VALIRX PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Company Registration No. 3916791 (England and Wales)

VALIRX PLC

COMPANY INFORMATION

Directors	N Thorniley S Vainikka G Morris G Desler K Alexander
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
Bankers	Royal Bank of Scotland Plc St Ann Street Manchester M50 2SS
Solicitors	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW

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CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

I am pleased to report that during the period under review for the twelve months ended December 2010 your company continued to make solid progress with our leading therapeutics compounds Val 101 and Val 201 and to bring these therapies closer to in-human clinical trials. Your company also successfully completed the sale of Valibio SA, our wholly owned Belgian subsidiary, to a Singaporean-registered company, Singapore Volition Pte. Limited ("Volition"), for a total consideration of $1 million (£625,000), of which $400,000 was in staged cash payments with the balance in ordinary shares in Volition.

I believe this sale was a timely disposal for your company and it has enabled the management to refocus on more immediate value-creating areas. This, along with the more recent £3.3 million fund raising, will enable your company to accelerate the development and commercialisation of the lead drug candidates Val 101 and 201 and we expect that one or possibly both of these compounds should be ready to enter Phase 1 trials sometime during the next twelve months.

ValiMedix, our new diagnostic product trading subsidiary, had a reasonably successful year with the expansion of the SELFCheck range of products, the latest addition to the range being for the detection of Chlamydia. We also appointed a contract sales force to promote the entire range to the retail pharmacies and other buyers nationwide. HPV, the human papilloma test to detect the onset of cervical cancer, is progressing well in validation studies and it is the company's aim is to market this product.

The group's revenues for 2010 were £177,297 v £29,326 for 2009 and we made a small profit for the year of £133,644, mainly as a result of the sale of our Belgian subsidiary. As a result of this disposal, the group's operating costs have been substantially reduced and your company is now a much leaner and fitter business than it was at the start of the financial year. With a balance sheet considerably strengthened by the recent £3.3 million fund raising we are now well positioned to progress the business.

Jake Micallef and Norman Hardman both resigned as directors during the year and I would like to thank them for their wise counsel and contribution to the business over the last few years.

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

N Thorniley
Chairman

VALIRX PLC

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

I am pleased to report that over the year we continued to make progress in terms of developing our cancer therapeutics, and sales of diagnostic kits.

My report highlights the main operational activities, whilst the Chairman's report concentrates on the strategic outline.

Significant progress has been made in advancing both therapeutic compounds, Val101 and Val201, in their respective pre-clinical programme, gaining solid information on potential advantages they bring to the treatment of those cancers for which they are being developed.

We have continued the Eurostars programme of Val101 as the leading partner of the consortium. Together with our partners, Pentabase and Genosyst we have met the milestones as set out in a programme and quarterly reports have been accepted; the funds due from the grant have been paid as planned. Our GeneICE approach has a potential to "freeze" the rebellious genes, which cause problems in biological cascade leading to unfortunate outcomes such as cancerous growth.

Following the completion of an in-licensing agreement with Cancer Research Technology Ltd. (CRT), Valirx has continued with preclinical development of Val201, which has a potential therapeutic application in hormone-induced cancers. The compound has shown efficacy in live in-vivo models and we are progressing the studies together with our first class institutional partners.

With respect to Valimedix, the trading division of ValiRx, the company is pleased to see steadily growing acceptance of our SELFCheck home diagnostic kits both by retail pharmacies and wholesalers. The market for home testing kits is reported to have a value of circa £100m in the UK alone, and with a range comprising nine products, Valimedix is now better positioned to compete for sales in this sector. The Company continues to apply its expertise in diagnostics to the optimisation of our HPV diagnostic technology; validation studies, which are pivotal to the successful launch of the technology, are progressing.

In October 2010, your company completed the sale of its diagnostic subsidiary, Valibio S.A. to Singapore Volition Pte. Ltd ("Volition"). Along with the improvement in free cash flow, the disposal has enabled us to focus our scientific skills and resources on accelerating the pace of development of our drug candidates. ValiRx will continue to benefit of the future development of Valibio by having a considerable stake in Volition.

During the period, the Company also raised further capital of £250,000 in November. Overall, the Company made a small net profit during the last 12 months.

Looking to the future, we will continue to progress the development programmes and grow the sales of SelfCheck kits. With a further capital increase of £3.3m this year the Company is well positioned to direct the therapeutics programmes toward clinical trials. The Company continues to look for further commercial opportunities and partners with the aim of ultimately being in the forefront of specific personalised oncology diagnostic and therapeutics.

Satu Vainikka
Chief Executive Officer

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and financial statements for the year ended 31 December 2010.

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 and diagnostic 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 year are set out on page [8].

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2010:

N Thorniley
S Vainikka
J Micallef (Resigned 30 September 2010)
G Morris
G Desler
K Alexander
N Hardman (Resigned 2 December 2010)

The market value of the company's shares at 31 December 2010 was 0.25p and the high and low share prices during the period were 1.50p and 0.25p 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 146 (2009 - 141) days' purchases.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Adler Shine LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The Directors have chosen to prepare the financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires directors to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of disclosure to auditor

So far as each person serving as a director of the company at the date this report is approved is aware:

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

(b) each director hereby confirms that he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board of directors and signed on its behalf by:

G Desler
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VALIRX PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Valirx Plc for the year ended 31 December 2010 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position and Parent Company Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page [4], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB') Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are approriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF VALIRX PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Taylor (Senior Statutory Auditor)
for and on behalf of Adler Shine LLP
Statutory Auditor

Aston House
Cornwall Avenue
London
N3 1LF

VALIRX PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes		2010 £		2009 £
Revenue	**2**				
Continuing operations		177,297		7,969	
Discontinued activities		-		21,357	
			177,297		29,326
Cost of sales	**3**		(56,518)		(2,968)
Gross profit			120,779		26,358
Administrative expenses	**4**		(662,919)		(1,389,010)
Operating loss	**4**				
Continuing operations		(462,345)		(1,021,426)	
Discontinued activities		(79,795)		(341,226)	
			(542,140)		(1,362,652)
Profit on disposal of subsidiary	**23**		649,078		-
Amounts written off investments			-		(240,737)
Profit/(loss) on ordinary activities before interest			106,938		(1,603,389)
Finance income	**5**		1		55
Finance costs	**6**		(7,832)		(3,180)
Profit/(loss) on ordinary activities before taxation			99,107		(1,606,514)
Income tax expense	**7**		34,537		163,423
Profit/(loss) for the year and total comprehensive income			133,644		(1,443,091)
Earnings/(loss) per share - basic and diluted	**8**				
From continuing operations			0.07p		(0.09)p
From discontinued operations			(0.03)p		(0.05)p

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

VALIRX PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Share capital £	Share premium £	Merger reserve £	Reverse acquisition reserve £	Share option reserve £	Retained earnings £	Total £
Balance at 1 January 2009		3,479,986	71,120	637,500	602,413	2,801	(3,421,408)	1,372,412
Changes in equity for 2009								
Loss for the year		-	-	-	-	-	(1,443,091)	(1,443,091)
Movement in the year		-	-	-	-	7,646	-	7,646
Issue of shares		970,382	(2)	-	-	-	-	970,380
Balance at 31 December 2009	**18**	4,450,368	71,118	637,500	602,413	10,447	(4,864,499)	907,347
Changes in equity for 2010								
Profit for the year		-	-	-	-	-	133,644	133,644
Movement in the year		-	-	-	-	10,956	-	10,956
Issue of shares	**17**	381,354	616,102	-	-	-	-	997,456
Other movements		-	(52,151)	-	-	-	-	(52,151)
Balance at 31 December 2010	**18**	4,831,722	635,069	637,500	602,413	21,403	(4,730,855)	1,997,252

Merger reserve

The merger reserve of £637,500 exists as a result of the acquisition of Valirx Bioinnovation Limited. The merger reserve represents the difference between the nominal value of the share capital issued by the company and the fair value of Valirx Bioinnovation 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 Bioinnovation Limited and Valipharma Limited

VALIRX PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 £	£	2009 £	£
ASSETS					
Non current assets					
Intangible assets	**9**		1,574,319		1,466,297
Property, plant and equipment	**10**		4,165		8,039
			1,578,484		1,474,336
Current assets					
Inventories	**12**	8,257		15,659	
Trade and other receivables	**13**	806,158		159,879	
Cash and cash equivalents		107,799		15,911	
			922,214		191,449
LIABILITIES					
Current liabilities					
Trade and other payables	**14**		(503,446)		(712,254)
Borrowings	**15**		-		(46,184)
Net current assets/(liabilities)			418,768		(566,989)
Net assets			1,997,252		907,347
SHAREHOLDERS' EQUITY					
Called up share capital	**17**		4,831,722		4,450,368
Share premium			635,069		71,118
Merger reserve			637,500		637,500
Reverse acquisition reserve			602,413		602,413
Share option reserve			21,403		10,447
Profit and loss account			(4,730,855)		(4,864,499)
Total shareholders' equity			1,997,252		907,347

Approved by the Board and authorised for issue on 26th May 2011

S Vainikka
Director

G Desler
Director

Company Registration No. 3916791

VALIRX PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	£	2010 £	£	2009 £
Cash outflows from operating activities	**1**		(592,288)		(1,017,395)
Taxation			104,142		93,818
Investing activities					
Interest received		1		55	
Interest paid		(7,832)		(3,180)	
Payments to acquire intangible assets		(135,618)		(65,512)	
Payments to acquire tangible assets		(5,181)		(3,990)	
Sale of subsidiary		71,999		-	
Cash flows used in investing activities			(76,631)		(72,627)
Financing activities					
Issue of ordinary share capital		755,000		970,382	
Cost of share issue		(52,151)		(2)	
Capital element of hire purchase contracts		(1,615)		(1,647)	
Net cash generated from financing activities			701,234		968,733
Net decrease in cash and cash equivalents			136,457		(27,471)
Cash and cash equivalents at beginning of period			(28,658)		(1,187)
Cash and cash equivalents at end of period	**2**		107,799		(28,658)

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

1 Cash flows from operating activities

	2010 £	2009 £
Operating loss	(542,140)	(1,362,652)
Depreciation of tangible assets	3,597	5,148
Amortisation of intangible assets	27,596	20,422
Decrease/(increase) in inventories	7,402	(15,659)
(Increase)/decrease in receivables	(134,124)	3,885
(Decrease)/increase in payables within one year	(208,808)	323,404
Other non-cash movements	243,233	411
Share option charge	10,956	7,646
Cash outflows from operating activities	(592,288)	(1,017,395)

2 Cash and cash equivalents

	1 January 2010 £	Cash flow £	31 December 2010 £
Net cash:			
Cash at bank and in hand	15,911	91,888	107,799
Bank overdrafts	(44,569)	44,569	-
	(28,658)	136,457	107,799

1 Principal accounting policies

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

1.1 Basis of preparation

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

The registered number of the company is 03916791.

The group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries ('the group'). Subsidiaries include all entities over which the group has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

On 3 October 2006, Valirx Bioinnovation Limited ('Bioinnovation') acquired 60.28% of the issued share capital of Valipharma Limited ('Valipharma') in exchange for shares in Bioinnovation. Concurrently, the Company, ("Valirx"), acquired the entire issued share capital of Bioinnovation in a share for share transaction. As a result of these transactions, the former shareholders of Valipharma became the majority shareholders in Valirx. Accordingly, the substance of the transaction was that Valipharma acquired Valirx in a reverse acquisition. Under IFRS 3 'Business Combinations', the acquisition of Valipharma has been accounted for as a reverse acquisition.

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

In July 2007, the company invested in ValiBio SA, a newly formed company incorporated in Belgium. From July 2007 the Group owned 100% of ValiBio SA. On 23 September 2010 the company sold its investment in ValiBio SA.

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

1 Principal accounting policies (continued)

1.3 Sources of estimation uncertainty

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

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

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

1.4 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable net assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested annually for impairment or when trigger events occur, and is carried at cost less accumulated impairment losses.

1.5 Other intangible assets

Acquired licences, trademarks and patents are capitalised at cost and are amortised on a straight-line basis over their useful life. Patents are amortised over 16 years and licences over 20 years.

Acquired brands are written off in equal annual instalments over there useful economic life, which the directors estimate to be 15 years.

1.6 Research and development

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

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

1.7 Property, plant and equipment

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

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

Plant and machinery	33% per annum straight line
Computer equipment	33% per annum straight line

1 Principal accounting policies (continued)

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.

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

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

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

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.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less. The company considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the cash flow statement.

1.12 Taxation

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

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised of the deferred tax liability is settled.

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

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

1 Principal accounting policies (continued)

1.13 Foreign currency translation

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

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

1.14 Revenue recognition

Revenue represents sales and services to third party customers in the health sector, together with income from Grants, stated net of any applicable value added tax. Revenue is recognised when the goods and services have been provided.

1.15 Share based payments

IFRS 2 'Share-based Payments' requires that an expense for equity instruments granted is recognised in the financial statements based on their fair values at the date of the grant. This expense, which is in relation to employee share options is recognised over the vesting period of the scheme. The fair value of employee services is determined by reference to the fair value of the awarded grant calculated using the Black Scholes model.

At the year end date, the group revises its estimate of the number of share incentives that are expected to vest. The impact of the revisions of original estimates, if any, is recognised in the statement of comprehensive income, with a corresponding adjustment to equity, over the remaining vesting period.

1.16 New standards and interpretations

As at the date of approval of these financial statements, the following standards were in issue but not yet effective. These standards have not been adopted early by the company as they are not expected to have a material impact on the company's financial statements.

IFRS 1	First time adoption of IFRS (amendment)
IFRS 7	Financial instruments: disclosures (amendment)
IFRS 9	Financial Instruments - classification and measurement
IAS 1	Presentation of financial statements (amendments)
IAS 24	Related party disclosures (revised)
IAS 27	Consolidated and Separate Financial Statements (revised 2008)
IAS 32	Financial instruments: presentation (amendment)

The International Financial Reporting Interpretations Committee have also issued interpretations which the company does not consider will have a significant impact on the financial statements.

2 Turnover and profit/(loss) on ordinary activities before taxation

The Directors are of the opinion that under IAS 14 - 'Segmental information' the Group operates in two primary business segments, being drug development and the sale of self-test drug kits. The secondary segment is geographic. The Group's geographical segments are determined by location of operations. The Group's revenues and net assets by both primary and secondary business segments are shown below.

Class of business

	2010	2009
Revenue	**£**	**£**
Drug development	134,338	21,357
Self-test diagnostic kits	42,959	7,971
	177,297	29,328
Profit/(loss) before taxation		
Drug development	218,432	(1,544,368)
Self-test diagnostic kits	(119,325)	(62,146)
	99,107	(1,606,514)
Net assets		
Drug development	2,178,722	969,492
Self-test diagnostic kits	(181,470)	(62,145)
	1,997,252	907,347

Geographical market

	2010	2009
Revenue	**£**	**£**
UK	177,297	7,969
Europe	-	21,357
	177,297	29,326
Profit/(loss) before taxation		
UK	186,030	(1,260,202)
Europe	(86,923)	(346,312)
	99,107	(1,606,514)
Net assets		
UK	1,997,252	1,632,158
Europe	-	(724,811)
	1,997,252	907,347

3 Cost of sales and net operating expenses

	2010			2009		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£	£	£	£	£	£
Cost of sales	56,518	-	56,518	2,968	-	2,968
Administrative expenses	583,124	79,795	662,919	1,026,427	362,583	1,389,010
	639,642	79,795	719,437	1,029,395	362,583	1,391,978

4 Operating loss

	2008	2007
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	27,596	20,422
Depreciation of tangible assets	3,597	5,148
(Profit)/loss on foreign exchange transactions	(54,476)	32,068
Research and development	120,281	72,865
Auditors remuneration		
Fees payable to Company auditor for the audit of the Company and consolidated accounts	10,000	10,000
- The audit of company's subsidiaries pursuant to legislation	9,000	9,000
- Auditor's fees for review of interim accounts	1,270	1,270

5 Finance income

	2008	2007
	£	£
Bank interest	1	55

6 Finance costs

	2010	2009
	£	£
On bank loans and overdrafts	7,832	2,241
Hire purchase interest	-	68
On overdue tax	-	440
Other interest	-	431
	7,832	3,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

7 Taxation

	2010	2009
Domestic current year tax	**£**	**£**
Tax credits on research and development - current year	(34,537)	(69,605)
Tax credits on research and development - prior years	-	(93,818)
Current tax charge	(34,537)	(163,423)
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	99,107	(1,606,514)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	27,750	(449,824)
Effects of:		
Non deductible expenses	24,258	31,125
Capital allowances for the year in deficit/(excess) of depreciation and amortisation	1,419	(221)
Tax losses not utilised	100,996	355,962
Profit on disposal of shares in subsidiary	(174,273)	-
Research and development expenditure	(14,061)	(59,596)
Adjustment for prior year	-	(93,818)
Impairment charge	-	67,406
Other tax adjustments	(626)	(14,457)
	(62,287)	286,401
Current tax charge	(34,537)	(163,423)

No corporation tax arises on the results for the year ended 31 December 2010 due to the losses incurred for tax purposes.

The deferred tax asset, arising from tax losses of £3,604,933 (2009 - £3,163,742) carried forward, has not been recognised but would become recoverable against future trading profits.

8 Earnings/loss per ordinary share

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

	2010	2009
Basic:		
Profit/(loss) for the financial period - continuing operations	220,567	(1,096,779)
Loss for the financial period - discontinued operations	(86,923)	(346,312)
Weighted average number of shares	306,190,464	127,071,384
Earnings/(loss) per share - continuing operations	0.07p	(0.09)p
Loss per share - discontinued operations	(0.03)p	(0.05)p

There was no dilutive effect from the share options outstanding during the year (note 16).

9 Intangible fixed assets

	Patents £	Goodwill £	Brands and licences £	Total £
Cost				
At 1 January 2009	283,798	1,166,842	-	1,450,640
Additions	50,512	-	15,000	65,512
At 31 December 2009	334,310	1,166,842	15,000	1,516,152
Additions	35,618	-	100,000	135,618
At 31 December 2010	369,928	1,166,842	115,000	1,651,770
Amortisation				
At 1 January 2009	29,433	-	-	29,433
Charge for the year	20,005	-	417	20,422
At 31 December 2009	49,438	-	417	49,855
Charge for the year	21,600	-	5,996	27,596
At 31 December 2010	71,038	-	6,413	77,451
Net book value				
At 31 December 2010	298,890	1,166,842	108,587	1,574,319
At 31 December 2009	284,872	1,166,842	14,583	1,466,297

The goodwill arising on the acquisition of Valirx Bioinnovation Limited and Valipharma Limited is not being amortised but reviewed on an annual basis for impairment, or more frequently if there are indications that goodwill might be impaired. The impairment review comprises a comparison of the carrying amount of the goodwill with its recoverable amount (the higher of fair value less costs to sell and value in use).

10 Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2009	19,001
Exchange differences	(651)
Additions	3,990
At 1 January 2010	22,340
Exchange differences	(1,006)
Additions	5,181
Disposals	(11,755)
At 31 December 2010	14,760
Depreciation	
At 1 January 2009	9,393
Exchange difference	(240)
Charge for the period	5,148
At 1 January 2010	14,301
Exchange differences	(229)
On disposals	(7,074)
Charge for the year	3,597
At 31 December 2010	10,595
Net book value	
At 31 December 2010	4,165
At 31 December 2009	8,039

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

	£
Net book values	
At 31 December 2010	-
At 31 December 2009	1,183
Depreciation charge for the year	
At 31 December 2010	-
At 31 December 2009	982

11 Financial assets - available-for-sale investments

	Unlisted investments £
Cost	
At 1 January 2010 & at 31 December 2010	1,333,770
Provisions for diminution in value	
At 1 January 2010 & at 31 December 2010	1,333,770
Net book value	
At 31 December 2010	-
At 31 December 2009	-

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.

12 Inventories

	2010 £	2009 £
Finished goods and goods for resale	8,257	15,659

13 Trade and other receivables

	2010 £	2009 £
Trade receivables	11,214	18,432
Tax recoverable	-	69,605
Called up share capital not paid	40	40
Other receivables	745,969	59,237
Prepayments and accrued income	48,935	12,565
	806,158	159,879

In the directors opinion the carrying amount of receivables is considered a reasonable approximation of fair value.

14 Trade and other payables

	2010 £	2009 £
Trade payables	213,788	306,448
Taxes and social security costs	49,753	46,122
Directors' current accounts	46,316	39,360
Other payables	121,235	90,686
Accruals and deferred income	72,354	229,638
	503,446	712,254

In the directors opinion the carrying amount of payables is considered a reasonable approximation of fair value.

15 Borrowings

	2010 £	2009 £
Bank loans and overdrafts	-	44,569
Net obligations under hire purchase contracts	-	1,615
	-	46,184

16 Share-based payments

At 31 December 2010 outstanding awards to subscribe for ordinary shares of 1p each in the company, granted in accordance with the rules of the Valirx share option schemes, were as follows:

Exercise or vesting date	**Exercise price**	**At 1 January 2010**	**Granted**	**At 31 December 2010**
November 2007 - November 2017	1p	512,000	-	512,000
August 2008 - August 2018	6p	200,000	-	200,000
September 2009 - September 2019	1p	4,750,000	-	4,750,000
		5,462,000	-	5,462,000

No options were granted, exercised or lapsed during the year. The weighted average exercise price in respect of the options subsisting at the year end was 1.18p per share.

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

	Share options	**Share options**	**Share options**
Grant date	23 November 2007	15 May 2008	17 September 2009
Exercise period	November 2007 - November 2017	August 2008 - August 2018	September 2009 - September 2019
Share price at date of grant	1.05p	4.8p	2.1p
Exercise price	1.05p	6p	1p
Shares under option	512,000	200,000	4,750,000
Expected volatility	35%	35%	40%
Expected life (years)	3.5	4	4
Risk-free rate	4.36%	4.40%	2.50%
Expected dividend yield	0.00%	0.00%	0.00%
Fair value per option	1.55p	0.55p	0.72p

17 Share capital

	2010 Number	2009 Number	2010 £	2009 £
Allotted, called up and fully paid				
Ordinary shares of 1p each	-	153,145,030	-	1,531,450
Ordinary shares of 0.1p each	491,299,344	-	491,299	-
Deferred shares of 5p each	58,378,365	58,378,365	2,918,918	2,918,918
Deferred shares of 0.9p each	157,945,030	-	1,421,505	-
			4,831,722	4,450,368

On 3 January 2010, the company issued 100,000 Ordinary Shares of 1p each at par to satisfy creditors amounting to £1,000, in lieu of fees.

On 13 January 2010, the company issued 200,000 Ordinary Shares of 1p each at 1.13p per share to satisfy creditors amounting to £2,260, in lieu of fees.

On 16 February 2010, the company issued 900,000 Ordinary Shares of 1p each at par to satisfy creditors amounting to £9,000, in lieu of fees.

On 5 March 2010, the company issued 3,600,000 Ordinary Shares of 1p each at par to satisfy creditors amounting to £36,000, in lieu of fees.

Following approval at a General Meeting of the company held on 21 April 2010, the company reorganised its share capital by subdividing each issued Existing Ordinary Share of 1p into one New Ordinary Share of 0.1p each and one Deferred Share of 0.9p each and by subdividing each of the unissued Existing Ordinary Shares of 0.1p each into 10 New Ordinary Shares of 0.1p each.

On 21 April 2010, the company issued, through a placing,142,857,143 New Ordinary Shares of 0.1p each at 0.35p per share, raising £500,000 before expenses, to provide additional working capital for the company. In addition, on the same day, the company issued 35,714,284 New Ordinary Shares of 0.1p each at a price of 0.35p per share in satisfaction of £125,000 due to certain directors.

On 13 August 2010, the company issued 7,407,333 New Ordinary Shares of 0.1p each at 0.45p per share in respect of the payment of milestones and other payments due to a creditor.

On 29 October 2010, the company issued 11,375,554 New Ordinary Shares of 0.1p each at 0.315p pursuant to a licensing agreement and to satisfy outstanding liabilities.

On 10 November 2010, the company issued, through a placing, 136,000,000 New Ordinary Shares of 0.1p each at 0.1875p per share, raising £255,000 before expenses, to provide additional working capital.

The deferred shares have no rights to vote, attend or speak at general meetings of the company or to receive any dividend or other distribution and have limited rights to participate in any return of capital on a winding-up or liquidation of the company.

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

17 Share capital (continued)

Date	Number of shares placed	Amount raised (before expenses) £
21 April 2010	142,857,143	500,000
10 November 2010	136,000,000	255,000
		755,000

During the year, the company issued the following shares in satisfaction of expenses incurred:

Date	Number of shares issued	Expenses satisfied £
3 January 2010	100,000	1,000
13 January 2010	200,000	2,290
16 February 2010	900,000	9,000
5 March 2010	3,600,000	36,000
21 April 2010	35,714,284	125,000
13 August 2010	7,407,333	33,333
29 October 2010	11,375,554	35,833
		242,456

18 Reconciliation of movement in shareholders' funds

	2010 £	2009 £
Opening shareholders' equity	907,347	1,372,412
Profit/(loss) for the financial year	133,644	(1,443,091)
Issue of ordinary share capital	381,354	970,382
Share premium, after expenses	563,951	(2)
Share option reserve	10,956	7,646
Closing shareholders' equity	1,997,252	907,347

19 Directors' emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, and are all directors of the Company

	2010 £	2009 £
Salaries and other short term employee benefits	68,446	349,499
Post employment benefits	-	3,000
	68,446	352,499

Salaries and fees	**2010 £**	**2009 £**
Satu Vainikka	8,250	99,000
George Morris	6,875	82,500
Jake Micallef	6,875	82,500
Nicholas Thorniley	13,833	25,000
Kevin Alexandra	(387)	16,500
Norman Hardman	5,500	16,500
Gerry Desler	27,500	27,499
	68,446	349,499

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to nil (2009 - 3).

20 Employees

Number of employees

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

	2010 Number	2009 Number
Administration	8	12

Employment costs	**2010 £**	**2009 £**
Wages and salaries	152,042	570,090
Social security costs	11,121	49,408
Other pension costs	-	3,000
Costs of share option scheme	10,956	7,646
	174,119	630,144

21 Related party transactions

During the year the director, G. Desler, provided the company with bookkeeping and fund raising services totalling £9,000 (2009: £9,000) and £5,000 (2009: £10,000) respectively.

During the year the director, K. Alexander, provided the company with legal services totalling £9,600 (2009: £16,060).

During the year the wife of one of the directors provided the company with translation services totalling £5,000 (2009: £5,000).

As at 31 December 2010, the Company was owed £136,709 by Belgian Volition SA (formerly Valibio SA). Belgian Volition SA is a subsidiary of Singapore Volition Pte. Limited. G Morris and S Vainikka are directors of Singapore Volition Pte. Limited.

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

	2010	**2009**
	£	**£**
G Morris	9,876	-
S Vainikka	11,035	-
K Alexander	2,600	686
N Thorniley	4,688	1,355
G Desler	18,117	28,796

22 Post balance sheet events

In February 2011, the company raised £3,297,000, before expenses, by placing 549,500,000 New Ordinary Shares of 0.1p each at a price of 0.6p per share.

Since the year end, the company has issued a further 3,763,265 New Ordinary Shares 0.1p each to satisfy expenses totalling £9,220.

23 Disposal of subsidiary

On 30 September 2010, the Company sold its Belgian subsidiary, ValiBIO SA to Singapore Volition Pte. Limited ("Volition"). Under the terms of the sale, Valirx will receive US$400,000 in cash and shares to the value of US$600,000 in Volition. The cash proceeds are to be received in full within 270 days after completion of the transaction and the share proceeds within 350 days. The loss before tax of ValiBIO from 1 January 2010 up to date of disposal was £86,923.

Based on the book values of the net assets disposed of and the sales proceeds, the profit on disposal of ValiBIO is summarised below.

	Book value at date of disposal £
Property, plant and equipment	4,680
Trade and other receivables	17,404
Cash and cash equivalents	(30)
Trade and other payables	(113,469)
Net liabilities disposed of	(91,415)
Sales proceeds	
Cash	250,000
Volition shares	375,000
Less: directly attributable costs	(67,337)
Total net proceeds	557,663
Profit on disposal	649,078

At 31 December 2010, Singapore Volition Pte. Limited owed £581,760 to Valirx Plc as part of the sales proceeds of Valibio SA. This amount is included in other receivables in note 13. G Morris and S Vainikka, directors of the Company, are also directors of Singapore Volition Pte. Limited.

24 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 2010 amounted to £107,799 (2009 - £15,911).

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

Financial risk management

The Group's activities expose it to a variety of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance.

The Board provides written objectives, policies and procedures with regards to managing currency and interest risk exposures, liquidity and credit risk including guidance on the use of certain derivative and non derivative financial instruments

Credit risk

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.

Foreign currency risk

The Group disposed of its European subsidiary during the year and so foreign currency risk is no longer considered to be a significant risk to the Group.

Fair value

There were no material differences between the book value of financial instruments and their fair value at 31 December 2010 or 31 December 2009.

VALIRX PLC

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes		2010		2009
		£	£	£	£
Fixed assets					
Intangible assets	**2**		95,000		-
Tangible assets	**3**		2,126		2,835
Investments	**4**		2,636,626		2,678,965
			2,733,752		2,681,800
Current assets					
Debtors	**5**	1,485,870		1,434,879	
Cash at bank and in hand		103,776		15,009	
		1,589,646		1,449,888	
Creditors: amounts falling due within one year	**6**	(694,819)		(865,596)	
Net current assets			894,827		584,292
Total assets less current liabilities			3,628,579		3,266,092
Capital and reserves					
Called up share capital	**9**		4,831,722		4,450,368
Share premium account	**10**		635,069		71,118
Merger reserves	**10**		637,500		637,500
Share option reserve	**10**		21,403		10,447
Profit and loss account	**10**		(2,497,115)		(1,903,341)
Shareholders' funds	**11**		3,628,579		3,266,092

Approved by the Board and authorised for issue on 26th May 2011

S Vainikka
Director

G Desler
Director

Company Registration No. 3916791

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2006 and applicable United Kingdom Accounting Standards (United Kingdom 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 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Revenue represents sales and services to third party customers in the health sector, together with income from Grants, stated net of any applicable value added tax.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 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

1.6 Investments

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

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.8 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.

1 Accounting policies (continued)

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.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.10 Government grants

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

1.11 Profit and loss account

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the company alone. A loss of £593,774 is attributable to shareholders for the financial year ended 31 December 2010 (2009 - £550,023).

1.12 Financial instruments

Full details of the company's policy in relation to financial instruments and management of financial risk are set out in Note 24 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.

1.13 Share based payments

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

2 Intangible fixed assets

	Development Costs £
Cost	
At 1 January 2010	-
Additions	100,000
At 31 December 2010	100,000
Amortisation	
At 1 January 2010	-
Charge for the year	5,000
At 31 December 2010	5,000
Net book value	
At 31 December 2010	95,000
At 31 December 2009	-

3 Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2010 & at 31 December 2010	9,606
Depreciation	
At 1 January 2010	6,771
Charge for the year	709
At 31 December 2010	7,480
Net book value	
At 31 December 2010	2,126
At 31 December 2009	2,835

4 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2010	2,678,965
Additions	762,247
Disposals	(804,586)
At 31 December 2010	2,636,626
Net book value	
At 31 December 2010	2,636,626
At 31 December 2009	2,678,965

The principal subsidiary undertakings of the company are as follows:

Company	Country	% of shares held	Activity
Valirx Bioinnovation Limited	England and Wales	100.00	Holding company
Valipharma Limited	England and Wales	100.00 *	Therapeutic research and development
Valimedix Limited	England and Wales	100.00	Medical diagnostics company

* 60.28% is owned by Valirx Bioinnovation Limited and 39.72% by the Company.

5 Debtors

	2010 £	2009 £
Trade debtors	8,387	-
Amounts owed by subsidiary undertakings	683,765	1,302,742
Tax recoverable	-	69,605
Other debtors	744,783	49,967
Prepayments and accrued income	48,935	12,565
	1,485,870	1,434,879

6 Creditors: amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	-	40,450
Trade creditors	153,352	248,076
Amounts owed to subsidiary undertakings	300,670	300,670
Taxes and social security costs	19,585	20,813
Directors' current accounts	46,284	39,270
Other creditors	114,515	4,654
Accruals and deferred income	60,413	211,663
	694,819	865,596

7 Pension and other post-retirement benefit commitments

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2010 £	2009 £
Contributions payable by the company for the year	-	3,000

8 Share-based payments

At 31 December 2010 outstanding awards to subscribe for ordinary shares of 0.1p each in the company, granted in accordance with the rules of the Valirx share option schemes, were as follows:

Exercise or vesting date	Exercise price	At 1 January 2010	Granted	At 31 December 2010
November 2007 - November 2017	1p	512,000	-	512,000
August 2008 - August 2018	6p	200,000	-	200,000
September 2009 - September 2019	1p	4,750,000	-	4,750,000
		5,462,000	-	5,462,000

No options were granted, exercised or lapsed during the year. The weighted average exercise price in respect of the options subsisting after year end was 1.18p per share.

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

8 Share-based payments (continued)

	Share options	Share options	Share options
Grant date	23 November 2007	15 May 2008	17 September 2009
Exercise period	November 2007 - November 2017	August 2008 - August 2018	September 2009 - September 2019
Share price at date of grant	1.05p	4.8p	2.1p
Exercise price	1.05p	6p	1p
Shares under option	512,000	200,000	4,750,000
Expected volatility	35%	35%	40%
Expected life (years)	3.5	4	4
Risk-free rate	4.36%	4.40%	2.50%
Expected dividend yield	0.00%	0.00%	0.00%
Fair value per option	1.55p	0.55p	0.72p

9 Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
153,145,030 Ordinary shares of 1p each	-	1,531,450
491,299,344 Ordinary shares of 0.1p each	491,299	-
58,378,365 Deferred shares of 5p each	2,918,918	2,918,918
157,945,030 Deferred shares of 0.9p each	1,421,505	-
	4,831,722	4,450,368

On 3 January 2010, the company issued 100,000 Ordinary Shares of 1p each at par to satisfy creditors amounting to £1,000, in lieu of fees.

On 13 January 2010, the company issued 200,000 Ordinary Shares of 1p each at 1.13p per share to satisfy creditors amounting to £2,260, in lieu of fees.

On 16 February 2010, the company issued 900,000 Ordinary Shares of 1p each at par to satisfy creditors amounting to £9,000, in lieu of fees.

On 5 March 2010, the company issued 3,600,000 Ordinary Shares of 1p each at par to satisfy creditors amounting to £36,000, in lieu of fees.

Following approval at a General Meeting of the company held on 21 April 2010, the company reorganised its share capital by subdividing each issued Existing Ordinary Share of 1p into one New Ordinary Share of 0.1p each and one Deferred Share of 0.9p each and by subdividing each of the unissued Existing Ordinary Shares of 0.1p each into 10 New Ordinary Shares of 0.1p each.

On 21 April 2010, the company issued, through a placing,142,857,143 New Ordinary Shares of 0.1p each at 0.35p per share, raising £500,000 before expenses, to provide additional working capital for the company. In addition, on the same day, the company issued 35,714,284 New Ordinary Shares of 0.1p each at a price of 0.35p per share in satisfaction of £125,000 due to certain directors.

9 Share capital (continued)

On 13 August 2010, the company issued 7,407,333 New Ordinary Shares of 0.1p each at 0.45p per share in respect of the payment of milestones and other payments due to a creditor.

On 29 October 2010, the company issued 11,375,554 New Ordinary Shares of 0.1p each at 0.315p pursuant to a licensing agreement and to satisfy outstanding liabilities.

On 10 November 2010, the company issued, through a placing, 136,000,000 New Ordinary Shares of 0.1p each at 0.1875p per share, raising £255,000 before expenses, to provide additional working capital.

The deferred shares have no rights to vote, attend or speak at general meetings of the company or to receive any dividend or other distribution and have limited rights to participate in any return of capital on a winding-up or liquidation of the company.

10 Statement of movements on reserves

	Share premium account	Other reserves (see below)	Profit and loss account
	£	£	£
Balance at 1 January 2010	71,118	647,947	(1,903,341)
Loss for the year	-	-	(593,774)
Premium on shares issued during the year	616,102	-	-
Share premium - other movements	(52,151)	-	-
Movement during the year	-	10,956	-
Balance at 31 December 2010	635,069	658,903	(2,497,115)

	£
Share option reserve	
Balance at 1 January 2010	10,447
Share option reserve movement	10,956
Balance at 31 December 2010	21,403
Merger reserve	
Balance at 1 January 2010 & at 31 December 2010	637,500

11 Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
Loss for the financial year	(593,774)	(550,023)
Shares issued	997,456	970,382
Cost of share issue written off to share premium account	(52,151)	(2)
Other reserves movement	10,956	7,646
Net addition to shareholders' funds	362,487	428,003
Opening shareholders' funds	3,266,092	2,838,089
Closing shareholders' funds	3,628,579	3,266,092

12 Related party transactions

During the year the director, G. Desler, provided the company with bookkeeping and fund raising services totalling £9,000 (2009: £9,000) and £5,000 (2009: £10,000) respectively.

During the year the director, K. Alexander, provided the company with legal services totalling £9,600 (2009: £16,060).

During the year the wife of one of the directors provided the company with translation services totalling £5,000 (2009: £5,000).

As at 31 December 2010, the Company was owed £136,709 by Belgian Volition SA (formerly Valibio SA). Belgian Volition SA is a subsidiary of Singapore Volition Pte. Limited. G Morris and S Vainikka are directors of Singapore Volition Pte. Limited.

At 31 December 2010, Singapore Volition Pte. Limited owed £581,760 to the Company as part of the sale proceeds of Valibio SA. This amount is included in other debtors in note 5.

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

	2010	**2009**
	£	**£**
G Morris	9,876	-
S Vainikka	11,035	-
K Alexander	2,600	686
N Thorniley	4,688	1,355
G Desler	18,117	28,796

13 Post balance sheet events

In February 2011, the company raised £3,297,000, before expenses, by placing 549,500,000 New Ordinary Shares of 0.1p each at a price of 0.6p per share.

Since the year end, the company has issued a further 3,763,265 New Ordinary Shares 0.1p each to satisfy expenses totalling £9,220.