

VALIRX PLC

("ValiRx" or the "Company")

AUDITED RESULTS FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2007

30 June 2008, London ... ValiRx (AIM: VAL), the cancer therapeutics and diagnostics company, today announces its final results for the twelve month period ended 31 December 2007.

HIGHLIGHTS

Operations

- Successful *in vitro* studies completed on GeneICE therapeutics platform
- GeneICE™ patents granted in Europe and the USA
- Creation of diagnostics commercialisation business, ValiBIO SA
- European patent rights secured on Nucleosomics™, a high throughput screening mechanism for a wide range of cancers
- Solid progress made on HyperGenomics™, high throughput screening mechanism for acute myeloid leukemia and prostate cancer,

Post year end

- GeneICE™ studies with VAL 101 showing positive results in *in vivo* model of pancreatic cancer
- Therapeutics portfolio broadened with development of a second GeneICE™ anti-cancer molecule
- GeneICE™ IP cover extended with patents granted in Australia
- European distribution rights secured for proven HPV test kit technology
- Successful completion of a funding round on 12 May 2008; raising £830,000 net cash proceeds for the Company

Dr Satu Vainikka, Chief Executive, commented:

"We are pleased with the operational progress achieved by ValiRx in 2007 and encouraged by the deepening commercial relationships we have established. We are looking forward to generating first commercial revenues from our diagnostics portfolio in early 2009 and to progressing our first therapeutics programmes towards the clinic. Our positive progress was reflected in the successful closing of our funding round in May 2008."

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CHAIRMAN'S STATEMENT

It gives me pleasure to present the first set of year-end results for ValiRx since being appointed Chairman to your Company in October last year – particularly given the recent successful investment round through which the Company raised £830,000 after expenses.

Our ability to achieve this, given the recent difficulties in the financial markets, was a direct result of the excellent progress the Company made during 2007 on both the diagnostics and therapeutics sides of its business. Of particular significance was the creation of our diagnostics development and commercialisation business, ValiBIO, located in one of the leading diagnostic centres at the Institute of Pathology and Genetics in Belgium. Of similar importance was the strengthening of the patent position for a range of technologies held by the Company thereby increasing the potential to commercialise ValiRx's technologies in the future.

It is particularly encouraging to see the increasing interest being shown by the major industry players in the epigenetic arena and, in particular, validated epigenetic diagnostic and therapeutic products. This interest in epigenomics or put more simply, the study of changes in gene activity and gene expression, is driven by the increased recognition that a wide variety of illnesses, most notably cancers, are linked to the malfunction of epigenetic mechanisms.

As a result, the market has begun to see a new trend emerging of collaboration and licensing deals between young biopharmaceutical companies and major pharmaceutical organisations wanting to acquire epigenetic based technologies and products. These deals signal the importance now being attributed by the major pharmaceutical companies to this sector as a route for potentially finding new blockbuster drugs.

Against this backdrop, your Board believes the Company is now well on track to generate first revenues from its range of diagnostic and drug research products in early 2009, and to continue advancing its principal therapeutics platform, GenelCE following the recently announced success of *in vivo* studies.

Nick Thorniley, Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Strategic overview

Epigenomics – the study of changes of gene expression within the genome – lies at the heart of all we do at ValiRx. Understanding what causes epigenetic changes and combating them is now increasingly recognised as a primary route for finding cures for many cancers and other illnesses. Epigenomic diagnosis is therefore a key for developing personalised diagnosis, prognosis and treatment plans for patients.

During 2007, the Company's activities were rationalised into two distinct, but closely related and complementary, strands within epigenomics – diagnostics and therapeutics. In both areas, significant advances were made allowing the Company to establish a suite of interlinked technologies and products that first allow for a broad range of cancers to be detected at an early stage and secondly then allow specific cancers to be treated.

Diagnostics

In the diagnostics field, the key development was the creation of ValiBIO, the diagnostics development and commercialisation company that was established with BIO.be, the commercial outlet of the Institute of Pathology and Genetics ("IPG"), a leading pathology centre in Belgium

in July 2007. With access to IPG's state-of-the-art laboratories and key personnel, we are advancing the development of two key products for which we hold exclusive commercial rights – Nucleosomics and HyperGenomics.

The Nucleosomics technology, for which we secured European patent rights, has the potential to screen for early signs for a broad number of cancers using blood samples. Our aim is to create a high throughput, rapid, and affordable testing mechanism for cancer. Indeed, based on the licensing negotiations that begun post period, we are confident that first revenues will now be generated from this technology early in 2009.

With regard to HyperGenomics, this screening technology is being specifically developed to provide a high throughput screening mechanism for acute myeloid leukemia and prostate cancer. We are also now well on track to begin the commercialisation process for this technology.

In February 2008, we further broadened our portfolio of screening technologies by signing an agreement with Clarity MD to secure the European distribution rights for its HPV Genotype Diagnostic Test Kit, a next generation test for cervical cancer which has already been shown to be a superior method to existing smear-based tests.

Therapeutics

GeneICE continues to be our core focus in the therapeutics arena. During the course of the year, significant progress was made in our joint development activity with Cancer Research Technology Limited ("CRT"). As reported on 17 January 2008, CRT completed its *in vitro* studies on GeneICE, which demonstrated that GeneICE's lead compound restored apoptosis (cell death), causing the death of several well established cancer cell lines.

We have continued 2nd stage pre-clinical studies with encouraging results showing GeneICE efficacy and therapeutic potential. After completion of these studies we anticipate being able to prepare filings for the first in-man trials.

During 2007 we significantly extended the patent protection of GeneICE, securing patents for the technology in Europe and the USA and, post period, in Australia.

We are also expanding our therapeutics portfolio with a late stage pre-clinical compound that has already been shown to be effective in treating prostate and breast cancers in *in vivo* studies. This further strengthens our therapeutics offering with a compound that is capable of progression into the clinic within a relatively short timeframe.

In addition, excellent progress was made in our research collaboration with Physiomics Plc, with the development of an 'Apoptosis Model' completed in December 2007, for which a patent application is to be filed. The Model will initially be used as an R&D tool internally by ValiRx and at a later stage out-licensed to interested third parties.

Financial Overview

The principal business of the Company is the development of advanced healthcare technologies. Accordingly, the Company invests in research, development and trials to advance the Company's products towards commercialisation.

In line with the Company's budgets, research & development costs were £156,048, whilst administrative expenses for the year were £882,957, up by £609,665 on the previous year and included establishment costs of the diagnostics commercialisation business, ValiBIO. Revenues from the provision of consulting services were £42,289 (2006: £9,577).

Following an interim funding round in September 2007, the loss for the year ended 31 December 2007 was £1,239,541 compared to £286,957 for the previous year. This loss was in line with the Board's expectations. Net cash as at 31 December 2007 was £88,275. On 12 May 2008, the Company successfully completed a funding round raising £830,000 net.

Morphogenesis, the US cancer therapeutics company in which the Company holds an 8.2% stake, continued to progress its ImmuneFx cancer vaccine. Despite this progress, an independent valuation of this company resulted in the Directors considering it prudent to make a provision of £428,000 against the value of the investment in Morphogenesis.

Summary

Whilst the financial markets and biopharmaceutical sector have experienced significant turbulence in the year, we are pleased with the operational progress we have made in 2007. We are also encouraged by the deepening commercial relationships we have established over that time which resulted in the successful closing of our funding round post period end.

As a result of the above developments, we believe the Company is well positioned to begin generating first commercial revenues in early 2009 whilst at the same time broadening the suite of products and technologies it owns.

Dr. Satu Vainikka
Chief Executive

Valirx plc
Consolidated income statement for the year ended 31 December, 2007

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Revenue	42,289	9,577
Administrative expenses	(882,957)	(273,292)
Operating loss	<u>(840,668)</u>	<u>(263,715)</u>
Cost of capital reconstruction	(33,600)	-
Loss on deemed disposal of shares in subsidiary	-	(60,133)
Loss on ordinary activities before interest	<u>(874,268)</u>	<u>(323,848)</u>
Finance income	13,198	7,828
Amounts written off investments	(428,794)	-
Finance costs	(121)	(49)
Loss on ordinary activities before taxation	<u>(1,289,985)</u>	<u>(316,069)</u>
Income tax expense	-	-
Loss on ordinary activities after taxation	<u>(1,289,985)</u>	<u>(316,069)</u>
Minority interest	50,444	29,112
Loss for the period	<u><u>(1,239,541)</u></u>	<u><u>(289,957)</u></u>
Loss per share –basic and diluted	<u>(4.11)p</u>	<u>(3.25)p</u>

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

Valirx plc**Statement of changes in shareholders equity for the year ended 31 December, 2007**

	Share capital	Share premium	Retained earnings	Merger reserve	Reverse acquisition reserve	Total
	£	£	£	£	£	£
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
Loss for the period	-	-	(1,239,541)	-	-	(1,239,541)
Capital reconstruction	(9,382,672)	(6,979,770)	-	-	16,363,004	562
Issue of shares	126,403	193,721	-	-	-	320,124
Other movements	-	(48,078)	278	-	-	(47,800)
Balance at 31 December 2007	1,896,786	145,643	(1,593,692)	637,500	602,413	1,688,650

Valirx plc
Consolidated balance sheet as at 31 December 2007

	2007		2006	
	£	£	£	£
ASSETS				
Non- current assets				
Intangible assets		611,507		488,027
Property, plant and equipment		8,792		4,833
Financial assets: available-for-sale investment		904,976		1,333,770
		<u>1,525,275</u>		<u>1,826,630</u>
Current assets				
Trade and other receivables	153,305		154,479	
Cash and cash equivalents	88,275		810,639	
		<u>241,580</u>		<u>965,118</u>
LIABILITIES				
Current liabilities				
Borrowings		(2,332)		-
Trade and other payables		(93,974)		(105,422)
		<u>145,274</u>		<u>859,696</u>
Net current assets				
		<u>145,274</u>		<u>859,696</u>
Total assets less current liabilities				
		1,670,549		2,686,326
Non-current liabilities				
Borrowings		(1,322)		-
		<u>1,669,227</u>		<u>2,686,326</u>
SHAREHOLDERS' EQUITY				
Called up share capital		1,896,786		11,153,055
Share premium		145,643		6,979,770
Merger reserve		637,500		637,500
Reverse acquisition reserve		602,413		(15,760,591)
Profit and loss account		(1,593,692)		(354,429)
		<u>1,688,650</u>		<u>2,655,305</u>
Total shareholders' equity		<u>1,688,650</u>		<u>2,655,305</u>
Minority interest		(19,423)		31,021
		<u>1,669,227</u>		<u>2,686,326</u>

Valirx plc**Consolidated cash flow statement for the year ended 31 December 2007**

			Year ended 31 December 2007 £		9 Months ended 31 December 2006 £
Cash outflows from operating activities	Notes	£		£	
	1		(838,628)		(53,545)
Investing activities					
Interest received		13,198		7,828	
Interest paid		(121)		(49)	
Payments to acquire intangible assets		(132,221)		(7,868)	
Payments to acquire tangible assets		(2,963)		(5,025)	
Payments to acquire investments		-		(190,770)	
Purchase of subsidiary undertakings, net of cash acquired	2	-		(1,290,767)	
Net cash (used in)/generated from investing activities			(122,107)		1,094,883
Financing activities					
Issue of ordinary share capital		320,124		127,500	
Cost of share issue		(48,078)		(392,034)	
Cost of share reorganisation		(33,600)		-	
Capital element of hire purchase contracts		(75)		-	
Net cash generated/(used in) from financing activities			238,371		(264,534)
Net increase in cash and cash equivalents			(722,364)		(776,804)
Cash and cash equivalents at beginning of period			810,639		33,835
Cash and cash equivalents at end of period			88,275		810,639

Valirx plc**Notes to the cash flow statement for the year ended 31 December 2007****1. Cash flows from operating activities**

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Operating loss	(840,668)	(263,715)
Depreciation of tangible assets	2,733	1,310
Amortisation of intangible assets	8,741	3,211
Decrease/(increase) in debtors	1,174	(176,191)
Increase in creditors within one year	(10,884)	381,840
Other non-cash movements	276	-
Cash outflows from operating activities	(838,628)	(53,545)

2. Purchase of subsidiary undertakings

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Cash and cash equivalents in subsidiaries acquired	-	1,322,937
Cash outflow on acquisition	-	(32,170)
	-	1,290,767

Valirx plc**Notes to the preliminary results for the year ended 31 December 2007****1. Publication of non-statutory accounts**

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The group balance sheet at 31 December 2007 and the group income statement, group cash flow statement, group statement of changes in equity and associated notes for the year then ended have been extracted from the Group's financial statements. Those financial statements, on which the auditors have reported an unqualified opinion, have not yet been delivered to the Registrar of Companies.

2. Basis of preparation

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.

3. Taxation

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	<u>(1,289,985)</u>	<u>(316,069)</u>
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20% (2006:19%)	(257,997)	(60,053)
Effects of:		
Non deductible expenses	579	977
Capital allowances for the year in deficit/(excess) of depreciation and amortisation	102	(1,974)
Tax losses not utilised	160,781	49,625
Loss on deemed disposal of shares in subsidiary	-	11,425
Share capital	6,720	-
Expenses relating to share issue	4,056	-
Impairment charge	85,759	-
	<u>257,997</u>	<u>60,053</u>

No corporation tax arises on the results for the year ended 31 December 2007 due to the loss incurred.

The deferred tax asset, arising from tax losses, of £447,296 (2006 - £325,000) carried forward has not been recognised but would become recoverable against future trading profits.

4. Earnings per ordinary share

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

	Year ended 31 December 2007	9 Months ended 31 December 2006
Basic:		
Loss for the financial period	£1,239,541	£286,957
Weighted average number of shares	30,064,923	8,822,818
Loss per share	<u>4.11p</u>	<u>3.25p</u>

There was no dilutive effect from the share options outstanding during the year.

Comparative earnings per share for 2006 have been re-calculated to reflect the share consolidation during the year.

5. Intangible fixed assets

	Patents £	Goodwill £	Total £
Cost			
At 1 April 2006	63,119	-	63,119
Additions	7,868	423,574	431,442
At 31 December 2006	<u>70,987</u>	<u>423,574</u>	<u>494,561</u>
Additions	132,221	-	132,221
At 31 December 2007	<u>203,208</u>	<u>423,574</u>	<u>626,782</u>
Amortisation			
At 1 April 2006	3,323	-	3,323
Charge for the period	3,211	-	3,211
At 31 December 2006	<u>6,534</u>	<u>-</u>	<u>6,534</u>
Charge for the period	8,741	-	8,741
At 31 December 2007	<u>15,275</u>	<u>-</u>	<u>15,275</u>
Net book value			
At 31 December 2007	<u>187,933</u>	<u>423,574</u>	<u>611,507</u>
At 31 December 2006	<u>64,453</u>	<u>423,574</u>	<u>488,027</u>
At 31 March 2006	<u>59,796</u>	<u>-</u>	<u>59,796</u>

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).

6. Financial assets –available –for-sale investments

	Unlisted investments £
Cost	
At 1 January 2007 & at 31 December 2007	<u>1,333,770</u>
Provisions for diminution in value	
At 1 January 2007	-
Charge for the period	428,794
At 31 December 2007	<u>428,794</u>
Net book value	
At 31 December 2007	<u>904,976</u>
At 31 December 2006	<u>1,333,770</u>
At 31 March 2006	<u>-</u>

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 re-valued at 31 December 2007 to reflect the diminution in the market value which at 31 December 2007 was £428,794 (2006 -£nil).

7. Share-based payments

The following share options were outstanding at 31 December 2007. During the year 82,000 options were granted under the Enterprise Management Incentives Scheme ('EMI') dated 28 November 2007 and 430,000 options were granted under the Unapproved Share option scheme dated 28 November 2007. 21,665 options lapsed during the year that had been granted under company's unapproved share option scheme.

Scheme	Number of shares	Exercise price	Grant Date	Expiry date
EMI	82,000	10.5p	28/11/2007	28/11/2017
Unapproved	430,000	10.5p	28/11/2007	28/11/2017

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 1.55p. The significant inputs into the model were weighted average share price of 10.5p at the grant date, exercise price shown above, volatility 35%, dividend yield of 0%, an expected option life of 3.5 years and an annual risk free interest rate of 4.36%. The expected volatility was determined by calculating the historical volatility of the daily share price over the last three years. The Group recognised total expenses of £276 (2006 - £nil) relating to equity-settled share-based payment transactions.

8. Copies of Report and Accounts

Copies of the Report and Accounts will be sent to shareholders on 30 June 2008 and will be available to members of the public from the Company's registered office, 24 Greville Street, London EC1N 8SS and at the Company's website, www.valirx.com.

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About ValiRx

ValiRx plc (AIM:VAL, 'ValiRx') is a cancer therapeutics and diagnostics company headquartered in London, England and admitted to AIM in October 2006. The Company operates through two subsidiaries, Cronos Therapeutics Ltd (www.cronostherapeutics.com), a UK-based epigenetic drug discovery and development business and ValiBIO SA (www.valibio.com), a Belgium-based oncology diagnostics operation.

Therapeutics – Cronos Therapeutics Ltd

ValiRx utilises a cells own inherent gene control machinery to silence genes involved in cancer cell progression, effectively “switching off” genes involved in certain forms of cancer through its platform technology GeneICE™ (Gene Inactivation by Chromatin Engineering),. GeneICE™ works through the recruitment of silencing complexes known as Histone Deacetylase Complexes (HDACs) to target genes involved in cancer. ValiRx's lead product VAL 101 targets the anti-apoptotic gene BCL-2 which is over expressed in many cancers including in pancreatic cancer.

Gene silencing technology platform potentially represents an innovative and ground breaking new approach to cancer treatment as it allows for the development of targeted, personalised medicine and treatment for patients. GeneICE™ is also applicable to a wide variety of other genetic disorders such as in the fields of neurology and inflammatory diseases.

Diagnostics – ValiBIO SA

ValiRx currently has two epigenetic diagnosis products - HyperGenomics™, a method for the detection and identification of hypersensitive sites in cells and Nucleosomics™, a non-invasive (blood) test for early cancer diagnosis based on epigenetic signal changes associated with malignancy – which it licenses to its subsidiary, ValiBIO.

More information on the Company can be found at www.valirx.com

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