SalvaRx Group PLC

Final Results

Chairman's Statement

I am pleased to present the audited final results for SalvaRx Group PLC ("SalvaRx", "the Company" or "the Group"), for the year ended 31 December 2017.

Over the past year, the team has executed upon its strategy to grow a pipeline of novel treatments for cancer and now has ten products in development including one which is in human trials.

SalvaRx has continued to deliver on its mission of helping patients with cancer by advancing its products into the clinic and acquiring exciting additional products in the immunotherapy sector. The Group has reviewed hundreds of opportunities and has now invested in five exciting platform companies where it is actively helping to drive strategy and execution.

The loss for the year ended 31 December 2017 was £2,234,000 (2016: £2,445,000). This reflects growth in the pipeline and continued investment in research and development of £1,185,000 (2016: £693,000).

Since February of 2017, and including the loan announced on 26 June 2018, the SalvaRx Group companies have raised US$6m in various debt instruments, of which $4m has come from Greg Bailey and myself. This additional funding will help us to support our current business. It is our intention to provide further financial support if required.

The investor community continues to be enthusiastic about advances being made in biotechnology companies. Value is being generated by careful development of innovative products. The SalvaRx team has assembled a broad pipeline of potential first in class products from top notch scientists/Universities. The early human data with Intensity's treatment is quite encouraging. I look forward to seeing the progress over the next year as more is learned about our products.

Jim Mellon
Non-executive Chairman
27 June 2018

SalvaRx Group plc

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A copy of the Annual Report and Accounts will be available to download from the Company's website www.salvarx.io today. Hard copies of the Annual Report and Accounts will be posted to shareholders who have requested them on 29 June 2018.

CEO's Strategic Report

In its third year of operations, SalvaRx has continued to execute on its strategy to grow its pipeline of products and help develop innovative medicines for the treatment of cancer. We have now formed five investments, and have built a pipeline of ten compounds. Intensity Therapeutics, in which we have an 8.5% interest, has its first programme in the clinic and iOx is poised to enter the clinic soon with its lead compound. These represent major milestones that de-risk the programs. A huge amount of effort by the various teams has enabled us to progress our projects to this point.

iOx Therapeutics Limited (56.95% subsidiary undertaking)
iOx Therapeutics Limited ("iOx") has been progressing its two products through preclinical development and manufacturing. IMM60, which is the lead program, is preparing to enter the clinic soon. To enable this initiation of human testing, iOx needs to satisfy the regulators that it can manufacture the product to specification and has the ability to qualify the batches produced to ensure consistency across each dose. Much work has been done to inspect the contract manufacturing facilities that make the active ingredient and the drug product. The team has developed the analytical methods to test the batches of drug that are coming off the production line and it has successfully scaled the manufacturing process. The iOx team believes all the required information will be in place shortly to allow for a regulatory submission this year. This also includes the animal safety study agreed upon by the Medicines and Health Regulatory Agency to enable determination of a safe dose for humans.

In parallel, the PRECIOUS team, a consortium of academic experts from five leading European universities, continues to make progress in the development of our second product, IMM65. IMM65 starts with the above mentioned active ingredient in IMM60 which gets co-formulated with a tumor vaccine (NY-ESO). We have established a process to manufacture these particles for human use and the team is actively managing the workflow to also enable a clinical trial to start next year.

iOx continues to prosecute and progress its patent applications in major markets. Additional patents covering liposomal formulation of its iNKT agonist (US patent 15/253,307, EU patent 2654779) have been issued. After the year end, iOx announced the placement of US$950,000 in the form of a convertible loan in order to fund the near term R&D activities. iOx is actively seeking partners and license opportunities.

Intensity Therapeutics Inc. ($2million investment, representing 8.5% equity)
Intensity Therapeutics Inc. ("Intensity") has been working diligently to find suitable patients in order to test the safety of its lead product, INT230-6 in humans with refractory solid tumors. Intensity announced on 28 February 2018 that it had demonstrated the safety of INT230-6 in the first six patients with ovarian, head and neck, skin, and thyroid cancers who have received INT230-6 injected into tumors which are superficially palpable. This has enabled the study to recruit and treat patients who can receive injections to deep tumors via image guidance. Indeed, the first patient with cholangiocarcinoma has been treated. The study is designed to further examine the safety and utility in a variety of tumor types.

Nekonal Oncology Ltd (€300K investment representing 31.07% equity and a €300K option to invest in another subsidiary of the parent company)
Nekonal Oncology Ltd ("Nekonal Oncology") was formed last year based on the work of a former Harvard professor Nalan Utku, MD. The team has been making the prototype drugs (monoclonal antibodies) and testing their potency in various systems. Its goal is to refine the lead programs in order to prioritize the testing going forward.

Rift Biotherapeutics Inc. ($1.44million investment for approx. 37% equity)
Our initial investment in Rift Biotherapeutics Inc. ("Rift") was $1.09 million for an interest of approximately 30% in Rift. This enabled Rift to begin testing its lead drug alone and in combination with other standard of care drugs in animal models. The preliminary data was encouraging and the Group advanced another $350K in December 2017 to expand upon this work. The scientists at Rift continue to build a case on how their lead product can reprogram the tumor microenvironment to enable a more productive inflammatory response against the cancer. They have

also begun to test their second compound. The Group has the option to invest an additional $1.15 million at the same valuation and to acquire all the outstanding shares of Rift for new shares in the Group on the same basis

Saugatuck Therapeutics Ltd ($300K initial investment, subsidiary undertaking)
Saugatuck Therapeutics Ltd ("Saugatuck") was formed near the end of the year as a three way collaboration between Yale University, SalvaRx Limited and The Sunnybrook Research Institute in Toronto. The technology platform allows Saugatuck to co-formulate two drugs into a single package (nanolipogel). This technology allows drugs with very different physical and chemical properties to be transported to, and released, at the disease site in a coordinated manner. Initial work to start formulating a PD1 binding aptamer is underway.

Group Structure
On 17 March 2017, the Company announced the Directors decision to streamline the Group structure such that all investments would be held, and a new loan facility would be issued, by SalvaRx Limited, the Group's wholly owned BVI subsidiary.

Financing

At 31 December 2017, the Group had cash and cash equivalent of approximately £0.6 million. Subsequently, on 8 March 2018, IOX Therapeutics raised $1m through the issue of a convertible loan and on 26 June 2018 it was announced that a $1m loan was secured by the Company. The group continues to enjoy the support of its principal shareholders and further details relating to going concern are set out in the Directors Report.

Outlook
The main objective when we started this Company was to identify drugs/products that had interesting science behind them and that could benefit from our drug development and commercialization expertise. We have now been successful in sourcing a wide range of products from around the globe. Each has specific needs and challenges that our extended team has been focused on resolving. Not everything will go as planned, but the team has many years of experience in overcoming challenges, and finding creative solutions to push the programs forward.

The real reward is trying to help give hope to cancer patients for whom the available drugs have failed and are in need of new options. I am reminded of how challenging this is as one of our investigators writes to me about a woman in her 30s with no other options who is eager to get into one of our trials. The investor community is also optimistic about this sector with record amounts of venture money flowing into startups this past year. In fact, in February 2018, BMS recorded the largest upfront payment for a license in history. They paid US$3.6 billion for 35% of the profits on Nektar's immunotherapy after seeing data on approximately 40 patients.

At the SalvaRx corporate level, we continue to identify potential investments or acquisitions. We expect to grow further by acquisition, investment or licensing arrangements as we identify novel cancer immunotherapies. Not all of our projects will progress, as we are continually prioritizing those with the highest probability of success.

Dr Ian Walters
Chief Executive Officer
27 June 2018

Directors' Report

Introduction

The Directors present their report and financial statements of SalvaRx Group plc ('the Group') for the year ended 31 December 2017.

Principal activity

The Group's principal activity is that of drug discovery and development, focused on immune-oncology.

Business and financial review and future developments

The plans for the future are set out in the Chairman's Statement and CEO's Strategic Report.

Results and dividends

The Group's loss for the year after taxation was £2.23 million (2016: loss of £2.45 million). The Directors do not recommend the payment of a dividend for the year.

Directors

The Directors of the Group that served during the year and subsequently were as follows:

Jim Mellon, Non-Executive Chairman
Dr Ian Walters, Chief Executive Officer
Kam Shah, Chief Financial Officer
Dr Greg Bailey, Non-Executive Director
Richard Armstrong, Non-Executive Director
Colin Weinberg, Non-Executive Director

Biographical details of serving Directors can be found in the Board of Directors section.

Annual General Meeting and re-election of Directors

The date of the Annual General Meeting will be announced in due course.

Directors' Interests

The table below sets out the Directors interests in the Company's Ordinary Shares, including their connected persons, together with details of options held by the directors over New Ordinary Shares of the Company:

Director	*Number of Ordinary shares*	*Percentage of issued share capital*	*Number of Options*	*Exercise Price*
J Mellon	13,320,291	36.53%	86,230	23.2p
G Bailey	13,320,291	36.53%	86,230	23.2p
I Walters	-	-	428,786	35.5p
K Shah	-	-	364,666	35.5p
R Armstrong	64,635	0.18%	86,230	23.2p
R Armstrong			91,166	35.5p
C Weinberg	43,103	0.12%	86,230	23.2p
C Weinberg			91,166	35.5p
	26,748,320		1,320,704	

Note: options with an exercise price of 23.2p are exercisable at any time until 16 February 2021. Options with an exercise price of 35.5p are exercisable in three equal annual tranches from 22 March 2017, except such options granted to Richard Armstrong and Colin Weinberg which are exercisable in event that they step down from the Board in due course on the appointment of new non-executive directors.

In addition to the above, J Mellon and G Bailey hold options over shares in SalvaRx Limited relating to warrants issued on the non-convertible loan notes in the year. Details of the terms of these loans are included in note 19.

I Walters and K Shan both hold 389 and 130 options respectively over shares in iOx Therapuetics Limited, a subsidiary in which the Group holds 56.95% equity.

The interests of Jim Mellon in the table above include Ordinary Shares in the Company held by Port Erin Biopharma Investments Limited and Galloway Limited. Jim Mellon holds controlling interests in these companies.

Directors' insurance and indemnity provisions

Subject to the conditions set out in the Isle of Man Companies Act 2006 and the Company's Articles of Association, the Company has arranged appropriate Directors' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. The annual cost of the cover is not material to the Group.

Significant shareholders

Other than the Directors' interests shown above, the Company had been notified that the following is a holder of 3% or more of the Company's issued Ordinary Share capital:

	Number of Shares	*%*
Yongxiong Zheny	2,318,676	6.35

Notes:

Except for the holding of Ordinary Shares listed above, the Directors are not aware of any person holding 3% or more of the issued share capital at the date of this report.

Share capital

Details of the issued share capital, together with details of the movement in issued share capital during the year, are shown in note 22 to the financial statements.

Principal risks and uncertainties

The principal risks faced by the Company and the actions taken to mitigate them, are shown in the table below:

Risk/Description	**Principal mitigation**
Intellectual property: In common with other companies engaged in pharmaceutical development, the Company faces the risk that intellectual property rights necessary to exploit its research and development efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete, preventing commercial exploitation.	The Company and its partners actively manage all intellectual property (IP) rights, engaging with specialists to apply for and defend IP rights in appropriate territories.

Risk/Description	**Principal mitigation**
Research and development: The Company may not generate further attractive drug candidates and candidates already in development may fail clinical trials because of lack of efficacy, unacceptable side effects, or insurmountable challenges in conducting studies adequate to support regulatory approvals. Practical issues, such as inability to devise acceptable formulations for products or inability to	The lead product candidate has successfully completed a comprehensive preclinical development programme and the safety and efficacy profile is well understood. The clinical trials will be designed based on the data from the development programme completed to date.

manufacture products at acceptable cost, may also lead to failure of candidates in development.	
Regulatory: Drug development is a highly regulated activity governed by different regulatory authorities in different jurisdictions. It can be difficult to predict the exact requirements of different regulatory bodies. Decisions by regulators may lead to delays in development and approval of drugs or lack of marketing authorisations in some or all territories.	The Company's and its partners' drug development teams include specialists in regulatory affairs who consult with other experts to ensure that internal control processes and clinical trial design meet current regulatory requirements. The Company also engages directly with regulatory authorities when appropriate
Financial: The successful development of the Company's assets requires financial investment which can come from revenues, commercial partners, or investors. Failure to generate additional funding from these sources may compromise the Company's ability to execute its business plans or to continue in business.	To date the Group has raised the capital necessary to fund its development through a mixture of debt and equity funding. The Board continuously monitor the ongoing funding requirement and take action as appropriate. The Group also operates robust controls over expenditures including budgeting and authorisation of individual expenditures.
Commercial and economic: The Company may be unable to effectively commercialise or license its products to partners or may not be able to execute licensing deals that provide significant revenues. Development of alternative technologies or products may undermine the Company's capacity to generate revenue flowing from commercialisation of its assets. If the Company's drugs are commercialised, they may not generate significant revenues if their use and sale is restricted by regulators or by failure of healthcare payors to provide adequate reimbursement of drug costs.	The Company consults with commercial, clinical, and scientific experts to assess the payer and prescriber environment and the potential impact of competing products or changes in the economic landscape pertaining to hospital infections. The management actively monitors performance of key competitors in terms of pricing, market share, and prescribing behaviour.
Operational: The Company may not be able to recruit and retain appropriately qualified staff. Facilities and other resources may become unavailable.	The Company's recruitment processes are tailored to identify and attract the best candidates for specific roles. The Company aims to provide competitive rewards and incentives to staff and directors, and informally benchmarks the level of benefits provided to its people against similar companies.

Key Performance Indicators

At this stage, the success of the Group is dependent upon the success of future clinical trials. When the outcomes of these trials are known, if and when the Company moves into production, financial, operational, health and safety and environmental KPIs will become relevant and be measured and reported accordingly.

Political donations

There were no political donations made by the Group in the current or prior year.

Charitable donations

There were no charitable donations made by the Group in the current or prior year.

Going concern

At 31 December 2017, the Group had cash and cash equivalent of approximately £0.6 million. Subsequently, on 8 March 2018, IOX Therapeutics raised $1m through the issue of a convertible loan and on 26 June 2018 it was announced that a $1m loan was secured by the Company.

The Board has prepared cash flow forecasts for the period through to June 2019. The forecasts indicate that further funding will be required over and above existing resources and this includes repayment of the $1m loan issued on 26 June 2018 which is repayable within one year. However, the Directors have prepared these financial statements on the basis that Jim Mellon and Dr Greg Bailey will continue to provide financial support necessary for the group to meet its liabilities as they fall due.

The Group continues to incur losses and transition to profitability is dependent upon achieving a level of revenues adequate to support the Group's cost structure and until doing so, intends to fund future operations through additional debt or equity offerings. Because additional financing is not committed at the date of approval of these financial statements, these circumstances represent a material uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets as current assets.

Payment of suppliers

It is the Group's policy that payments to suppliers are made in accordance with terms and conditions agreed between the Group and its suppliers. The average payment period for creditors for the year was 45 days (2016: 40 days).

Post balance sheet events

Events after the balance sheet date have been disclosed in note 26 to the financial statements.

Statement as to disclosure of information to the auditor

Each Director in office at the date of this report has confirmed, as far as he is aware, that there is no relevant audit information of which the auditor is unaware. Each such Director has confirmed that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint RSM UK Audit LLP as auditor, at a fee to be agreed, will be proposed by the Board.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

Kam Shah
Chief Financial Officer
27 June 2018

Board of Directors

Jim Mellon, Non-Executive Chairman
Jim Mellon is an investor with interests in several industries. After leaving Oxford University, where he studied PPE, he worked in Asia and the United States in two fund management companies, GT and Thornton, before establishing his own business in 1991. This now has two components: a listed fund management company, Charlemagne Capital Limited and an Asian investment group, Regent Pacific Group Limited. In addition, Jim is a controlling shareholder and a director of Manx Financial Group, an Isle of Man based bank and a controlling shareholder of Webis Holdings plc. He is also a co-founder of Uramin and Red Dragon Resources, both mining groups. Burnbrae, his private company, is a substantial landlord in Germany and in the Isle of Man, and it owns outright the hotel chain, Sleepwell Hotels Limited. Jim is the co-chairman of FastForward Innovations Limited and a director of Portage Biotech Inc.. His book 'Cracking the Code', which was published in 2012, focused on investment opportunities in the life sciences sector. Jim is an honorary fellow of Oriel College, Oxford University.

Dr Ian Walters, Chief Executive Officer
Ian Walters, M.D., M.B.A., is the Entrepreneur in Residence at Mediqventures and is part-time CMO of Intensity Therapeutics, Inc. Over his 19 year career, he has demonstrated both leadership and expertise in drug development, including the advancement of multiple cancer compounds from research stages through approval. Ian specialises in the evaluation, prioritisation, and the innovative development of new therapies for the treatment of severe diseases. He has worked at PDL BioPharma, Inc., Millenium Pharmaceuticals, Inc., and Sorrento Therapeutics, Inc., leading corporate development, translational medicine, clinical development and medical affairs. Ian spent seven years at Bristol-Myers Squibb between 2007 and 2014, where he managed physicians overseeing the international development of more than eight oncology compounds (including Nivolimab (anti-PD-1), Ipilimumab (anti-CTLA-4), brivanib (anti VEGF/FGF), anti-IGF/IR, VEGFR2 biologic, Elotuzimab (antiCS1), as well as biomarker and companion diagnostic work. He was a core member of Bristol-Myers Squibb's Strategic Transactions Group evaluating and executing licensing agreements, mergers and acquisitions, clinical collaborations, and the company's immuno-oncology strategy. Before entering the private sector, Ian was a lead investigator at the Rockefeller University and initiated advanced immunology research to understand the mechanism of action of several compounds. Ian received his MD from the Albert Einstein College of Medicine and an MBA from the Wharton School of The University of Pennsylvania.

Kam Shah CA, CPA (Canada), CPA (US), CGMA(US), Chief Financial Officer
Kam Shah is a senior finance executive with over 25 years of financial and management experience across a range of industries and companies with significant operating scale and complexity. Kam is a Certified Public Accountant and Chartered Global Management Accountant of the American Institute of CPAs and a Chartered Professional Accountant of the Canadian Institute of CPAs. He has experience in all aspects of corporate finance, including audits, SEC/OSC reporting, forecasting, and business plan development. Over the past 15 years, Kam has served as the Chief Financial Officer and Corporate Secretary of Portage Biotech, Inc., a publicly listed group of companies engaged in biotechnology and oil and gas exploration.

Dr Greg Bailey, Non-Executive Director
Greg Bailey, M.D., is chairman of Portage Biotech, Inc. and was previously managing partner of Palantir Group, Inc., a merchant bank specialising in biotech and intellectual property. He has over 15 years' experience in investment banking and has founded several companies. Along with comprehensive experience in healthcare, finance and medicine, Greg brings to the Board an extensive involvement in corporate governance. He has served on multiple public company boards of directors, was a practicing physician for ten years and holds a M.D. degree from the University of Western Ontario.

Richard Armstrong, Non-Executive Director
Richard Armstrong is a former equity analyst and corporate broker. He has extensive experience in reconstructing and raising capital for turnaround situations, especially in the quoted microcap sector, for example Weatherly International plc, K P Renewables plc (now IGas Energy plc), Future Internet Technologies plc (now Artilium plc) and Mobilefuture plc. In most cases, he has joined the board of these companies and has played a major role in helping them to acquire or establish operating businesses.

Colin Weinberg, Non-Executive Director

Colin Weinberg is a former stockbroker with some 40 years' experience with a range of firms including Durlacher plc and Walker Crips Weddle Beck plc. He is a former director of Peckham Building Society and is currently a director of Associated British Engineering plc, a listed company.

Corporate Governance Statement

The Directors intend to comply with the Corporate Governance Code published by the Quoted Companies Alliance in 2018, to the extent that they consider it appropriate and having regard to the Company's size, board structure, stage of development and resources with particular emphasis on management effectiveness and independence and transparency.

The Directors hold regular board meetings which are responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. An audit committee, a remuneration committee and a nomination committee have been established with formally delegated rules and responsibilities. Each of these committees meets as and when appropriate.

The Audit Committee comprises Richard Armstrong (Chairman), Jim Mellon and Dr Greg Bailey

The Remuneration Committee comprises Jim Mellon (Chairman), Richard Armstrong, Dr Greg Bailey and Colin Weinberg.

The Nomination Committee comprises Colin Weinberg (Chairman), Jim Mellon and Richard Armstrong.

Jim Mellon

Non-executive Chairman

27 June 2018

Statement of Directors' Responsibilities

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

Isle of Man company law requires the directors to prepare group financial statements in accordance with generally accepted accounting principles. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements of the group are required by law to give a true and fair view of the state of the group's affairs at the end of the financial period and of the profit or loss of the group for that period and are required by IFRS as adopted by the EU to present fairly the financial position of the group and the financial performance of the group.

In preparing the financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping reliable accounting records which correctly explain the group's transactions and enable them to determine, with reasonable accuracy, the financial position of the group at any time and allow financial statements to be prepared. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the SalvaRx Group PLC website. Legislation in Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of SalvaRx Group plc

Opinion

We have audited the financial statements of SalvaRx Group plc and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes of equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been properly prepared in accordance with the requirements of the Isle of Man 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 Auditor's 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 as applied to SME listed entities 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 related to going concern

We draw attention to note 3 in the financial statements which indicates that the group's ability to continue as a going concern is dependent upon the continued financial support of Mr J Mellon and Dr G Bailey who are the majority shareholders and Directors of the Group. Whilst Mr J Mellon and Dr G Bailey have indicated that they intend to continue to provide that support, the group does not have committed funding sufficient to cover the cash outflow anticipated by latest management forecasts. As stated in note 3, these events or conditions, along with the other matters set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group'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. In addition to the matter described in the *Material uncertainty related to going concern* section we have determined the matter described below to be the key audit matter to be communicated in our report.

Accounting for the loan note instrument constituted on 2 March 2017

As detailed in note 19, on 2 March 2017 the group announced the constitution and offer of a US$5 million loan note of which US$3,940,000 was subscribed by 31 December 2017 (the "Instrument"). The terms of the loan note are set out in detail in note 19, however a key accounting matter arises as the Instrument comprises the loan and also a warrant to subscribe for shares in SalvaRx Limited.

IFRS requires management to determine separate fair values for the loan and for the warrant and this is subject to both judgement and estimation both at inception and at the 31 December 2017 as explained in note 4. At 31 December 2017, the loan balance held at amortised cost is £2,603,000 and the warrant liability is £361,000. Due to the significance of these liabilities, and the judgements and estimates involved, we considered this to be one of the most significant risks of material misstatement.

Management provided us with an accounting paper detailing their proposed treatment for the Instrument. We reviewed the paper in conjunction with a valuation specialist and considered the appropriateness of the proposed accounting judgements, challenging management where relevant.

Management also provided us with their calculations of the fair values attributable to the loan and to the warrant on subscription. We subjected these calculations to arithmetical checking. We also assessed the estimates within these calculations and consulted with valuation specialists on the key inputs where necessary.

At 31 December 2017 we:

- Checked the calculation of amortised cost for the loan element of the Instrument, with reference to the imputed rate of interest calculated at subscription,
- Considered whether there was any evidence to suggest a material change in the valuation of the warrant liability, and
- Checked the treatment of foreign exchange differences arising on the Instrument.

In light of our work, we also considered the adequacy of disclosures relating to the instrument set out in notes 4 and 19 to the financial statements.

We aggregated the factual differences that our work identified and considered these within the context of our overall audit.

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). During planning FSM was calculated as £153,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000 as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach covered 100% of group loss and total group assets and liabilities. It was performed to the materiality levels set out above.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 14, 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 is 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 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 to cease operations, or have no realistic alternative but to do so.

Auditor's 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 an auditor's report 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix at the end of this auditor's report. This description, which is located on page 18, forms part of our auditor's report.

Use of our report

This report is made solely in accordance with Section 80C of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Central Square
Fifth Floor
29 Wellington Street
Leeds
LS1 4DL
27 June 2018

Appendix: Auditor's responsibilities for the audit of the financial Statements

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Research and development	7	(1,185)	(693)
Exceptional items	6	-	(871)
Other operating costs	7	(1,422)	(913)
Operating loss	7	(2,607)	(2,477)
Share of loss in associates	15	(309)	-
Net finance income	8	109	1
Loss before tax		(2,807)	(2,476)
Tax	11	573	31
Net loss for the period		(2,234)	(2,445)
Net loss for the period attributable to:			
Equity holders of the parent		*(1,744)*	*(2,038)*
Non-controlling interest		*(490)*	*(407)*
		(2,234)	*(2,445)*
Other comprehensive income			
Exchange differences on translating foreign operations		(47)	-
Total comprehensive loss for the period		(2,281)	(2,445)
Comprehensive loss attributable to:			
Equity holders of the parent		*(1,791)*	*(2,038)*
Non-controlling interest		*(490)*	*(407)*
		(2,281)	*(2,445)*
Loss per ordinary share			
Basic and diluted, pence per share	12	(0.05p)	(0.06p)

Consolidated Balance Sheet
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments	13	1,480	1,431
Intangible assets	14	1,002	1,184
Investments in associates	15	1,297	-
Prepayment	16	259	-
		4,038	2,615
Current assets			
Trade and other receivables	17	598	34
Cash and cash equivalents	18	570	967
		1,168	1,001
Total assets		5,206	3,616
Liabilities			
Current liabilities			
Trade and other payables	20	(1,106)	(295)
		(1,106)	(295)
Non-current liabilities			
Loan notes	19	(2,603)	(616)
Equity derivatives	19	(361)	(78)
Deferred tax liabilities	11	(170)	(201)
		(3,134)	(895)
Total liabilities		(4,240)	(1,190)
Net assets		966	2,426
Equity			
Share capital	22	911	911
Reverse acquisition reserve	23	3,065	3,065
Own shares		(215)	(215)
Share-based payment reserves		573	382
Accumulated deficit		(3,752)	(2,364)
Equity attributable to equity holders of the parent		582	1,779
Non-controlling interests	26	384	647
Total equity		966	2,426

The financial statements of SalvaRX Group plc were approved by the Board of Directors and authorised for issue on 27 June 2018. They were signed on its behalf by:

Kam Shah
Chief Financial Officer
27 June 2018

Notes 1 to 28 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Loss for the year	(2,281)	(2,445)
Adjustments for:		
Taxation credit	(573)	(31)
Amortisation of intangible assets	182	182
Share-based payments	191	357
Finance cost	118	(1)
Share of loss in associate	309	-
Foreign exchange differences	(249)	-
Non-cash exceptional items	-	563
Operating cash flows before movements in working capital	(2,303)	(1,375)
(Increase)/decrease in receivables	(76)	202
Increase/(decrease) in payables	434	(332)
Cash used in operations	(1,945)	(1,505)
Taxation received	54	-
Net cash outflow from operating activities	(1,891)	(1,505)
Investing activities		
Cash acquired through reverse acquisition	-	2,564
Purchase of trading investments	-	(1,431)
Investments in associates	(1,413)	-
Prepaid equity option (note 16)	(259)	-
Net cash used in/obtained from investing activities	(1,672)	1,133
Financing activities		
Proceeds on issue of loan notes	3,119	760
Net cash from financing activities	3,119	760
Net (decrease)/increase in cash and cash equivalents	(444)	388
Cash and cash equivalents at beginning of year	967	567
Effect of exchange rate on cashflow	47	12
Cash and cash equivalents at end of year	570	967

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

Equity attributable to equity holders of the parent

	Share capital (note 22) *£'000*	Share Premium *£'000*	Reverse acquisition reserve (note 23) *£'000*	Own shares *£'000*	Share-based payment reserves (note 24) *£'000*	Accumulated deficit *£'000*	Total *£'000*	Non-controlling interest *£'000*	Total equity *£'000*
At 1 January 2016	155	52,533	(51,748)	-	25	(326)	639	1,054	1,693
Net loss of the year	-	-	-	-	-	(2,038)	(2,038)	(407)	(2,445)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,038)**	**(2,038)**	**(407)**	**(2,445)**
Transactions with owners in their capacity as owners:									
- Issue of equity for cash	136	1,813	(1,949)	-	-	-	-	-	-
- Cost of share issue	-	(173)	173	-	-	-	-	-	-
- Reverse acquisition	620	8,180	(5,764)	(215)	-	-	2,821	-	2,821
Cancellation of share premium account	-	(62,353)	62,353	-	-	-	-	-	
Share based payment charge	-	-		-	357	-	357	-	357
Total transactions with owners in their capacity as owners	756	(52,533)	54,813	(215)	357	-	3,178	-	3,178

At 31 December 2016	911	-	3,065	(215)	382	(2,364)	1,779	647	2,426

Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital (note 22) *£'000*	Reverse acquisition reserve (note 23) *£'000*	Own shares *£'000*	Share-based payment reserves (note 24) *£'000*	Accumulated deficit *£'000*	Total *£'000*	Non-controlling interest *£'000*	Total equity *£'000*
At 1 January 2017	911	3,065	(215)	382	(2,364)	1,779	647	2,426
Net loss of the year	-	-	-	-	(1,744)	(1,744)	(490)	(2,234)
Foreign exchange gain on retranslation of foreign subsidiaries	-	-	-	-	(47)	(47)	-	(47)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,791)**	**(1,791)**	**(490)**	**(2,281)**
Transactions with owners in their capacity as owners:								
- Conversion of 2016 loan notes (note 26)	-	-	-	-	482	482	148	630
- Equity contribution to non-controlling shareholders (note 26)	-	-	-	-	(79)	(79)	79	-
- Share based payment charge	-	-	-	191	-	191	-	191
Total transactions with owners in their capacity as owners	-	-	-	191	403	594	227	821
At 31December 2017	911	3,065	(215)	573	(3,752)	582	384	966

Notes to the financial statements
For the year ended 31 December 2017

1 General information

SalvaRx Group plc (the 'Company' and, together with its subsidiaries, the 'Group') is incorporated in the Isle of Man, British Isles under the Isle of Man Companies Act 2006. The address of the registered office is Commerce House, 1 Bowring Road, Ramsey, Isle of Man, British Isles, IM8 2LQ.

The principal activity of the Group is drug development, pre-clinical development with particular focus on developing a series of compounds for cancer immunotherapy.

These financial statements are presented in pounds sterling, which is the Group's functional and presentational currency, and all values are rounded to the nearest thousands (£000) except loss per ordinary share and certain figures in the notes.

2 Adoption of new and revised Standards

Interpretations of Standards

There are no new standards or amendments to standards which are mandatory for the first time for the year ended 31 December 2017 which have a significant impact on the Group. The potential impacts of IFRS 15, Revenue from contracts with customers, IFRS 9, Financial Instruments and IFRS 16 Leases, are being assessed by management. The Board do not expect that the adoption of these Standards in future periods will have a material impact on the financial statements of the company.

3 Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"), and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost convention basis except for the valuation of certain financial instruments held at fair value through profit or loss. Historic cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report.

The consolidated financial statements of the group have been prepared on a basis which assumes that the Group will continue as a going concern, which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business.

At 31 December 2017, the Group had cash and cash equivalent of approximately £0.6 million. Subsequently, on 8 March 2018, IOX Therapeutics raised $1m through the issue of a convertible loan and on 26 June 2018 it was announced that a $1m loan was secured by the Company.

The Board has prepared cash flow forecasts for the period through to June 2019. The forecasts indicate that further funding will be required over and above existing resources and this includes repayment of the $1m loan issued on 26 June 2018 which is repayable within one year. However, the Directors have prepared these financial statements on the basis that Jim Mellon and Dr Greg Bailey will continue to provide financial support necessary for the group to meet its liabilities as they fall due.

The Group continues to incur losses and transition to profitability is dependent upon achieving a level of revenues adequate to support the Group's cost structure and until doing so, intends to fund future operations through additional debt or equity offerings. Because additional financing is not committed at the date of approval of these financial statements, these circumstances represent a material uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets as current assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

These consolidated financial statements include the accounts of the Company and the following subsidiary undertakings:

i) SalvaRx Limited, ("SalvaRx") incorporated on 6 May 2015 in the British Virgin Islands. SalvaRx Group plc owns 94.15% of the Company.

ii) IOX Therapeutics Limited ("IOX") incorporated in the U.K. as a private company (Company Number 9430782) under the Companies Act 2006 on 10 February 2015. SalvaRx Group plc holds 56.95% equity in IOX.

iii) Saugatuck Therapeutics Limited incorporated in the British Virgin Islands. SalvaRx Limited holds 70% equity in the company.

Significant accounting policies

Research and Development Expenses

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

(iii) Clinical trial expenses

Clinical trial expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organizations, clinical sites, and other organizations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognized in a period related to clinical agreements are based on estimates of the work performed using an accrual basis of accounting. These estimates incorporate factors such as patient enrolment, services provided, contractual terms, and prior experience with similar contracts.

(iv) Government grants

Government grants relate to the financial grants from governments, public authorities, and similar local, national or international bodies. These are recognised when there is a reasonable assurance that the Company will comply with the conditions attaching to them, and that the grant will be received. Government grants relating to research and development are off-set against the relevant costs.

Business Combinations

The Company applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognized as expenses in the periods in which the costs are incurred and the services are received. On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Company's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition-date fair values, unless otherwise required by IFRS.

Impairment of intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its 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). When it is not possible to estimate the recoverable amount of any individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at lease annually, and wherever there is an indication that the assets may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Intangible Assets Acquired in business combinations

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each Group company ("foreign currencies") are recorded in the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial assets

a) Investments – Available for sale financial assets

AFS financial assets are non-derivatives that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. The Group's AFS investment does not have a quoted market price in an active market and given their nature the Directors are of the opinion that fair value cannot be reliably be measured. The investment is therefore measured at cost, less any identified impairment loss.

b) Loans and receivables

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

Derivative financial assets

Derivative financial assets comprise an option contract to acquire the remaining ordinary share capital of an entity related to an associate of the group. Derivative financial assets are carried at fair value, with gains and losses arising from changes in fair value taken directly to the Statement of Comprehensive Income. Fair values of derivatives are determined using valuation techniques, including discounted cash flow models and option pricing models as appropriate.

Financial liabilities

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2016 Convertible loan notes

The component parts of compound instruments (convertible loan notes) issued by the Group in 2016 are classified separately between the loan and equity option elements. The Group had one convertible loan note in issue which was denominated in a currency different to the currency of the equity option and accordingly at inception the equity option is treated as an embedded derivative and recorded at fair value as a financial liability (the "equity option") and the fair value of the instrument as a whole less the value of the equity option is recorded as a financial liability (the "loan element"). At subsequent balance sheet dates the fair value of the equity option is remeasured with movements in fair value being recorded in the income statement. The loan element is recorded at amortised cost and is subject to a notional interest charge in each reporting period which is recorded in the income statement.

During the year the 2016 convertible loan notes were converted into shares in SalvaRx Limited, the group's subsidiary undertaking. As the equity was issued by a subsidiary undertaking, the equity credit has been allocated to reserves between the parent company shareholders and the non-controlling interest.

2017 loan notes

As detailed in note 19, the 2017 loan notes comprise a loan and a warrant over shares in SalvaRx Limited. At inception the loan element and the warrant are recorded at their respective fair values. The fair value of the loan is calculated by determining an effective rate of interest determined by reference to the interest rate applicable to comparable instruments with no warrant. The fair value of the warrant is determined as the difference between the fair value of the instrument issue price and the fair value of the loan.

At subsequent balance sheet dates the loan is measured at amortised cost and the warrant is measured at fair value.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment* for all grants of equity instruments.

The Group operates an equity-settled share option plan to certain shareholders. The fair value of the service received in exchange for the grant of options and warrants is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a graded vesting basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions**.**

Fair value is measured by use of the Black-Scholes model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decision, has been identified as the Board of Directors.

4 Critical accounting judgements and key sources of estimation and uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

2017 loan notes (note 19)

The 2017 loan notes include a warrant over shares in SalvaRx Limited and IFRS requires the instrument to be separated at inception into the fair value of the loan and the fair value of the warrant. IFRS's default position is that the warrant should be fair valued, however the Directors have concluded that it is not possible to ascertain the fair value of the warrant using normal option pricing models due to the complexity of the option exercise mechanism. The Directors have therefore adopted the permitted alternative method of calculating the fair value of the loan at inception, with the balance between the issue price of the instrument and the fair value of the loan being deemed to be the fair value of the warrant.

Accordingly, the fair value of the loan has been calculated by discounting future cash flows using rates of interest applicable to similar instruments with no warrant. The directors have used an interest rate of 11%. The selection of comparable instruments is a matter of judgement, and changes in the rate used in the discounting calculation would have a material impact on the split between the loan and warrant fair values.

At the year end the loan is stated at amortised cost based on the imputed rate of interest. The warrant is stated at fair value which the Directors have determined has not changed from when the instruments were issued given that the instrument was issued throughout the year on the same terms.

Adoption of cost for available for sale assets (note 13)

Available for sale investments comprises an investment in Intensity Therapeutics Inc. of £1,480,000 at 31 December 2017. The Directors' have exercised judgement in determining that the investment should be recorded at cost in accordance with paragraph 46 c) of IAS 39 as they have concluded that it is not possible to ascertain a reliable fair value for the investment.

This conclusion reflects the reality that the speculative nature of the group's investment results in a very wide potential range of values (supported by a recently commissioned valuation report) and the adoption of fair value would likely result in the reliability of the overall financial statements being undermined.

5 Business and geographical segments

Throughout the year, the Directors consider there to be only one business and operating segment from continuing operations, namely research and development.

6 Exceptional items

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Excess of deemed cost over fair value of assets acquired under reverse takeover transaction	-	563
Legal and other professional fees relating to reverse takeover transaction	-	308
	-	871

7 Operating loss

The operating loss has been arrived at after (crediting)/charging:	2017	2016
	£'000	£'000
Research and development costs	1,185	693
Amortisation of intangible assets	182	182
Staff costs (note 10)	287	203
Other consulting fees	429	143
Legal and professional fees	230	77
Share-based payments (note 24)	191	357
Audit fees (note 9)	38	37
Net foreign exchange gains	(47)	(95)

8 Net finance (income)

	2017	2016
	£'000	£'000
Movement in fair value of equity option on 2016 loan notes (note 19)	(78)	(133)
Loan note interest	196	46
Foreign exchange (gains)/losses on all loan notes (note 19)	(227)	86
	(109)	(1)

The loan note interest charge of 11% from the date of issue includes cash interest of £110,000 (at 7% coupon and included within accruals) and notional interest of £86,000 which is included at note 19.

9 Auditor's Remuneration

Amounts payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services:

	2017	2016
	£'000	£'000
Audit fees		
Fees payable to the Group's auditor for the statutory audit of the Group's annual accounts	30	29

Fees payable to the Group's auditor for the statutory audit of subsidiary undertakings	8	8
Total audit fees	38	37
Non-audit fees		
Tax services	4	2
Other services	9	-
Total non-audit fees	13	2

10 Staff costs

The average monthly number of employees and senior management (including Executive Directors) was:

	2017	**2016**
	£'000	£'000
Non-executive Directors	4	4
Executive Directors of Group companies	2	2
	6	6

Their aggregate remuneration comprised:	**2017**	**2016**
	£'000	£'000
Salaries and consulting fee	287	203
Share-based payments	71	138
Non-executive directors fees	40	52
	398	393

Directors remuneration (all representing fees) and share based payments

	2017	**2016**
	£'000	£'000
J Mellon (from 22 March 2016)	10	8
G Bailey (from 22 March 2016)	10	8
R Armstrong (from 22 March 2016)	17	26
C Weinberg (from 22 March 2016)	17	26
I Walters (from 1 January 2016)	229	220
K Shah (from 22 March 2016)	116	105
	399	393

Details of shares and options held by the Directors are disclosed in the Directors' report.

11 Tax

UK income tax recognised in profit and loss

	2017 £'000	2016 £'000
Current tax		
Current year	(300)	-
Adjustment in respect of prior years	(242)	-
	(542)	-
Deferred tax		
Current year	(31)	(31)
	(31)	(31)
Total taxation credit	(573)	(31)

The tax assessed for the year is at the standard rate of corporation tax in the Isle of Man of 0% (2016: 0%) and is calculated as follows:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(2,854)	(2,476)
Loss on ordinary activities by the standard rate of tax	-	-
Foreign tax	-	-
Release of deferred tax related to subsidiaries operating in other jurisdictions	(31)	(31)
Research and development tax credits	(542)	-
Tax credit for the year	(573)	(31)

The Company's subsidiary, iOx Therapeutics ltd ("iOx") is subject to tax in the UK. There is no tax charge for the reporting periods due to losses.

iOx has potential research and development cash credits of approximately £300,000 for 2017. The tax credits have been recognised in these financial statements. The tax credit in respect of prior years relates to £54,000 for 2015 and £188,000 for 2016. The £54,000 relating to 2015 was received during the year as shown in the consolidated cash flow statement.

Deferred Taxation

As at 31December 2017, iOx tax losses were approximately £785,000 (2016: £1,045,000). Tax losses will be carried forward and are potentially available for utilisation against taxable profits in future years. The Group has not recognised a deferred tax asset in respect of these tax losses as there is insufficient evidence of suitable future profit being available against which these losses can be offset. The asset will be recognised in future periods when its recovery (against appropriate taxable profits) is considered probable.

At 31December 2017 the Group had a deferred tax liability of £170,000 (2016: £201,000) recognised in respect of intangible assets arising on the acquisition of iOx. The intangible asset relates to in process research residing in the UK and therefore deferred tax has been recorded at 17% being the rate applicable in that country. The Group has no other provided or unprovided deferred tax liabilities. The reduction in the liability in the year of £31,000 (2016: £31,000) has been recorded in full in the income statement.

12 Loss per Ordinary Share

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to Ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year. The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

	2017	2016
	£'000	£'000
Losses		
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent	1,744	2,038
Number of shares	**Number**	**Number**
Weighted average number of Ordinary Shares for the purposes of basic loss per share	36,467,123	34,561,950
	2017	**2016**
	£	**£**
Loss per Ordinary Share		
Basic and diluted, pence per share	(0.05p)	(0.06p)

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2017 and 2016, there is no dilutive effect from the subsisting share options.

13 Investments

	2017	2016
	£'000	**£'000**
Available for sale-investments held at cost		
Investment in Intensity	1,480	1,395
Loan receivable at amortised cost		
RIFT loan (note 15)	-	36
	1,480	1,431

On 22 April 2016, the Group acquired 1 million Series A preferred stock in Intensity Therapeutics Inc., a Delaware corporation ("Intensity") for US$2m in cash. All Series A Preferred stock is convertible into equal number of common shares in Intensity. The Company's holdings represent less than 10% of the equity of Intensity. During the current year the company transferred its investment to its subsidiary SalvaRx Limited.

As at 31 December 2017, the Group has determined that there was no evidence of any impairment in the carrying value of investments.

14 Intangible assets

	In process research £'000
Cost	
At 31 December 2015, 2016 and 2017	1,457
Amortisation	
At 1 January 2016	(91)
Charge for the year	(182)
At 31 December 2016	(273)
Charge for the year	(182)

At 31 December 2017	(455)
Carrying amounts	
At 31 December 2015	1,366
At 31 December 2016	1,184
At 31 December 2017	1,002

On 1 July 2015, iOx Therapeutics Limited ("iOx") entered into an Investment Agreement with The University of Oxford, ISIS, the Ludwig Institute, and Professor Cerundolo. As part of this agreement, iOx also entered into a Clinical Trials Sponsorship agreement with The University of Oxford and entered into a licence agreement with the Ludwig Institute to access intellectual property rights and know-how relating to cell agonists. The Directors determined that the excess of consideration over identifiable assets and liabilities arising on the acquisition of iOx on that date related entirely to this in-process research asset.

The asset is being amortised over 8 years, being the Directors assessment of the period over which the technologies are likely to be developed and at the end of which commercial products will hopefully be available for sale. The remaining life of the intangible asset is 5.5 years. In the opinion of the Directors, the progress of iOx is satisfactory and there is therefore no indication of impairment.

15 Investments in associates

	Rift Biotherapeutics Inc £'000	**Nekonal Oncology Limited** £'000	**Total** £'000
At 1 January 2017	-	-	-
Transfer from investments	36	-	36
Additions to investment	1,155	525	1,680
Exchange gains and losses	(110)	-	(110)
	1,081	525	1,606
Share of loss in associates	(266)	(43)	(309)
At 31 December 2017	**815**	**482**	**1,297**

Details of the Group's material associates at the end of the reporting period are as follows:

Name of associate	**Principal activity**	**Place of incorporation and principal place of business**	**Voting rights held by the Group 31 December 2017**	**Voting rights held by the Group 31 December 2016**
RIFT Biotherapeutics Inc.	Biotechnology	Delaware – USA San Diego	34.99%	-
Nekonal Oncology Limited	Oncology research	British Virgin Islands	31.07%	-

All of the above associates are accounted for using the equity method in these consolidated financial statements.

Rift Biotherapeutics Inc. ("RIFT")
On 13 December 2016, SalvaRx Limited, a wholly owned subsidiary of the Company, invested US$45,000 in cash in convertible promissory note issued by Rift Biotherapeutics Inc., a Delaware corporation ('RIFT").

On 9 February 2017, SalvaRx Limited advanced a further US$45,000 and on 20 March 2017, SalvaRx invested US$ 1 million in RIFT. The total investment of US$1,090,000 in RIFT was converted into a 33% equity holding.

On 6 December 2017, SalvaRx Limited acquired a further 251,798 of Series A preferred stock for a total consideration of US$349,999. This increased the Group's interest to 34.99%.

Subject to RIFT achieving certain development milestones, SalvaRx Limited has an obligation to acquire a further 467,626 of Series A preferred stock for a total consideration of US$650,000. As the directors currently consider the achievement of the development milestones to be possible but not certain this obligation has been accounted for as a contingent liability, see note 28.

In addition, SalvaRx Limited also has the option to invest up to an additional US$500,000 at the same value of its original investment. SalvaRx Limited has also entered an option to acquire all outstanding shares of RIFT in exchange for new shares in SalvaRx Limited on the same basis within 90 days of the milestone investment referred to above being achieved.

Nekonal Oncology Limited ("Nekonal Oncology")
SalvaRx Limited, a subsidiary of the Group, has entered into an agreement to invest in and form a collaboration with Nekonal SARL ("Nekonal"), a Luxembourg-based company holding intellectual property rights for therapeutics and diagnostics in the field of autoimmune disorders and oncology. As part of the agreement, SalvaRx and Nekonal have formed Nekonal Oncology, which will utilise SalvaRx's management and drug development expertise to exclusively explore the applications of Nekonal's technology in cancer immunotherapy.

SalvaRx Limited has made a nominal equity investment and a capital contribution of €300,000 in Nekonal Oncology. Nekonal Oncology has been treated as an associate company by the Group as the equity interest is 33%.

SalvaRx Limited has an obligation to make a further capital contribution of €300,000 once certain development milestones have been achieved, as the milestones were expected to be achieved when the investment was made this obligation of £267,000 has been included in other creditors see note 20.

SalvaRx Limited also has acquired an option from Nekonal SARL for a one-time fee of €300,000 that gives SalvaRx the right to acquire option shares in any qualifying subsidiary of Nekonal. Further disclosure is provided in note 16.

Summarised financial information in respect of each of the associates is set out below.

	2017
RIFT Biotherapeutics	£'000
Current assets	158
Non current assets	35
Current liabilities	(32)
	161

	2017
	£'000
Revenue	-
Profit/(loss) for the year	(907)

Reconciliation of the above summarised financial information to the carrying amount of the interest in RIFT:

	2017
	£'000
Net assets of the associate	161
Proportion of the groups ownership interest (34.99%)	56
Goodwill	759
Carrying amount of groups interest	815

Nekonal Oncology Limited	2017 £'000
Current assets	502
Non current assets	-
Current liabilities	(130)
	372

	2017 £'000
Revenue	-
Profit/(loss) for the year	(139)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nekonal Oncology Limited:

	2017 £'000
Net assets of the associate	372
Proportion of the Groups ownership interest (31.07%)	116
Goodwill	366
Carrying amount of Groups interest	482

16 Prepayment – non current

	2017 **£'000**	**2016** **£'000**
Prepayment (note 15)	259	-
	259	-

SalvaRx Limited has acquired an option from Nekonal SARL for a one-time fee of €300,000 that gives SalvaRx the right to acquire option shares in any qualifying subsidiary of Nekonal for €50 per share subject to SalvaRx having made a total of €600,000 of capital contributions to Nekonal Oncology Limited. As at 31 December 2017 SalvaRx has made €300,000 of capital contributions and has an obligation to make a further capital contribution of €300,000 once certain development milestones have been achieved. This obligation of £267,000 has been included in other creditors. Subject to this further investment the option is exercisable at any time within four years of the option agreement dated 27 February 2017.

17 Trade and other receivables

	2017 **£'000**	**2016** **£'000**
Amount due from associates	21	-
VAT and corporation tax recoverable	498	5
Prepayments	79	29
	598	34

18 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2017 of approximately £0.57 million (As at 31 December 2016: £0.97 million) comprise cash held by the Group. The Directors consider that the carrying amount of these assets approximates to their fair value.

19 Loan Notes

	Convertible loan notes 2016 £'000	**Equity option on convertible 2016 loan £'000**	**2017 Loan notes £'000**	**Warrants on 2017 loan notes £'000**	**Total £'000**
At 31 December 2016	616	78	-	-	694
New loans in the year	-	-	2,734	385	3,119
Imputed interest	13	-	73	-	86
Change in fair value	-	(78)	-	-	(78)
Equity contribution on conversion	(630)	-	-	-	(630)
Exchange gains and losses	1	-	(204)	(24)	(227)
31 December 2017	-	-	2,603	361	2,964

On 2 March 2017, the liability on the 2016 convertible loan notes was transferred to SalvaRx Limited and the note holders immediately converted their loan notes into shares in SalvaRx Limited at a price of US $250 per share. This gave rise to a 5.85% equity non-controlling interest in SalvaRx Limited and a credit of £630,000 has been recorded in equity.

On 2 March 2017, the Company announced an offering by its subsidiary SalvRx Limited of unsecured loan notes of up to US $5 million, carrying a coupon of 7% and repayable in four years. The loan notes were subscribed in tranches during the year. The holders of the loan notes were issued US $7,500 of warrant in respect of each US $10,000 loan note. The warrants vest in the event of a qualifying transaction and are exercisable at a price of the higher of US $250 per share and a price reflecting discount to the implied valuation of SalvaRx Limited. SalvaRx Limited raised US $3,940,000 in unsecured loan notes from the offering reflecting a sterling value of £3,119,000 on issue.

The coupon interest of 7% arising on the 2017 loan notes is included within accruals as it is payable within one year.

20 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	488	224
Other creditors (note 15)	267	-
Accruals	162	71
Directors loan account (note 25)	189	-
	1,106	295

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 45 days (2016: 40 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

Other creditors comprising funding obligations to Nekonal Oncology Limited, as disclosed in note 15.

21 Financial instruments

Capital risk management

The Group manages its capital resources so as to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to shareholders. Until it achieves positive cash-flow, the Group expects to fund its operations through a combination of equity capital raised from the market and, where appropriate, debt finance.

The capital resources of the Group consist of cash and cash equivalents arising from equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Categories of financial instruments	2017 £'000	2016 £'000
Financial assets: Available for sale held at cost		
Investments	1,480	1,395
Financial assets: Loans and Receivables		
Investments	-	36
Cash and cash equivalents	570	967
Amounts due from associates	21	-
	2,071	2,398
Financial liabilities: At amortised cost		
Trade and other payables	1,106	295
Loan notes	2,603	616
Financial liabilities: At fair value through profit and loss		
Equity derivatives	361	78
	4,070	989

Financial risk management objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes and any currency hedging transactions.

In order to effectively manage these risks, the Board of Directors has approved strategies for the management of financial risks, which are in line with corporate objectives. These strategies set up guidelines for the short term and long term objectives and action to be taken in order to manage the financial risks that the Group faces.

The major guidelines are the following:

- Maximise the use of "natural hedge" favouring as much as possible the natural off-setting of costs, payables and receivables denominated in the same currency.
- All financial risk management activities are carried out and monitored at a central level and discussed at Board level.
- The Group will not invest temporary excess liquidity in shares or similar instruments unless authorised by the Board of Directors.

Foreign exchange risk and foreign currency risk management

The Group is exposed to currency risk given it trades in sterling, US dollars and Euros. While the Group aims to minimise exposure to foreign exchange risk by matching the currency of income and related expenditure flows where possible, fluctuations in the exchange rate between these two currencies can have significant effect.

Financial assets by currency:	**Investments £'000**	**Amounts due from associates £'000**	**Cash and cash equivalent £'000**	**Total £'000**
Currency				
British pounds	-	-	729	729
US dollars	1,431	-	238	1,669
Balance at 31 December 2016	1,431	-	967	2,398
Currency				
British pounds	-	-	6	6
US dollars	1,480	21	564	2,065
Balance at 31 December 2017	1,480	21	570	2,071

Financial liabilities by currency:	Borrowings £'000	Trade and other payables £'000	Total £'000
Currency			
British pounds	-	78	78
US dollars	694	217	911
Balance at 31 December 2016	694	295	989
Currency			
British pounds	-	145	145
US dollars	2,964	694	3,658
Euros	-	267	267
Balance at 31 December 2017	2,964	1,106	4,070

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has minimal trade and other receivables at the year end.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with good credit ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. There are no significant concentrations of credit risk.

The credit risk arising in respect of investments is inevitably higher risk. The nature of the Group's business is developing innovative solutions for the treatment of cancer and there is no guarantee that any individual investment will be successful. This risk is partly mitigated through representation on its Board of Directors and the Group's CEO monitors its progress on a regular basis.

The maximum credit risk to which the Group is exposed is summarised in the following table.

	2017 £'000	2016 £'000
Investments	1,480	1,431
Cash and cash equivalents	570	967
Amounts due from associates	21	-
Balance at 31 December	2,071	2,398

As explained in note 18, cash and cash equivalents balances represent bank balances.

The Group does not hold collateral for any of its receivables

There were no past due receivables.

Investments are in the form of equity investment in private companies in which the Group is represented on its

Board of Directors and the Group's CEO monitors its progress on a regular basis.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

The following tables analyse financial liabilities by remaining contractual maturity.

Financial liabilities by contractual maturity	**Borrowings £'000**	**Trade and other payables £'000**	**Total £'000**
Less than 1 year	-	295	295
1-3 years	694	-	694
Balance at 31 December 2016	694	295	989
Less than 1 year	-	1,106	1,106
3-4 years	2,964	-	2,964
Balance at 31 December 2017	2,964	1,106	4,070

The Group expects to pay all liabilities at their contractual maturity.

As a biotech group of companies at an early stage of development and without significant internally generated cash flows, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Group, or that actual drug development expenditures may exceed those planned. The current uncertainty in global markets could have an impact on the Group's future ability to access capital on terms that are acceptable to the Group. There can be no assurance that required financing will be available to the Group.

22 Share capital

Authorised and issued equity share capital

	2017		2016	
	Number '000	£'000	Number '000	£'000
Authorised				
Ordinary Shares of 2.5p each	80,000	2,000	80,000	2,000
Issued and fully paid				
Ordinary Shares of 2.5p each	36,467	911	36,467	911

The parent company has one class of Ordinary Shares, which carry no right to fixed income.

Movements during the year:

	31 December 2017		31 December 2016	
	Number '000	£'000	Number '000	£'000
Balance at beginning of year	36,467	911	618,493	155
Share consolidation	-	-	(612,308)	-
Issues during the year	-	-	5,493	136
Issued on reverse acquisition	-	-	24,789	620
	36,467	911	36,467	911

23 Reverse acquisition reserve

The reverse acquisition reserve of £3,065,000 (2016: £3,065,000) arose when SalvaRx Limited completed a reverse takeover of 3 Legs Resources plc during 2016.

24 Share-based payment reserves

Share options outstanding are as follows:

SalvaRx Group plc	2017		2016	
	Options £'000	Weighted average exercise price £'000	Options £'000	Weighted average exercise price £'000
Outstanding at 1 January	3,226	35.74p	474	23.2p
Granted during the year	-	-	2,752	37.9p
Outstanding at 31 December	3,226	35.74p	3,226	35.74p
iOx Therapeutics Limited				
Outstanding at 1 January	1.3	120	0.7	120
Granted during the year	-	-	0.6	120
Outstanding at 31 December	1.3	120	1.3	120

The parent company and its subsidiary do not operate a formal stock option scheme, however certain options to subscribe for the Company's or its subsidiary's shares have been granted to selected Directors and consultants on an ad hoc basis pursuant to individual option agreements (the 'Non-Plan Options').

(A) iOx Therapeutics Limited

Date of grant	Date of expiry	Option price £	Vesting terms	# of Options	Value based on Black-Scholes option pricing model £'000	Graded vesting in 2017 £'000	Graded vesting in 2016 £'000
14 Dec 15	14 Dec 20	120	25% on grant and 25% each anniversary vested	675	57	7	23
28 Nov 16	28 Nov 21	120		649	60	-	60
				1,324	117	7	83

24 Share-based payment reserves *(continued)*

(B) SalvaRx Group plc

Date of grant	Date of expiry	Option price £	Vesting terms	# of Options	Value based on Black-Scholes option pricing model £'000	Graded vesting in 2017 £'000	Graded vesting in 2016 £'000
Apr 2015 to July 2015	16 Feb 21	0.232	Vested	431,153	-	-	-
16 Feb 15	16 Feb 18	0.232	Vested	43,115	-	-	-
22 Mar 16	22 Mar 21	0.355	Three equal tranches 1st on 22 March 2017, 2nd on 22 March 2018 3rd on 22 March 2019	2,508,777	509	184	233
22 Mar 16	22 Mar 21	0.71	Vested	182,333	31	-	31
22 Mar 16	22 Mar 19	0.355	Vested	60,563	10	-	10
				3,225,941	550	184	274

The fair value of the options has been calculated using the Black Scholes model. The significant inputs into the model for the IFRS 2 valuation were as follows:

	Grants 14 December 2015	28 November 2016	22 March 2016	22 March 2016
# of Options	675	649	2,691,110	60,563
Risk free interest rate	1%	1%	1%	1%
Expected volatility	91.60%	106.48%	92.91%	94.33%
Expected life in days	1850	1825	1825	1095
Market price	£ 120	£ 120	£ 0.30	£ 0.30

25 Related party transactions

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group has entered into related party transactions with its associated entities RIFT Biotherapeutics Inc. and Nekonal Oncology Limited. Full details of these transactions are included in notes 15 and 16.

Trade and other receivables includes amounts due from associates of £21,000 (2016: £nil). The amount is interest free and repayable on demand.

Included in trade and other payables is amounts owing to directors of £189,000 (2016: £nil). This relates to consulting fees due to the directors and £189,000 was the maximum balance outstanding during the year. The loans are interest fee and repayable on demand.

On 2 March 2017 the convertible loan note liability in SalvaRx Group plc at 31 December 2016 was transferred to SalvaRx Limited and the note holders, J Mellon , the non- executive chairman and G Bailey, a Non- executive Director, agreed to accept 4,000 shares of SalvaRx limited at a price of US $250 per share in settlement of the loan notes, this gave them 5.85% equity in SalvaRx Limited.

On the 28 February 2017 and 19 October 2017 respectively, J Mellon, received non-convertible loan notes of US $1,000,000 and US $500,000 in SalvaRx Limited. Details of the terms of the loan notes are included in note 19.

On the 2 March 2017 and 19 October 2017 respectively, G Bailey, received non-convertible loan notes of US $1,000,000 and US $500,000 in SalvaRx Limited. Details of the terms of the loan notes are included in note 19.

Payments to key management personnel

The remuneration of the Non-Executive Directors, Executive Directors and senior management, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2017	**2016**
	£'000	£'000
Consulting fees	469	203
Share based payments	76	138
Business expenses reimbursed	5	52
	550	393

26 Non-controlling interest

The group's non-controlling interests ("NCI") at 31December 2017 were:

- iOx Therapeutics Limited ("iOx") in which the NCI is 43.05%
- Saugatuck Therapeutics Limited ("Saug") in which the NCI is 30%, and
- SalvaRx Limited in which the NCI is 5.85%.

The movement in NCI during the year is as follows:

	£'000
At 1 January 2016	1,059
Loss attributable to NCI	(407)
At 31 December 2016	**647**
Loss attributable to NCI	(490)
Conversion of 2016 loan notes	148
Equity contributed to NCI on formation of Saug	79
At 31 December 2017	**384**

On 2 March 2017, the non-controlling shareholders in SalvaRx Limited accepted 4,000 shares of SalvaRx Limited at a price of €250 per share in settlement of outstanding loan notes, which gave them 5.85% equity in SalvaRx Limited. The conversion resulted in a £148,000 credit to NCI reflecting the benefit of the conversion and the NCI gaining a 5.85% share in the net assets of SalvaRx Limited.

Summarised financial information in respect of each material subsidiary undertaking with a non-controlling interest and prior to the elimination of intra-group items is set out below.

	2017	**2016***
SalvaRx Limited	£'000	£'000
Non-current assets	5,020	-
Current assets	767	-
Current liabilities	(2,098)	-
Non-current liabilities	(2,968)	-
	721	-

	2017	**2016***
	£'000	£'000
Revenue	-	-
Loss for the year	(814)	-

* - Comparative balances have not been provided because non-controlling interests in SalvaRx Limited of 5.85% only arose from 2 March 2017.

iOx Therapeutics Limited	**2017** £'000	**2016** £'000
Non-current assets	-	-
Current assets	534	1,189
Current liabilities	(579)	(417)
Non-current liabilities	-	-
	(45)	772

	2017 £'000	**2016** £'000
Revenue	-	-
Loss for the year	(865)	(879)

27 Events after the balance sheet date

On 8 March 2018 iOx Therapeutics Limited issued US$1m of unsecured convertible loan notes. The notes entitle the holder to interest of 7% per annum and are convertible into ordinary shares in iOx on the earlier of the first anniversary of the date of issue of the instrument or the date in which iOx conducts a sale or listing or it undertakes an eligible third-party fundraising of not less than $2m.

On 26 June 2018, J Mellon and G Bailey made additional loans to the company of US$500,000 each. Interest is payable on the loans at 7% per annum and the loans are repayable on 20 June 2019.

28 Contingent liabilities

SalavRx Limited has entered an agreement with RIFT Biotherapeutics Inc under which it is obliged to make further investment of $650,000 in the company subject to certain development milestones being achieved. As the directors currently consider the achievement of the development milestones to be possible but not certain this obligation is considered a contingent liability, as set out in note 15.