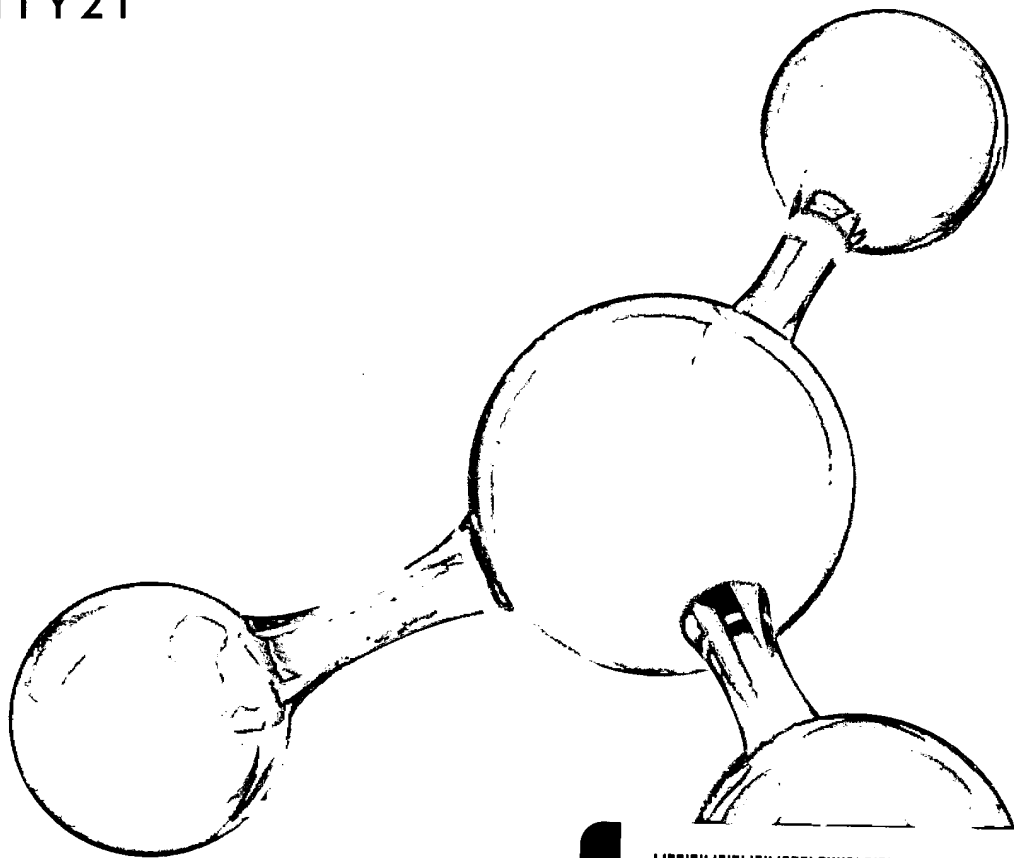


ANNUAL
**REPORT &
ACCOUNTS**
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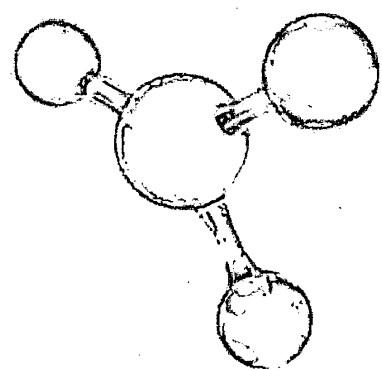
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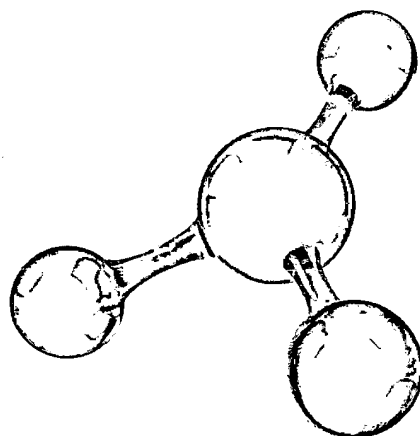


GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS

**AND AUDITED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2021**

FOR

VALIRX PLC



**CONNECTED
INNOVATION**

ValiRx Plc

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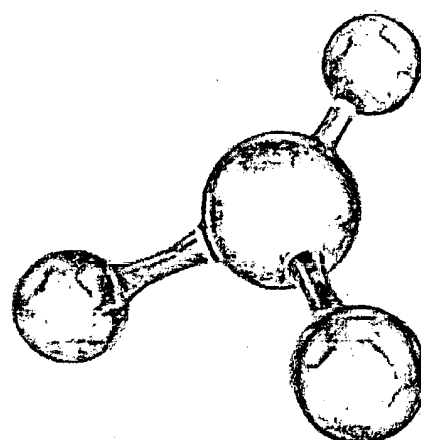
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ValiRx

COMPANY
INFORMATION



CONNECTED
INNOVATION

ValiRx Plc

CONNECTED INNOVATION
Company Information
for the year ended 31 December 2021



DIRECTORS:

K J Alexander
G Desler
M Lampshire
Dr S J Dilly
Dr K Cox

SECRETARY:

K J Alexander

REGISTERED OFFICE:

Stonebridge House
Chelmsford Road
Hatfield Heath
Essex
CM22 7BD

REGISTERED NUMBER:

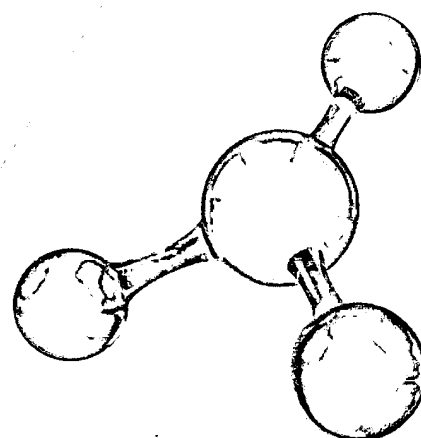
03916791 (England and Wales)

AUDITORS:

Adler Shine LLP
Chartered Accountants & Statutory Auditor
Aston House
Cornwall Avenue
London
N3 1LF



**STRATEGIC
REPORT**



**CONNECTED
INNOVATION**

2021 was a year of continued strategy evolution and the transition of ValiRx away from clinical development towards a pre-clinical development company with a dual purpose to progress pre-clinical collaborative projects and develop our revenue generating tCRO (translational Contract Research Organisation). We see this as a continuation of our theme of 'connected innovation' with the tCRO supporting the collaborative projects both financially and scientifically.

The company has made significant progress across three fronts through 2021:

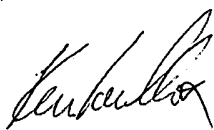
- out-licencing of clinical assets (Letter of Intent (LoI) to sub-license VAL201, active marketing of VAL401)
- building a pre-clinical pipeline of novel technologies in cancer and Women's Health (three projects under evaluation)
- creating a revenue generating and profitable tCRO

We were very pleased to sign the LoI for sub-licencing of VAL201 to TheoremRx Inc, a company we believe will bring the right level of expertise to progress the compound through later stage clinical trials. We also see TheoremRx as a prospective partner for assets in our pre-clinical pipeline. We continue to support TheoremRx in their scientific activities and look forward to a successful fund raise in the near future.

The interest in our novel approach to the translation of academic science has been particularly encouraging, and we are now engaging with a wide range of international institutions to identify new projects. The experience we have gained through working with academia further exemplified the need to bring industrial thinking to the challenges of technology translation, and illustrated the importance of collecting pre-clinical data that improves understanding of the underlying biology of new treatments. We believe the adoption of VAL301 into our pre-clinical pipeline will serve as an exemplar of our approach to pre-clinical development and provide a template for future studies.

A combination of factors, including the need for high-quality data generation, data analysis and interpretation, together with our experience of out-sourcing, led to the realisation that a new approach to pre-clinical development would benefit our internal collaborative pipeline and provide an opportunity to generate revenue by offering similar advanced services to the wider biopharmaceutical community. The outcome of this is our strategy to create a new type of CRO, focused on accelerating the process of translation, a tCRO.

The transition of our strategy has been actively supported by Cenkos and our other advisors. We are pleased to have been able to benefit from their expertise and extensive relationships with institutional investors, which has led to a broadening of our investor base and ongoing support in building value in ValiRx for the benefit of all shareholders.



Kevin Cox
Chairman

Date: 6 June 2022



ValiRx Plc

CONNECTED INNOVATION

Chief Executive's Report for the year ended 31 December 2021

2021 was a busy year.

For ValiRx, 2021 was a year to consolidate the stability gained over the previous twelve months, to draw to a close the outstanding clinical activities on the legacy assets, and to further evolve and commence implementation of our new strategic direction.

During 2021 we completed the evaluation of our first new pre-clinical project, KTH222 from Kalos therapeutics, but on reviewing the data and commercial prospects decided that was not sufficiently aligned with our ambitions. We terminated the agreement and have no further input or interest in this programme as announced on 27 May 2021. Our search for new preclinical projects continued.

Seeking projects in both oncology and diseases associated with Women's Health has led us to the realisation that while there is a wealth of early-stage oncology research coming out of universities, there is comparatively less in Women's Health.

Our conversations with universities have encompassed institutions from across the world and we were delighted to have confirmed evaluation agreements entered with both a London University, with a candidate for triple negative Breast Cancer, announced on 16 September 2021, and Hokkaido University in Japan for a programme for endometrial, pancreatic and bile duct cancers announced on 16 December 2021. Post-period we have also confirmed our signature of an evaluation agreement with Barcelona University in Spain for a KRAS project against uterine and pancreatic cancers announced 10 February 2022.

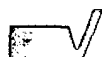
The global reach of our scientific reviews ensures that we are able to see a wealth of project opportunities and to seek those that really match our criteria and expertise.

These projects will be progressed throughout 2022 and if the evaluations are successful, the projects will enter full license agreements with dedicated subsidiary companies of ValiRx.

During 2021 substantial progress was also made towards partnering and moving on from our clinical stage projects. In January 2021, we submitted the Clinical Study Report from the clinical trial of VAL201 and moved to a stage of further analysis of the data and commercial development. Further analysis has been completed from a commercial viewpoint of considering the data with independent Key Opinion Leaders and an expert team on valuation benchmarking. Further scientific analysis has been carried out in collaboration with Physiomics, as announced on 15 February 2021, who have been considering the clinical data in conjunction with the historic preclinical data and the newly generated pre-clinical data generated across the VAL301 and BC201 projects.

Commercial development also advanced for VAL201 throughout the year, culminating in the signature of the Letter of Intent with TheoremRx Inc to sub-license the oncology use of the VAL201 peptide, announced on 2 November 2021. This detailed that ValiRx would receive near term payments and milestones of \$2M USD with a total of \$61M USD after successful launch to the market for the treatment of prostate cancer. \$37M USD is available in milestones for each additional oncology indication developed. A further announcement on the VAL201 sub-license was made on 20 December 2021 confirming that the license from Cancer Research technology to ValiRx for VAL201 had been updated to align with the TheoremRx expectations.

Corporate progress has continued, with Cenkos Securities announced as our new corporate broker on 25 August 2021, and substantial work has been carried out between Cenkos and ValiRx in the intervening period to ensure that the evolving strategy is ready for launch and providing support across all corporate functions.



ValiRx Plc

CONNECTED INNOVATION Chief Executive's Report for the year ended 31 December 2021

Outlook

2021 enabled us to continue building foundations of durability within ValiRx. Completing the VAL201 clinical trial, entering the Letter of Intent with TheoremRx to sub-license VAL201. The foundations of our renewed strategy were also strengthened with two evaluation agreements being entered for new pre-clinical projects and a further evaluation entered post period.

During 2022 we intend to build on these positions of strength by further developing our pipeline of new pre-clinical projects by bringing further assets into Evaluation, but also, as the first projects complete initial evaluation we anticipate at least one of these programmes moving to a full license and entering an appropriate subsidiary company during the year.

Our research strategy mitigates risks by ensuring that multiple programmes are assessed in a rolling programme of in-licensing, with new projects arriving across a range of oncology and disease associated with Women's Health and varying modalities of small molecules and synthetic peptide drug candidates, creating a risk balanced portfolio. Our strategy to run extensive scientific and commercial evaluations under resource-limited agreements provides further confidence before full in-licensing is contemplated.

Within 2022, ValiRx also intends to initiate the strategy to build our Translational Contract Research Organisation (tCRO), offering the Connected Innovation concept as a service to the wider industry. By acquiring our own laboratory facility and using that as the baseline for integrating further technologies and services, we will be able to present ourselves as a revenue generating, expert facility for high quality, high impact science.

We anticipate that the build phase of the tCRO will commence in 2022, and will require additional personnel to be recruited into ValiRx to ensure the breadth of acquisition and integration skills are available to the Company. Further project management expertise may also be required to support the subsidiary companies developing the in-house pipeline should the evaluation projects prove successful.

Financial overview

Our financial results show the total comprehensive loss for the year ended 31 December 2021 of £1,518,212 (2020: £1,443,248) and a loss per share of 2.34p (2020: Loss - 3.81p).

Research and developments costs were £303,789 for the year ended 31 December 2021 as compared to £230,115 in 2020, an increase of £73,674. In addition, total wage costs of £216,237 (2020: £118,754) were expended on research and development during the year.

Administrative expenses were £1,216,391 (2020: £1,276,619 before loss on disposal of intangible assets of £154,968) for the year ended 31 December 2021 a decrease of £60,228.

I would like to thank the staff and Board members for all their contributions and shareholders for their continued support. We look forward to implementing our evolving strategy while continuing to maintain our culture of openness and transparency to all stakeholders.



Dr S J Dilly
Director

Date: 6 June 2022



ValiRx Plc

CONNECTED INNOVATION Group Strategic Report for the year ended 31 December 2021

The Directors present the strategic report and financial statements for the year ended 31 December 2021.

Company information and highlights

ValiRx accelerates the development of treatments in cancer and Women's Health to improve patient lives.

We provide the scientific, financial and commercial framework to enable the rapid translation of innovative science into clinical development. With our extensive and proven experience in research and drug development, we select and incubate promising novel drug candidates and guide them through an optimised process of development, from pre-clinical studies to clinic and investor-ready assets.

Building on our experience in pre-clinical drug development, we have assessed options to create an integrated translational Contract Research Organisation (tCRO) to offer connected innovation services to the wider pharmaceutical and biotech industry, as well as supporting in-house programmes.

Strategy and Vision

Our therapeutic focus prioritises cancer, related conditions and diseases associated with Women's Health. The pipeline is enriched by robust partnerships with academia and industry, fuelled by our intellectual and financial resources.

The need for scientific advances in Women's Health is increasingly recognised and new laboratory and data handling techniques are becoming available that have the potential to improve our understanding of the biological differences between men and women and improve clinical development.

Every Datapoint Counts

Experience from ValiRx's own studies suggests that employing state-of-the-art testing methods, data collection and analysis will generate a detailed understanding of the activity of a drug candidate in, for example, a cell. The practical and expert application of the enhanced pre-clinical data output has the potential to significantly improve clinical trial design and de-risk an asset for external partnering.

Business Structure

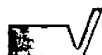
Currently operating as a virtual biotech company, ValiRx has assessed options to bring pre-clinical testing services in-house, possibly through the acquisition of a laboratory facility, and invest in advanced data analysis and data implementation technologies, operating to optimally process our own pipeline and offering an integrated service to external parties to generate revenues.

This laboratory, together with new testing services, could serve as the foundation of a novel Translational Contract Research Organisation (tCRO), enabling our in-house pipeline growth to be supported through both the revenues generated and the expertise within the laboratory team. The tCRO is anticipated to operate as a wholly-owned ValiRx subsidiary.

We will continue to seek collaborations with academic innovators in oncology and women's health and build a risk-balanced pre-clinical pipeline for future out-licencing.

The Group retains the following divisional companies:

1. **ValiPharma**
2. **ValiSeek:** a joint venture company with Tangent Reprofile Limited (a SEEK group company) holding the IP for VAL401.



ValiRx Plc

CONNECTED INNOVATION Group Strategic Report for the year ended 31 December 2021

The company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange in October 2006.

Impact of coronavirus pandemic on company operations

Despite the profound impact of the coronavirus pandemic on society as a whole and the restrictions placed on person-to-person interactions, ValiRx has been able to continue operations with minimal impact on core programmes and processes.

Attending industry partnering conferences virtually has enabled the team to continue to meet academic teams from across the world, to engage in scientific and commercial discussion unhindered by travel restrictions.

Although shareholder events have been unable to take place in-person, the Company has embraced the digital platforms, with shareholder events being held with a range of providers including Investor Meet Company and BRR Media. Following the successful launch of our shareholder communications programme last year, feedback was sought on the format for future events, and a schedule of quarterly Live Q&A sessions now replaces the monthly written Q&A, FAQs remain available and are regularly reviewed and updated on our website.



THERAPEUTIC AREAS

Women's Health

Diseases associated with Women's Health are one of our key focus areas for in-house pre-clinical research. The discussions with Universities across the world, typically identify a wealth of opportunity in oncology, including female-centric oncology, such as the gynaecological cancers. However there is a clear dearth of innovative research ready for translation in other areas of Women's Health.

The VAL301 project is a good example of a drug candidate for Women's Health. Initially developed as a subset of the VAL201 programme for the treatment of men with prostate cancer, the overlap in biological mechanisms, i.e the prevention of hormone stimulated cell proliferation, also affords the potential for the peptide to be a candidate for the treatment of endometriosis. Endometriosis is not a cancerous condition, but is characterised by benign, inappropriate growth of hormone dependent tissue.

Candidates for the treatment of conditions such as endometriosis, along with Poly Cystic Ovary Syndrome (PCOS) and symptoms of menopause clearly all fall into our target area of Women's Health. Most drug candidates are optimised for dose levels, tolerability, pharmacokinetics and drug metabolism during early-stage clinical trials, initially in healthy volunteers for Phase 1 and then typically in carefully selected patients in Phase 2. The vast majority of patients recruited for these early-stage trials are either women who are post-menopausal or men unless there is a strong rationale explained to the regulators to include younger women (for example if the disease only occurs in young women) and a technique to avoid risk to an unborn child.

Although it is now widely acknowledged that pre-menopausal women can respond very differently to drugs in comparison to both men and post-menopausal women, drugs are still routinely clinically optimised for men. This results in a higher than necessary clinical risk during Phase 3 clinical trials, when the drug is provided and tested in a much broader range of patient volunteers, as the women now being included may display unexpected tolerability or lack of efficacy purely due to the gender-specific optimisation process.

Although the rationale for these restrictions was well founded, in particular in the light of the damage to unborn children of thalidomide, the technologies to better understand a drug candidate's potential for reproductive toxicological impacts, as well as better

monitoring of women within early-stage clinical trials - including very early pregnancy detection methods - enables these restrictions to be reconsidered.

Within our category of research for Women's Health, we are considering drug candidates for treatment of conditions that can affect both men and women, but that either have a bias towards women (for example auto-immune conditions such as Lupus and Auto-immune Hepatitis) or have a recognised treatment that is optimised for men but remains sub-optimal for women (such as anti-coagulants where many persist for longer in women than in men, causing increased risk of side effects).

Endometriosis

Endometriosis is a gynaecological medical condition in which cells from the lining of the uterus (endometrium) appear and grow outside the uterine cavity. This growth fluctuates in a pattern alongside the menstrual cycle, under the influence of female hormones.

These misplaced endometrial-like cells are influenced by hormonal changes and respond in a way that is similar to the cells found inside the uterus; hence symptoms often worsen with the menstrual cycle.

The treatments chosen will depend on symptoms, age, and lifestyle plans, currently centring around pain relief and hormone suppression; the latter leading to potential infertility and bone weakening side effects.

VAL301 in endometriosis

VAL301 presents an opportunity to suppress hormone-driven cellular growth in the absence of outright hormone suppression. By interrupting only the hormone driven cell growth while sparing the other hormone activities, the infertility and related side effects are expected to be avoided.

Currently in pre-clinical testing by ValiRx, this theoretical benefit will be investigated in future trials.

THERAPEUTIC AREAS

Cancer

ValiRx is focused on developing treatments for difficult-to-treat types of cancer that extend survival and improve patient experience. Traditional approaches, such as chemotherapy, extend patient survival but also bring high side effect burdens and complex combination treatment regimens.

Whilst individualised treatments and target therapies have improved outcomes for some types of cancer, many types of cancer have insufficient treatment options and rely on drugs that have remained unchanged for decades.

By targeting precise biological mechanisms, we aim to improve the patient experience in terms of both survival and quality of life.

Clinical Assets (to be out-licensed)

VAL201 in prostate cancer

VAL201 is a short peptide being studied for the treatment of prostate cancer. The peptide structure is inspired by the structure of the naturally occurring androgen receptor and is designed to intercept and prevent the binding of the androgen receptor to SRC kinase; an enzyme implicated in cancerous cell growth pathways. By preventing the androgen-mediated activation of SRC kinase, VAL201 can prevent cancerous cell proliferation (or growth) without interfering with other functions of the androgen receptor or SRC kinase. This precision method, mimicking a natural process, proposes a high specificity of cancer treatment, with a lower side effect profile.

VAL201 has completed a Phase 1/2 clinical trial in the UK, investigating the effects of different dose levels of the drug to establish the safety, tolerability and first indications of disease impact. VAL201 is the subject of a Letter of Intent to sub-license to TheoremRx Inc. This sub-license covers the use of the VAL201 peptide for all oncology usage, and is expected to generate income of approximately \$2M USD over the next two years and up to \$61M USD plus royalties if the project is successfully launched for the treatment of prostate cancer. Further milestone payments are expected of over \$37M USD if VAL201 is used for additional oncology indications. Finalisation of the sub-license is subject to a successful fund raise by TheoremRx, targeted to be completed before end-June 2022.

VAL401 in adenocarcinoma

VAL401 is the reformulation of the established anti-psychotic drug risperidone. Formulated into a lipid-filled capsule for oral, once daily administration, VAL401 enables an anti-cancer activity, via cancer cell metabolism enzyme, Hydroxysteroid-dehydrogenase type 10 (HSD10), not seen with conventional risperidone. VAL401 has completed a pilot Phase 2 clinical trial, treating patients with end-stage non-small cell lung cancer. These patients demonstrated a statistically significant improvement in overall survival from diagnosis over case-matched control patients in the same clinics; and showed improvements in quality of life during treatment.

Identifying quality of life improvement in nausea, pain and appetite, has identified pancreatic adenocarcinoma to be a preferred disease to assess in the next clinical trial of VAL401.

VAL401 is currently undergoing a sustained out-licensing effort to identify a partner to complete the clinical development programme.

THERAPEUTIC AREAS**Pre-clinical Projects Under Evaluation**

Prior to in-licensing projects in full, ValiRx carries out a rigorous scientific and commercial evaluation programme on the project at its own expense. During the evaluation period (typically 6-12 months) ValiRx is able to assess whether the project is a good fit for the pre-clinical pipeline. If the evaluation is a success, a full license will be executed with the innovator and the asset will be incorporated into a dedicated SPV, most likely a ValiRx subsidiary.

The scientific assessment typically consists of a range of cell-based assays to understand the biology and demonstrate the mechanism of action of the lead drug candidate; and to determine the disease area of highest potential for further development.

The projects currently under evaluation are detailed below, including 2022.1 agreed as a post period event.

Project	Originator	Disease	Molecule	Date Evaluation Agreement started
2021.1	Undisclosed London University	Triple Negative Breast Cancer	Undisclosed	16 September 2021
2021.2	Hokkaido University (Japan)	Endometrial, Pancreatic and Bile Duct Cancers	Peptide	16 December 2021
2022.1	Barcelona University (Spain)	Uterine and Pancreatic Cancers	Peptidomimetic KRAS binder	10 February 2022

BC201 in Covid-19

Coronavirus SARS-CoV2 is the causative pathogenic virus of Covid-19. This highly contagious virus causes Acute Respiratory Distress Syndrome (ARDS) in many patients, which can lead to hospitalisation and death. The pandemic was declared in March 2020, and the world is now fully aware of the prevalence and serious nature of the virus.

Patients displaying ARDS can respond well to supportive treatment including administration of positive pressures of oxygen, however, despite this, a proportion still go on to experience more severe symptoms.

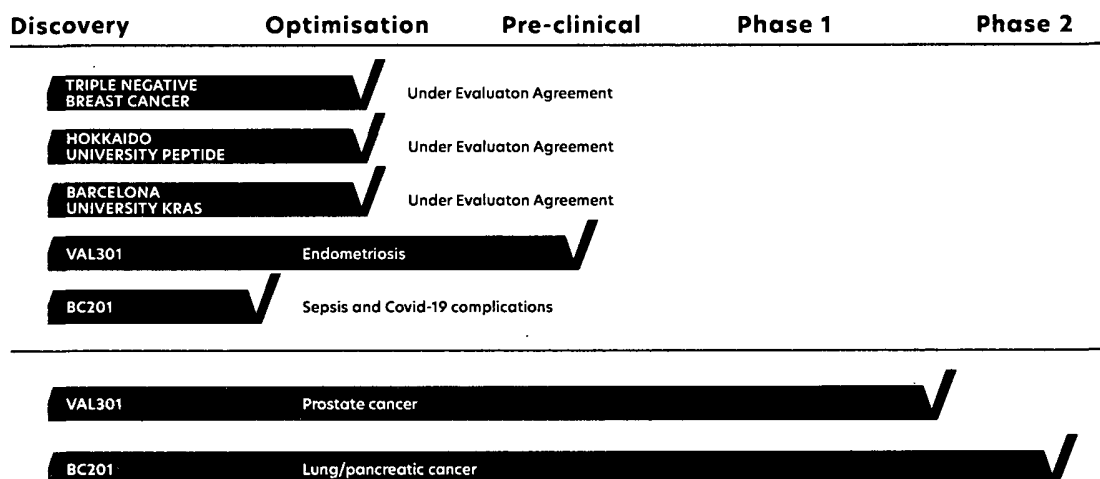
These symptoms are believed to be caused by the significant, multi-organ damage that can be caused by an excessive response of the immune system, even after the viral infection has reduced. This is known as a hyperimmune response.

BC201 is a combination of the peptide ingredient of VAL201/VAL301 with complementary active components to dampen this excessive immune response and consequently improve severe symptoms of Covid-19.

The theoretical action of the peptide is two-fold: by blocking the Androgen Receptor mediated activity of SRC Kinase, the peptide is postulated to down-regulate the expression of TMPRSS2 a transmembrane protein believed to be required for Coronavirus cell entry; and by directly dampening the immune response.

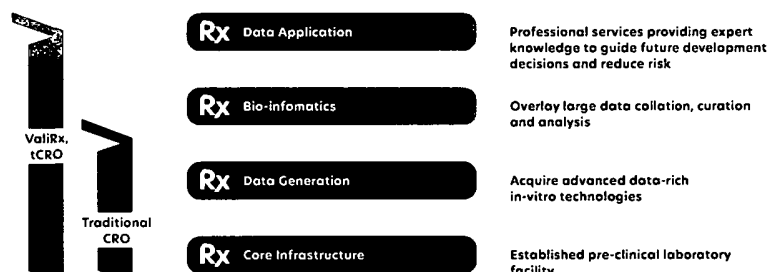
SUMMARY OF THE CURRENT DEVELOPMENT PIPELINE

Current Pipeline



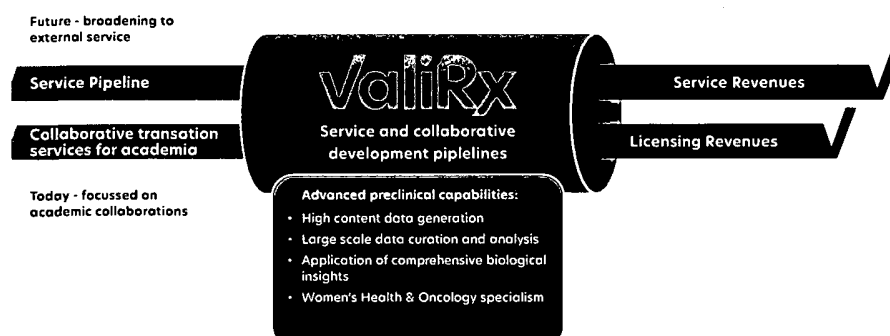
Currently operating as a virtual Biotech Company, ValiRx out-sources all testing of current evaluation and pre-clinical projects to a wide range of external contract research organisations (CROs). The Company is of the view that this fragmented approach to early-stage drug development is non-optimal and is assessing options to acquire capabilities and infrastructure to create a more efficient and effective translational drug development service.

Strategy - a consolidation opportunity



Operating as a wholly owned subsidiary company, the integrated services would be used for both in-house projects and offered to third parties, such as the increasing number of innovative biotechnology companies. The revenue generated from providing pre-clinical development services would enable continued investment in advanced testing and analysis technology and support the progression of ValiRx in-house pipeline projects.

Translational Drug Development



ValiRx Plc

CONNECTED INNOVATION

Group Strategic Report
for the year ended 31 December 2021

Management Team and Board Overview

ValiRx comprises a multi-disciplinary team of scientists, technologists and business leaders, committed to providing the framework required for successful drug development. Collaboration is the key to making this happen; each member of the ValiRx team plays a vital role in the strength and success of company programmes, which are focused on achieving the improved outcomes and quality of life for patients, in the most effective and efficient way.

Board



Dr Suzanne Dilly

Chief Executive Officer (Appointed June 2020)

Suzanne is an experienced entrepreneurial scientist. After commercialising her Chemical Biology post-doctoral research in the University of Warwick spin-out, a2sp Limited, Suzanne was awarded a prestigious Royal Society of Edinburgh Enterprise Fellowship, during which formal commercial and entrepreneurial training completed her transition from lab to boardroom.

Completing commercial transactions to progress projects through multiple companies, Suzanne has had executive and leadership roles in biotech companies since 2006.



Dr Kevin Cox

Non-Executive Chairman (Appointed June 2020)

Kevin has over 25 years' experience in the life science industry. Serving as CEO of high growth biotechnology businesses, he has extensive experience in strategy, corporate development, M&A, financing and joint ventures. With a passion for improving translational science, Kevin has strong links to government, funding bodies and academia, and has contributed to a number of public sector advisory committees.

Kevin currently has non-executive roles with Biorelate Limited, the British Neuroscience Association and Biotaspheric Limited.



Mr Gerry Desler

Chief Financial Officer

Gerry is a chartered accountant, who qualified in 1968 with a City firm, before becoming a partner (1970) and Senior Partner (1985). During his time in the City, he has specialised in consultancy work, much of it involving funding and venture capital.

Gerry was previously the Finance Director of Premier Management Holdings plc, an AIM listed company and is on the board of a number of private companies. Gerry also held the position as Company Secretary at the AIM listed company Prospex Energy PLC.



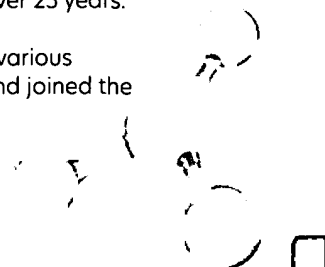
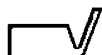
Mr Kevin Alexander

Non-Executive Director

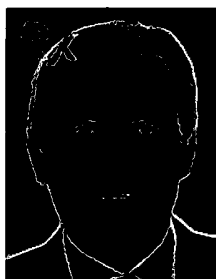
Kevin is a qualified solicitor in England and an attorney in New York and he was a partner at major law firms in both London and the United States for over 25 years.

Since leaving the law he has been involved in forming and managing various businesses, both private and public. Kevin is a director of ValiRx Plc, and joined the board in September 2006.

He has an MA in law from Cambridge University.



Management Team and Board Overview



Mr Martin Lampshire

Non-Executive Director (Appointed May 2020)

Martin started his career in Lloyds Bank's Commercial Services division in 1989 after completing the ACIB qualification. He has over thirty years' experience in Corporate Broking, assisting in a variety of equity raises including IPOs, secondary fundraisings, vendor and private placings across a variety of sectors.

He has also worked in a number of overseas financial centres including Hong Kong, Singapore, Kuala Lumpur and Dubai. Martin is currently an Executive Director of Global Resources Investment Trust Plc and a Non-Executive Director of Bould Opportunities Plc.



Mr Mark Treharne

Corporate Development Manager

Mark began his career in the City in 2011 and has worked in Corporate Broking and Equity sales working for numerous different firms including Daniel Stewart, Northland Capital Partners and Pello Capital.

His role includes enhancing the reputation of the Company within the City and working closely with City firms to identify new therapeutic assets to incorporate into the ValiRx portfolio.



Mr Kumar Nawani

Head of Operations

Kumar has been working over 20 years in international trade, client & vendor management, business development, brand development, e-commerce, procurement, IT management & compliance roles with established public and private companies in the UK and previously in Hong Kong.

Kumar has been with the ValiRx Group since January 2008 as an active member of the ValiRx management team.

ValiRx Plc

CONNECTED INNOVATION Group Strategic Report for the year ended 31 December 2021

Scientific Advisors

ValiRx retains the services of a core team of scientific advisors to provide expert opinions on all pipeline projects in a wide range of therapeutic areas. A Science Advisory Board (SAB) has been established, which meets quarterly to critically review all projects and identify future trends in biomedical research, in addition to holding meetings with individual members of the ValiRx team in between.

The core team of advisors is summarised below, additional consultancy from other individuals is obtained as required:

Dr Wilson Caparrós-Wanderley *(Independent Consultant)*

Dr Wilson Caparrós-Wanderley is a pharmaceutical executive with 25 years' experience in biomedical R&D. He obtained a first degree from the University of Barcelona and a PhD from the University of London. Upon receiving his PhD in the 90's, he completed postdoctoral fellowships at King's College London and Imperial College before moving to industry. During this time, he worked on viral vaccines, gene therapy vectors, cancer treatments and immunomodulatory therapies.

In the mid 2000's Dr Caparrós-Wanderley was appointed Chief Scientific Officer of PepTcell Ltd (later the SEEK Group). During his 11-year tenure as CSO, he oversaw the expansion and progression of the company's intellectual property into viable vaccine, respiratory and oncology therapies. At the time of his leaving SEEK in 2015, the company had two pharmaceutical products in the market and several others in late stage of development. Dr Caparrós-Wanderley has authored multiple patents, scientific articles and book chapters and has been an invited speaker at conferences and WHO events.

He is currently acting as a consultant to the biopharmaceutical industry.

Dr Mark Eccleston *(OncoLytika Ltd)*

Dr Mark Eccleston is an enthusiastic and passionate biotechnology entrepreneur with over 25 years experience in the sector, both in academia and industry. He holds a PhD in Polymer Chemistry and worked on a range of translational research projects focussed mainly on non-viral gene delivery.

Mark is the founder and Managing Director of OncoLytika Ltd, a technical consultancy company operating mainly in the biotechnology and pharmaceutical sector. OncoLytika has an excellent track record raising soft funding (UK and EU) for internal projects and client companies including internationally located private and public limited companies across the diagnostics and therapeutic sectors as well as academia.



ValiRx Plc

CONNECTED INNOVATION **Group Strategic Report** **for the year ended 31 December 2021**

Scientific Advisors

Dr Christophe Chassagnole (Physiomics PLC)

Dr Christophe Chassagnole is a Biochemist and Systems Biologist (Pathway modelling) by training. After completing his PhD, he had a couple of academic position in metabolic engineering, before joining Physiomics in 2004, where he is leading the science and overseeing customer projects. Physiomics provides consulting services in PK/PD and other mathematical modelling including to large pharmaceutical companies.

For ValiRx, Physiomics have performed two large projects, which have also included working with Mark Eccleston during his historic position at ValiRx:

- Systems biology project (apoptosis model) to validate potential GeneICE target (Go/No Go decision).
- PK/PD modelling to support VAL201 development, initially pre-clinical modelling and first in man dose prediction, project has resumed with availability of clinical data.

Professor Paul Taylor (University of Leeds)

Professor Paul Taylor is part of the Chemical Biology & Medicinal Chemistry research group and a member of the Astbury Centre for Structural Molecular Biology at the University of Leeds.

Paul is also a Pro-Dean in the Faculty of Engineering & Physical Sciences. He is an experienced leader in Higher Education where he seeks to build effective, collaborative teams to drive innovation.

Paul's research career is marked by transdisciplinary, collaborative projects and he has published widely with colleagues from Biological Sciences, Engineering, Medicine and Social Sciences as well as within his core discipline of Chemistry. Paul's current research interests include molecular evolution and cancer therapy, where he uses a combination of computational and experimental approaches.

Commercial Advisors

ValiRx has also formed a Commercial Advisory (CAB) which considers the strategic direction of the Company. The make up of this board is not fixed and additional members will be included as required. Current CAB members are:

Dr Andrew Carnegie (Infinity BiologiX)

Mr Jerry Randall (Venture Life Group)

Dr Mark Eccleston (OncoLytika Limited)



ValiRx Plc

CONNECTED INNOVATION Stakeholder Engagement and Communications

ValiRx maintains a strong communication process to standardise and improve shareholders' experience of communicating with the Company.

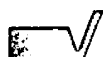
The Board recognises the importance of effective and timely communication with all stakeholders, including shareholders, investors, innovators and staff. The business and science of biomedical development can be complex and difficult to articulate in a clear and concise way through regulated channels. The Company understands and encourages the desire of shareholders to ask questions about scientific or corporate progress and is mindful of the need to ensure all shareholders have fair and equal access to information about the Company, as required by the AIM Rules and the Market Abuse Regulations.

During 2021, shareholders were consulted on their preferred method of communication, and expressed a preference for quarterly webinar-based Q&A sessions, replacing the previous written monthly Q&A publications.

These quarterly events are scheduled to continue during 2022.

ValiRx also maintains a current list of Frequently asked Questions (FAQs) on the Company website.

A link to the latest FAQs can be found here: **www.valirx.com/shareholder-communications**



SECTION 172(1) STATEMENT

Each Director is required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so are required to have regard for the following:

- the likely long-term consequences of any decision;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

In 2018, the Company adopted the Corporate Governance Code for Small and Mid-Sized Quoted Companies from The Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Company's size and stage of development. In the Corporate Governance Report, on page 24 are comments regarding the application of the ten principles of the QCA Code. Some s.172 considerations are addressed in more detail in the Corporate Governance Report.

The Board considers the Company's major stakeholders to include employees, suppliers, partners and shareholders. When making decisions, the interest of each stakeholder group individually and collectively is considered. Certain decisions require more weight attached to some stakeholders than others and while generally seeing the long-term interest of the shareholders is of primary importance, the Directors consider those interests are best served by having regard to the interests of the other key stakeholder groups and, in fact, to all the s. 172 considerations.

Long-term value

The aim of all business resources allocation is to create long-term value through the management of a balanced but dynamic portfolio of pre-clinical projects for development towards clinical readiness and partnering.

The Chief Executive's Report on page 6 describes the Company's activities, strategy and future prospects. Some s. 172 considerations are also addressed in the Chief Executive's Report, including the considerations for long term strategic development.

Our people

It is imperative that the core team has the right breadth of experience to manage all facets of early drug development, including scientific, commercial and operational considerations. The Company has and will continue to ensure appropriate training and engagement of employees to ensure successful delivery of the strategy. Effective project management processes will be employed so that all employees are clearly aware of the role they play in achieving the business objectives. As the number of employees grows, potentially through acquisition, the Company will ensure that relevant processes and procedures will be extended for the benefit of all staff.

ValiRx Plc

CONNECTED INNOVATION Group Strategic Report for the year ended 31 December 2021

Business relationships

As ValiRx evolves from a wholly virtual drug developer to an integrated translational CRO, it is essential the Company continues to maintain good relationships with its suppliers by taking a collaborative approach and abiding by commercially acceptable business terms that benefit all parties.

Community and environment

At present, the Group's impact on the community and the environment is modest but the Board endeavours to ensure that the business and suppliers act in an ethically and in an environmentally conscious manner. The Board intends to continue to minimise unnecessary travel as restrictions are lifted. The Company is also committed to the 3R's principles in all its pre-clinical studies.

Business conduct

The Board recognises its responsibility for setting and maintaining a high standard of behaviour and business conduct. The Company operates within the QCA Code framework and complies with all relevant regulatory requirements for developing new treatments for human use. The Company maintains a suite of standard operating procedures (SOPs) that describe the management system. All employees are trained regularly on these procedures. All material information is disseminated through appropriate channels and is available to all stakeholders through the Company's corporate presentations, news releases and website, **www.ValiRx.com**. This is described in more detail in the Corporate Governance Report Principle 8.

Shareholders

The Directors are committed to treating all shareholders equally. As part of its decision-making process, the Board considers the interests of shareholders as a whole. All shareholders are provided with equivalent information through RNS announcements, and the ValiRx website. The Company has also introduced a quarterly Q&A process with shareholders to help improve clarity of business activities in a timely manner. For more information see Principles 2 and 3 in the Corporate Governance Report.

PRINCIPAL RISKS AND UNCERTAINTIES

ValiRx is a biopharmaceutical development Company and, in common with other companies operating in this field, is subject to a number of risks and uncertainties. The principal risks and uncertainties identified by ValiRx for the year ended 31 December 2021 are below.

Risk Area	Description	Mitigation
Research and development	The Company has embarked on a new R&D strategy to develop pre-clinical assets and may not be successful in building a balanced pipeline of product candidates for subsequent out-licencing.	High levels of business development activity to identify a range of promising candidates. Rigorous assessment and selection processes for any candidate entering the development pipeline. Effective project management processes and stage-gates to review suitability for further development and eventual out-licencing. The Company utilises a range of external scientific, regulatory and clinical experts to help guide its development programmes. The progress of the development programmes and identification of commercial partners for clinical development represents the best indicator of performance.
Creating the tCRO	The Company's strategy has recently evolved to include the creation of a tCRO with high growth potential to generate income and (in-part) provide financial support to progress the internal pre-clinical development pipeline. It is intended that the tCRO will be built largely through a buy and build strategy. The Company recognises the specific risks associated with creating the tCRO, which include: - An inability to raise funds to acquire relevant companies and technologies - A lack of suitable acquisition candidates - Ineffective integration of acquired companies - Failure to achieve the desired growth rates - Longer than expected time scales to generate income and cover the cost of the internal development pipeline	ValiRx will only seek to acquire companies and technologies that add value to the tCRO concept and offer the opportunity for synergistic growth. The Company will employ experienced advisors when necessary to support all stages of the acquisition, including fund raising, deal structuring, integration, and growth delivery. The ValiRx core team will also be strengthened to support the growth strategy alongside development of the collaborative development pipeline.
Commercial (current clinical programmes)	Failure to complete out-licencing of current clinical projects on acceptable commercial terms. The strategic shift towards projects at an earlier stage means that ValiRx will no longer lead and fund clinical studies. VAL201 and VAL401 will require out-licencing partners for continued development. The cash required to continue development of the pre-clinical pipeline is greater than can be generated from the tCRO.	The Company is vigorously pursuing all business development avenues to identify out-licencing options. It is expected that out-licencing of VAL201 and VAL401 will provide additional reserves to support the new strategy. The Company will maintain an efficient overhead structure to minimise non-productive costs. Creation of the TRO provides an opportunity for service revenues to enter the ValiRx cash flow. The pre-clinical development pipeline will be balance to ensure cash demands are commensurate with that generated from the tCRO.

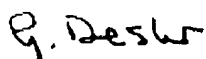


ValiRx Plc

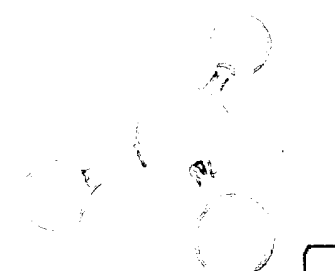
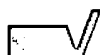
CONNECTED INNOVATION Group Strategic Report for the year ended 31 December 2021

Risk Area	Description	Mitigation
Regulatory	The Company's operations are subject to laws, regulatory approvals and certain governmental directives, recommendations and guidelines relating to, amongst other things, product health claims, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury, environmental protection and human clinical studies. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Company.	The Company manages its regulatory risk by working closely with its expert regulatory advisors and, where appropriate, seeking advice from bodies on regulatory risk relevant to the Company's programmes and activities.
Intellectual property	The Company's success depends on its ability to obtain and maintain protection for its intellectual and proprietary information. Patent applications may not be granted, and existing patent rights may be successfully challenged and revoked.	The Company invests in maintaining and protecting its intellectual property to reduce risks over the enforceability and validity of patents. The Company works closely with its legal advisors and obtains where necessary opinions on the intellectual property landscape relevant to all programmes and activities.
Operational	The Company's development and future prospects depend to a significant degree on the experience, performance and continued service of its senior management team, including the Directors. The unplanned loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance.	The Company has invested in its management team at all levels. The Directors also believe that the senior management team is appropriately structured for the Company's size and is not overly dependent upon any particular individual. The Company has entered into contractual arrangements with these individuals with the aim of retaining their ongoing commitment.
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.	The Group recognises its responsibility towards the environment and in the way it conducts its business. It works closely with all its expert scientific advisors to ensure its compliance with environmental legislation and to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations.

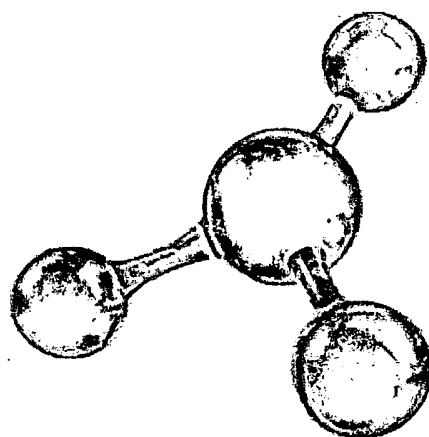
ON BEHALF OF THE BOARD:



G Desler
Director, Chair Audit and Risk Committee
Date: 6 June 2022



GOVERNANCE



**CONNECTED
INNOVATION**

The Board recognises that good corporate governance is essential to building a successful business that is sustainable for the long term.

The Corporate Governance Statement that follows, explains how our governance framework works and how the Company has applied the 10 principles of the QCA Code this year.

Corporate Governance Statement

The Board has adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code). The Board believes that this Code provides an appropriate and suitable governance framework for a Group of our size and complexity.

We believe the Company is in full compliance with each of the 10 principles of the Quoted Companies Alliance Corporate Governance Code (QCA Code) and that our governance framework ensures that the Company operates effectively and with integrity. In 2021, the Company continued a number of organisational and strategic changes that re-defined its purpose, values and culture. All changes were implemented in full compliance with the principles of the QCA Code.

Principle

How Company complies

1. Establish a strategy and business model which promote long-term value for shareholders

ValiRx is a biopharmaceutical company focused on developing novel medicines to bring more advanced therapeutic options for the treatment of cancer and improve patient experience.

Long term value for shareholders is driven by the development of an in-house pipeline of pre-clinical drug candidates in the areas of oncology and Women's Health. By developing these to clinic-ready status and seeking a partner, ValiRx aims for early value creation and minimisation of risk through our diversified pipeline. This strategy is now developing further to consider acquiring pre-clinical testing capabilities that will benefit the in-house pipeline and also generate income from external drug developers by creating a translational Contract Research Organisation (tCRO). Longer term, we expect this strategy will lead to higher growth and reduced cash requirements.

2. Seek to understand and meet shareholder needs and expectations

The Board is accountable to shareholders and other stakeholders and is ultimately responsible for the implementation of sound corporate governance practices throughout the Group. Our Board of Directors is committed to ensuring that the Group adheres to high standards of corporate governance in the conduct of its business.

The Board attaches considerable importance to providing shareholders with clear and transparent information on the Group's activities, strategy, and financial position. Details of all shareholder communications are provided on the Company's website - www.valirx.com.

Private shareholders currently constitute the main body of investors in ValiRx. As such, the Board regards regular and interactive meetings as a good opportunity for shareholders to seek clarity on the Group's activities. Virtual Q&A sessions are now held on a regular basis. The annual general meeting provides an additional opportunity for shareholders to meet and discuss the Group's business with the Directors. Announcements on the Group's half and full-year results are found on the website and present all shareholders with an assessment of the Group's position and prospects. Shareholders vote on each resolution, by way of a poll. For each resolution we announce the number of votes received for, against and withheld and subsequently publish them on our website.

Principle

How Company complies

The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. The Chairman and Chief Executive Officer make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. We communicate with institutional investors frequently through a combination of formal meetings, roadshows and informal briefings with management.

The majority of meetings with shareholders and potential investors are arranged by the Company's broker. Following meetings, the broker provides feedback to the Board from all fund managers met, from which sentiments, expectations and intentions may be gleaned.

In addition, we review analysts' notes to achieve a wide understanding of investors' views.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards employees, partners, customers, suppliers, and the patients who ultimately benefit from its research and drug development programmes. Our corporate social responsibility approach continues to meet these expectations. The Board also understands that it has a responsibility to take into account, where practicable, the social, environmental and economic impact of its approach.

Responsibility for the Company's corporate activities lies with the Senior Management Team ('SMT') who set the Group's strategic approach and develop key policies. The Company engages with stakeholders through a number of channels, which include shareholder communications via the Regulatory News service ('RNS'), the Company's website and its Annual Report & Accounts, results presentations and the Annual General Meeting and via interviews in the broadcast media and attendance at investor shows around the country.

Corporate communication and shareholder engagement through these channels not only gives shareholders a deeper insight into and understanding of the Company's activities and of its development, but it also invites feedback, either face-to-face at such meetings or via email, on how the Company can improve its communications with stakeholders to better support their needs. By so doing, such engagement enables the SMT to more effectively work with stakeholders in the future to their mutual advantage. The Board receives formal feedback from the SMT on a quarterly basis on the nature of interaction with the stakeholders they meet during each period.

The SMT comprises the Chief Executive Officer and the Chief Financial Officer who take leading roles in key strategic areas such as Gender, HR, and Environmental Management. The SMT is also responsible for ensuring global compliance with key internal and external policies including:

- Anti-human trafficking and slavery policy
- Diversity policy
- Anti-corruption and bribery policy
- Whistleblowing policy
- UK modern slavery act

Principle

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

How Company complies

An important aspect of risk management is to put in place and consistently work according to unambiguous Standard Operating Procedures (SOPs). A SOP is a compulsory instruction to carry out a series of operations correctly and always in the same manner, avoiding deviations or non-conformances to ensure that the integrity of scientific investigations and drug manufacture are consistently maintained.

ValiRx operates an internal Quality Management System (QMS) comprising 14 SOPs to comply with the most stringent quality standards expected of a drug development company. Furthermore, the Company regularly audits its suppliers to ensure the manufacturing process, quality process, and the drug's shipment process all conform to the standard required.

5. Maintain the board as a well-functioning, balanced team led by the chair

Board Composition

The Board currently consists of one Executive Director, a Non-Executive Chairman, the Chief Executive Officer and two Non-Executive Directors. Collectively the Board has broad scientific, financial, legal, and business experience necessary to advance the Company and apply corporate governance best practices.

The Board is satisfied with its composition and the balance between Executive and Non-Executive Director(s). These are:

Dr Kevin Cox (Non-Executive Chairman)
Dr Suzanne Dilly (Chief Executive Officer)
Gerry Desler (Executive Chief Financial Officer)
Kevin Alexander (Independent Non-Executive Director)
Martin Lampshire (Non-Executive Director)

Role of the CEO

- Leads and manages the day-to-day running of the Group's business in accordance with the business plans and within the budgets approved by the Board;
- Leads the management to ensure effective working relationships with the Board by meeting or communicating on a regular basis to review key developments, issues, opportunities and concerns;
- Develops and proposes the Group's strategies and policies for the Board's consideration;
- Implements, with the support of the management team, the strategies and policies as approved by the Board and its committees in pursuit of the Group's objectives;
- Maintains regular dialogue with the Chairman on important and strategic issues facing the Group, and ensures bringing these issues to the Board's attention;
- Ensures that the management gives appropriate priority to providing reports to the Board which contain relevant, accurate, timely and clear information necessary for the Board to fulfil its duties;
- Ensures that the Board is alerted to forthcoming complex, contentious or sensitive issues affecting the Group;
- Leads the communication programme with stakeholders including shareholders;
- Conducts the affairs of the Group in accordance with the practices and procedures adopted by the Board and promotes the highest standards of integrity, probity and corporate governance within the Group.

Principle

How Company complies

Role of the Non-Executive Directors

As members of the Board, all Non-Executive directors have key accountabilities, which include the following:

- Provision of leadership of the Company within a framework of prudent and effective controls, which enable risk to be assessed and managed;
- Setting the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance;
- Setting the Company's values and standards and ensure that its obligations to shareholders are understood and met;
- Constructively challenge and help develop strategy, participate actively in the decision-making process of the Board, and scrutinise the performance of management in meeting agreed goals and objectives.

Independence

As recommended in the UK Corporate Governance Code, the Board will identify in the annual report each Non-Executive Director it considers to be independent. The Board will determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board will state its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which are relevant to its determination, including if the Director:

- Has been an employee of the Company or group within the last five years;
- Has, or has had within the last three years, a material business relationship with the Company either directly, or as a Director or senior employee of a body that has such a relationship with the Company;
- Has received or receives additional remuneration from the Company apart from a Director's fee;
- Has close family ties with any of the Company's advisers, directors or senior employees;
- Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or
- Has served on the Board for more than nine years from the date of their first election.

Role of the Board Committees

The Board has established three committees: Remuneration, Audit and Risk and Nomination and Governance. All of these committees have terms of reference, which set out clearly their role, stating whether it is to take decisions or make recommendations to the Board of Directors. These are available on the Company's website (see below).

Biographical details of the Directors & Management can be found on the Company's website at <https://www.valirx.com/board-directors-and-management-team>

ValiRx Plc

CONNECTED INNOVATION

Corporate Governance

for the year ended 31 December 2021

Principle

How Company complies

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

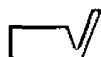
ValiRx seeks to recruit the best candidates at Board level and considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board (including gender), taking care that appointees have the necessary experience and time available to allocate to the position. Each Director appointed by the Board is subject to election by the shareholders at the first AGM after their appointment. Following advice from the Nomination and Governance Committee, the Board has concluded that each Director is qualified for election or re-election.

The current Board members are individuals with extensive industry-specific experience as well as professionals that bring to the Board the skill sets required to meet its strategic, operational and compliance objectives. Their suitability as Directors has therefore been determined largely on the basis of their ability to deliver outcomes in accordance with the Company's short and longer-term objectives and thus add value to shareholders.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

ValiRx considers that assessments of the performance of the Board, the Board committees, the Chief Executive, the Company Secretary and each of the individual Non-Executive Directors are pivotal to good corporate governance, bringing significant benefits and performance improvements on three levels: organisational; board and individual member level. Establishing an effective process for board evaluation sends a positive signal to the organisation that board members are committed to acting professionally.

Performance assessments are conducted annually across the board, applying a matrix of key areas of focus to identify collective and individual strengths and weaknesses within the Company for continuous improvement.



Principle

How Company complies

Board Composition

- Appropriate ratio between Executive and Independent Directors;
- Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
- Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form;
- Negotiation skills to engender stakeholder support for implementing Board decisions; and
- Experienced with the mechanisms, controls and channels to deliver effective governance and manage risks.

Effectiveness of the Board of Directors in:

- Monitoring financial performance against agreed financial objectives;
- Monitoring the implementation of the strategy approved by the Board;
- Appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Company Secretary;
- Ensuring appropriate succession planning for Board members and senior management via the Nomination and Governance Committee;
- Approving and monitoring financial and other reporting;
- Approving and monitoring major capital expenditure, capital management, funding, acquisitions and divestments;
- Overseeing risk management, control, accountability and compliance systems;
- Setting standards of behaviour to enhance the reputation of the Company in the market and the community;
- Ensuring proper organisation and management so as to achieve conformity goals across all aspects of the business;
- Setting appropriate delegated powers between CEO and Board of Directors;
- Ensuring quality and continuity of relations with the Group CEO, members of Committees, managers and heads of control functions; and
- Setting clear strategy for the Company reflecting goals short to mid-long term.

Effectiveness of Executive Management in:

- Implementing the strategic objectives set by the Board;
- Operating within the risk parameters set by the Board;
- Operational and business management of the Company;
- Managing the Company's reputation and operating performance in accordance parameters set by the Board;
- The day-to-day running of the Company;
- Providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities;
- Interfacing with shareholders and stakeholders, Nomad and Broker; and
- Approving capital expenditure (except acquisitions) within delegated authority levels.

Structure and competency of Committees to:

- Advise the Board on the suitability of external auditors and critical accounting policies for financial reports, in particular YE audited accounts, and the Company's risk management and internal control systems;
- Provide independent and transparent pay arrangements linked to achievements over a given period; and
- Lead the Board appointment and succession planning process considering the requirements of the Company

Principle

How Company complies

8. Promote a corporate culture that is based on ethical values and behaviours

The Board understands the importance of setting the right culture for a biotechnology oncology-focused company specialising in developing novel treatments for cancer that will provide a breakthrough into human health and wellbeing through the early detection of cancer and its therapeutic intervention. Moreover, it ensures that the Company's strategies and requirements for excellence and good governance are instilled into the culture of our business. The Executive Directors interface regularly with all personnel within ValiRx. In this way we encourage them to take responsibility for advancing their projects within parameters and controls set by the Board. This approach creates a culture that motivates and enables our personnel to develop and express their talents and skills. Moreover, in the performance of its duties the Board listens to the views of key stakeholders, including scientists, clinicians, regulators and suppliers and is mindful of the potential impacts of decisions it makes.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board of Directors, with the support of the Executive Management and Committees, is ultimately responsible for establishing and maintaining good standards of governance. This can be achieved by creating conditions that enhance overall Board's and individual Directors' effectiveness in order that all key issues are addressed and sound decisions are taken in a timely manner.

Other responsibilities of the Board of Directors include:

- Promoting effective relationships and open communication, and creating an environment that allows constructive debates and challenges, both inside and outside the boardroom, between Non-Executive Director(s) and the management;
 - Ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategies and policies, and that Board decisions taken are in the Group's best interests and fairly reflect Board's consensus;
 - Setting, in consultation with the Chief Executive and Company Secretary, the Board meeting schedule and agenda to take full account of the important issues facing the Group and the concerns of all Directors, and ensuring that adequate time is available for thorough discussion of critical and strategic issues;
 - Ensuring that the strategies and policies agreed by the Board are effectively implemented by the Chief Executive and the management; and
- Ensuring that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.

The Board recognises the importance of sound corporate governance. The Board is satisfied with its composition. The Non-Executive Directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each Non-Executive Director is assessed at least annually, and all are considered to be independent at the date of this report.

Attendance at Board meetings

A minimum of ten (10) Board meetings are held each year at which it is expected that all Directors attend in addition to relevant Committee meetings, General Meetings and the Annual General Meeting.

Where Directors are unable to attend meetings due to conflicts in their schedules, they will receive the papers scheduled for discussion in the relevant meetings, giving them the opportunity to relay any comments to board members in advance of the meeting. Directors are required to leave the meeting where matters relating to them, or which may constitute a conflict of interest to them, are being discussed.

Principle

How Company complies

The following table shows the Directors' attendance at scheduled Board meetings, which they were eligible to attend in the 12-month period to December 2021:

Kevin Alexander: 10/10
Gerry Desler: 10/10
Martin Lampshire: 10/10
Dr Suzy Dilly: 10/10
Dr Kevin Cox: 10/10

Matters reserved for the Board

- Approval of the Group vision, values and overall governance framework;
- Approval of the Company's Annual Report and Accounts and Half Yearly Financial Statements;
- Approval of Group financial policy;
- Approval to enter into discussions with Biotech companies reference potential joint-partnering projects or licensing of Company's pre-clinical and clinical assets;
- Approval of the Company's long-term finance plan and annual capital budget;
- Approval of any significant change in Group accounting policies or practices;
- Approval of all circulars, listing particulars, resolutions and corresponding documentation sent to shareholders;
- Establishing committees of the Board, approving their terms of reference (including membership and financial authority), reviewing their activities and, where appropriate, ratifying their decisions;
- Approval of this schedule of Matters Reserved to the Board.

The Board is responsible to the Company's shareholders with its main objective to increase the value of assets and long-term sustainability of the Company. The Board reviews business opportunities and determines the risks and control framework. It also makes decisions on budgets, Group strategy and major capital expenditure. The day-to day management of the business is delegated to the Executive Directors. The Board meets monthly with agendas, Committee papers and other appropriate information distributed prior to each meeting to allow the Board to meet its duties. Effective procedures are in place to deal with conflicts of interest. The Board knows other interests and commitments of Directors and any changes to their commitments are reported.

In addition to the Executive Committee, the Board has established a Remuneration Committee, an Audit and Risk Committee, and a Nomination and Governance Committee, which also report into ValiRx's Board.

The Executive Committee is in charge of the daily management of the Group and is mandated to prepare and plan the overall policies and strategies of the Company for approval by the Board. It may approve intra-group transactions, provided that they are consistent with the consolidated annual budget of the Company, as well as specific transactions with third parties provided that the cost per transaction is within specified spending limits. It informs the Board at its next meeting on each such transaction.

Prior to the beginning of each fiscal year, the Executive Committee submits to the Board those measures that it deems necessary to be taken in order to meet the objectives of the Company and a consolidated budget for approval. This committee comprises:

Dr Suzy Dilly (Chief Executive Officer)
Gerry Desler (Executive Chief Financial Officer)

The Audit and Risk Committee meets at least twice per annum and is responsible for assisting the Board in carrying out its oversight responsibilities in relation to corporate policies, risk management, internal control, internal and external audit and financial and regulatory reporting practices. The Committee has an oversight function, providing a link between the external auditors and the Board; it also determines the terms of engagement of the Company's auditors. The current members of the Audit and Risk Committee are:

Principle

How Company complies

Gerry Desler (Executive Chief Financial Officer)
Kevin Alexander (Non-Executive Director)

The Remuneration Committee meets at least twice per annum to determine and agree with the Board the framework or broad policy for the remuneration of Executive Directors of the Company and advises on the overall remuneration policies applied throughout the Company. The objective of this committee is to attract, retain and motivate executives capable of delivering the Company's objectives. Agreed personal objectives and targets including financial and non-financial metrics are set each year for the Executive Directors and other personnel and performance measured against these metrics. The committee is made up of Non-Executive Directors, namely:

Kevin Alexander (Non-Executive Director)

The Chief Executive Officer is consulted on remuneration packages and policy but does not attend discussions regarding her own package. The Board determines the remuneration and terms and conditions of the appointment of Non-Executive Directors.

The **Nomination Committee** is a sub-committee of the whole Board responsible for the selection and proposal to the Board of suitable candidates for appointment as Executive and Non-Executive Director(s). The Committee may engage external search consultants to identify candidates for Board vacancies before recommending a preferred candidate to the Board for consideration. The Committee comprises:

Kevin Alexander (Non-Executive Director)
Gerry Desler (Executive Chief Financial Officer)

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

ValiRx maintains a strong communication process to standardise and improve shareholders' experience of communicating with the Company.

The Board recognises the importance of effective and timely communication with all stakeholders, including shareholders, investors, innovators and staff. The business and science of biomedical development can be complex and difficult to articulate in a clear and concise way through regulated channels. The Company understands and encourages the desire of shareholders to ask questions about scientific or corporate progress and is mindful of the need to ensure all shareholders have fair and equal access to information about the Company, as required by the AIM Rules and the Market Abuse Regulations.

During 2021, shareholders were consulted on their preferred method of communication, and expressed a preference for quarterly webinar-based Q&A sessions, replacing the previous written monthly Q&A publications.

These quarterly events are scheduled to continue during 2022.

ValiRx also maintains a current list of Frequently asked Questions (FAQs) on the Company website.

A link to the latest FAQs can be found here:
www.valirx.com/shareholder-communications

ValiRx Plc

CONNECTED INNOVATION

Report of the Directors for the year ended 31 December 2021

The Directors present their report and financial statements for the year ended 31 December 2021.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021.

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 £303,789 (2020: £230,115) on research and development. Further details on the Group's research and development are included in the Chief Executive's Report on page 6.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on pages 8 to 17.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

K J Alexander
G Desler
M Lampshire
Dr S J Dilly
Dr K Cox

DIRECTORS SHAREHOLDINGS

The Directors of the Company held the following beneficial interests in the ordinary shares of the Company at the balance sheet date:

	2021 No. of shares	2020 No. of shares *
K J Alexander	250,833	167,500
G Desler	103,668	81,667
M Lampshire	44,000	-
Dr S Dilly	316,668	233,335
Dr K Cox	272,333	250,333

DIRECTORS' SHARE OPTIONS

The Directors of the Company held share options granted under the Company share option scheme, as indicated below. No share options were exercised during the year. Full details of the share options held are disclosed in note 25 to the financial statements.

	2021 No. of shares	2020 No. of shares *
K J Alexander	23,950	24,334
G Desler	28,334	28,718
M Lampshire	-	-
Dr S Dilly	4,512	4,512
Dr K Cox	-	-



ValiRx Plc

CONNECTED INNOVATION Report of the Directors for the year ended 31 December 2021

DIRECTORS' WARRANTS

The Directors of the Company held warrants to subscribe for shares in the Company. Full details of the warrants held are disclosed in note 25 to the financial statements.

	2021 No. of shares	2020 No. of shares *
K J Alexander	-	83,333
G Desler	-	-
M Lampshire	-	-
Dr S Dilly	-	83,333
Dr K Cox	-	-

*During the year, K Alexander and Dr S Dilly exercised their warrants.

COMPANY SHARE PRICE

The market value of the Company's shares at 31 December 2021 was 37.00p and the high and low share prices during the period were 55.25p and 17.75p respectively.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Note 26 to the financial statements gives details of the Group's objectives and policies for risk management of financial instruments.

SIGNIFICANT SHAREHOLDERS

As at 23 May 2022, so far as the Directors are aware, the following shareholders held more than 3% of the Company's issued share capital:

	% of issued share capital held
Nicholas Slater	5.40%
Monecor (London) Limited	6.87%
Adam Hargreaves	8.15%

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.

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 30 days' purchases.

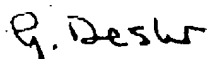
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, Adler Shine LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



G Desler

Director, Chair Audit and Risk Committee
Date: 6 June 2022



ValiRx Plc

CONNECTED INNOVATION

Report of the Independent Auditors to the Members of ValiRx Plc

The Directors are responsible for preparing the Strategic Report, Directors' Report, Corporate Governance Statement and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with UK adopted International Accounting Standards ("IAS") and have elected under company law to prepare the Parent Company financial statements in accordance with UK adopted International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006.

The Group financial statements are required by law and IAS to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and Parent Company and of the profit or loss of the Group for that period. In preparing each of the Group and Parent Company 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;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted International Accounting subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether they have been prepared in accordance with UK adopted International Accounting subject to any material departure disclosed and explained in the Parent Company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business; and
- prepare the financial statements in accordance with the rules of the London Stock exchange for companies trading securities on AIM.

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

Website publication

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company'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.



ValiRx Plc

CONNECTED INNOVATION

Report of the Independent Auditors to the Members of ValiRx Plc

Opinion

We have audited the financial statements of ValiRx Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 on pages 41 to 68. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards to the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group's financial statements have been prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2 "Going concern" in the financial statements, which indicates that the ability of the Group and Parent Company to continue as a going concern is subject to a material uncertainty in relation to its ability to raise the required funds in the future. As stated in note 2, this represents a material uncertainty that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified were:

Impairment of goodwill and intangibles

Area of focus

The Group has goodwill of £1.6 million and intangible assets of £1.1 million.

IAS 36 requires at least annual impairment assessments in relation to goodwill, indefinite-lived intangible assets and intangible assets that are not yet ready for use, with more regular assessment should an impairment trigger be identified.

The determination of recoverable amount, being the higher of value-in-use and fair value less costs of disposal, requires judgement on the part of management in identifying and then estimating the recoverable amount for the relevant CGUs.

CONNECTED INNOVATION

**Report of the Independent Auditors to the Members
of ValiRx Plc**

Recoverable amounts are based on management's view of future cash flow forecasts and external market conditions such as future pricing and the most appropriate discount rate.

Management utilised the work of experts to assist them in performing an annual impairment assessment which included the assumptions and estimates around the success of the future development and commercialisation of its products VAL 201, VAL301 and VAL 401. Changes in these assumptions might give rise to a change in the carrying value of intangibles and goodwill.

How our audit addressed the area of focus

We obtained the report and forecasts prepared by the experts and gained an understanding of the key assumptions and judgements underlying the assessment. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models.

We obtained an understanding of the stage of product development and management's expected timelines for product commercialisation, including updates on the achievement of expected milestones.

We determined the judgement made by the Directors that no impairment was required, and that the disclosures made in the financial statements to be reasonable.

Going concern

Area of focus

We refer to note 2 of the financial statements for the Directors' disclosures of related accounting policies, judgements and estimates. The Directors have concluded that they have a reasonable expectation that the Group will have sufficient cash resources and cash inflows to continue its activities for not less than twelve months from the date of approval of these financial statements and have therefore prepared these financial statements on a going concern basis.

The Group had cash and cash equivalents of £593,672 as at 31 December 2021.

Management produces a cash flow forecast based on the board plans.

The key judgements within the cash flow forecast that we particularly focused on were:

- Potential future fund raising requirements.
- The likely recovery of other receivables.
- Cash flows expected from research and development tax credits.
- Flexibility of development programme.

How our audit addressed the area of focus

We assessed the reasonableness and support for the judgments underpinning management's forecast, as well as the sensitivity of projections to these judgements.

We reviewed management's financing plans and as the Company is reliant on its ability to raise funds in the future to continue as a going concern this represents a material uncertainty as disclosed further in note 2 of the financial statements.

We considered the reasonableness of the assumptions within management's proposed cost reduction actions, should future fund raisings be lower than anticipated.

Our conclusion on management's use of the going concern basis of accounting is included in the material uncertainty relating to going concern section of the report above.

ValiRx Plc

CONNECTED INNOVATION

Report of the Independent Auditors to the Members of ValiRx Plc

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). FSM was calculated as £117,000 for the Group financial statements which was based on an average of 8% of adjusted loss before tax and £72,000 for the Parent Company financial statements based on 1% of net assets. The rationale for the benchmark applied to Group materiality is that we believe that underlying loss before tax, adjusted for amortisation of intangible assets, provides a consistent basis for determining materiality as it eliminates the impact of non-underlying items which fluctuate year on year and can have a disproportionate impact on the consolidated income statement. The rationale for the benchmark applied for Parent Company materiality is that net assets are an appropriate basis for determining materiality as the Parent Company is not a profit orientated entity.

An overview of the scope of our audit

The audit was scoped to ensure that the audit team obtained sufficient and appropriate audit evidence in relation to significant operations of the Group during the year ended 31 December 2021. This included the performance of full statutory audits on each of the subsidiary undertakings. As part of our planning, we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were designed and performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Annual Report but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.



Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

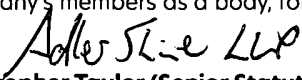
We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statements disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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 a Report of the Auditors 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.


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

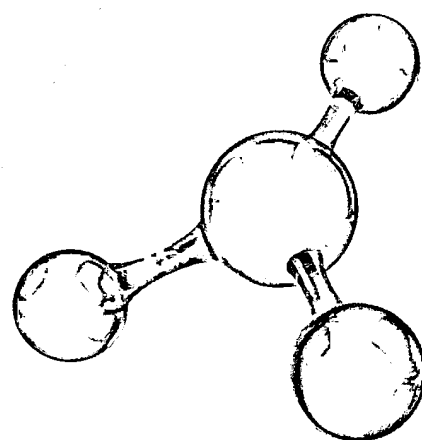
Chartered Accountants & Statutory Auditor
Aston House
Cornwall Avenue
London
N3 1LF

Date: 6 June 2022





FINANCIAL STATEMENTS



CONNECTED
INNOVATION

ValiRx Plc (Registered number: 03916791)**CONNECTED INNOVATION****Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021**

	Notes	2021 £	2020 £
Continuing Operations			
Other operating income		26,952	11,077
Research and developments		(303,789)	(230,115)
Administrative expenses		(1,216,391)	(1,431,587)
Share-based payment charge	24	(184,611)	-
Operating Loss		(1,677,839)	(1,650,625)
Write back of equity swap debt		-	122,000
Finance costs	6	(2,765)	(14,880)
Loss Before Income Tax	7	(1,680,604)	(1,543,505)
Income tax credit	8	133,413	75,182
Loss After Income Tax		(1,547,191)	(1,468,323)
Non-controlling interest		28,979	25,075
Total Comprehensive Loss For The Year		(1,518,212)	(1,443,248)
Loss Per Share - Basic And Diluted	10	(2.34p)	(3.81p)



ValiRx Plc (Registered number: 03916791)**CONNECTED INNOVATION**
Consolidated Statement of Financial Position
31 December 2021

		2021	2020
	Notes	£	£
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	1,602,522	1,602,522
Intangible assets	12	1,108,116	1,329,188
Property, plant and equipment	13	-	-
Right-of-use assets	20	13,278	20,995
		2,723,916	2,952,705
CURRENT ASSETS			
Trade and other receivables	15	72,925	66,735
Tax receivable		133,413	71,346
Cash and cash equivalents	16	593,672	1,846,901
		800,010	1,984,982
TOTAL ASSETS		3,523,926	4,937,687
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	9,669,995	9,669,828
Share premium		24,490,618	24,380,356
Merger reserve		637,500	637,500
Reverse acquisition reserve		602,413	602,413
Share-based payment reserve		491,219	540,803
Retained earnings		(32,292,507)	(30,919,728)
		3,599,238	4,911,172
Non-controlling interests		(184,867)	(155,888)
TOTAL EQUITY		3,414,371	4,755,284
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	19	35,654	44,486
Lease liabilities	20	5,681	13,439
		41,335	57,925
CURRENT LIABILITIES			
Trade and other payables	18	50,835	111,342
Borrowings	19	9,627	5,514
Lease liabilities	20	7,758	7,622
		68,220	124,478
TOTAL LIABILITIES		109,555	182,403
TOTAL EQUITY AND LIABILITIES		3,523,926	4,937,687

The financial statements were approved by the Board of Directors on 6 June 2022 and were signed on its behalf by:


 G Desler - Director

ValiRx Plc (Registered number: 03916791)**CONNECTED INNOVATION
Company Statement of Financial Position
31 December 2021**

		2021 £	2020 £
ASSETS	Notes		
NON-CURRENT ASSETS			
Intangible assets	12	60,000	80,000
Property, plant and equipment	13	-	-
Right-of-use assets	20	13,278	20,995
Investments	14	3,615,863	3,617,838
		3,689,141	3,718,833
CURRENT ASSETS			
Trade and other receivables	15	3,327,416	3,263,551
Tax receivable		133,413	62,151
Cash and cash equivalents	16	592,046	1,846,288
		4,052,875	5,171,990
TOTAL ASSETS		7,742,016	8,890,823
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	9,669,995	9,669,828
Share premium		24,490,618	24,380,356
Merger reserve		637,500	637,500
Share-based payment reserve		491,219	540,803
Retained earnings		(28,101,166)	(26,931,101)
TOTAL EQUITY		7,188,166	8,297,386
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	19	35,654	44,486
Lease liabilities	20	5,681	13,439
		41,335	57,925
CURRENT LIABILITIES			
Trade and other payables	18	495,130	522,376
Borrowings	19	9,627	5,514
Lease liabilities	20	7,758	7,622
		512,515	535,512
TOTAL LIABILITIES		553,850	593,437
TOTAL EQUITY AND LIABILITIES		7,742,016	8,890,823

The financial statements were approved by the Board of Directors on 6 June 2022 and were signed on its behalf by:

Gerry Desler
Gerry Desler, Director



ValiRx Plc

CONNECTED INNOVATION

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Share capital £	Share premium £	Merger reserve £	Reserve acquisition reserve £
Balance at 1 January 2020		9,417,225	20,596,143	637,500	602,413
Changes in equity					
Loss for the year		-	-	-	-
Issue of shares		252,603	3,993,579	-	-
Costs of shares issued		-	(245,675)	-	-
Exercise of warrants		-	50,447	-	-
Lapse of share options and warrants		-	-	-	-
Movement in year		-	(14,138)	-	-
Balance at 31 December 2020		9,669,828	24,380,356	637,500	602,413
Changes in equity					
Loss for the year		-	-	-	-
Issue of shares	17	167	21,500	-	-
Lapse of share options and warrants		-	88,762	-	-
Movement in year		-	-	-	-
Balance at 31 December 2021		9,669,995	24,490,618	637,500	602,413

	Share based payment reserve £	Non- controlling interest £	Retained earnings £	Total £
Balance at 1 January 2020	830,449	(130,813)	(29,729,817)	2,223,100
Changes in equity				
Loss for the year	-	(25,075)	(1,443,248)	(1,468,323)
Issue of shares	-	-	-	4,246,182
Costs of shares issued	-	-	-	(245,675)
Exercise of warrants	(50,447)	-	-	-
Lapse of share options and warrants	(253,337)	-	253,337	-
Movement in year	14,138	-	-	-
Balance at 31 December 2020	540,803	(155,888)	(30,919,728)	4,755,284
Changes in equity				
Loss for the year	-	(28,979)	(1,518,212)	(1,547,191)
Issue of shares	-	-	-	21,667
Lapse of share options and warrants	(234,195)	-	145,433	-
Movement in year	184,611	-	-	184,611
Balance at 31 December 2021	491,219	(184,867)	(32,292,507)	3,414,371

ValiRx Plc

CONNECTED INNOVATION

Company Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Share capital £	Share premium £	Merger reserve £
Balance at 1 January 2020		9,417,225	20,596,143	637,500
Changes in equity				
Loss for the year		-	-	-
Issue of shares		252,603	3,993,579	-
Costs of shares issued		-	(245,675)	-
Exercise of warrants		-	50,447	-
Lapse of share options		-	-	-
Movement in year		-	(14,138)	-
Balance at 31 December 2020		9,669,828	24,380,356	637,500
Changes in equity				
Loss for the year		-	-	-
Issue of shares	17	167	21,500	-
Lapse of share options and warrants		-	88,762	-
Movement in year		-	-	-
Balance at 31 December 2021		9,669,995	24,490,618	637,500
		Share based payment reserve £	Retained earnings £	Total £
Balance at 1 January 2020		830,449	(26,119,974)	5,361,343
Changes in equity				
Loss for the year		-	(1,064,464)	(1,064,464)
Issue of shares		-	-	4,246,182
Costs of shares issued		-	-	(245,675)
Exercise of warrants		(50,447)	-	-
Lapse of share options		(253,337)	253,337	-
Movement in year		14,138	-	-
Balance at 31 December 2020		540,803	(26,931,101)	8,297,386
Changes in equity				
Loss for the year		-	(1,315,498)	(1,315,498)
Issue of shares		-	-	21,667
Lapse of share options and warrants		(234,195)	145,433	-
Movement in year		184,611	-	184,611
Balance at 31 December 2021		491,219	(28,101,166)	7,188,166

Share capital

The nominal value of the issued share capital.

Share premium account

Amounts received in excess of the nominal value on the issue of share capital less any costs associated with the issue of shares.

Merger reserve

The difference between the nominal value of the share capital issued by the Company and the fair value of ValiRx Bioinnovation at the date of acquisition.

Share option reserve

The fair value of the share-based payment, determined at the grant date, and expensed over the vesting period.

Retained earnings

Accumulated comprehensive income for the year and prior periods.

CONNECTED INNOVATION
Consolidated Statement of Cash Flows
for the year ended 31 December 2021

		2021	2020
	Notes	£	£
Cash flows from operations			
Cash outflow from operations	1	(1,331,136)	(2,200,088)
Interest paid		(782)	(6,252)
Tax credit received		71,346	295,623
Net cash outflow from operating activities		(1,260,572)	(1,910,717)
Cash flows from investing activities			
Proceeds from sale of intangible fixed assets		-	2,000
Purchase of intangible fixed assets		-	(93,287)
Net cash outflow from investing activities		-	(91,287)
Cash flows from financing activities			
Loan repayments		-	(80,000)
Bank loan (repayment)/received		(5,324)	50,000
Repayment of lease liabilities		(9,000)	(2,500)
Share issue		21,667	4,132,714
Costs of shares issued		-	(245,675)
Net cash inflow from financing activities		7,343	3,854,539
(Decrease)/increase in cash and cash equivalents		(1,253,229)	1,852,535
Cash and cash equivalents at beginning of year	2	1,846,901	(5,634)
Cash and cash equivalents at end of year	2	593,672	1,846,901



ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Statement of Cash Flows for the year ended 31 December 2021

1. Reconciliation Of Operating Loss To Cash Generated From Operations

	2021 £	2020 £
Operating loss	(1,677,839)	(1,650,625)
Amortisation and impairment of intangible assets	221,072	227,338
Depreciation of right-of-use assets	7,717	2,157
(Increase)/decrease in trade and other receivables	(6,190)	23,348
Decrease in trade and other payables	(60,507)	(957,274)
Loss on disposal of intangible fixed assets	-	154,968
Share-based payments charge	184,611	-
Net cash outflow from operations	(1,331,136)	(2,200,088)

2. Cash And Cash Equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	31 December 2021 £	1 January 2021 £
Cash and cash equivalents	593,672	1,846,901

	31 December 2020 £	1 January 2020 £
Cash and cash equivalents	1,846,901	(5,634)



Valirx Plc

CONNECTED INNOVATION **Notes to the Consolidated Financial Statements** **for the year ended 31 December 2021**

1. STATUTORY INFORMATION

Valirx Plc is a company incorporated in the United Kingdom under the Companies Act 2006, which is listed on the AIM market of the London Stock Exchange Plc. The address of its registered office is Stonebridge House, Chelsford Road, Hatfield Heath, CM22 7BD.

The registered number of the Company is 03916791.

The principal activity of the Group is the development of oncology therapeutics and companion diagnostics.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparation

The Group's financial statements have been prepared in accordance with UK adopted International Accounting Standards as they apply to the financial statements of the Group for the year ended 31 December 2021. The Company's financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the year ended 31 December 2021 and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in note 2. The Group financial statements have been prepared under the historical cost convention or fair value where appropriate.

Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency Risks - Guidance for directors of companies that do not apply the UK Corporate Governance Code".

The Group and Parent Company are subject to a number of risks similar to those of other development stage pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group's commercial and development activities and generating a level of revenue adequate to support the Group's cost structure.

The current economic environment is challenging, and the Group has reported an operating loss for the year. These losses will continue in the current accounting year to 31 December 2022.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors have concluded that the ability of the Company to raise funds in the future represents a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The Board is confident that shareholder approval will be obtained and therefore has reasonable expectation that the Group has adequate resources to continue in operational existence for a period being at least the next twelve months from the date of approval of the Annual Report and Accounts. On this basis, the Directors continue to adopt the going concern basis in preparing these accounts. Accordingly, these accounts do not contain any adjustments to the carrying amount of classification of assets and liabilities that would result, if the Group were unable to continue as a going concern.

2. ACCOUNTING POLICIES - continued

Basis of consolidation

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

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

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

In November 2013 ValiSeek Limited was formed to enable the company to enter into a joint venture agreement. The company has a 55.5% holding in the issued share capital of ValiSeek.

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 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.

Other intangible assets

Acquired licences, trademarks and patents and directly associated costs are capitalised at cost and are amortised on a straight-line basis over their useful life. Patents are amortised over 11 years and licences between 10 and 20 years.

Impairment of non-current assets

At each reporting date, the Directors review the carrying amounts of property, plant and equipment assets, goodwill and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2. ACCOUNTING POLICIES - continued**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

Leases and right-of-use assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets (e.g. tablets and personal computers, small items of office furniture). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

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.

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. 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 a provision for impairment. A provision 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.

Cash and cash equivalents

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value with the changes in fair value recognised in the Income Statement.

2. ACCOUNTING POLICIES - continued

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.

The Group's financial liabilities include borrowings, trade and other payables and are recognised at their original amount.

Finance income and finance costs

Finance income is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. It is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All on-going development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the Group's programmes, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the Group. The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

Development costs are capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- technical feasibility of the completed intangible asset has been established;
- it can be demonstrated that the asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development;
- the expenditure attributable to the intangible asset can be reliably measured; and
- the Group has the ability and intention to use or sell the asset.

Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as such.

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.



2. ACCOUNTING POLICIES - continued
Foreign currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency) which is UK sterling (£). The Financial Statements are accordingly presented in UK sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

When options expire or are cancelled the expensed value of these lapsed options is transferred from the share-based payment, reserve to retained earnings.

New and amended 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.

		Effective date (period beginning on or after)
IFRS 1	Amendments - First-Time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	01/01/2022
IFRS 9	Amendment - Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	01/01/2022
IFRS 16	Leases - Lease incentives	01/01/2022
IAS 41	Agriculture - Taxation in fair value measurements.	01/01/2022
IAS 16	Amendments - Property, Plant and Equipment - Proceeds before Intended Use	01/01/2022
IFRS 3	Amendments - Reference to the Conceptual Framework	01/01/2022
IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	01/01/2022
IFRS 17	Insurance contracts	01/01/2023
IFRS 4	Amendments - Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	01/01/2023
IAS 1	Amendment - Correction of Liabilities as Current and Non-Current	01/01/2023
IAS 1, IFRS Practice Statement 2	Amendment - Disclosure of accounting policies	01/01/2023
IAS 8	Amendment - Definition of Accounting estimates	01/01/2023
IAS 12	Amendment - Deferred Taxation related to Assets and Liabilities arising from a Single Transaction	01/01/2023
IFRS 17, IFRS 9	Amendment - Comparative Information	01/01/2023

2. ACCOUNTING POLICIES - continued

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY 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. The material areas in which estimates and judgements are applied as follows:

Goodwill and other intangible assets impairment

The Group is required to test, on an annual basis, whether goodwill and other intangible assets have suffered any impairment. Determining whether there has been any impairment requires an estimation of the value in use of the cash-generating units. 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. A significant element of judgement is therefore involved in the calculation of the charge.

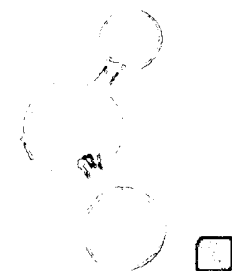
Capitalisation of development costs

Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will be made only where there is evidence that an economic benefit will accrue to the Group. To date no development costs have been capitalised and all costs have been expensed in the income statement as Research and Development costs.

4. REVENUE

Segmental reporting

The Directors are of the opinion that under IFRS 8 - "operating segment" there are no identifiable business segments that are subject to risks and returns different to the core business of drug development. The information reported to the Directors, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. Therefore, the Directors have determined that there is only one reportable segment under IFRS8.



5. EMPLOYEES AND DIRECTORS

Number of employees:

The average monthly number of employees, including Directors, during the year was:

	2021	2020
	Number	Number
Directors	5	7
Staff	2	3
	7	10

	2021	2020
	£	£
Employment costs		
Wages and salaries	436,396	407,710
Social security costs	41,543	36,240
Other pension costs	12,890	15,275
Compensation for loss of office	-	72,000
	490,829	531,225

Details of Directors' remuneration can be found in note 25.

6. FINANCE COSTS

	2021	2020
	£	£
Bank interest	1,307	719
Lease interest	1,378	409
Interest on overdue tax	80	5,533
Deferral fees on equity swap	-	8,219
	2,765	14,880

7. LOSS BEFORE INCOME TAX

	2021	2020
	£	£
After charging:		
Research and development	303,789	230,115
Other operating leases	-	29,637
Amortisation - intangible fixed assets	221,072	227,338
Depreciation - right-of-use assets	7,717	2,157
Loss on disposal of intangible fixed assets	-	154,968
Auditors remuneration	31,000	30,000
Foreign exchange differences	4,171	14,569
Share-based payment charge	184,611	-
After crediting:		
Rates grant	-	(10,000)
Write back of equity swap debt	-	(122,000)

8. INCOME TAX

	2021	2020
	£	£
Domestic current year tax		
Tax credits on research and development - current year	(133,413)	(71,346)
Tax credits on research and development - prior years	-	(3,836)
Current tax credit	(133,413)	(75,182)
Factors affecting the tax charge for the year:		
Loss before income tax	(1,680,604)	(1,543,505)
Loss before income tax multiplied by effective rate of UK corporation tax of 19.00% (2020: 19.00%)	(319,315)	(293,266)
Effects of		
Non-deductible expenses	35,467	2,702
Capital allowances for the year in deficit of depreciation and amortisation	5,246	3,775
Tax losses not utilised	202,594	238,448
Research and development expenditure	(57,405)	(29,649)
Adjustment to prior years	-	(3,836)
Discount on settlement of financial liability	-	(23,180)
Loss on disposal of intangible fixed assets	-	29,824
	185,902	218,084
Current tax charge	(133,413)	(75,182)

No corporation tax arises on the results for the year ended 31 December 2021 due to the losses incurred for tax purposes.

The deferred tax asset, arising from tax losses of £21.8 million (2020: £20.7 million) carried forward, has not been recognised but would become recoverable against future trading profits, subject to agreement with HM Revenue and Customs. The main UK Corporation tax rate increases to 25% with effect from 1 April 2023.

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year was £1,315,498 (2020: £1,064,464).

ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2021

10. LOSS PER SHARE

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

	2021 £	2020 £
Loss for the financial period	(1,547,191)	(1,468,323)
Non-controlling interest	28,979	25,075
Loss attributable to owners of Parent Company	(1,518,212)	(1,443,248)
Basic:		
Weighted average number of shares	65,004,957	37,898,019
Loss per share	(2.34p)	(3.81p)

The loss and the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. The outstanding share options and share warrants (note 24) would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 'Earnings per Share'.

11. GOODWILL

Group	£
COST	
At 1 January 2020 and 2021 and 31 December 2021	1,602,522
Net book value	
At 31 December 2021	1,602,522
At 31 December 2020	1,602,522

The goodwill arising on the acquisitions of ValiRx Bioinnovation Limited, ValiPharma Limited, Valisrc Limited and ValiSeek Limited is not being amortised but is 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	772,230
ValiRx Bioinnovation Limited	394,613
Valisrc Limited	-
ValiSeek Limited	435,679

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





12. INTANGIBLE ASSETS

Group

	Patents £	Brands and licences £	Total £
COST			
At 1 January 2020	2,375,491	375,000	2,750,491
Additions	93,287	-	93,287
Disposals	(179,225)	-	(179,225)
At 31 December 2020	2,289,553	375,000	2,664,553
Additions	-	-	-
At 31 December 2021	2,289,553	375,000	2,664,553

AMORTISATION

At 1 January 2020	976,810	153,474	1,130,284
Amortisation for year	200,138	27,200	227,338
Eliminated on disposal	(22,257)	-	(22,257)
At 31 December 2020	1,154,691	180,674	1,335,365
Amortisation for year	183,622	37,450	221,072
At 31 December 2021	1,338,313	218,124	1,556,437

NET BOOK VALUE

At 31 December 2021	951,240	156,876	1,108,116
At 31 December 2020	1,134,862	194,326	1,329,188

Company

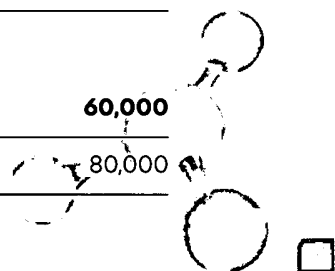
	Brands and licences £	Total £
COST		
At 1 January 2020, 31 December 2020 and 2021	200,000	200,000

AMORTISATION

At 1 January 2020	100,000	100,000
Amortisation for year	20,000	20,000
At 31 December 2020	120,000	120,000
Amortisation for year	20,000	20,000
At 31 December 2021	140,000	140,000

NET BOOK VALUE

At 31 December 2021	60,000	60,000
At 31 December 2020	80,000	80,000



ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company

COST

At 1 January 2020 and 2021 and 31 December 2021

Plant and
machinery
£

Total
£

31,670

31,670

DEPRECIATION

At 1 January 2020 and 2021 and 31 December 2021

31,670

31,670

NET BOOK VALUE

At 31 December 2021

-

-

At 31 December 2020

-

-

14. INVESTMENTS

Company

COST

At 1 January 2020 and 2021 and 31 December 2021

Shares in group
undertakings
£

Total
£

3,617,838

3,617,838

PROVISIONS

At 1 January 2020 and 2021
Charge for the year

1,975

1,975

At 31 December 2021

1,975

1,975

NET BOOK VALUE

At 31 December 2021

3,615,863

3,615,863

At 31 December 2020

3,617,838

3,617,838

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

ValiRx Bioinnovation Limited

Registered office: England & Wales

Nature of business: Intermediate holding company

Class of shares:

Ordinary shares

% Holding

100.00



ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2021

14. INVESTMENTS - continued

Subsidiaries

ValiPharma Limited

Registered office: England & Wales

Nature of business: Therapeutic research & development

Class of shares:

Ordinary shares

% Holding

100.00

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

Valisrc Limited

Registered office: England & Wales

Nature of business: Dormant

Class of shares:

Ordinary shares

% Holding

100.00

ValiSeek Limited

Registered office: England & Wales

Nature of business: Therapeutic research & development

Class of shares:

Ordinary shares

% Holding

55.55

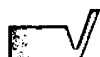
15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Current				
Amounts owed by Group undertakings	-	-	3,230,321	3,174,627
Other debtors	26,714	21,600	26,642	19,553
Rent deposit	1,500	1,500	1,500	1,500
VAT	5,303	11,079	29,545	35,315
Prepayments and accrued income	39,408	32,556	39,408	32,556
	72,925	66,735	3,327,416	3,263,551

In the Directors' opinion, the carrying amounts of receivables is considered a reasonable approximation of fair value.

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Bank accounts	593,672	1,846,901	592,046	1,846,288



ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2021

17. CALLED UP SHARE CAPITAL

	<u>GROUP</u>		<u>COMPANY</u>	
	2021 Number	2020 Number	2021 £	2020 £
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	65,049,156	64,882,490	65,049	64,882
Deferred shares of 0.5p 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
Deferred shares of 12.4p each	42,455,832	42,455,832	5,264,523	5,264,523
			9,669,995	9,669,828

In February 2021, the Company raised £21,667 through the issue of shares to warrant holders, who exercised their warrants over 166,666 shares, at a price of 13 pence per share.

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. TRADE AND OTHER PAYABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	2021 £	2020 £	2021 £	2020 £
Current				
Trade creditors	13,056	72,356	13,056	39,082
Amounts owed to Group undertakings	-	-	447,187	447,187
Social security and other taxes	4,887	6,107	4,887	6,107
Other payables	2,892	2,879	-	-
Accruals and deferred income	30,000	30,000	30,000	30,000
	50,835	111,342	495,130	522,376

In the Directors' opinion, the carrying amounts of payables is considered a reasonable approximation of fair value.

19. FINANCIAL LIABILITIES - BORROWINGS

	<u>GROUP</u>		<u>COMPANY</u>	
	2021 £	2020 £	2021 £	2020 £
Current:				
Bank loan	9,627	5,514	9,627	5,514
	9,627	5,514	9,627	5,514

	<u>GROUP</u>		<u>COMPANY</u>	
	2021 £	2020 £	2021 £	2020 £
Non-current:				
Bank loan:				
1-2 years	9,871	9,647	9,871	9,647
2-5 years	25,783	30,429	25,783	30,429
More than 5 years	-	4,410	-	4,410
	35,654	44,486	35,654	44,486

ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2021

19. FINANCIAL LIABILITIES - BORROWINGS - continued

	GROUP		COMPANY	
	2021	2020	2021	2020
	£	£	£	£
Total bank loan				
Current	9,627	5,514	9,627	5,514
Non-current	35,654	44,486	35,654	44,486
	45,281	50,000	45,281	50,000

20. LEASES

Right-of-use assets Group and Company

COST

	Leasehold property £	Total £
At 1 January 2020	-	-
Additions	23,152	23,152
At 31 December 2020 and 2021	23,152	23,152

AMORTISATION

At 1 January 2020	-	-
Amortisation for year	2,157	2,157
At 31 December 2020	2,157	2,157
Amortisation for year	7,717	7,717
At 31 December 2020 and 2021	9,874	9,874

NET BOOK VALUE

At 31 December 2021	13,278	13,278
At 31 December 2020	20,995	20,995

Lease liabilities Group and Company

Set out below is the movement in lease liabilities during the period.

At 1 January 2020	-
Addition	23,152
Interest expense	409
Repayments	(2,500)
At 31 December 2020	21,061
Interest expense	1,378
Repayments	(9,000)
At 31 December 2021	13,439



ValiRx Plc

CONNECTED INNOVATION

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2021

20. LEASES - continued

Group and Company

	2021 £	2020 £
Current		
Non-current	7,758	7,622
	5,681	13,439
	13,439	21,061
Non-current		
Lease liability		
1-2 years	5,681	7,758
2-5 years	-	5,681
	5,681	13,439

21. OTHER FINANCIAL COMMITMENTS

As a result of the adoption of IFRS 16, from 1 July 2019, all leases, except those classified as either low-value assets or short-term, have been recognised on the balance sheet as a right-of-use asset and lease liability and are no longer included in this non-cancellable operating lease disclosure.

At the year end, neither the Group nor the Company had no non-cancellable operating leases

22. RELATED PARTY DISCLOSURES

During the year the Director, G Desler, provided the Company and its subsidiaries with bookkeeping services totalling £18,450 (2020: £18,450).

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

	2021 £	2020 £
K Alexander	-	-
G Desler	13	-
M Lampshire	-	-
Dr S Dilly	2,879	2,879
Dr K Cox	-	-

23. ULTIMATE CONTROLLING PARTY

The Directors consider that there is no ultimate controlling party.

24.SHARE-BASED PAYMENT TRANSACTIONS

Share option

At 31 December 2021 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:

2020	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	139,100	7.53	1,458.71
Lapsed during the year	(64,216)	-	1,440.37
Carried forward	74,884	6.51	1,474.44

2021	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	74,884	6.51	1,474.44
Lapsed during the year	(1,120)	-	11,718.75
Carried forward	73,764	5.60	1,318.90

All options were exercisable at the year end. No options were exercised during the year.
The following share-based payment arrangements were in existence at the balance sheet date.

Options	Number	Expiry date	Exercise price	Fair value at grant date
1 Granted 19 January 2014	3,392	19/01/2024	5,391.25p	625.00p
2 Granted 21 October 2014	4,032	21/10/2024	5,625.00p	468.75p
3 Granted 26 June 2015	3,940	26/06/2025	6,375.00p	505.00p
4 Granted 9 February 2018	62,400	09/02/2028	500.00p	348.75p

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:

Options	Grant date share price	Exercise price	Expected volatility	Expected option life (years)	Risk-free interest rate
1 Granted 19 January 2014	5,391.25p	5,391.25p	17.00%	3.00	0.99%
2 Granted 21 October 2014	5,625.00p	5,625.00p	17.00%	3.00	1.00%
3 Granted 26 June 2015	6,312.50p	6,375.00p	16.00%	3.00	0.38%
4 Granted 9 February 2018	500.00p	500.00p	196.00%	3.00	0.88%

The fair value has been calculated assuming that there will be no dividend yield.

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.

All of the share options are equity settled and the charge for the year is £nil (2020: £nil)

24.SHARE-BASED PAYMENT TRANSACTIONS - continued**Warrants**

At 31 December 2021 outstanding warrants to subscribe for ordinary shares of 0.1p each in the Company, granted in accordance with the warrant instruments issued by ValiRx, were as follows.

	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
2020			
Brought forward	720,607	2.11	491.58
Granted during the year	10,794,733	-	12.92
Lapsed during the year	(10,820,117)	-	13.05
Carried forward	695,223	0.59	507.01
2021			
Brought forward	695,223	0.59	507.01
Granted during the year	3,902,949	-	22.00
Exercised during the year	(166,666)	-	13.00
Lapsed during the year	(461,891)	-	747.62
Carried forward	3,969,615	4.57	22.89

All warrants were exercisable at the year end.

The following warrants were in existence at the balance sheet date.

Warrants	Number	Expiry date	Exercise price	Fair value at grant date
1 Granted 28 February 2019	66,666	28/02/2022	75.00p	43.75p
2 Granted 25 August 2021	3,902,949	24/08/2026	22.00p	16.85p

The fair value of the remaining warrants 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:

Warrants	Grant date share price	Exercise price	Expected volatility	Expected option life (years)	Risk-free interest rate
1 Granted 28 February 2019	76.25p	75.00p	133.60%	3.00	0.86%
2 Granted 25 August 2021	21.25p	22.00p	301.00%	3.00	0.33%

The fair value has been calculated assuming that there will be no dividend yield.

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.

The warrants issued during 2021 are exercisable from 25 August 2022. The remaining warrants are equity settled and the charge for the year is £184,611 (2020: £14,138).

As the warrants relating to the charge in 2020 were all in consideration of shares issued during the year, the charge has been taken directly to equity and charged against the share premium as costs in respect of the issue of shares.

25. 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.

	2021 £	2020 £
Salaries and other short-term employee benefits	286,875	238,162
Compensation for loss of office	-	72,000
Post-employment benefits	9,183	7,076
	296,058	317,238

	Salary £	Bonus £	Post- employment benefits £	2021 £	2020 £
K Alexander	25,625	-	-	25,625	65,625
G Desler	48,000	-	-	48,000	65,037
M Lampshire	25,000	-	-	25,000	16,667
Dr S Dilly	120,000	30,000	9,183	159,183	22,917
Dr K Cox	38,250	-	-	38,250	21,000
G Morris (Resigned 14/04/20)	-	-	-	-	57,969
S Vainikka (Ceased to be director 14/04/20)	-	-	-	-	68,023
	256,875	30,000	9,183	296,058	317,238

Details of fees paid to Directors are shown in note 22 above.

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2020: 3).

25. KEY MANAGEMENT PERSONNEL COMPENSATION - continued

The Directors interests in share options as at 31 December 2021 are as follows:

	Number of options	Exercise price	Date of grant	First date of exercise	Final date of exercise
K Alexander	1,280	5,390.63p	19/01/2014	19/01/2014	19/01/2024
K Alexander	1,280	5,625.00p	21/10/2014	21/10/2014	21/10/2024
K Alexander	1,390	6,750.00p	26/06/2015	26/06/2015	25/06/2025
K Alexander	20,000	500.00p	07/02/2018	07/02/2018	07/02/2028
	23,950				
G Desler	1,408	5,390.63p	19/01/2014	19/01/2014	19/01/2024
G Desler	1,408	5,625.00p	21/10/2014	21/10/2014	21/10/2024
G Desler	1,518	6,750.00p	26/06/2015	26/06/2015	25/06/2025
G Desler	24,000	500.00p	07/02/2018	07/02/2018	07/02/2028
	28,334				
Dr S Dilly	512	5,625.00p	21/10/2014	21/10/2014	21/10/2024
Dr S Dilly	4,000	500.00p	07/02/2018	07/02/2018	07/02/2028
	4,512				

During the year, K Alexander and Dr S Dilly both exercised their share warrants and both subscribed for 83,333 ordinary shares at a price of 13p per share. As a consequence, there are no outstanding share warrants for Directors at 31 December 2021 (2020 - 166,666).

26. FINANCIAL INSTRUMENTS

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

- derivative financial assets;
- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

The main purpose of these financial instruments is to finance the Group's operations.

	2021 £	2020 £
Financial assets		
Loans and receivables		
Trade and other receivables	72,925	66,735
Cash and cash equivalents	593,672	1,846,901
Total loans and receivables	666,597	1,913,636
Total financial assets	666,597	1,913,636
	2021 £	2020 £
Financial liabilities		
Trade and other payables	45,948	105,235
Cash and cash equivalents	45,281	50,000
Lease liabilities	13,439	21,061
Total financial liabilities	104,668	176,296

26.FINANCIAL INSTRUMENTS - continued

The Directors consider that the carrying value for each class of financial asset and liability, approximates to 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

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. The maximum exposure is the asset recognised.

Liquidity risk and interest rate risk

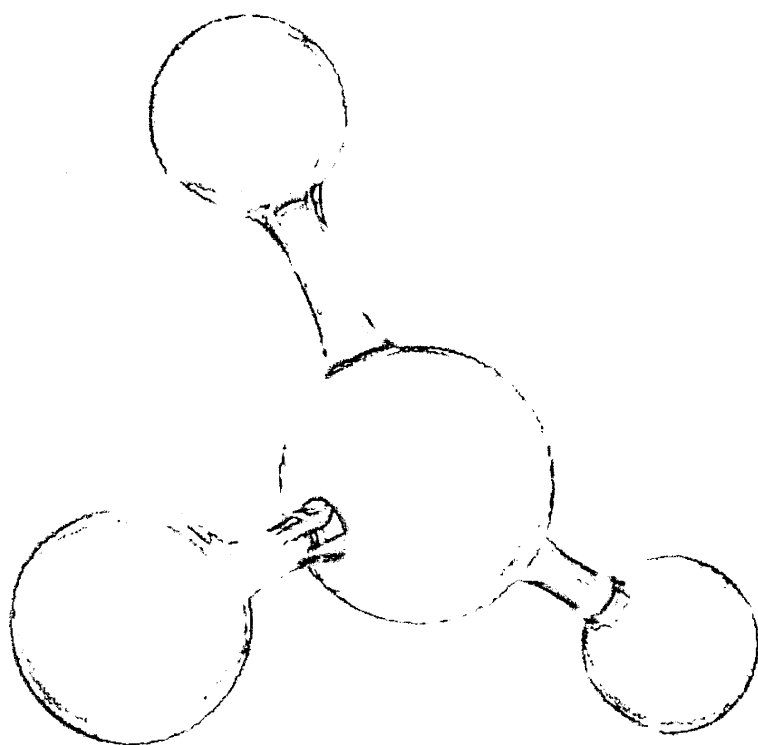
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Board regularly receives cash flow projections for a minimum period of twelve months, together with information regarding 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's exposure to foreign currency risk is limited as most of its invoicing and payments are denominated in Sterling. Accordingly, no sensitivity analysis is presented in this area as it is considered immaterial.



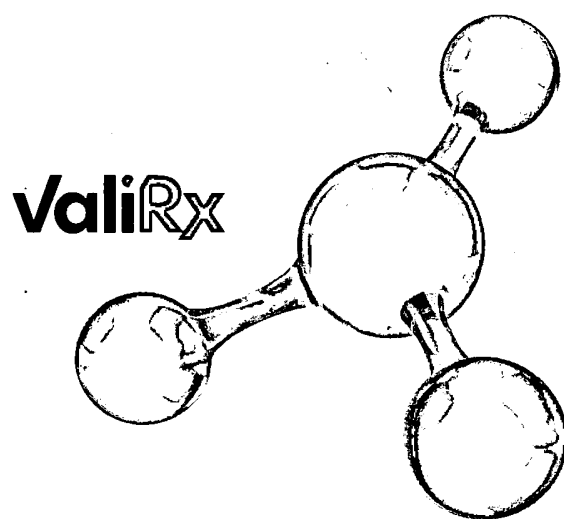
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