Company Registration No 03916791 (England and Wales)

VALIRX PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

VALIRX PLC

COMPANY INFORMATION

Directors	O de Giorgio-Miller	
	Dr S Vainikka	
	Dr G Morris	
	G Desler	
	K Alexander	
	S Makinen	(Appointed 4 October 2013)
Secretary	K Alexander	
Company number	03916791	
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	Pinsent Mason LLP 30 Crown Place Earl Street London EC2A 4ES	

VALIRX PLC

CONTENTS

VALIRX PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

I am pleased to report for the first time as Chairman, a solid performance by the Group, with real progress seen on a number of important fronts during the period Our key therapeutic and diagnostic development programmes continue to advance and the recent equity investment and divestment of shares in a US-listed entity that we announced recently - all combine to position the Company strongly as we move into a new financial year

Operating expenses rose to £2,984,337 (2012 £2,492,193) reflecting the group's increased investment in its Research & Development programmes, predominantly to take the lead drug candidate VAL201 to clinical trials and to a much lesser extent to advance our GeneICE products to the next stage of development Revenues in the reporting period of £124,868 largely derived from our biomarkers division, ValiFinn Research & Development tax credits were £309,541 (2012 £165,956) and bank interest income was £5,552 (2012 £19,001) Our net loss for the year increased to £2,597,238 (2012 £2,163,948), however, after adjustment to reflect a change in the fair value of available-for-sale assets, the loss for the year stood at £2,702,258 (2012 £2,150,055)

As at 31 December 2013 the Company had cash and cash equivalents of £960,267 (2012 £2,260,783) However, post the period end, our cash position has increased substantially following the raising of equity finance and the divestment of shares in the US-listed company, VolitionRx, in January and February 2014 respectively

In terms of strategy and the appropriate positioning of the Company, it is good to see ValiRx steadily growing in stature and enhancing both the value and number of its development assets I believe the Group is well placed to continue in this vein and towards those value inflection points that exist across its portfolio

Looking forward, we now have a secure funding platform upon which we can consolidate the further development of VAL201, VAL101 and our biomarker portfolio and importantly, a platform from which we can advance VAL201 through First in-Human trials I look forward to the Company updating shareholders on future developments

O de Giorgio-Miller
Chairman
18.03.14

VALIRX PLC

CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

2013 was a good year for ValiRx and I have been pleased to see its therapeutic development programmes moving forward encouragingly, giving a very positive outlook for the clinical trials Our clinical trial Project Team has signed off on the protocol for VAL201, the Company's leading anti-cancer therapeutic and its enhanced Phase 1b trial and its expected advance to a Phase 2 study Product development for VAL201 has been successful and world class clinical partners have been agreed for the forthcoming trials

The period under review also saw VAL101, the Company's lead candidate deriving from the GeneICE platform, complete its first €1 4 million Eurostars programme and this progress was subsequently rewarded by a second grant of €1 6 million The Company has grown its companion diagnostics and biomarker unit and both before and after the year-end, we strengthened the balance sheet via a successful fund raise

Fundraising
Since November 2013, the Company has raised a total of over £4 3m in additional cash resource, through equity investment and the divestment of shares in the US-listed company, VolitionRx This fundraising took place in a series of transactions, which comprised two equity fundraisings and an equity swap and a further US$601,578 (£364,000) through the divestment in shares of the US-listed entity The impact of these transactions has been to substantially strengthen the group's balance sheet and to allow the continuing clinical development of the lead compounds, VAL101 and VAL201 This strengthening will hopefully enable the Company to potentially take advantage of corporate and technological opportunities as they may arise

Divestment
The divestment occurred because the Board believed and continues to believe that the Company will obtain a better return for its shareholders by investing the proceeds received from the transaction in the continuing development of VAL101 and VAL201 and to see their development progress towards those respective value inflection points that exist across the portfolio

VAL201
As has been reported in recent months, our trial protocol for our lead therapeutic, VAL201, has expanded significantly following advice from the principal investigators at University College Hospital, London and from the Medicines and Healthcare Products Regulatory Agency ("MHRA") The trial has been expanded to include, not just patients with prostate cancer, but also patients with other solid tumours, such as breast cancer In addition, the end points of the study have widened to give us an early indication of the efficacy of VAL201 in arresting and reducing tumour growth Our number one priority in 2014 is to progress the compound through its expanded clinical trials and beyond, whilst in parallel, we will look to continue our dialogue with pharmaceutical companies vis-à-vis future partnering or out-licensing opportunities

VAL101 & GeneICE
We have also been advancing pre-clinical studies of VAL101, one of our GeneICE drug candidates, with the support of another European Union "Eurostars" Grant The grant for €1 6m was announced on 15 August 2013 and it endorses VAL101's novelty and potential and will enable ValiRx to accelerate the drug's development to build the associated cancer models and hopefully to provide new hope for patients with orphan cancers

Biomarkers
Biomarkers continue to be evaluated by our subsidiary company, ValiFinn, which is based in Finland and we were pleased to announce recently that ValiFinn has identified companion diagnostics for VAL201, which potentially could be commercialised or licensed to other pharmaceutical companies

Outlook
In what has been a busy year, I am happy to see the team's hard work rewarded with strong progress in our programme development activities We will continue to energetically move our compounds forward to their next stage, whilst remaining alert for opportunities and ways in which to further grow the Company and enhance shareholder value I look forward to ValiRx's continued progress and development with both excitement and confidence

Dr S Vainikka
Chief Executive
18.03.14

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The dırectors present their strategıc report for the year ended 31 December 2013

Prıncipal activities
The prıncıpal actıvıty of the Company contınued to be that of an ınvestment holdıng company The prıncıpal actıvıty of the Group ıs that of therapeutıc and dıagnostıc research and development

The Company has undertaken to develop a novel and ground-breakıng class of therapeutıcs based on the unıque and proprıetary GeneICE platform and hypergenomıcs technology

Strategy
ValıRx Plc ıs a bıopharmaceutıcal company developıng novel technologıes and products ın oncology therapeutıcs and dıagnostıcs The product focus ıs ın the epıgenomıc analysıs and treatment of cancer, but the technologıes can be applıed to other fields as well, such as neurology and ınflammatory dıseases

The Company lısted on AIM ın October 2006 and ıs creatıng a portfolıo of ınnovatıve products through ınvestment ın specıfic development projects It actıvely manages projects wıthın thıs portfolıo as a tradıng company and ıs not an ınvestment vehıcle The ValıRx busıness model spreads the rısks of lıfe scıence technology developments by mınımısıng fınancıal exposure and runnıng a set of projects to defined commercıal endpoınts Thıs maxımıses returns to shareholders by addıng value at the earlıer stages where value ıncreases per ınvestment unıt are the greatest

The Company operates through the followıng dıvısıonal companıes
1 ValıFınn ıs the bıomarkers and dıagnostıc development dıvısıon

2 ValıPharma ıs the therapeutıcs dıvısıon wıth two embedded technologıes prımarıly dırected at the treatment of cancers

Business review
A revıew of the development and performance of the Group, ıncludıng ımportant events, progress durıng the year, and lıkely future developments, can be found ın the Chaırman's Statement and the Chıef Executıve's Report

In summary
- revenues for the year fell to £124,868 (2012 £216,269),
- admınıstratıon expenses were £1,361,954 (2012 £1,481,717),
- expendıture on Research and Development rose 60% on the prevıous year to £1,622,383 reflectıng ıncreased ınvestment made ın the VAL201 clınıcal trıal programme,
- net loss after taxatıon was £2,597,238 (2012 £2,163,948),
- as at 31 December 2013, the Company had cash and cash equıvalents of £960,267 (2012 £2,260,783), thıs has sınce ıncreased substantıally followıng the raısıng of equıty finance and the dıvestment of shares ın the US-lısted company, VolıtıonRx, ın January and February 2014 respectıvely,
- sınce November 2013, ValıRx has successfully secured over £4 3m of addıtıonal cash resource to strengthen the group's balance sheet and enable the group to drıve the clınıcal process of ıts lead compound VAL201,
- GeneICE-based lead compound VAL101 contınues to show good progress ın the pre-clınıcal phase - the programme currently benefits from a second Eurostars grant for up to €1 6 mıllıon,
- Bıomarker development programme, to support clınıcal and pre-clınıcal development, ıs now producıng prelımınary results The programme ıs supported extensıvely by Fınnısh Government regıonal fundıng

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Principal risks and uncertainties
In common with other small biotechnology companies, our business is subject to a number of risks and uncertainties, which include

- the uncertainty that clinical trials will succeed or lead to commercially viable products The Group develops many products and some may not prove to be successful The Directors, upon advice from the Group's Science Advisory Committee, ensure that regular reviews of product development are undertaken so that unsuccessful developments can be terminated early in their life cycle,

- competition from other companies and market acceptance of our products The Group aims to be ahead of the competition by continual development of its products targeted at specific customer requirements,

- despite extensive product testing prior to market launch, products may produce unanticipated adverse side effects that may hinder their marketability The Group may be insufficiently covered for any possible litigation which in some cases can potentially be open-ended The Group maintains product liability insurance and ensures systems and processes relating to the manufacture of its products are compliant and regularly reviewed,

- intellectual property infringement claims by others and the ability to protect our intellectual property Although the Group attempts to protect its intellectual property, there is a risk that patents will not be issued with respect to applications now pending In addition, there is a risk that patents granted or licensed to the Group may not be sufficiently broad in their scope to provide protection against other third party technologies The Group takes professional advice from experienced patent agents and works hard to win patents applied for and to ensure that the scope is sufficiently broad

- availability and terms of capital needed for the business The Board continually reviews the twelve month rolling cash flow forecast and the development budget every three months to ensure that the Group has sufficient working capital for the ongoing development of products and to fund the business generally We also consider joint ventures with various partners to share the financial burden of product development,

- the Group operates in a highly regulated environment for the testing, manufacture and supply of its products Compliance with clinical and regulatory requirements within the EU affects not only the cost of product development and resource use, but also the time required to comply Increased regulation may require products to be amended to comply with regulations and/or products have to be withdrawn, reducing revenues and/or increasing costs Regulatory authorities are increasingly focused on the benefit/risk of pharmaceutical products and safety data making it more onerous to obtain regulatory approval Compliance systems are in place to ensure all clinical, manufacturing and marketing activities comply with regulations in the EU and other territories Standard operating procedures are maintained to ensure compliance with good manufacturing practice

Environmental matters
The Board is committed to minimising the Group's impact on the environment and ensuring compliance with environmental legislation The Board considers that its activities have a low environmental impact The Group strives to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations Disposal of hazardous waste is handled by specialist agencies

O de Giorgio-Miller

O de Giorgio-Miller
Chairman
18.03.14

VALIRX PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report and financial statements for the year ended 31 December 2013

Results and dividends

The results for the year are set out on page 10

The Directors do not recommend payment of an ordinary dividend

Financial risk management objectives and policies

Note 25 to the financial statements gives details of the Group's objectives and policies for risk management of financial instruments

Research and development

The Group will continue its policy of investment in research and development In accordance with International Financial Reporting Standards (IFRS), during the year the Group expensed to the income statement £1,622,383 (2012 £1,010,476) on research and development Further details on the Group's research and development are included in the Chief Executive's Report on page 2

Directors

The following Directors have held office since 1 January 2013

O de Giorgio-Miller	
Dr S Vainikka	
Dr G Morris	
G Desler	
K Alexander	
S Makinen	(Appointed 4 October 2013)
N Thorniley	(Resigned 4 October 2013)

The market value of the Company's shares at 31 December 2013 was 0 35p and the high and low share prices during the period were 0 67p and 0 31p respectively

Significant shareholders

As at 13 March 2014 so far as the Directors are aware, the parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital are as follows

Shareholders	Number of shares	% of total
YA Global Master SPV Ltd	678,205,123	23 22%

Directors' insurance

The Directors and officers of the Company are insured against any claims against them for any wrongful act in their capacity as a Director, officer or employee of the Group, subject to the terms and conditions of the policy

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 are 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, and
- 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

VALIRX PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of disclosure to auditors
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 or she has taken all the steps that he or she ought to have taken as Director in order to make himself or herself 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

Dr S Vainikka
Director
18 03 14

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 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Parent Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated 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 6, 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 appropriate to the Group's and 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 In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2013 and of the Group's loss 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

VALIRX PLC

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

AdlerShine LLP

Darsh Shah (Senior Statutory Auditor)
for and on behalf of Adler Shine LLP
Statutory Auditor

18.03.14

Aston House
Cornwall Avenue
London
N3 1LF

VALIRX PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Revenue	3	**124,868**	216,269
Cost of sales		**(51,618)**	(72,960)
Gross profit		**73,250**	143,309
Research and development		**(1,622,383)**	(1,010,476)
Administrative expenses		**(1,361,954)**	(1,481,717)
Operating loss	4	**(2,911,087)**	(2,348,884)
Finance income	5	**5,552**	19,001
Finance costs	6	**(180)**	(21)
Loss on ordinary activities before taxation		**(2,905,715)**	(2,329,904)
Income tax expense	7	**308,477**	165,956
Loss for the year		**(2,597,238)**	(2,163,948)
Other comprehensive income			
Change in fair value of available-for-sale assets		**(105,020)**	13,893
Loss for the year and total comprehensive income		**(2,702,258)**	(2,150,055)
Loss per share - basic and diluted	8		
From continuing operations		**(0.15)p**	(0 17)p

There are no recognised gains and losses other than those passing through the Consolidated Statement of Comprehensive Income

The notes on pages 15 - 34 form part of these statutory accounts

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Share option reserve	Retained earnings	Total
		£	£	£	£	£	£	£
Balance at 1 January 2012		5,399,984	3,247,539	637,500	602,413	52,140	(5,515,628)	4,423,948
Changes in equity for 2012								
Loss for the year		-	-	-	-	-	(2,163,948)	(2,163,948)
Change in fair value of available-for-sale assets		-	-	-	-	-	13,893	13,893
Movement in the year		-	-	-	-	21,712	-	21,712
Issue of shares		651,623	2,280,675	-	-	-	-	2,932,298
Share issue costs		-	(191,062)	-	-	-	-	(191,062)
Balance at 31 December 2012	**18**	6,051,607	5,337,152	637,500	602,413	73,852	(7,665,683)	5,036,841
Changes in equity for 2013								
Loss for the year		-	-	-	-	-	(2,597,238)	(2,597,238)
Change in fair value of available-for-sale assets		-	-	-	-	-	(105,020)	(105,020)
Issue of shares	**17**	307,750	692,437	-	-	-	-	1,000,187
Share issue costs		-	(104,358)	-	-	-	-	(104,358)
Balance at 31 December 2013	**18**	**6,359,357**	**5,925,231**	**637,500**	**602,413**	**73,852**	**(10,367,941)**	**3,230,412**

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 2013

	Notes	2013 £	2013 £	2012 £	2012 £
ASSETS					
Non-current assets					
Intangible assets	9		1,882,762		1,803,405
Property, plant and equipment	10		685		4,363
Financial assets available-for-sale investments	11		768,323		873,343
			2,651,770		2,681,111
Current assets					
Inventories	12	4,078		2,727	
Trade and other receivables	13	490,395		353,855	
Cash and cash equivalents		960,267		2,260,783	
			1,454,740		2,617,365
LIABILITIES					
Current liabilities					
Trade and other payables	14		(876,098)		(261,635)
Net current assets			578,642		2,355,730
Net assets			3,230,412		5,036,841
SHAREHOLDERS' EQUITY					
Called up share capital	17		6,359,357		6,051,607
Share premium			5,925,231		5,337,152
Merger reserve			637,500		637,500
Reverse acquisition reserve			602,413		602,413
Share option reserve			73,852		73,852
Profit and loss account			(10,367,941)		(7,665,683)
Total shareholders' equity			3,230,412		5,036,841

The notes on pages 15 - 34 form part of these statutory accounts

Approved by the Board and authorised for issue on 18-03-14

Dr S Vainikka
Director

Company Registration No. 03916791

VALIRX PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013		2012
	£	£	£	£
Net cash outflow from operating activities		**(2,232,552)**		(2,131,745)
Taxation		**164,892**		132,353
Returns on investments and servicing of finance				
Interest received	**5,552**		19,001	
Interest paid	**(180)**		(21)	
Net cash inflow from returns on investments and servicing of finance		**5,372**		18,980
Capital expenditure and financial investment				
Payments to acquire intangible assets	**(132,135)**		(132,145)	
Payments to acquire tangible assets	**(1,922)**		(2,579)	
Receipts from sales of tangible assets	**-**		535	
Net cash outflow for capital expenditure and financial investment		**(134,057)**		(134,189)
Financing				
Issue of ordinary share capital	**1,000,187**		2,932,298	
Cost of share issue	**(104,358)**		(191,062)	
Net cash generated from financing activities		**895,829**		2,741,236
Net increase in cash and cash equivalents		**(1,300,516)**		626,635
Cash and cash equivalents at beginning of period		**2,260,783**		1,634,148
Cash and cash equivalents at end of period		**960,267**		2,260,783

The notes on pages 15 - 34 form part of these statutory accounts

VALIRX PLC

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Cash flows from operating activities

	2013	2012
	£	£
Operating loss	**(2,911,087)**	(2,348,884)
Depreciation of tangible assets	**5,623**	6,762
Amortisation of intangible assets	**55,537**	48,579
Loss on disposal of tangible assets	**-**	93
Loss on disposal of intangible assets	**-**	25,218
(Increase)/decrease in inventories	**(1,351)**	16,757
Decrease/(increase) in receivables	**7,045**	(25,344)
Increase/(decrease) in payables within one year	**614,463**	119,942
Other non-cash movements	**(2,782)**	3,420
Share option charge	**-**	21,712
Cash outflows from operating activities	**(2,232,552)**	(2,131,745)

2 Cash and cash equivalents

	1 January 2013	Other non-cash changes	Cash flow	**31 December 2013**
	£	£	£	**£**
Net cash				
Cash at bank and in hand	2,260,783	-	(1,300,516)	**960,267**
	2,260,783	-	(1,300,516)	**960,267**

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 thé 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 August 2011, the Company acquired for a nominal amount, the outstanding equity of a Finnish non-trading company - ValiRx Finland OY ("ValiFinn") - that it had jointly established with local partners in 2008 As a result of the acquistion, ValiFinn has become a wholly owned subsidiary of the Company

The assets and liabilities of the Group's foreign operations are expressed in pounds sterling using exchange rates prevailing at the balance sheet date Income and expense items are translated at the average exchange rate for the period Material exchange differences arising are classified as equity The translation differences are recognised in the period in which the foreign operation is disposed of

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

1 Accounting policies **(continued)**

1 3 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 is tested annually, or when trigger events occur, for impairment and is carried at cost less accumulated impairment losses

1.4 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 their useful economic life, which the Directors estimate to be 15 years

1.5 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

1.6 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 7 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 8 Inventories

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

1.9 Financial assets

The Company classifies its financial assets in the following categories

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets

Management determines the classification of its investments at initial recognition

1 Accounting policies **(continued)**

1.10 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market The principal financial assets of the Company are loans and receivables, which arise principally through the provision of goods and services to customers (e g trade receivables) but also incorporate other types of contractual monetary asset They are included in current assets, except for maturities greater than twelve months after the balance sheet date These are classified as non-current assets

The Group's loans and 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

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position

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

1.11 Investments

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Statement of Comprehensive Income

The fair values of quoted investments are based on published market prices

1.12 Financial liabilities

The Group does not have any financial liabilities that would be classified as fair value through the profit or loss Therefore all financial liabilities are classified as other financial liabilities as follows

The Group's trade and other payables are recognised at their original amount

1.13 Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability The Group's ordinary and deferred shares are classified as equity instruments

1.14 Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the Consolidated Statement of Comprehensive Income in the year to which they relate

1 Accounting policies **(continued)**

1.15 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

1.16 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

1.17 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

1.18 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 Accounting policies **(continued)**

1.19 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 financial statements other than requiring additional disclosure or alternative presentation

IFRS 9	Financial instruments - classification and measurement (revised)
IFRS 9	Financial instruments - Hedge accounting (revised)
IFRS 10	Investment entities (amendment)
IFRS 12	Investment entities (amendment)
IFRS 14	Regulatory deferral accounts
IFRS 2, 3, 8, 13	Annual improvements 2010 - 2012 cycle
IAS 16, 38, 24	
IFRS 1, 3, 13	Annual improvements 2011 - 2013 cycle
IAS 40	
IAS 19	Defined benefit plans Employee contributions (amendment)
IAS 27	Separate financial statements (amendment)
IAS 32	Offsetting of financial assets and financial liabilities (amendment)
IAS 36	Recoverable amount disclosures for non-financial assets (amendment)
IAS 39	Novation of derivatives and continuation of hedge accounting (amendment)

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

2 Critical accounting estimates and judgements

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 The material areas in which estimates and judgements are applied as follows

Goodwill impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value

Share-based payments

The estimates of share-based payments costs require that management selects an appropriate valuation model and makes decisions on various inputs into the model, including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees

Deferred tax assets

Deferred taxation is provided for using the liability method Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward The Board considers the likely utilisation of such losses by reviewing budgets and medium-term plans for each taxable entity within the Group If the actual profits earned by the Group's taxable entities differ from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements

3 Turnover and 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

Revenue	**2013**	**2012**
	£	**£**
Drug development	-	52,261
Diagnostics	**124,868**	164,008
	124,868	216,269
Loss before taxation		
Drug development	**(2,726,580)**	(2,156,609)
Diagnostics	**(179,135)**	(173,295)
	(2,905,715)	(2,329,904)
Net assets		
Drug development	**3,088,448**	4,866,841
Diagnostics	**141,964**	170,000
	3,230,412	5,036,841

Geographical market

Revenue	**2013**	**2012**
	£	**£**
UK	**3,011**	89,662
Europe	**121,857**	126,607
	124,868	216,269
Loss before taxation		
UK	**(2,734,689)**	2,252,934
Europe	**(171,026)**	76,970
	(2,905,715)	2,329,904
Net assets		
UK	**3,104,591**	4,886,281
Europe	**125,821**	150,560
	3,230,412	5,036,841

4 Operating loss

	2013	2012
	£	£
Operating loss is stated after charging		
Amortisation of intangible assets	**55,537**	48,579
Depreciation of tangible assets	**5,623**	6,762
Loss on disposal of tangible assets	**-**	93
Impairment of intangible assets	**-**	25,218
(Profit)/loss on foreign exchange transactions	**(3,648)**	7,769
Auditors' remuneration		
Fees payable to Company auditors for the audit of the Company and consolidated accounts	**10,500**	10,500
- The audit of Company's subsidiaries pursuant to legislation	**9,500**	9,500
- Auditor's fees for review of interim accounts	**1,270**	1,270

5 Finance income

	2013	2012
	£	£
Bank interest	**5,552**	19,001

6 Finance costs

	2013	2012
	£	£
On bank loans and overdrafts	**180**	21

7 Taxation

	2013	2012
Domestic current year tax	**£**	**£**
Tax credits on research and development - current year	**(309,541)**	(165,956)
Foreign corporation tax		
Foreign corporation tax	**127**	-
Current tax charge	**(309,414)**	(165,956)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	**(2,905,715)**	(2,329,904)
Loss on ordinary activities before taxation multiplied by effective rate of UK corporation tax of 23 25% (2012 24 50%)	**(675,579)**	(570,827)
Effects of		
Non deductible expenses	**822**	2,579
Capital allowances for the year in deficit/(excess) of depreciation and amortisation	**(1,820)**	2,398
Tax losses not utilised	**425,248**	458,363
Research and development expenditure	**(30,264)**	(59,779)
Other tax adjustments	**-**	1,310
	393,986	404,871
Current tax charge	**(309,414)**	(165,956)

No corporation tax arises on the results for the year ended 31 December 2013 due to the losses incurred for tax purposes

The deferred tax asset, arising from tax losses of £7,785,000 (2012 £5,980,000) carried forward, has not been recognised but would become recoverable against future trading profits

8 Loss per ordinary share

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

	2013	2012
Basic:		
Loss for the financial period	**(2,597,238)**	(2,163,948)
Weighted average number of shares	**1,733,106,298**	1,288,079,027
Loss per share	**(0.15)p**	(0 17)p

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

Following the issue of 902,109,521 ordinary shares of 0 1p each in January 2014, the number of allotted ordinary shares of 0 1p each in issue was 2,921,043,530

9 Intangible fixed assets

	Patents	Goodwill	Brands and licences	Total
	£	£	£	£
Cost				
At 1 January 2012	563,439	1,177,592	115,000	1,856,031
Additions	132,145	-	-	132,145
Exchange differences	(3,307)	-	-	(3,307)
Impairment	(40,412)	-	-	(40,412)
At 31 December 2012	651,865	1,177,592	115,000	1,944,457
Exchange differences	2,802	-	-	2,802
Additions	132,135	-	-	132,135
Impairment	-	-	-	-
At 31 December 2013	**786,802**	**1,177,592**	**115,000**	**2,079,394**
Amortisation				
At 1 January 2012	95,138	-	12,409	107,547
Exchange differences	120	-	-	120
Impairment on disposals	(15,194)	-	-	(15,194)
Charge for the year	42,583	-	5,996	48,579
At 31 December 2012	122,647	-	18,405	141,052
Exchange differences	43	-	-	43
Charge for the year	49,541	-	5,996	55,537
At 31 December 2013	**172,231**	**-**	**24,401**	**196,632**
Net book value				
At 31 December 2013	**614,571**	**1,177,592**	**90,599**	**1,882,762**
At 31 December 2012	529,218	1,177,592	96,595	1,803,405

The goodwill arising on the acquisition of ValiRx Bioinnovation Limited, ValiPharma Limited and ValiRx Finland OY is not being amortised but will be 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) Valirx Plc has used the value in use method, applying a 15% discount rate

Goodwill per cash generating unit

	£
Valipharma Limited	772,229
Valirx Bioinnovations Limited	394,613
Valimedix Limited	-
Valirx Finland OY	10,750

9 Intangible fixed assets **(continued)**

Sensitivity analysis is not required as a reasonably possible change in assumptions would not result in an impairment

10 Property, plant and equipment

	Plant and machinery £
Cost	
At 1 January 2012	23,591
Exchange differences	10
Additions	2,579
Disposals	(1,659)
At 31 December 2012	24,521
Exchange differences	24
Additions	1,922
At 31 December 2013	**26,467**
Depreciation	
At 1 January 2012	14,424
Exchange difference	3
On disposals	(1,031)
Charge for the period	6,762
At 31 December 2012	20,158
Exchange differences	1
Charge for the year	5,623
At 31 December 2013	**25,782**
Net book value	
At 31 December 2013	**685**
At 31 December 2012	4,363

11 Financial assets - available-for-sale investments

	Listed investments	Unlisted investments	Total
	£	£	£
Cost and valuation			
At 1 January 2013	873,343	1,333,770	2,207,113
Revaluation	(105,020)	-	(105,020)
At 31 December 2013	**768,323**	**1,333,770**	**2,102,093**
Provisions for diminution in value			
At 1 January 2013 and at 31 December 2013	**-**	**1,333,770**	**1,333,770**
Net book value			
At 31 December 2013	**768,323**	**-**	**768,323**
At 31 December 2012	873,343	-	873,343

The Group owns 5 5% (2012 5 5%) (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

As at 31 December 2013, the market value of the listed investment in VolitionRx Limited was US$2 48 per share, giving a market value of ValiRx's shareholding of US$1 27m (£768,323)

12 Inventories

	2013	2012
	£	£
Finished goods and goods for resale	**4,078**	2,727

13 Trade and other receivables

	2013	2012
	£	£
Trade receivables	**8,398**	667
Tax recoverable	**309,541**	165,956
Called up share capital not paid	**40**	40
Other receivables	**145,317**	139,150
Prepayments and accrued income	**27,099**	48,042
	490,395	353,855

In the Directors' opinion the carrying amount of receivables is considered a reasonable approximation of fair value

14 Trade and other payables

	2013	2012
	£	£
Trade payables	**742,783**	111,403
Taxes and social security costs	**14,111**	44,890
Directors' current accounts	-	10,742
Other payables	-	3,250
Accruals and deferred income	**119,204**	91,350
	876,098	261,635

In the Directors' opinion the carrying amount of payables is considered a reasonable approximation of fair value

15 Retirement benefits

The Group operate defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds The pension cost charge represents contributions payable by the Group to the funds

Defined contribution

	2013	2012
	£	£
Contributions payable by the company for the year	49,596	41,359

16 Share-based payments

At 31 December 2013 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

	2012	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	42,880,000	-	0 9
Granted	-	-	-
Lapsed	-	-	-
Carried forward	42,880,000	8 4	0 9

	2013	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	**42,880,000**	-	**0.9**
Granted	-	-	-
Lapsed	-	-	-
Carried forward	**42,880,000**	**7.4**	**0 9**

All options were exercisable at the year end

The fair value of the 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	17 September 2009	8 July 2011
Exercise period	November 2007 - November 2017	September 2009 - September 2019	July 2011 - July 2021
Share price at date of grant	10 5p	2 1p	0 64p
Exercise price	10 5p	1p	0 75p
Shares under option	512,000	4,750,000	42,500,000
Expected volatility	35%	40%	52%
Expected life (years)	3 5	4	3
Risk-free rate	4 36%	2 50%	1 24%
Expected dividend yield	0 00%	0 00%	0 00%
Fair value per option	1 55p	0 72p	0 10p

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of daily share prices over a 3 year period to grant date All of the above options are equity settled and the charge for the year is £nil (2012 £21,712)

17 Share capital

	2013 Number	2012 Number	2013 £	2012 £
Allotted, called up and fully paid				
Ordinary shares of 0 1p each	**2,018,934,009**	1,711,184,409	**2,018,934**	1,711,184
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**	157,945,030	**1,421,505**	1,421,505
			6,359,357	6,051,607

On 6 December 2013, the Company completed a Placing of 307,749,600 new ordinary shares of 0 1p each at a price of 0 325p per share raising £1m before fees and expenses, to provide the Company and the Group with 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

18 Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Opening shareholders' equity	**5,036,841**	4,423,948
Loss and total comprehensive income for the financial year	**(2,702,258)**	(2,150,055)
Issue of ordinary share capital	**307,750**	651,623
Share premium, after expenses	**588,079**	2,089,613
Share option reserve	**-**	21,712
Closing shareholders' equity	**3,230,412**	5,036,841

19 Financial commitments

At 31 December 2013 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2014

	Land and buildings 2013 £	Land and buildings 2012 £
Operating leases which expire		
Within one year	**27,000**	27,000

20 Key management personnel compensation

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

	2013	2012
	£	£
Salaries and other short-term employee benefits	**486,538**	529,192
Post-employment benefits	**23,796**	19,864
Compensation for loss of office	**18,000**	-
	528,334	549,056

Salaries and fees	Salary, bonus and fees £	Post-employment benefits £	Compensation for loss of office £	2013 £	2012 £
S Vainikka	**182,500**	**8,796**	-	**191,296**	189,500
G Morris	**118,000**	**15,000**	-	**133,000**	126,697
N Thornley (resigned 4 October 2013)	**26,788**	-	**18,000**	**44,788**	47,692
K Alexander	**40,000**	-	-	**40,000**	38,500
G Desler	**74,000**	-	-	**74,000**	73,167
O de Giorgio-Miller	**39,000**	-	-	**39,000**	73,500
S Makinen (appointed 4 October 2013)	**6,250**	-	-	**6,250**	-
	486,538	**23,796**	**18,000**	**528,334**	549,056

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2012 - 2)

The Directors interests in share options as at 31 December 2013 are as follows

Director	Options at 31 December 2013	Exercise price	Date of grant	First date of exercise	Final date of exercise
S Vainikka	1,000,000	1 00p	17 09 09	17 09 13	17 09 19
S Vainikka	10,000,000	0 75p	08 07 11	08 07 11	08 07 21
G Morris	750,000	1 00p	17 09 09	17 09 13	17 09 19
G Morris	6,000,000	0 75p	08 07 11	08 07 11	08 07 21
N Thornley	400,000	1 00p	17 09 09	17 09 13	17 09 19
N Thornley	6,000,000	0 75p	08 07 11	08 07 11	08 07 21
K Alexander	400,000	1 00p	17 09 09	17 09 13	17 09 19
K Alexander	6,000,000	0 75p	08 07 11	08 07 11	08 07 21
G Desler	130,000	10 50p	23 11 07	23 05 09	23 11 17
G Desler	400,000	1 00p	17 09 09	17 09 13	17 09 19
G Desler	6,000,000	0 75p	08 07 11	08 07 11	08 07 21
O de Giorgio-Miller	3,000,000	0 75p	08 07 11	08 07 11	08 07 21

21 Staff costs

Number of employees

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

	2013 Number	2012 Number
Directors	6	6
Staff	3	3
	9	9

Employment costs	2013 £	2012 £
Wages and salaries	718,253	730,121
Social security costs	49,095	66,574
Other pension costs	49,596	41,359
Costs of share option scheme	-	21,712
	816,944	859,766

22 Control

The Directors consider that there is no ultimate controlling party

23 Related party transactions

During the year the Director, G Desler, provided the Company with bookkeeping services totalling £9,000 (2012 £9,000)

During the year the Director O de-Giorgio Miller invoiced the Company £24,750 (2012 £nil) for research and development work

During the year the Director, K Alexander, provided the Company with legal services totalling £9,199 (2012 £9,199)

At 31 December 2013, the Company was owed £nil (2012 £36,635) from Singapore Volition Pte Limited a subsidiary of VolitionRx Limited S Vainkka is a director of VolitionRx Limited

At the year end, the amounts owed to Directors included in trade payables and relating to directors remuneration and expenses to be reimbursed were as follows

	2013 £	2012 £
G Desler	18,109	-
O de Giorgio-Miller	15,000	-
G Morris	-	3,744
S Vainikka	-	3,199
K Alexander	-	3,799

24 Post balance sheet events

In January 2014, the Company raised £2 9m, before expenses, through the issue of 892,307,692 new ordinary shares of 0 1p each at 0 325p per share The net proceeds of this fundraising will be used for future oncology development work and for general working capital purposes The fundraising comprised
- subscription by YA Global Master SPV Ltd ('Yorkville') of 800,000,000 new ordinary shares of 0 1p each pursuant to a subscription agreement between the Company and Yorkville
- subscriptions by investors introduced by the Company's broker of 92,307,692 new ordinary shares of 0 1p each

In conjunction with the fundraising, the Company entered into an equity swap agreement with Yorkville concerning 753,846,154 of the shares mentioned above Pursuant to the equity swap agreement, in return for a payment by the Company to Yorkville of £1 5m, Yorkville shall make eighteen monthly settlement payments of £83,333 33 adjusted by reference to a formula related to the difference between the prevailing market price of the Company's ordinary shares and a benchmark price that is equal to the placing price Therefore, the net funds received by the Company in respect of the swap shares will be dependent on the future price performance of the ordinary shares

In January 2014, the Company issued 9,801,829 new ordinary shares of 0 1p each at a price of 0 328p per share in lieu of £32,150 services provided to the Company

In January 2014, the Company sold the whole of its shareholding of 510,811 shares in VolitionRX for US$601,578 (£364,000)

25 Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows

- available-for-sale investments,
- trade and other receivables,
- cash and cash equivalents, and
- trade and other payables

The Group does not use or issue financial instruments of a speculative nature

A summary of the financial instruments held by category is provided below

The fair value measurement of available-for-sale investments is as follows

	Fair value measurement		
	Level 1 £	*Level 2* £	*Level 3* £
At 31 December 2013	**768,323**	**-**	**-**
At 31 December 2012	873,343	-	-

Financial assets	**2013** £	2012 £
Available-for-sale investments	**768,323**	873,343
Loans and receivables		
Trade and other receivables	**490,395**	353,855
Cash and cash equivalents	**960,267**	2,260,783
Total loans and receivables	**1,450,662**	2,614,638
Total financial assets	**2,218,985**	3,487,981

Financial liabilities	**2013** £	2012 £
Trade and other payables	**876,098**	261,635

The Directors consider that the carrying amount of available-for-sale investments, trade and other receivables and trade and other payables approximates 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

25 Financial instruments **(continued)**

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
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations The Group's credit risk is primarily attributable to its receivables and its cash deposits It is Group policy to assess the credit risk of new customers before entering contracts The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk and interest rate risk
Liquidity risk arises from the Group's management of working capital It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due The Board regularly receives cash flow projections for a minimum period of twelve months, together with infomation regarding cash balances monthly

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 functional currency of that subsidiary The overseas subsidiary operates a separate bank account that is used solely for that subsidiary, thus managing the currency in that country The Group's net assets arising from the overseas subsidiary are exposed to currency risk resulting in gains or losses on retranslation into Sterling Given the levels of materiality, the Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure

VALIRX PLC

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Intangible assets	2		80,000		85,000
Tangible assets	3		-		3,469
Investments	4		3,577,432		3,577,432
			3,657,432		3,665,901
Current assets					
Debtors	5	1,810,454		1,507,949	
Cash at bank and in hand		952,457		2,250,299	
		2,762,911		3,758,248	
Creditors amounts falling due within one year	6	(1,121,117)		(500,686)	
Net current assets			1,641,794		3,257,562
Total assets less current liabilities			5,299,226		6,923,463
Capital and reserves					
Called up share capital	9		6,359,357		6,051,607
Share premium account	10		5,925,231		5,337,152
Merger reserves	10		637,500		637,500
Share option reserve	10		73,852		73,852
Profit and loss account	10		(7,696,714)		(5,176,648)
Shareholders' funds	11		5,299,226		6,923,463

Approved by the Board and authorised for issue on 18 03 · 14

Dr S Vainikka
Director

Company Registration No. 3916791

VALIRX PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 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

1.8 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 the profit and loss account

1 Accountıng policies **(continued)**

1 9 Government grants

Grants are credıted to deferred revenue Grants towards capıtal expendıture are released to the profit and loss account over the expected useful lıfe of the assets Grants towards revenue expendıture are released to the profit and loss account as the related expendıture ıs ıncurred

1.10 Profit and loss account

The Dırectors have taken advantage of the exemptıon avaılable under Sectıon 408 of the Companıes Act 2006 and have not presented a profit and loss account for the Company alone A loss of £2,520,065 ıs attrıbutable to shareholders for the financıal year ended 31 December 2012 (2012 £1,931,093)

1 11 Fınancıal ınstruments

Full detaıls of the Company's polıcy ın relatıon to financıal ınstruments and management of financıal rısk are set out ın note 25 to the Group financıal statements The Company does not hold any derıvatıves and there ıs no materıal dıfference ın the faır value and carryıng value of any financıal ınstruments held by the Company

1 12 Share-based payments

FRS 20 "Share-based Payments" requıres that the faır value of optıons awarded to employees ıs charged to the profit and loss account over the perıod durıng whıch the employees become uncondıtıonally entıtled to the optıons

2 Intangıble fixed assets

	Development Costs £
Cost	
At 1 January 2013 and at 31 December 2013	**100,000**
Amortısatıon	
At 1 January 2013	15,000
Charge for the year	5,000
At 31 December 2013	**20,000**
Net book value	
At 31 December 2013	**80,000**
At 31 December 2012	85,000

3 Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2013	19,833
Additions	1,922
At 31 December 2013	**21,755**
Depreciation	
At 1 January 2013	16,364
Charge for the year	5,391
At 31 December 2013	**21,755**
Net book value	
At 31 December 2013	-
At 31 December 2012	3,469

4 Fixed asset investments

	Shares in subsidiary undertakings £	Listed investments £	Total £
Cost			
Additions	-	-	-
At 1 January 2013 & at 31 December 2013	**2,865,894**	**711,538**	**3,577,432**
Net book value			
At 31 December 2013	**2,865,894**	**711,538**	**3,577,432**
At 31 December 2012	2,865,894	711,538	3,577,432

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
ValiRx Finland OY	Finland	100 00	Therapeutic research and development

* 60 28% is owned by ValiRx Bioinnovation Limited and 39 72% by the Company

The market value of the listed investments as at 31 December 2013 was £768,323 (2012 £873,343)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

5 Debtors

	2013	2012
	£	£
Amounts owed by subsidiary undertakings	**1,347,734**	1,189,058
Tax recoverable	**309,541**	165,956
Other debtors	**130,401**	106,130
Prepayments and accrued income	**22,778**	46,805
	1,810,454	1,507,949

6 Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**706,175**	64,955
Amounts owed to subsidiary undertakings	**300,670**	300,670
Taxes and social security costs	**11,572**	42,181
Directors' current accounts	-	10,742
Other creditors	-	3,250
Accruals and deferred income	**102,700**	78,888
	1,121,117	500,686

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

	2013	2012
	£	£
Contributions payable by the company for the year	23,796	19,864

8 Share-based payments

At 31 December 2013 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

	2012	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	42,880,000	-	0 9
Granted	-	-	-
Lapsed	-	-	-
Carried forward	42,880,000	8 4	0 9

	2013	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	**42,880,000**	-	**0 9**
Granted	-	-	-
Lapsed	-	-	-
Carried forward	**42,880,000**	**7 4**	**0 9**

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	17 September 2009	8 July 2011
Exercise period	November 2007 - November 2017	September 2009 - September 2019	July 2011 - July 2021
Share price at date of grant	10 5p	2 1p	0 64p
Exercise price	10 5p	1p	0 75p
Shares under option	512,000	4,750,000	42,500,000
Expected volatility	35%	40%	52%
Expected life (years)	3 5	4	3
Risk-free rate	4 36%	2 50%	1 24%
Expected dividend yield	0 00%	0 00%	0 00%
Fair value per option	1 55p	0 72p	0 10p

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

9 Share capital

	2013 Number	2012 Number	2013 £	2012 £
Allotted, called up and fully paid				
Ordinary shares of 0 1p each	**2,018,934,009**	1,711,184,409	**2,018,934**	1,711,184
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**	157,945,030	**1,421,505**	1,421,505
			6,359,357	6,051,607

On 6 December 2013, the Company completed a Placing of 307,749,600 new ordinary shares of 0 1p each at a price of 0 325p per share raising £1m before fees and expenses, to provide the Company and the Group with 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 2013	5,337,152	711,352	(5,176,648)
Loss for the year	-	-	(2,520,066)
Premium on shares issued during the year	692,437	-	-
Share premium - other movements	(104,358)	-	-
Balance at 31 December 2013	**5,925,231**	**711,352**	**(7,696,714)**

Share option reserve	
Balance at 1 January 2013 & at 31 December 2013	73,852
Merger reserve	
Balance at 1 January 2013 and at 31 December 2013	**637,500**

The merger reserve arises as a result of the acquisition of ValiRx Bioinnovations Limited and represents the difference between the nominal value of the share capital issued by the Company and the fair value of ValiRx Bioinnovations at the date of acquisition

11 Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
Loss for the financial year	**(2,520,066)**	(1,931,093)
Shares issued	**1,000,187**	2,932,298
Cost of share issue written off to share premium account	**(104,358)**	(191,062)
Other reserves movement	-	21,712
Net (depletion in)/addition to shareholders' funds	**(1,624,237)**	831,855
Opening shareholders' funds	**6,923,463**	6,091,608
Closing shareholders' funds	**5,299,226**	6,923,463

12 Related party transactions

During the year the Director, G Desler, provided the Company with bookkeeping services totalling £9,000 (2012 £9,000)

During the year the Director O de-Giorgio Miller invoiced the Company £24,750 (2012 £nil) for research and development work

During the year the Director, K Alexander, provided the Company with legal services totalling £9,199 (2012 £9,199)

At 31 December 2012, the Company was owed £nil (2012 £36,635) from Singapore Volition Pte Limited a subsidiary of VolitionRx Limited S Vainkka is a director of VolitionRx Limited

At the year end, the amounts owed to Directors included in trade creditors were as follows

	2013	2012
	£	£
G Desler	**18,109**	-
O de Giorgio-Miller	**15,000**	-
G Morris	-	3,744
S Vainikka	-	3,199
K Alexander	-	3,799