

22 September 2011

**ValiRx Plc**  
(“ValiRx” or “the Company”)

**Half-yearly Report**

Valirx Plc (AIM: VAL), a life science company with a focus on cancer diagnostics and therapeutics for personalised medicine, announces its half-yearly report for the six months ended 30 June 2011.

**‘ValiRx establishes solid platform from which to drive the business forward’**

**Highlights**

- Revenue for the six months to 30 June 2011 rose to £418,263 (Six months to 30 June 2010: £64,474; year to 31 December 2010: £177,297)
- Completion of sale of ValiBio SA
- Launch of Chlamydia self-test kits
- Completion of placing of new shares raising £3.3 million (before fees and expenses)
- Advances with method of production of GeneICE (Val 101) and Val 201
- Sale of Licence to Volition Singapore
- Successful second year extension of Eurostar grant for GeneICE (Val 101)

*Post period*

- Important therapeutic role for Val 201 established in collaboration with Oxford University
- Acquisition of ValiRx Finland OY
- Distribution agreement signed for Finland and Sweden for SELFCheck kits
- Collaboration with Physiomics Plc to maximise Val 201’s clinical prospects.

**Dr Satu Vainikka, Chief Executive, commented that:**

*“I am delighted with the progress that we have made during the past six months. A significant capital injection via a placing, increased revenue, together with the sale of ValiBIO in the period, have strengthened our balance sheet, enabling us to concentrate on building incremental value in our cancer therapeutics and companion diagnostics, through product development. As we have seen, advances in GeneICE development and manufacturing are anticipated to save production costs and have enhanced the prospects for GeneICE products.*

*With additional pre-clinical studies of our lead drug candidates having been conducted this year and demonstrating their potential for filling unmet needs in a number of tumours, I am very pleased that we have been able to establish important collaborations, to further accelerate our preclinical programmes*

*and to enhance their clinical outcomes. With your Company's lead therapeutic products being on the cusp of clinical trials, we have a solid platform from which to drive ValiRx forward and firmly position ourselves at the forefront of personalised medicine."*

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## **Chairman's statement**

### **Strategic overview**

The past half year has been a busy period for ValiRx and I am pleased to report that in the six months to 30 June 2011, ValiRx has made good progress on a number of fronts.

Revenues are up to £418,263, compared with £177,297 for the whole of 2010 and to £64,474 for the six months of 2010.

In January 2011, ValiRx successfully completed and announced the sale of Valibio SA, its wholly owned Belgian subsidiary, to a Singaporean-registered company, Singapore Volition Pte. Limited ("Volition"), for a total consideration of \$1.1 million (approximately £670,000), of which \$400,000 was in staged cash payments with the balance in ordinary shares in Volition. In June 2011 the Company announced the sale of a licence that was related to Volition's activities but was no longer core to ValiRx's activity; however the rights to the IP were retained by ValiRx for use in its therapeutic programmes and products.

This disposal was timely and it has enabled management to refocus on more immediate value-creating areas.

In February 2011, ValiRx announced an expansion to its SELFCheck home diagnostics kits through the launch of its Chlamydia SELFCheck "Over-The-Counter" health screening product across the UK. The retail and distribution of the self-diagnostic tests will be conducted by ValiMedix, the Company's sales and distribution division, and will be targeted at existing and new channels. The Company's HPV Real time PCR test continues its clinical evaluation and currently statistically significant data is being generated to show that it is capable of distinguishing high risk medium risk and low risk HPV subtypes robustly in routine clinical use.

The Company's £3.3 million placing that was announced on 16 February 2011 has enabled ValiRx to accelerate the development and commercialisation of its lead drug candidates Val 101 and 201 and the Board anticipates that one or possibly both of these compounds should be ready to enter Phase 1 trials during the next calendar year.

The Company has seen excellent progress with its therapeutic compound Val 201 during the period and we were pleased to report in July 2011 that a further late preclinical study into the development of the compound, carried out in collaboration with Oxford University, has firmly established a potentially important role for Val 201 in treating hormone induced refractory prostate cancer and other conditions of hormone induced uncontrolled cell growth including breast and ovarian cancer, among others. These conditions currently have high medical needs. This progress followed on from ValiRx's agreement with Oxford University, announced 14 April 2011, to accelerate the development of Val 201 and to study its therapeutic potential for additional indications.

ValiRx was also pleased to report in June 2011 that it has made an important advance in the production method of GeneICE ("Gene inactivation by chromatin engineering") drug candidates; Val101 being the most advanced of these currently. The new technique simplifies the manufacture of GeneICE molecules and by extension makes them cheaper to produce. We believe that the extra cost-saving that comes with the simplification of chemistry and a cleaner biological profile adds further value to GeneICE and its attraction to potential licensees and partners. Also announced was an extension of the Eurostar grant.

Since the end of the reporting period, on 18 August 2011, the Company announced that it had acquired, for a nominal amount, the outstanding equity of a Finnish non-trading company - ValiRx Finland OY ("ValiFinn") that it had jointly established with local partners in 2008. As a result of the acquisition, ValiFinn has become a wholly owned subsidiary of the Company.

The Board believes that the Company will benefit from the favourable environment for regulated medical and clinical studies in the Nordic region and we were pleased that ValiFinn was awarded a Finnish government grant of up to €55,000, which will be used for ValiRx's developmental therapeutic projects. Furthermore, there is the potential for continued further support. ValiFinn will conduct the management of certain aspects of Val 201's late preclinical work and it will assist on the regulatory work pertaining to the clinical trials alongside managing certain aspects of the non-clinical work regarding hormone induced refractory cancer.

ValiRx also announced after the period end that it had signed an agreement with Medcase OY MCO ("Medcase"), a Finnish distributor operating across the Nordic region, for the distribution and sale of Valimedix SELFCheck "Over-The-Counter" health screening products in Finland and Sweden.

The agreement, which includes a minimum upfront order for 300 kits for the purposes of marketing and assessment, will see Medcase use its distribution channels in Finland and Sweden to assist Valimedix in early stage and future sales and marketing of the Company's SELFCheck kits.

On 13 September 2011, the Company announced a new collaboration with Physiomics plc using their systems biology expertise and *Virtual Tumour* to aid Val 201's progress through the final phases of its pre-clinical programme and into clinical trials with respect to prostate cancer. Physiomics will not receive a fee for the work it carries out, but will instead be handed a percentage of any licensing income from the compound, regarding prostate cancer.

Furthermore, the Company is pleased to announce that it has contracted Pharmatest Services Limited (Turku Finland) to undertake various tests that are required on Val 201 prior to its use in clinical trials. Pharmatest has also been contracted to undertake independent confirmatory work on the positive results of the tests carried out by Oxford University in respect of Val 201 referred to above. In addition, the Company has also contracted Nexus Oncology (Edinburgh) to "audit" all the data generated about Val 201 to date and to assist in the design of the first clinical study and for some regulatory support.

We are now in an excellent position from which to drive the business forward.

**N Thorniley**

**Chairman**

22 September 2011

## Consolidated statement of comprehensive income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
		2011 ( <i>unaudited</i> ) £	2010 ( <i>unaudited</i> ) £	2010 ( <i>audited</i> ) £
<b>Revenue</b>				
Continuing operations		418,263	64,474	177,297
Discontinued activities		-	-	-
Cost of sales		<u>(11,625)</u>	<u>(20,569)</u>	<u>(56,518)</u>
<b>Gross profit</b>		406,638	43,905	120,779
Administrative expenses		<u>(570,443)</u>	<u>(335,560)</u>	<u>(662,919)</u>
<b>Operating loss</b>		<u>(163,805)</u>	<u>(291,655)</u>	<u>(542,140)</u>
Continuing operations		<u>(163,805)</u>	<u>(244,980)</u>	<u>(462,345)</u>
Discontinued activities		<u>-</u>	<u>(46,675)</u>	<u>(79,795)</u>
Profit on disposal of subsidiary		<u>-</u>	<u>-</u>	<u>649,078</u>
<b>(Loss)/profit before interest</b>		<u>(163,805)</u>	<u>(291,655)</u>	<u>106,938</u>
Finance income		2,413	1	1
Finance costs		<u>-</u>	<u>(1,264)</u>	<u>(7,832)</u>
<b>(Loss)/profit before taxation</b>		<u>(161,392)</u>	<u>(292,918)</u>	<u>99,107</u>
Income tax expense	3	<u>-</u>	<u>-</u>	<u>34,537</u>
<b>(Loss)/profit for the period and total comprehensive income</b>		<u><u>(161,392)</u></u>	<u><u>(292,918)</u></u>	<u><u>133,644</u></u>
<b>(Loss)/earnings per share - basic and diluted</b>				
	4			
From continuing operations		<u>(0.07)p</u>	<u>(0.11)p</u>	<u>0.07p</u>
From discontinued activities		<u>-</u>	<u>(0.02)p</u>	<u>(0.03)p</u>

## Consolidated statement of changes in equity

For the six months ended 30 June 2011

	Share capital £	Share premium £	Retained earnings £	Merger reserve £	Share option reserve £	Reverse acquisition reserve £	Total £
<i>Unaudited</i>							
Balance at 1 January 2011	4,831,722	635,069	(4,730,855)	637,500	21,403	602,413	1,997,252
Loss for the period	-	-	(161,392)	-	-	-	(161,392)
Issue of shares	553,263	2,752,958	-	-	-	-	3,306,221
Movement in period	-	(237,592)	-	-	-	-	(237,592)
Share based payment	-	-	-	-	5,792	-	5,792
<b>Balance at 30 June 2011</b>	<b>5,384,985</b>	<b>3,150,435</b>	<b>(4,892,247)</b>	<b>637,500</b>	<b>27,195</b>	<b>602,413</b>	<b>4,910,281</b>
<i>Unaudited</i>							
Balance at 1 January 2010	4,450,368	71,118	(4,864,499)	637,500	10,447	602,413	907,347
Loss for the period	-	-	(292,918)	-	-	-	(292,918)
Issue of shares	226,571	446,721	-	-	-	-	673,292
Movement in period	-	(42,965)	-	-	-	-	(42,965)
Share based payment	-	-	-	-	6,594	-	6,594
<b>Balance at 30 June 2010</b>	<b>4,676,939</b>	<b>474,874</b>	<b>(5,157,417)</b>	<b>637,500</b>	<b>17,041</b>	<b>602,413</b>	<b>1,251,350</b>
<i>Audited</i>							
Balance at 1 January 2010	4,450,368	71,118	(4,864,499)	637,500	10,447	602,413	907,347
Profit for the year	-	-	133,644	-	-	-	133,644
Issue of shares	381,354	616,102	-	-	-	-	997,456
Movement in period	-	(52,151)	-	-	-	-	(52,151)
Share based payment	-	-	-	-	10,956	-	10,956
<b>Balance at 31 December 2010</b>	<b>4,831,722</b>	<b>635,069</b>	<b>(4,730,855)</b>	<b>637,500</b>	<b>21,403</b>	<b>602,413</b>	<b>1,997,252</b>

## Consolidated statement of financial position

As at 30 June 2011

	<b>As at 30 June</b>		<b>31 December</b>
	2011	2010	2010
	( <i>unaudited</i> )	( <i>unaudited</i> )	( <i>audited</i> )
	£	£	£
<b>ASSETS</b>			
<b>Non current assets</b>			
Intangible assets	1,588,161	1,476,950	1,574,319
Property, plant and equipment	11,181	8,535	4,165
	<u>1,599,342</u>	<u>1,485,485</u>	<u>1,578,484</u>
<b>Current assets</b>			
Inventories	15,956	9,684	8,257
Trade and other receivables	1,083,851	106,674	806,158
Cash and cash equivalents	2,323,910	148,997	107,799
	<u>3,423,717</u>	<u>265,355</u>	<u>922,214</u>
<b>TOTAL ASSETS</b>	<u>5,023,059</u>	<u>1,750,840</u>	<u>2,500,698</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(112,778)	(338,490)	(503,446)
	<u>(112,778)</u>	<u>(338,490)</u>	<u>(503,446)</u>
<b>Non current liabilities</b>			
Other payable	-	(161,000)	-
	<u>(112,778)</u>	<u>(499,490)</u>	<u>(503,446)</u>
<b>NET ASSETS</b>	<u>4,910,281</u>	<u>1,251,350</u>	<u>1,997,252</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5,384,985	4,676,939	4,831,722
Share premium account	3,150,435	474,874	635,069
Merger reserve	637,500	637,500	637,500
Reverse acquisition reserve	602,413	602,413	602,413
Share option reserve	27,195	17,041	21,403
Retained earnings	(4,892,247)	(5,157,417)	(4,730,855)
<b>Total shareholders' equity</b>	<u>4,910,281</u>	<u>1,251,350</u>	<u>1,997,252</u>

## Consolidated cash flow statement

For the six months ended 30 June 2011

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2011 <i>(unaudited)</i> £	2010 <i>(unaudited)</i> £	2010 <i>(audited)</i> £
<b>Operating activities</b>			
Operating loss	(163,805)	(291,655)	(542,140)
Depreciation of tangible assets	1,354	2,612	3,597
Amortisation of intangible assets	13,798	11,298	27,596
(Increase)/decrease in inventories	(7,699)	5,975	7,402
(Increase)/decrease in receivables	(277,693)	53,205	(134,124)
Decrease in creditors within one year	(390,668)	(212,764)	(208,808)
Other non-cash movement	-	168	243,233
Share option charge	5,792	6,594	10,956
<b>Cash outflows from operating activities</b>	<b>(818,921)</b>	<b>(424,567)</b>	<b>(592,288)</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>104,142</b>
<b>Investing activities</b>			
Interest received	2,413	1	1
Interest paid	-	(1,264)	(7,832)
Payments to acquire intangible assets	(27,640)	(21,951)	(135,618)
Payments to acquire tangible assets	(8,370)	(3,276)	(5,181)
Sale of subsidiary	-	-	71,999
<b>Net cash used in investing activities</b>	<b>(33,597)</b>	<b>(26,490)</b>	<b>(76,631)</b>
<b>Financing activities</b>			
Issue of ordinary share capital	3,306,221	673,292	755,000
Cost of share issue	(237,592)	(42,965)	(52,151)
Capital element of hire purchase contracts	-	(1,615)	(1,615)
<b>Net cash generated from financing activities</b>	<b>3,068,629</b>	<b>628,712</b>	<b>701,234</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,216,111</b>	<b>177,655</b>	<b>136,457</b>
Cash and cash equivalents at start of period	107,799	(28,658)	(28,658)
<b>Cash and cash equivalents at end of period</b>	<b>2,323,910</b>	<b>148,997</b>	<b>107,799</b>



## Notes to the interim financial statements

### 1 General information

Valirx Plc is a company incorporated in the United Kingdom, which is listed on the Alternative Investment Market of the London Stock Exchange Plc. The address of its registered office is 24 Greville Street, London EC1N 8SS.

### 2 Financial information

The interim consolidated financial information for the six months ended 30 June 2011 has not been audited or reviewed and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies. The report of the independent auditors on those financial statements was unqualified and did not contain a statement under Sections 498 (2) or (3) of the Companies Act 2006.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and under the historical cost convention. The accounting policies applied in preparing the interim financial information are consistent with those set out in the statutory accounts of the Company for the year ended 31 December 2010.

The interim consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

### 3 Taxation

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2011 <i>(unaudited)</i> £	2010 <i>(unaudited)</i> £	2010 <i>(audited)</i> £
United Kingdom corporation tax at 28%	-	-	-
Current period - R & D Tax credit	-	-	34,537
<b>Tax credit</b>	<b>-</b>	<b>-</b>	<b>34,537</b>

### 4 (Loss)/earnings per ordinary shares

The (loss)/earnings and number of shares used in the calculation of (loss)/earnings per share are as follows:

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2011 <i>(unaudited)</i>	2010 <i>(unaudited)</i>	2010 <i>(audited)</i>
Basic:			
(Loss)/profit for the financial period - continuing operations	(161,392)	(245,683)	220,567
Loss for the financial period - discontinued activities	-	(47,235)	(86,923)
Weighted average number of shares	226,497,358	226,497,358	306,190,464

(Loss)/earnings per share - continuing operations	(0.07)p	(0.11)p	0.07p
Loss per share - discontinued activities	-	(0.02)p	(0.03)p

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

## 5 Dividends

The directors do not propose to declare a dividend in respect of the period.

## 6 Share capital

	<u>30 June 2011</u>		<u>30 June 2010</u>	
	Number <i>(unaudited)</i>	£ <i>(unaudited)</i>	Number <i>(unaudited)</i>	£ <i>(unaudited)</i>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 0.1p each	1,044,562,609	1,044,562	336,516,457	336,516
Deferred shares of 5p each	58,378,370	2,918,918	58,378,370	2,918,918
Deferred shares of 0.9p each	<u>157,945,030</u>	<u>1,421,505</u>	<u>157,945,030</u>	<u>1,421,505</u>
		<u>5,384,985</u>		<u>4,676,939</u>
	<u>31 December 2010</u>			
	Number <i>(unaudited)</i>	£ <i>(unaudited)</i>		
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 0.1p each	491,299,344	491,299		
Ordinary shares of 5p each	58,378,365	2,918,918		
Deferred shares of 0.9p each	<u>157,945,030</u>	<u>1,421,505</u>		
		<u>4,831,722</u>		

On 27 January 2011, the company issued 3,763,265 ordinary shares of 0.1p at 0.245p per share to satisfy a liability of £9,220.

On 16 February 2011, the company placed 549,500,000 ordinary shares of 0.1p each at 0.6p per share, raising £3.297m, before expenses.

The deferred shares effectively have no rights or value.

## 7 Copies of interim results

Copies of the interim results can be obtained from the website [www.valirx.com](http://www.valirx.com). From this site you may access our financial reports and presentations, recent press releases and details about the company and its operations.

## Notes to Editors

**ValiRx plc** is a biopharmaceutical company developing novel technologies and products in oncology therapeutics and diagnostics. It is headquartered in London and admitted to AIM in October 2006. The Group has a portfolio of innovative epigenetic technologies and products with worldwide exclusive rights and patents.

ValiRx operates through two divisions, ValiPharma, a UK-based epigenetic drug discovery and development business, and ValiMedix, a UK based trading business.