Company Registration No. 3916791 (England and Wales)

VALIRX PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

VALIRX PLC

COMPANY INFORMATION

Directors	N Thorniley	(Appointed 9 January 2007)
	S Vainikka	
	J Micallef	
	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	

VALIRX PLC

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CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

It gives me great pleasure to present my 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 the period under review on both the diagnostics and therapeutics sides of its business. Whilst our progress is discussed more fully in Dr Satu Vainikka's report, of particular significance in the year on the diagnostics front was the creation of our diagnostics development and commercialisation business, ValiBIO, located in one of the leading diagnostic centre's at the Institute of Pathology and Genetics in Belgium. Of similar importance in the year was the strengthening of the patent position for a range of technologies held by the Company thereby increasing the Company's potential to commercialise its technologies in the future.

Looking outwards from the Company's own activity, 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, GeneICE following the recently announced success of in vivo studies.

On a personal note, I would also like to thank the significant contribution made to the business by the executive team and non-executive directors in the year.

....
N Thorniley
Chairman
....

CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

Strategic overview

Epigenomics - the study of changes of gene expression within the genome - lies at the heart of all we do at ValiRx. The reason for this is that 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 the twelve month period under review, 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 within the year 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. 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 in the year, 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 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. I am pleased to report we are also now well on track to begin the commercialisation process for this technology in the near term.

Post year-end, 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 January 17th 2008, in December 2007, 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.

It likewise gives me pleasure to report that during the year under review we were able to significantly extend 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 Companies 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 in the period were £42,289 (FY 2006: £9,577).

Following an interim funding round in September 2007, the loss for the year ended 31st December 2007 was £1,239,541 compared to £286,957 for the previous year. This loss was in line with expectations. Net cash as at 31st December 2007 was £88,275. Post period 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

In 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 and are encouraged by the deepening commercial relationships we have established over that time which combined 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 the current financial year whilst at the same time broadening the suite of products and technologies it owns.

....
Satu Vainikka
Chief Executive Officer
....

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007.

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 2007:

N Thorniley	(Appointed 9 January 2007)
S Vainikka	
J Micallef	
G Morris	
G Desler	
K Alexander	
A Moore	(Resigned 25 October 2007)

The market value of the company's shares at 31 December 2007 was 11.5p and the high and low share prices during the period were 22.5p and 13.5p respectively. (The low price for the ordinary shares of 0.2p each was 0.45p per share. The low price for the ordinary shares of 6p each has been calculated on the basis of the 30 for 1 consolidation).

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:
- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 91 (2006 - 91) days' purchases.

Auditors
In accordance with section 385 of the Companies Act 1985, 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 Annual 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. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by that law to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website, www.valirx.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 SHAREHOLDERS OF VALIRX PLC

We have audited the Group financial statements of Valirx Plc for the year ended 31 December 2007 which comprise the Group income statement, the Group balance sheet, the statement of changes in shareholders' equity, the Group cash flow statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Valirx Plc for the year ended 31 December 2007.

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

Respective responsibilities of the directors and auditors

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF VALIRX PLC

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the Group financial statements.

Adler Shine LLP
Chartered Accountants
Registered Auditor

....
Aston House
Cornwall Avenue
London
N3 1LF

VALIRX PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Revenue	2	42,289	9,577
Administrative expenses		(882,957)	(273,292)
Operating loss	3	(840,668)	(263,715)
Cost of capital reconstruction		(33,600)	-
Loss on deemed disposal of shares in subsidiary		-	(60,133)
Loss on ordinary activities before interest		(874,268)	(323,848)
Finance income	4	13,198	7,828
Amounts written off investments	10	(428,794)	-
Finance costs	5	(121)	(49)
Loss on ordinary activities before taxation		(1,289,985)	(316,069)
Income tax expense	6	-	-
Loss on ordinary activities after taxation		(1,289,985)	(316,069)
Minority interest		50,444	29,112
Loss for the year		(1,239,541)	(286,957)
Loss per share - basic and diluted	7	(4.11)p	(3.25)p

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

	Notes	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	14	(9,382,672)	(6,979,770)	-	-	16,363,004	562
Issue of shares	14	126,403	193,721	-	-	-	320,124
Other movements		-	(48,078)	278	-	-	(47,800)
Balance at 31 December 2007	15	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

	Notes	2007 £	2007 £	2006 £	2006 £
ASSETS					
Non current assets					
Intangible assets	**8**		611,507		488,027
Property, plant and equipment	**9**		8,792		4,833
Financial assets: available-for-sale investments	**10**		904,976		1,333,770
			1,525,275		1,826,630
Current assets					
Trade and other receivables	**11**	153,305		154,479	
Cash and cash equivalents		88,275		810,639	
			241,580		965,118
LIABILITIES					
Current liabilities					
Borrowings	**13**		(2,332)		-
Trade and other payables	**12**		(93,974)		(105,422)
Net current assets			145,274		859,696
Total assets less current liabilities			1,670,549		2,686,326
Non current liabilities					
Borrowings	**13**		(1,322)		-
			1,669,227		2,686,326
SHAREHOLDERS' EQUITY					
Called up share capital	**14**		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)
Total shareholders' equity			1,688,650		2,655,305
Minority interest			(19,423)		31,021
			1,669,227		2,686,326

Approved by the Board and authorised for issue on ....

....	....
S Vainikka	G Desler
Director	**Director**

VALIRX PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	£	Year ended 31 December 2007 £	£	9 Months ended 31 December 2006 £
Cash outflows from operating activities	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)
(Decrease)/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

1 Principal accounting policies

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

1.1 Basis of preparation

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

The registered number of the company is 03916791.

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

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

1 Accounting policies **(continued)**

1.2 Basis of consolidation

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

On 3 October 2006, Valirx Bioinnovations Limited ('Bioinnovations') acquired 60.28% of the issued share capital of Cronos Therapeutics Limited ('Cronos') in exchange for shares in Bioinnovations. Concurrently, the Company, then called Azure Holdings plc ("Azure"), acquired the entire issued share capital of Bioinnovations in a share for share transaction. As a result of these transactions, the former shareholders of Cronos became the majority shareholders in Azure. Accordingly, the substance of the transaction was that Cronos acquired Azure in a reverse acquisition. As part of the business combination, Azure changed its name to Valirx Plc ("Valirx").

Under IFRS 3 'Business Combinations', the acquisition of Cronos has been accounted for as a reverse acquisition. As a consequence of applying reverse acquisition accounting, the results for the period ended 31 December 2006 comprise those of Cronos plus those of Valirx and Bioinnovations from 3 October 2006.

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

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

1.3 Sources of estimation uncertainty

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

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

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

1.4 Goodwill

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

1 Accounting policies **(continued)**

1.5 Other intangible assets

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

1.6 Research and development

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

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

1.7 Property, plant and equipment

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

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

Computer equipment	33% per annum straight line

1.8 Impairment of assets

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

1.9 Leasing and hire purchase commitments

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

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

1 Accounting policies (continued)

1.10 Investments

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

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

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

1.11 Trade and other receivables

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

1.12 Equity-settled share-based payment

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

1.13 Taxation

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

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

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

1.14 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.

1.15 Turnover

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

1.16 Standards and interpretations

New standards and interpretations of existing standards that are not yet effective and have not been early adopted by the group

		Effective date
International Accounting Standards (IFRS/IAS)		
IFRS 8	Operating Segments. Segment information should be presented on the same basis as that used for internal reporting purposes.	1 January 2009
IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2009
IAS 23	Amendment - Borrowing costs. Requires an entity to capitalise borrowing costs directly attributable to the purchase construction or production of a qualifying asset. The option of expensing those borrowing costs will be removed.	1 January 2009
IFRIC interpretations		
IFRIC 11	Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concessions Arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	Guidance on assessing the limit in IAS19 on the amount of the surplus that can be recognised as an asset.	1 June 2006

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

2 Revenue

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

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

The secondary segment is geographic and as the Group's activities are mainly all UK based, no further segmental analysis is deemed appropriate. The Group's geographical segments are determined by location of operations.

3 Operating loss

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Operating loss is stated after charging:		
Amortisation of intangible assets	8,741	3,211
Depreciation of tangible assets	2,733	1,310
Research and development	156,048	-
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	10,000	10,000
- Previous auditors	-	5,525
- Auditor's fees for review of interim accounts	1,270	-

4 Finance income

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Bank interest	13,198	7,828

5 Finance costs	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
On bank loans and overdrafts	112	49
Hire purchase interest	9	-
	121	49

6 Taxation	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(1,289,985)	(316,069)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2006 - 19.00%)	(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	-
	257,997	60,053
Current tax charge	-	-

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.

7 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	4.11p	3.25p

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

Comparative earnings per share for 2006 have been re-calculated to reflect the share consolidation during the year (note 14).

8 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	70,987	423,574	494,561
Additions	132,221	-	132,221
At 31 December 2007	203,208	423,574	626,782
Amortisation			
At 1 April 2006	3,323	-	3,323
Charge for the year	3,211	-	3,211
At 31 December 2006	6,534	-	6,534
Charge for the year	8,741	-	8,741
At 31 December 2007	15,275	-	15,275
Net book value			
At 31 December 2007	187,933	423,574	611,507
At 31 December 2006	64,453	423,574	488,027
At 31 March 2006	59,796	-	59,796

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

9 Property, plant and equipment

	Plant and machinery £
Cost	
At 1 April 2006	1,166
Additions	5,025
At 1 January 2007	6,191
Additions	6,692
At 31 December 2007	12,883
Depreciation	
At 1 April 2006	48
Charge for the period	1,310
At 1 January 2007	1,358
Charge for the year	2,733
At 31 December 2007	4,091
Net book value	
At 31 December 2007	8,792
At 31 December 2006	4,833
At 31 March 2006	1,118

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

	£
Net book values	
At 31 December 2007	2,947
At 31 December 2006	-
At 31 March 2006	-
Depreciation charge for the year	
At 31 December 2007	782
At 31 December 2006	-
At 31 March 2006	-

10 Financial assets - available-for-sale investments

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

The Group owns 8.517% (on a fully diluted basis) of the issued share capital of Morphogenesis Inc., a company incorporated in USA. Morphogenesis Inc. is a private company in which Valirx Plc holds a minority interest. The carrying value of the investment was revalued at 31 December 2007 to reflect the dimunition in the market value which at 31 December 2007 was £428,794 (2006 -£nil).

11 Trade and other receivables

	2007 £	2006 £
Trade receivables	42,016	9,458
Other receivables	102,540	136,065
Prepayments and accrued income	8,749	8,956
	153,305	154,479

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

12 Trade and other payables

	2007 £	2006 £
Trade payables	49,556	39,712
Taxes and social security costs	13,773	-
Accruals and deferred income	30,645	65,710
	93,974	105,422

13 Borrowings

	2007 £	2006 £
Net obligations under hire purchase contracts - current	2,332	-
Net obligations under hire purchase contracts - non current	1,322	-
	3,654	-

14 Share capital

	2007 Number	2006 Number	2007 £	2006 £
Authorised				
Ordinary shares of 0.2p each	-	2,500,000,000	-	5,000,000
Ordinary shares of 6p each	85,000,000	-	5,100,000	-
Deferred shares of 99p each	-	1,242,250	-	1,229,828
Deferred shares of 0.9p each	-	1,017,988,790	-	9,161,899
			5,100,000	15,391,727
Allotted, called up and fully paid				
Ordinary shares of 0.2p each	-	885,191,389	-	1,770,383
Ordinary shares of 6p each	31,613,097	-	1,896,786	-
Deferred shares of 99p each	-	1,242,250	-	1,229,828
Deferred shares of 0.9p each	-	905,871,567	-	8,152,844
			1,896,786	11,153,055

On 18 July 2007, the Company issued 1,400,000 ordinary shares of 0.2p each at par pursuant to the Convertible Loan Stock Instrument dated 9 November 2005.

On 27 July 2007 the authorised ordinary share capital was increased by £100,000 by the creation of 50,000,000 new shares of 0.2p each.

By a special resolution passed on 27 July 2007, every thirty ordinary shares of 0.2p each were consolidated into one ordinary share of 6p each, having the same rights in all respects. All the issued and unissued deferred shares of 99p each and all the issued and unissued deferred shares of 0.9p each were cancelled by court order on 12 September 2007. In this respect, £9,382,672 has been credited to the profit and loss account.

On 26 September 2007, the Company issued 2,003,383 ordinary shares of 6p each at 15.5p per share. On 25 October 2007, the Company issued 56,667 ordinary shares of 6 p each at 12p per share. Both issues were for cash in order to provide additional working capital.

Equity-settled 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

14 Share capital **(continued)**

The weighted avearge 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.

15 Reconciliation of movement in shareholders' funds	**2007**	**2006**
	£	**£**
Opening shareholders' equity	2,655,305	161,197
Loss for the financial year	(1,289,985)	(316,069)
Minority interest share of loss	50,444	29,112
Currency translation differences on foreign currency net investments	278	-
Proceeds from issue of shares	320,124	75,000
Cost of shares issued charged to share premium account	(20,278)	-
Share premium written-off	(27,800)	-
Share reconstruction scheme	562	793,565
Shares issued on acquisition of subsidiary	-	1,275,000
Increase in merger reserves	-	637,500
Total shareholders' equity	1,688,650	2,655,305
Minority interest	(19,423)	31,021
Closing shareholders' equity	1,669,227	2,686,326

Merger reserve

The merger reserve of £637,500 exists as a result of the acquisition of Valirx Bioinnovations Limited. The merger reserve represents the difference between the nominal value of the share capital issued by the company and the fair value of Valirx Bioinnovations Limited at 3 October 2006, the date of acquisition.

Reverse acquisition reserve

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

16 Directors' emoluments

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Emoluments for qualifying services	312,409	102,700

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

	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Emoluments for qualifying services	90,000	90,000

17 Employees

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

Employment costs	Year ended 31 December 2007 £	9 Months ended 31 December 2006 £
Wages and salaries	329,258	102,933
Social security costs	33,510	7,243
Share options granted	276	-
	363,044	110,176

18 Related party transactions

During the period, Cronos paid consultancy fees to Cronos Ventures Limited amounting to £850 (2006 - £16,835), a company in which both J Micallef and S Vainikka are directors and shareholders.

19 Post balance sheet events

Subsequent to the year end, the company has raised approximately £890,000 (before expenses) by a placing of 14,886,662 new ordinary shares of 6p each. Attached to each Placing Share is a warrant to subscribe for one new ordinary share at 10p per share for a period of three years from the date of Admission of the placing shares to trading on AIM.

20 Financial instruments

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

Cash and cash equivalents comprise cash held by the group and short-term bank deposits. The carrying amount of these assets approximates their fair value. Cash at bank and in hand, including short-term bank deposits, at 31 December 2007 amounted to £88,275 (2006 - £810,639).

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 has an entity which operates in Europe and is therefore exposed to foreign exchange risk arising from currency exposure to the Euro. The Group is exposed to foreign currency risk arising from recognised assets and liabilities. Although the countries that the Group trades with have relatively stable economies, management has set up a policy which requires group companies to manage their foreign exchange risk against their functional currency, and where necessary, by entering into forward exchange contracts with highly reputable counterparties.

Fair value
There were no material differences between the book value of financial instruments and their fair value at 31 December 2007 or 31 December 2006.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALIRX PLC

We have audited the parent company financial statements of Valirx Plc for the year ended 31 December 2007 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Valirx Plc for the period ended 31 December 2007.

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

Respective responsibilities of the directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF VALIRX PLC

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

Adler Shine LLP ....

Chartered Accountants
Registered Auditor

Aston House
Cornwall Avenue
London
N3 1LF

VALIRX PLC

BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	**2**		2,094		3,769
Investments	**3**		1,987,009		1,944,670
			1,989,103		1,948,439
Current assets					
Debtors	**4**	383,042		186,633	
Cash at bank and in hand		77,551		753,457	
		460,593		940,090	
Creditors: amounts falling due within one year	**5**	(379,448)		(393,104)	
Net current assets			81,145		546,986
Total assets less current liabilities			2,070,248		2,495,425
Capital and reserves					
Called up share capital	**6**		1,896,786		11,153,055
Share premium account	**7**		145,643		6,979,770
Other reserves	**7**		637,500		637,500
Profit and loss account	**7**		(609,681)		(16,274,900)
Shareholders' funds	**8**		2,070,248		2,495,425

Approved by the Board and authorised for issue on ....

....

S Vainikka G Desler

Director **Director**

1 Accounting policies

1.1 Accounting convention

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

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

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

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 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.

1.4 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

1.5 Investments

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

1.6 Deferred taxation

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

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

1.7 Profit and loss account

The directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and have not presented a profit and loss account for the company alone. A loss of £697,222 is attributable to shareholders for the financial year ended 31 December 2007 (2006 - £3,115,484).

1 Accounting policies **(continued)**

1.8 Financial instruments

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

2 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 January 2007 & at 31 December 2007	5,025
Depreciation	
At 1 January 2007	1,256
Charge for the year	1,675
At 31 December 2007	2,931
Net book value	
At 31 December 2007	2,094
At 31 December 2006	3,769

3 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2007	1,944,670
Additions	42,339
At 31 December 2007	1,987,009
Net book value	
At 31 December 2007	1,987,009
At 31 December 2006	1,944,670

The principal subsidiary undertakings of the company are as follows:

Company	**Country**	**% of shares held**	**Activity**
Valirx Bioinnovations Limited	England and Wales	100.00	Holding company
Cronos Therapeutics Limited	England and Wales	60.28	Therapeutic research and development
ValiBIO S.A	Belgium	100.00	Oncology diagnostics company

4 Debtors	**2007**	**2006**
	£	**£**
Trade debtors	42,016	9,458
Amounts owed by subsidiary undertakings	247,543	51,553
Other debtors	87,525	119,206
Prepayments and accrued income	5,958	6,416
	383,042	186,633

5 Creditors: amounts falling due within one year	**2007**	**2006**
	£	**£**
Trade creditors	38,915	35,264
Amounts owed to subsidiary undertakings	300,670	300,670
Taxes and social security costs	10,363	-
Accruals and deferred income	29,500	57,170
	379,448	393,104

6 Share capital	2007 Number	2006 Number	2007 £	2006 £
Authorised				
Ordinary shares of 0.2p each	-	2,500,000,000	-	5,000,000
Ordinary shares of 6p each	85,000,000	-	5,100,000	-
Deferred shares of 99p each	-	1,242,250	-	1,229,828
Deferred shares of 0.9p each	-	1,017,988,790	-	9,161,899
			5,100,000	15,391,727
Allotted, called up and fully paid				
Ordinary shares of 0.2p each	-	885,191,389	-	1,770,383
Ordinary shares of 6p each	31,613,097	-	1,896,786	-
Deferred shares of 99p each	-	1,242,250	-	1,229,828
Deferred shares of 0.9p each	-	905,871,567	-	8,152,844
			1,896,786	11,153,055

By a special resolution passed on 27 July 2007, every thirty ordinary shares of 0.2p were consolidated into one ordinary share of 6p, each having the same rights in all respects. All the issued and unissued deferred shares of 0.9p each in the capital of the company and all the issued and unissued deferred shares of 99p each in the capital of the company were cancelled. In this respect an amount of £9,382,672 has been credited to the profit and loss account.

On 28 September 2007 there was a new issue of 2,003,383 ordinary shares of 6p each at a premium of 9.5p per share and on 25 October 2007 the company issued 56,667 ordinary shares of 6p each at a premium of 6p per share. Both issues were for cash in order to provide additional working capital.

7 Statement of movements on reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2007	6,979,770	637,500	(16,274,901)
Loss for the year	-	-	(697,222)
Cancellation of shares	-	-	9,382,672
Premium on shares issued during the year	193,721	-	-
Share premium - other movements	(7,027,848)	-	6,979,770
Balance at 31 December 2007	145,643	637,500	(609,681)

Other reserves

Reserves provided for by the Articles of Association

Balance at 1 January 2007 & at 31 December 2007	637,500

Following a special resolution passed on 27 July 2007 the share premium balance on the accounts as at that date were cancelled and an amount of £6,979,770 was credited to the profit and loss account.

The merger reserve arose as a result of the acquisition of Valirx Bioinnovations Limited on 3 October 2006.

8 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Loss for the financial year	(697,222)	(3,115,484)
Proceeds from issue of shares	320,123	5,678,152
Purchase of own shares	-	637,500
Cost of share issue written off to share premium account	(48,079)	(501,446)
Net (depletion in)/addition to shareholders' funds	(425,178)	2,698,722
Opening shareholders' funds	2,495,425	(203,297)
Closing shareholders' funds	2,070,248	2,495,425