounding-breaking GeneICE cancer technology. This was crucial as Cronos has now moved on to the next step of product development program with Cancer Research Technology UK ('CRT') and the patent protects Cronos's disease-modifying approach to treating cancer, adding long-term value to our shareholders.

Cronos likewise holds an extensive portfolio of pending and granted patents in the areas of gene regulation and epigenetic diagnostic technologies. Cronos is now actively pursuing further collaborations for its two main technologies: GeneICE and HyperGenomics.

Since the balance sheet date:
1 A collaborative agreement was signed with the University of Surrey's Post-Graduate Medical School to co-develop prostate and bladder cancer diagnostics based on the HyperGenomics technology.
2 Cronos and Physiomics started to work on a programme directed at development of new GeneICE products.
3 Cronos and ATDBio Ltd completed their initial experiments involving GeneICE. This was significant as it confirmed that the GeneICE drug currently in development with Cancer Research Technology Limited binds to its predicted genetic target under model physiological conditions.
4 A GeneICE US patent was granted.

Disease Focus

With regards our specific disease focus on oncology, in February 2007, ValiRx announced that it has put in place an agreement with Physiomics Plc - the European systems biology simulation company - to use its In Silico simulation of cellular processes to reduce the development time and costs associated in identifying new therapeutic compounds for the treatment of cancers. The primary concentration of the initial programme is to investigate the process of Apoptosis (the natural process of programmed cell death and turnover) - a process that is frequently disrupted in cancers.

In addition, through the agreement with the University of Surrey Post-Graduate Medical School, led by Professor Pandha - a leading scientist in the field of oncology - Cronos' proprietary HyperGenomics technology is now to be used alongside the data being generated by Professor Pandha's research base to potentially create a diagnostic platform for the early stage detection of prostate cancer.

CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2006

Stem Cell Product & Development

On 4th December 2006, ValiRx announced that it had provided $375,000 in development funding to its affiliate, Morphogenesis Inc and in addition, that it had subscribed to 250,000 share warrants exercisable at US$1 per share within the next three years. Morphogenesis is currently developing a portfolio of cell therapy products for the treatment of chronic disorders. Its most advanced product, ImmuneFX, is currently undergoing pre-clinical trials, potentially providing cancer vaccine solutions that target tumours in both humans and pets. The US canine market alone is worth in excess of $200 million a year. So far, the tests have provided promising initial feedback.

Since 31st December 2006, I have been appointed to the Board of Morphogenesis. This appointment forms part of a strategic move by Morphogenesis to migrate key parts of its early stage technology research to Britain. We believe this move will likewise prove complementary to the R&D of Cronos.

Strategic Summary

In summary, the progress made indicates the potential of our pipeline of products. We have put in place a range of strategic agreements and collaborations in the short period since we have come onto AIM across all our fields of operation. Furthermore, we remain highly encouraged by the feedback we have received from the trials completed to date on our technologies.

Financial Overview

The loss after minority interest for the nine months ended 31st December 2006 was £286,957. The loss was in line with expectations. Net cash as at 31st December 2006 was £810,639 and turnover from consultancy was less than £10,000.

As planned, research and development costs were £60,000, and other administrative expenses for the year were £213,000.

The Company is very confident in its prospects for the future and to deliver shareholder value.

Satu Vainikka
Chief Executive Officer
22 June 2007

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the period ended 31 December 2006.

Principal activities and review of the business
The principal activity of the company continued to be that of an investment holding company. The principal activity of the group is that of therapeutic research and development.

The company has undertaken to develop a novel and groundbreaking class of therapeutics based on the unique and proprietory Gene ICE platform and Hypergenomics technology.

In common with other small biotechnology companies, our business is subject to a number of risks, which include:
- the early stage of development of our business;
- the safety and effectiveness of our technologies;
- availability and terms of capital needed for the business;
- the uncertainty that clinical trials will succeed or lead to commercially viable products;
- competition from other companies and market acceptance of our products;
- intellectual property infringement claims by others and the ability to protect our intellectual property.

A detailed review of the business and the future prospects of the group is included in the Chief Executive Officer's report.

The business Key Performance Indicator ('KPI') is to carry out the research programme in accordance with the plans approved by the Board of Directors. The financial KPI is to ensure that there is adequate funding in place to achieve the business KPI.

Results and dividends
The results for the period are set out on page 9.

The directors do not recommend payment of an ordinary dividend.

Post balance sheet events
Since the balance sheet date:
1 A collaborative agreement was signed with the University of Surrey's Post-graduate Medical School to co-develop prostate and bladder cancer diagnostics based on the Hypergenomics technology.
2 Cronos and Physiomics started to work on a programme directed at development of new GeneICE products.
3 Cronos and ATDBio Ltd completed their initial experiments involving GeneICE. This was significant as it confirmed that the GeneICE drug currently in development with Cancer Research Technology Limited binds to its predicted genetic target under model physiological conditions.
4 A GeneICE US patent was granted.

Directors
The following directors have held office since 1 April 2006:

A Moore	(Appointed 3 October 2006)
S Vainikka	(Appointed 3 October 2006)
J Micallef	(Appointed 3 October 2006)
G Morris	(Appointed 3 October 2006)
G Desler	(Appointed 12 May 2006)
K Alexander	(Appointed 3 October 2006)
N Greenstone	(Appointed 12 May 2006 and resigned 12 May 2006)
J Thorniley	(Appointed 9 January 2007)
R Stirling	(Resigned 12 May 2006)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 0.2p	
	31 December 2006	**1 April 2006**
S Vainikka	55,912,500	-
J Micallef	50,287,500	-
G Morris	37,125,000	-
G Desler	-	-
K Alexander	16,312,500	-
A Moore	11,250,000	-

The directors did not have any interests in the remaining classes of shares that were in issue during the period.

The market value of the company's shares at 31 December 2006 was 0.90p and the high and low share prices during the period were 2.15p and 0.60p respectively.

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 91 (31 March 2006 - 0) days' purchases.

Auditors

Adler Shine LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

The directors are required to prepare financial statements in accordance with company law and International Financial Reporting Standards as adopted by the European Union for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial period.

In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as the directors are aware:

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

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

G Desler
Director
22 June 2007

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALIRX PLC

We have audited the Group financial statements of Valirx Plc for the period ended 31 December 2006 which comprise the consolidated income statement, the consolidated balance sheet, the statement of changes in shareholders' equity, the consolidated cash flow statements and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Valirx Plc for the year ended 31 December 2006.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements.

In addition, we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Report, the Chief Executive's Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF VALIRX PLC

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its loss for the period then ended;
- The Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.
- the information given in the directors' report is consistent with the Group financial statements.

As explained in note 1 to the Group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2006 and of its loss for the period then ended.

Adler Shine LLP
Chartered Accountants
Registered Auditor

22 June 2007
Aston House
Cornwall Avenue
London
N3 1LF

VALIRX PLC

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2006

	Notes	Nine Months ended 31 December 2006 £	Year ended 31 March 2006 £
Revenue	**2**	9,577	-
Administrative expenses		(273,292)	(65,922)
Other operating income		-	1,750
Operating loss	**3**	(263,715)	(64,172)
Loss on deemed disposal of shares in subsidiary		(60,133)	-
Loss on ordinary activities before interest		(323,848)	(64,172)
Other interest receivable and similar income	**4**	7,828	576
Interest payable and similar charges	**5**	(49)	-
Loss on ordinary activities before taxation		(316,069)	(63,596)
Tax on loss on ordinary activities	**6**	-	-
Loss on ordinary activities after taxation		(316,069)	(63,596)
Minority interest		29,112	-
Loss for the period	**15**	(286,957)	(63,596)
Loss per share - basic and diluted	**7**	(0.11)p	(0.09)p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

VALIRX PLC

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	31 December 2006 £	31 December 2006 £	31 March 2006 £	31 March 2006 £
ASSETS					
Non current assets					
Intangible assets	**8**		488,027		59,796
Property, plant and equipment	**9**		4,833		1,118
Financial assets: available-for-sale investments	**10**		1,333,770		-
			1,826,630		60,914
Current assets					
Trade and other receivables	**12**	154,479		75,220	
Cash and cash equivalents		810,639		33,835	
			965,118		109,055
LIABILITIES					
Current liabilities					
Trade and other payables	**13**		(105,422)		(8,772)
Net current assets			859,696		100,283
Total assets less current liabilities			2,686,326		161,197
SHAREHOLDERS' EQUITY					
Called up share capital	**14**		11,153,055		6,270,555
Share premium	**15**		6,979,770		9,881,216
Merger reserve	**15**		637,500		-
Reverse acquisition reserve	**15**		(15,760,591)		(15,923,102)
Profit and loss account	**15**		(354,429)		(67,472)
Total shareholders' equity	**15**		2,655,305		161,197
Minority interest			31,021		-
			2,686,326		161,197

Approved by the Board and authorised for issue on 22 June 2007

S Vainikka
Director

G Desler
Director

VALIRX PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2006

	Note	£	Nine Months ended 31 December 2006 £	£	Year ended 31 March 2006 £
Cash outflows from operating activities	**1**		(53,545)		(54,884)
Investing activities					
Interest received		7,828		576	
Interest paid		(49)		-	
Payments to acquire intangible assets		(7,868)		(39,941)	
Payments to acquire tangible assets		(5,025)		(1,166)	
Payments to acquire investments		(190,770)		-	
Purchase of subsidiary undertakings, net of cash acquired	**2**	1,290,767		-	
Net cash generated from/(used in) investing activities			1,094,883		(40,531)
Financing activities					
Issue of ordinary share capital		127,500		125,000	
Cost of share issue		(392,034)		-	
Net cash (used in)/generated from financing activities			(264,534)		125,000
Net increase in cash and cash equivalents	,		776,804		29,585
Cash and cash equivalents at beginning of period			33,835		4,250
Cash and cash equivalents at end of period			810,639		33,835

NOTES TO THE CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2006

1 Cash flows from operating activities

	Nine Months ended 31 December 2006 £	Year ended 31 March 2006 £
Operating loss	(263,715)	(64,172)
Depreciation of tangible assets	1,310	48
Amortisation of intangible assets	3,211	2,290
Increase in debtors	(176,191)	(115)
Increase in creditors within one year	381,840	7,065
Cash flows from operating activities	(53,545)	(54,884)

2 Purchase of subsidiary undertakings

	Nine Months ended 31 December 2006 £	Year ended 31 March 2006 £
Cash and cash equivalents in subsidiaries acquired	1,322,937	-
Cash outflow on acquisition	(32,170)	-
	1,290,767	-

1 Summary of significant accounting policies

1.1 Basis of preparation

Valirx Plc (formerly Azure Holdings Plc) is a company incorporated in the United Kingdom under the Companies Act 1985.

The group financial statements consolidate those of the company and its subsidiaries ('the group').

The group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations that have been adopted for use in the European Union, the Companies Act 1985 and Article 4 of the IAS Regulation.

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

1.2 First-time adoption of International Financial Reporting Standards ('IFRS')

In preparing these consolidated financial statements, the group has elected to apply certain exemptions available under IFRS 1 'First-time Adoption of International Reporting Standards'. These are set out in note 21.

In accordance with IFRS 1, the group has taken the exemption not to restate the comparatives for IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement.' Comparative information in respect of these items is presented on a UK GAAP basis as previously reported.

1 Accounting policies (continued)

1.3 Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries. 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. As a consequence of applying reverse acquisition accounting, the results for the period ended 31 December 2006 comprise those of Cronos plus those of Valirx and Bioinnovations from 3 October 2006. The comparative figures are those of Cronos for the year ended 31 March 2006. The consolidated balance sheet comprises the combined balances of Cronos, Valirx and Bioinnovations at 31 December 2006. The comparative consolidated balance sheet is that of Cronos at 31 March 2006.

1.4 Sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles 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 group believes that the most significant critical judgement area in the application of its accounting policies is the carrying value of the financial assets - available-for-sale investments and goodwill.

1.5 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.

1.6 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 Accounting policies (continued)

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:

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 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.

1.10 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 Accounting policies (continued)

1.11 Equity-settled share-based payment

The group makes equity-settled share-based payments to its employees and directors. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured based on the Black-Scholes framework, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the company revises its estimate of the number of options that are expected to become exercisable.

The group has taken advantage of the transitional provisions of IFRS2 'Share Based Payments' in respect of equity-settled share-based payments and has applied IFRS2 only to equity-settled awards granted after 7 November 2002 that had not vested on 31 March 2005.

1.12 Taxation

Taxation expense 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 for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised of the deferred tax liability is settled.

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

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

1.13 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 Accounting policies (continued)

1.14 New standards and interpretations

During the period the International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of this financial information.

		Effective date
International Accounting Standards (IFRS/IAS)		
IFRS 7	Financial instruments: Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment - Presentation of Financial Statements: Capital Disclosures	1 January 2007
IFRIC interpretations		
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financing Reporting in Hyperinflationary Economies -	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concessions Arrangements	1 January 2008

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 Revenue

The total revenue of the group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	Nine Months ended 31 December 2006 £	**Year ended 31 March 2006 £**
Operating loss is stated after charging:		
Amortisation of intangible assets	3,211	2,290
Depreciation of tangible assets	1,310	48
Auditors' remuneration - parent company	10,000	-
Auditors' remuneration - subsidiary undertakings	10,000	5,000
Auditors' remuneration - previous firm	5,525	-

4	**Investment income**	**Nine Months ended 31 December 2006 £**	**Year ended 31 March 2006 £**
	Bank interest	7,828	576

5	**Interest payable**	**Nine Months ended 31 December 2006 £**	**Year ended 31 March 2006 £**
	On bank loans and overdrafts	49	-

6	**Taxation**	**Nine Months ended 31 December 2006 £**	**Year ended 31 March 2006 £**
	Current tax charge	-	-
	Factors affecting the tax charge for the period		
	Loss on ordinary activities before taxation	(316,069)	(63,596)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2006 - 19.00%)	(60,053)	(12,083)
	Effects of:		
	Non deductible expenses	977	45
	Capital allowances for the period in excess of depreciation and amortisation	(1,974)	(79)
	Tax losses not utilised	49,625	12,117
	Loss on deemed disposal of shares in subsidiary	11,425	-
		60,053	12,083
	Current tax charge	-	-

The deferred tax asset arising from tax losses of approximately £325,000 (31 March 2006 - £68,000) carried forward has not been recognised but would become recoverable against future trading profits.

7 Earnings per ordinary share

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

	Nine Months ended 31 December 2006	Year ended 31 March 2006
Basic:		
Loss for the financial period	286,957	63,596
Weighted average number of shares	264,684,539	67,500,414
Loss per share	0.11p	0.09p

There was no dilutive effect from the share options outstanding during the year (note 14).

8 Intangible fixed assets

	Patents £	Goodwill £	Total £
Cost			
At 1 April 2005	16,527	-	16,527
Additions	46,592	-	46,592
At 1 April 2006	63,119	-	63,119
Additions	7,868	423,574	431,442
At 31 December 2006	70,987	423,574	494,561
Amortisation			
At 1 April 2005	1,033	-	1,033
Charge for the period	2,290	-	2,290
At 1 April 2006	3,323	-	3,323
Charge for the period	3,211	-	3,211
At 31 December 2006	6,534	-	6,534
Net book value			
At 31 December 2006	64,453	423,574	488,027
At 31 March 2006	59,796	-	59,796
At 31 March 2005	15,494	-	15,494

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).

9 Property, plant and equipment

	Plant and machinery £
Cost	
At 1 April 2004 and 2005	-
Additions	1,166
At 1 April 2006	1,166
Additions	5,025
At 31 December 2006	6,191
Depreciation	
At 1 April 2004 and 2005	-
Additions	48
At 1 April 2006	48
Charge for the period	1,310
At 31 December 2006	1,358
Net book value	
At 31 December 2006	4,833
At 31 March 2006	1,118
At 31 March 2005	-

10 Financial assets - available-for-sale investments

	Unlisted investments £
Cost	
At 1 April 2005 and 2006	-
Additions	1,333,770
At 31 December 2006	1,333,770
Net book value	
At 31 December 2006	1,333,770
At 31 March 2006	-
At 31 March 2005	-

The Group has acquired 8.517% (on a fully diluted basis) of the issued share capital of Morphogenesis Inc., a company incorporated in USA. Consideration was initially paid in shares in Valirx Bioinnovations Limited valued at £1,143,000 and cash of US$375,000 (£190,770). The shares in Valirx Bioinnovations Limited were subsequently exchanged for 93,206,250 ordinary shares in Valirx Plc. Morphogenesis Inc. is a private company in which the Group holds a minority interest. The directors consider that as the investment is in a private company its fair value cannot be reasonably assessed and it is therefore included at historical cost.

There were no disposals or impairment provisions on available-for-sale financial assets during the periods shown.

11 Acquisitions

On 3 October 2006, Valirx Bioinnovations Limited ('Bioinnovations') acquired 60.28% of the issued share capital of Cronos Therapeutics Limited ('Cronos') by means of a share-for-share exchange. Concurrently, Valirx acquired the entire share capital of Bioinnovations by means of a share-for-share exchange. As a result of these transactions, the former shareholders of Cronos became the majority shareholders of Valirx.

In accordance with IFRS 3 'Business Combinations', these transactions have been accounted for as a reverse acquisition. The key features of this basis of consolidation are:

- The consolidated IFRS financial statement is a continuation of the financial statement of Cronos and the retained earnings recognised are a continuation of those of Cronos immediately before the business combination.

- The consolidated income statement for the nine months ended 31 December 2006 includes the results of Cronos for the nine months ended 31 December 2006 and of Valirx and Bioinnovations from 3 October 2006, the date of the reverse acquisition.

- The assets and liabilities of Cronos are measured based on their pre-combination carrying amounts.

- The equity structure appearing in the consolidated financial statement reflects the equity structure of the legal parent, Valirx.

- Valirx and Bioinnovations have been consolidated from the date of the reverse acquisition using the fair value of their assets and liabilities at that date, with the exception of the financial assets in Bioinnovations where the investment is stated at historical cost (note 10). The recognised value of assets purchased were as follows. There was no difference between the recognised value and the fair value of the assets acquired.

	Valirx Plc £	Valirx Bioinnovations Limited £
Financial assets	-	1,143,000
Receivables	20,387	26
Cash and cash equivalents	1,322,937	-
Payables	(248,032)	-
Net assets acquired	1,095,292	1,143,026
Goodwill	394,613	28,961
Consideration satisfied by shares	1,489,905	1,171,987

The company has entered into a Call Option Agreement ('the Agreement') with the minority shareholders of Cronos. Under the terms of the Agreement, the company has the right to acquire the remaining 39.72% of the ordinary shares in Cronos. The agreement runs for a period of two years from the date of re-admission to the AIM market. The consideration payable will either be the issue of 195,000,000 new ordinary shares in the company or the payment of £2.6 million.

12	**Trade and other receivables**	**31 December 2006 £**	**31 March 2006 £**
	Trade receivables	9,458	-
	Called up share capital not paid	-	75,000
	Other receivables	136,065	220
	Prepayments and accrued income	8,956	-
		154,479	75,220

13	**Trade and other payables**	**31 December 2006 £**	**31 March 2006 £**
	Trade payables	39,712	-
	Other payables	-	250
	Accruals and deferred income	65,710	8,522
		105,422	8,772

14 Share capital

	31 December 2006 Number	31 March 2006 Number	31 December 2006 £	31 March 2006 £
Authorised				
Ordinary shares of 1p each	-	300,827,345	-	3,008,273
Ordinary shares of 0.2p each	2,500,000,000	-	5,000,000	-
Deferred shares of 99p each	1,242,250	1,242,250	1,229,828	1,229,828
Deferred shares of 0.9p each	1,017,988,790	417,988,783	9,161,899	3,761,899
			15,391,727	8,000,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	-	127,882,777	-	1,278,828
Ordinary shares of 0.2p each	885,191,389	-	1,770,383	-
Deferred shares of 99p each	1,242,250	1,242,250	1,229,828	1,229,828
Deferred shares of 0.9p each	905,871,567	417,988,783	8,152,844	3,761,899
			11,153,055	6,270,555

On 2 October 2006, £1,200,000 nominal value of Convertible Loan Stock 2008 was redeemed for £3,600,000 and was then converted into 360,000,000 ordinary shares of 1p each.

Following shareholder approval at the extraordinary general meeting held on 2 October 2006, each ordinary share of 1p each was sub-divided into one Reconstruction share of 0.1p each and one deferred share of 0.9p each. Every two Reconstruction shares of 0.1p each was then consolidated into one ordinary share of 0.2p each.

On 3 October 2006 as part of the acquisition of Valirx Bioinnovations Limited, 637,500,000 ordinary shares were issued. On 3 October 2006, 3,750,000 ordinary shares were issued in respect of £75,000 of advisors fees, giving rise to a share premium of £67,500.

The deferred shares have no right to attend a general meeting, or vote at any such meeting, no rights to a dividend and will only be entitled to a return on the winding up of the company after repayment of £10 million per ordinary share in the capital of the company.

Equity-settled share-based payments

The following share options were outstanding at 31 December 2006. No options were granted, exercised or lapsed during the period under review in respect of the company's unapproved share option scheme. 95,797 options granted under the company's Enterprise Management Incentive Scheme lapsed during the period. The number of share options and their exercise price have been amended to take account of the capital reconstruction in October 2006.

Scheme	Number of shares	Exercise price	Grant date	Expiry date
Unapproved	7,977	£20.00	30/08/2001	18/02/2010
Unapproved	13,688	£4.20	31/01/2002	31/01/2012

15 Consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Retained earnings	Merger reserve	Reverse acquisition reserve	Total
	£	£	£	£	£	£
Balance at 1 April 2005	5,474,903	10,279,042	(3,876)	-	(15,731,927)	18,142
Loss for the period	-	-	(63,596)	-	-	(63,596)
Issue of shares	795,652	-	-	-	-	795,652
Movement in the period	-	(397,826)	-	-	(191,175)	(589,001)
Balance at 1 April 2006	6,270,555	9,881,216	(67,472)	-	(15,923,102)	161,197
Loss for the period	-	-	(286,957)	-	-	(286,957)
Issue of shares	4,882,500	(501,446)	-	-	-	4,381,054
Movement in the period	-	(2,400,000)	-	637,500	162,511	(1,599,989)
Balance at 31 December 2006	11,153,055	6,979,770	(354,429)	637,500	(15,760,591)	2,655,305

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

16 Directors' emoluments

	Nine Months ended 31 December 2006 £	Year ended 31 March 2006 £
Emoluments for qualifying services	102,700	-

17 Employees

Number of employees
There were no employees during the period apart from the directors.

Employment costs	Nine Months ended 31 December 2006 £	Year ended 31 March 2006 £
Wages and salaries	102,933	-
Social security costs	7,243	-
	110,176	-

18 Related party transactions

During the period, Cronos paid consultancy fees to Cronos Ventures Limited amounting to £16,835 (year ended 31 March 2006 - £28,000), a company in which both J Micallef and S Vainikka are directors and shareholders.

During the period, Cronos carried out business with Imperial College Innovations Limited on normal commercial terms amounting to £nil (Year ended 31 March 2006 - £46,773). Imperial College Innovations Limited is a shareholder of Valirx.

19 Post balance sheet events

Since the balance sheet date:
1 A collaborative agreement was signed with the University of Surrey's Post-graduate Medical School to co-develop prostate and bladder cancer diagnostics based on the Hypergenomics technology.
2 Cronos and Physiomics started to work on a programme directed at development of new GeneICE products.
3 Cronos and ATDBio Ltd completed their initial experiments involving GeneICE. This was significant as it confirmed that the GeneICE drug currently in development with Cancer Research Technology Limited binds to its predicted genetic target under model physiological conditions.
4 A GeneICE US patent was granted.

20 Financial instruments

The group's principal financial assets are cash at bank and trade and other receivables

Cash and cash equivalents comprise cash held by the group and short-term bank deposits. The carrying amount of these assets approximates their fair value. Cash at bank and in hand, including short-term bank deposits, at 31 December 2006 amounted to £810,639 (31 March 2006 - £33,835).

The directors consider that the carrying amount of the trade and other receivables approximate their fair value.

Credit risk
The group's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate and liquidity risk
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.

Currency risk
The group has no exposure to currency risk.

Fair value
There were no material differences between the book value of financial insruments and their fair value at 31 December 2006 or 31 March 2006

21 Explanation of transition to IFRS

The group financial statements have been prepared in accordance with the recognition and measurement principles of IFRS. The following disclosures are required in the principles of transition. For the purpose of this financial information, under IFRS, the acquisition of Cronos Therapeutics Limited on 3 October 2006 is treated as a reverse acquisition, and therefore, the comparative balance sheet is that of Cronos at 31 March 2006. The date of transition to IFRS was 1 April 2005.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" sets out the transition rules which must be applied when IFRS is adopted for the first time. IFRS 1 provides a number of optional exemptions to the general principles of full retrospective application of IFRS.

In its first financial statements, a first-time adopter need not restate its comparative information in compliance with IAS 32 and IAS 39. The group has elected to take advantage of this exemption. The group has adopted IAS 32 and IAS 39 with effect from 1 April 2006.

Reconciliation of equity and loss. There were no adjustments required to either net assets or loss under UK GAAP in order to arrive at net assets or loss under IFRS.

Reconcilation of the consolidated income statement. There were no adjustments required to the consolidated income statement under UK GAAP in order to arrive at the consolidated income statement under IFRS.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALIRX PLC

We have audited the parent company financial statements of Valirx Plc for the year ended 31 December 2006 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Valirx Plc for the period ended 31 December 2006.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Report, the Chief Executive Officer's Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF VALIRX PLC

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

Adler Shine LLP
Chartered Accountants
Registered Auditor

22 June 2007
Aston House
Cornwall Avenue
London
N3 1LF

VALIRX PLC

BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	**2**		3,769		-
Investments	**3**		1,944,670		-
			1,948,439		-
Current assets					
Debtors	**4**	186,633		1,228	
Cash at bank and in hand		753,457		692	
		940,090		1,920	
Creditors: amounts falling due within one year	**5**	(393,104)		(205,217)	
Net current assets/(liabilities)			546,986		(203,297)
Total assets less current liabilities			2,495,425		(203,297)
Capital and reserves					
Called up share capital	**6**		11,153,055		5,474,903
Share premium account	**7**		6,979,770		10,279,042
Other reserves	**7**		637,500		-
Profit and loss account	**7**		(16,274,900)		(15,957,242)
Shareholders' funds	**8**		2,495,425		(203,297)

Approved by the Board and authorised for issue on 22 June 2007

S Vainikka
Director

G Desler
Director

1 Accounting policies

1.1 Accounting convention

The balance sheet and the associated notes have been prepared under the historical cost convention in accordance with the provisions of the Companies Act 1985 and applicable United Kingdom Accounting Standards (United Kingdon Generally Accepted Accounting Practice).

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company is also exempt from FRS 22 'Earnings per share' as this information is produced in the consolidated accounts.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% per annum straight line

1.3 Investments

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

1.4 Deferred taxation

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

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

1.5 Profit and loss account

The directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and have not presented a profit and loss account for the company alone. A loss of £3,115,484 is attributable to shareholders for the financial year ended 31 December 2006 (2005 - £134,000).

1.6 Financial instruments

Full details of the company's policy in relation to financial instruments and management of financial risk are set out in note 20 to the group financial statements. The company does not hold any derivatives and there is no material difference in the fair value and carrying value of any financial instruments held by the company.

1.7 Changes in accounting policies

FRS 20 "Share-based payments" requires that the fair value of opions awarded to employees is charged to the profit and loss account over the period during which the employees become unconditionally entitled to the options. The company has not incurred a charge under this standard.

1 Accounting policies (continued)

1.8 Comparative information

The comparative information in the parent company financial statements represent the results for the year ended 31 December 2005.

2 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 January 2006	-
Additions	5,025
At 31 December 2006	5,025
Depreciation	
At 1 January 2006	-
Charge for the year	1,256
At 31 December 2006	1,256
Net book value	
At 31 December 2006	3,769

3 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2006	-
Additions	1,944,670
At 31 December 2006	1,944,670
Net book value	
At 31 December 2006	1,944,670
At 31 December 2005	-

The principal subsidiary undertakings of the company, both of which were incorporated and registered in England and Wales are as follows:

Company	% of ordinary shares held	Activity
Valirx Bioinnovations Limited	100.00	Holding company
Cronos Therapeutics Limited	60.28	Therapeutic research and development

On 3 October 2006, Valirx Bioinnovations Limited ('Bioinnovations') acquired 60.28% of the issued share capital of Cronos Therapeutics Limited by means of a share-for-share exchange. Concurrently, the company acquired the entire share capital of Bioinnovations by means of a share-for-share exchange.

The company issued 637,500,000 ordinary shares for the acquisition of Bioinnovations and has recorded its investment at the fair value of the shares issued. The resultant excess over the nominal value of these shares has been credited to the merger reserve.

4	**Debtors**	**2006**	**2005**
		£	**£**
	Trade debtors	9,458	-
	Amounts owed by subsidiary undertakings	51,553	-
	Other debtors	119,206	-
	Prepayments and accrued income	6,416	1,228
		186,633	1,228

5	**Creditors: amounts falling due within one year**	**2006**	**2005**
		£	**£**
	Trade creditors	35,264	119,597
	Amounts owed to subsidiary undertakings	300,670	-
	Other creditors	-	50,000
	Accruals and deferred income	57,170	35,620
		393,104	205,217

6 Share capital	2006 Number	2005 Number	2006 £	2005 £
Authorised				
Ordinary shares of 1p each	-	300,827,345	-	3,008,273
Ordinary shares of 0.2p each	2,500,000,000	-	5,000,000	-
Deferred shares of 99p each	1,242,250	1,242,250	1,229,828	1,229,828
Deferred shares of 0.9p each	1,017,988,790	417,988,783	9,161,899	3,761,899
			15,391,727	8,000,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	-	48,317,569	-	483,176
Ordinary shares of 0.2p each	885,191,389	-	1,770,383	-
Deferred shares of 99p each	1,242,250	1,242,250	1,229,828	1,229,828
Deferred shares of 0.9p each	905,871,567	417,988,783	8,152,844	3,761,899
			11,153,055	5,474,903

In January 2006, £397,826 nominal value of Convertible Loan Stock 2005 was redeemed for £795,652 and 79,565,208 ordinary shares of 1p each were issued. The premium on redemption of £397,826 has been charged to the profit and loss account. On 2 October 2006, £1,200,000 nominal value of Convertible Loan Stock 2008 was redeemed for £3,600,000 and 360,000,000 ordinary shares of 1p each were issued. The premium on the redemption of £2,400,000 has been charged to the profit and loss account.

Following shareholder approval at the extraordinary general meeting held on 2 October 2006, each ordinary share of 1p each was sub-divided into one Reconstruction share of 0.1p each and one deferred share of 0.9p each. Every two Reconstruction shares of 0.1p each was then consolidated into one ordinary share of 0.2p each.

On 3 October 2006 as part of the acquisition of Valirx Bioinnovations Limited, 637,500,000 ordinary shares were issued. On 3 October 2006, 3,750,000 ordinary shares were issued in respect of £75,000 of advisors fees, giving rise to a share premium of £67,500.

The deferred shares have no right to attend a general meeting, or vote at any such meeting, no rights to a dividend and will only be entitled to a return on the winding up of the company after repayment of £10 million per ordinary share in the capital of the company.

7 Statement of movements on reserves

	Share premium account £	Merger reserve £	Profit and loss account £
Balance at 1 January 2006	10,279,042	-	(15,957,242)
Loss for the year	-	-	(3,115,484)
Transfer from profit and loss account to share premium account	(2,797,826)	-	2,797,826
Share premium - other movements	(501,446)	-	-
Movement during the year	-	637,500	-
Balance at 31 December 2006	6,979,770	637,500	(16,274,900)

The premiums arising on conversion of the Convertible Loan Stock (note 6) totalling £2,797,826 was charged to the profit and loss account during the year and was then transferred to the share premium account.

The merger reserve arose as a result of the acquisition of Valirx Bioinnovations Limited. Further details are contained in note 3.

8 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the financial year	(3,115,484)	(134,000)
Issue of shares	5,678,152	-
Movements on other reserves	637,500	-
Cost of share issue written off to share premium account	(501,446)	-
Net addition to/(depletion in) shareholders' funds	2,698,722	(134,000)
Opening shareholders' funds	(203,297)	(69,297)
Closing shareholders' funds	2,495,425	(203,297)