VERONA PHARMA PLC
("Verona Pharma" or the "Company")

PRELIMINARY UNAUDITED RESULTS
for the twelve months ended 31 December 2011

Verona Pharma plc is a biotechnology company dedicated to discovering new drugs for the treatment of chronic respiratory diseases, such as chronic obstructive pulmonary disease (COPD), asthma, allergic rhinitis (hay fever) and cough. Today, the Company announces its preliminary unaudited results for the 12 months ended 31 December 2011.

2011 OPERATIONAL HIGHLIGHTS

- Completed a Phase II clinical trial of RPL554 at the Centre for Human Drug Research ("CHDR") in The Netherlands to further demonstrate the safety and bronchodilator effectiveness of two higher doses of RPL554.

- Demonstrated in a further Phase II clinical trial in patients with mild asthma that the bronchodilator actions of a daily dose of RPL554 were maintained over a period of 6 days with once daily treatment.

- Completed a small Phase II clinical trial of the Company's first-in-class novel drug for the treatment of persistent cough, VRP700, at the University of Florence, Italy. VRP700 significantly reduced coughing in patients with chronic intractable cough (up to 60-80 times an hour) due to underlying severe lung disease.

- Successfully demonstrated in a pilot Phase IIa clinical trial of RPL554 at the University of Tor Vergata in Rome, Italy the bronchodilator effectiveness of RPL554 in patients with mild to moderate COPD. Results showed significant improvement in lung function of the drug compared to placebo.

2011 FINANCIAL HIGHLIGHTS

- Loss after tax of £1.72 million (2010: £1.89 million) or 0.71 pence (2010: 0.79 pence) per ordinary share.

- Completed the first tranche of a placing by issuing 43.6 million shares at 5p per share to raise total gross proceeds of £2.18 million. The Company intends to use the proceeds of the placing to finance the clinical development of the RPL554 and VRP700 programmes and for general corporate purposes.

- Low cash burn rate maintained during the year due to the virtual business model, with cash and cash equivalents as at 31 December 2011 of £2.53 million (2010: £2.00 million).

SUBSEQUENT EVENT HIGHLIGHTS

- In January, completed the second tranche and balance of the above placing by issuing a further 21.3 million shares at 5p per share to raise total gross proceeds of £1.07 million.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT

INTRODUCTION

2011 has been another important and busy year for Verona Pharma. The Company made further good progress with its lead drug project, RPL554, and demonstrated clinical efficacy with its second project, the novel anti-cough drug, VRP700. Progress was also made with its NAIPs programme. The Company continued to pursue every opportunity to license out RPL554 to an appropriate pharmaceutical partner. The Board continued to maintain a firm control over the Company's finances and ensure the operation of a proven financial model for drug discovery that enables resources to be applied to maximum effect for the discovery and development of new drugs.

RPL554

During 2011, the Company continued to add valuable clinical data to its lead project, RPL554, which is being developed for the treatment of COPD, asthma and other diseases of the respiratory tract.

RPL554, belongs to a class of drugs known as a dual phosphodiesterase (PDE) 3/4 inhibitor. It is unique in that it could provide combined prolonged bronchodilation and anti-inflammatory effects in one molecule. Both effects are essential for sufferers of respiratory diseases, and there is currently no other drug that provides both effects in a single molecule. In addition, none of the existing asthma drug therapies are ideal as many have limitations with respect to their effectiveness, dose-limiting side effects and, in some cases, concerns over long term steroidal use. In terms of current drugs for COPD, there is room for substantial improvement and a drug with combined bronchodilator and anti-inflammatory actions would be a significant step forward in the treatment of this progressive and pernicious disease.

The Company successfully completed three further clinical trials with RPL554 during the year, demonstrating the effectiveness of this drug as a bronchodilator in both patients with asthma, and in those with mild to moderate COPD. One of the trials in subjects with mild to moderate asthma also demonstrated that the bronchodilator effect obtained with RPL554 was maintained over a 6 day treatment period with once daily dosing. In that trial, and other trials, RPL554 continues to provide excellent bronchodilator activity in mild asthmatics without any major untoward side effects, including gastrointestinal disturbances which are commonly encountered with PDE4 inhibitors. The clinical trials in mild asthmatics were conducted in Leiden, The Netherlands, at the Centre for Human Drug Research (CHDR). The trial in patients with COPD was conducted at the University Tor Vergata in Rome, Italy. These further positive clinical trials strengthen the RPL554 clinical data package.

VRP700

During 2011, the Company successfully completed a first clinical proof of concept study at the University of Florence, Italy for its cough project, VRP700. VRP700 is a potential first-in-class drug which suppresses the cough initiating signals in nerve endings located in the air passages and lungs. Currently, the treatment of cough is directed at the underlying illness e.g. a cold, sinusitis. Many patients self-medicate with over-the-counter cough and cold medicines and only receive mild relief. However, for more severe cases, where patients may cough between 60-80 times an hour, there are no truly safe (non-morphine-based) or effective treatments.

The small clinical study completed at the University of Florence produced exciting results in that VRP700 markedly reduced coughing in a group of patients with severe, persistent cough. When administered by nebuliser, the drug was highly effective without any untoward side effects.

NAIPs

The Company has continued to obtain and evaluate novel fractions from various sources with the intent of identifying potential clinical candidates for development as an anti-inflammatory drug. The NAIPs programme was derived from studies of the polysaccharide, heparin, which has been shown to be an anti-inflammatory drug in a range of diseases, but cannot be widely used since its anti-coagulant effect is an unwanted side effect. Through its collaborations with Glycores SpA and Glycomar Ltd, the Company has access to a range of polysaccharides without anti-coagulant effect that it is evaluating as potential drug treatments for common chronic inflammatory conditions such as asthma and hay fever. Progress of the NAIPs programme has been limited as the Company has focused its resources on advancing the RPL554 and VRP700 programmes.

FINANCIALS

The loss for the current year decreased by 9% or £0.17m to £1.72m (2010: £1.89m).

Total research and development expenditure, which was expensed as incurred, was £0.94m (2010: £1.15m). The decrease in research and development expenditure was due to a decrease in expenditures for the RPL554 programme by £0.22m to £0.75m (2010: £0.97m). The decrease in expenditures for the RPL554 programme is primarily due to: (a) a reduction in the scope of development of the RPL554 series during 2011; and (b) certain clinical trial related costs such as manufacture of drug batch and clinical trial protocol design were incurred in 2010, but the trials were actually carried out in 2011. The Company also received a research and development tax credit of £0.12m in the year which is included under taxation.

The main area of expenditure in 2011 has been on the Phase II trial to test the duration of bronchodilator action with daily doses of RPL554, given over a period of 6 days, in patients with mild asthma. The Phase I/II clinical trial of RPL554 to evaluate the safety and bronchodilator effectiveness of higher doses of RPL554 in patients with mild asthma was commenced in 2010 and completed in February 2011. A majority of the cost (approximately 80%) was incurred in 2010 with the balance being incurred in 2011.

Administrative expenses for the year were £0.90m (2010: £0.75m). The increase of £0.15m over the previous period was primarily due to an increase in share based payment charge of £0.14m as a result of extending the expiry date of 10 million directors' options.

As at 31 December 2011, the Company had approximately £2.5 million in cash and cash equivalents.

OUTLOOK

All current evidence indicates that RPL554 has the potential to be an important new respiratory drug that could capture a significant market share in terms of utility in the treatment of asthma and COPD. The Company recently announced that it has contracted

the Medicines Evaluation Unit (MEU) in Manchester, UK to carry out a trial to demonstrate anti-inflammatory effects of RPL554 relevant to the treatment of COPD. This trial is expected to complete the profile of RPL554 as a new class of drug with dual bronchodilator and anti-inflammatory actions in a single molecule – a first in the history of treating respiratory disease, and a major boost for patients. The trial is planned to commence shortly and the preliminary results from the trial are expected in Q4 2012.

In the meantime, Verona Pharma continues to seek the most compatible and appropriate partner to develop RPL554 into a marketed medicine. Whilst the global economic conditions and the state of flux of the pharmaceutical industry are impacting the licensing market, the Company is optimistic that it will find a suitable partner to ensure that RPL554 takes its rightful place in the treatment of one or more of the most common chronic respiratory diseases.

The notable success of the clinical demonstration of VRP700 in the treatment of severe, intractable cough provides a significant opportunity for the Company. In the first place we have to expand on our original clinical observations so as to define the drug's utility and at the same time fully explore these unique actions so as to ensure the fullest commercial protection. A larger multi-centre trial has been planned for VRP700 in patients with intractable cough in 2012 which will enable the Company to enhance its clinical data base.

While our current focus is on RPL554 and VRP700, we continue to explore other areas for potential new drugs in the area of respiratory medicine. Thus we plan to further develop our NAIPs project and keep a 'weather eye' open for new and unique opportunities for potential drugs for use in the respiratory area.

Verona Pharma will continue to maintain a low cash burn rate, which is possible due to its minimized cost base. The Company is very positive about its progress to date and looks forward to updating the market on further developments in due course.

We would like to thank our staff, consultants, advisors and collaborators for all of their dedicated effort in the past year and for sharing our mission to research, discover and develop drugs of benefit to those millions of sufferers from asthma, allergic rhinitis and other respiratory diseases. We also wish to express the most sincere gratitude to our shareholders for their continuing support of our endeavours.

Professor Clive P. Page
Chairman

Professor Michael J. A. Walker
Chief Executive Officer

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Research and development		(943,478)	(1,150,904)
Administration expenses	7	(904,194)	(745,256)
Operating loss		(1,847,672)	(1,896,160)
Finance revenue		3,478	7,898
Loss before taxation		(1,844,194)	(1,888,262)
Taxation	4	124,407	(4,532)
Loss for the year		(1,719,787)	(1,892,794)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,719,787)	(1,892,794)
Loss per ordinary share – basic and diluted	2	(0.71)p	(0.79)p

There are no recognized gains or losses other than those passing through the profit and loss account.

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	31 December 2011 £	31 December 2010 £
ASSETS			
Non current assets			
Tangible assets		6,021	15,513
Intangible assets		114,569	100,452
Goodwill	9	1,469,112	1,469,112
		1,589,702	1,585,077
Current assets			
Trade and other receivables		90,858	68,808
Cash and cash equivalents	6	2,526,195	2,003,012
		2,617,053	2,071,820
Total assets		4,206,755	3,656,897
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders			
Called up share capital		285,844	239,906
Option reserves		510,499	359,008
Share premium account		11,466,229	9,373,526
Retained losses		(8,211,826)	(6,521,891)
Total equity		4,050,746	3,450,549
Current liabilities			
Trade and other payables		156,009	206,348
Total liabilities		156,009	206,348
Total equity and liabilities		4,206,755	3,656,897

The preliminary announcement was approved by the Board on 4 April 2012.

Prof. Clive Page
Chairman

Company Number: 05375156

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Net cash outflow from operating activities		(1,698,220)	(1,655,540)
Cash inflow / (outflow) from taxation		124,407	(4,532)
Cash flow from investing activities			
Interest received		3,451	7,898
Purchase of tangible assets		-	(7,081)
Purchase of intangible assets		(28,022)	(41,640)
Net cash outflow from investing activities		(24,571)	(40,823)
Cash flow from financing activities			
(Prepaid)/deferred financing cost		(17,074)	54,365
Net proceeds from issue of shares		2,138,641	819,561
Net cash inflow from financing activities		2,121,567	873,926
Net increase / (decrease) in cash and cash equivalents		523,183	(826,969)
Cash and cash equivalents at the beginning of the year		2,003,012	2,829,981
Cash and cash equivalents at the end of the year	6	2,526,195	2,003,012

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital £	Share premium £	Option reserve £	Retained earnings £	Total £
Balance at 1 January 2010	232,378	8,561,493	356,210	(4,668,057)	4,482,024
Loss for the year	-	-	-	(1,892,794)	(1,892,794)
Other comprehensive income	-	-	-		
Total comprehensive loss for the year	-	-	-	(1,892,794)	(1,892,794)
Issue of shares	7,528	866,798	-	-	874,326
Issue costs	-	(54,765)	-	-	(54,765)
Share based payment					
Transfer of previously expensed share based payment	-	-	41,758	-	41,758
charge upon exercise of options	-	-	(38,960)	38,960	-
Balance at 31 December 2010	239,906	9,373,526	359,008	(6,521,891)	3,450,549
Balance at 1 January 2011	239,906	9,373,526	359,008	(6,521,891)	3,450,549
Loss for the year	-	-	-	(1,719,787)	(1,719,787)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(1,719,787)	(1,719,787)
Issue of shares	45,938	2,263,756	-	-	2,309,694
Issue costs	-	(171,053)	-	-	(171,053)
Share based payment					
Transfer of previously expensed share based payment	-	-	181,343	-	181,343
charge upon exercise of options	-	-	(29,852)	29,852	-
Balance at 31 December 2011	285,844	11,466,229	510,499	(8,211,826)	4,050,746

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

1.1. Basis of preparation

The unaudited financial information has been prepared using the historical cost convention. In addition, the unaudited financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

1.2. Basis of consolidation

This group financial information includes the accounts of Verona Pharma plc (the "Company" or the "Parent") and its wholly-owned subsidiary Rhinopharma Limited. The Parent and Rhinopharma Limited are collectively referred to as the "Group". The purchase method of accounting is used to account for the acquisition of Rhinopharma Limited.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Rhinopharma Limited adopts the same accounting policies as the Company.

1.3. Cash and cash equivalents

The Company considers all highly liquid investments, with a maturity of 90 days or less to be cash equivalents, carried at the lower of cost or market value.

1.4. Critical accounting judgements and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRSs also require management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Impairment of intangible assets

Determining whether an intangible asset is impaired requires an estimation of whether there are any indications that its carrying value is not recoverable.

At each reporting date, the Company reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(b) Valuation of goodwill

Management values goodwill after taking into account the results of research efforts and estimated future sales and costs. If the assumed factors vary from actual occurrence, this will impact on the amount of the asset which should be carried on the balance sheet.

(c) Share based payments

The Group records charges for share based payments. In the case of option based share based payments, management estimates certain factors that are used in the option pricing model; these include volatility, vesting date of options and number of options likely to vest. If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

1.5. New standards and interpretations

The following new standards and amendments to standards are mandatory for the first time for financial periods commencing on or after 1 January 2011:

Amendments to IFRS7 – Financial Instruments: Disclosures

Amendments add certain new disclosures about financial instruments to those currently required by IAS 32; replaces the disclosures previously required by IAS 30; and puts all of those financial instruments disclosures together in a new standard on Financial Instruments.

Amendments to IAS 24 – Related Party Disclosures–Revised definition of related parties

The revised version of the standard reduces disclosure requirements for entities that are related only because they are state-controlled or significantly influenced by the state, and amends the definition of related party to clarify the intended meaning and remove inconsistencies.

These new standards have been applied in the preparation of the financial information for the current period. As the changes are limited to disclosure requirements only, they have not had any impact on the comprehensive loss or the value of either the Group or Company assets or liabilities for the current and comparative periods.

2. Earnings per share

Basic loss per share of (0.71p) (2010: loss of 0.79p) for the Group is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue of 243,445,223 (2010: 238,761,092).

Diluted loss per share for the current period has not been presented since the Company's share options are anti-dilutive.

3. Segmental information

The Group has determined that its operating segments be reported on a product pipeline basis as this best reflects the Group's activity cycle. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

The Group's product pipeline is dedicated to the research, discovery and development of new therapeutic drugs for the treatment of chronic respiratory diseases. At present there are three products: RPL554, VRP700 and NAIPs. RPL554 is in the clinical phase, having successfully completed Phase I and II trials, VRP700 is in the clinical phase having successfully completed a Phase II trial, and NAIPs is in the basic research phase.

Segment information by operating segment is as follows:

	Clinical 2011 £	**Clinical 2010 £**	**Basic research 2011 £**	**Basic research 2010 £**
Income statement information				
Research and development	(854,654)	(962,453)	(88,824)	(188,452)
Amortisation of patent	(10,228)	(8,848)	(3,675)	(2,909)
Segment loss	(864,882)	(971,301)	(92,499)	(191,361)
Balance sheet information				
Patents	88,322	70,609	26,247	29,843
Goodwill	1,469,112	1,469,112	-	-
Segment assets	1,557,434	1,539,721	26,247	29,843

	2011 £	**2010 £**
Reconciliation of segment result		
Loss per reportable segment – Clinical	(864,882)	(971,301)
Loss per segment – Basic research	(92,499)	(191,361)
Total loss for reportable segments	(957,381)	(1,162,662)
Amortisation of non-segment assets	(9,493)	(9,572)
Unallocated administration expense	(880,798)	(723,926)
Group operating loss	(1,847,672)	(1,896,160)

At the end of the financial year, the Group was still in the early development stage and therefore had no turnover in either 2010 or 2011.

Reconciliation of segment assets		
Assets per reportable segment – Clinical	1,557,434	1,539,721
Assets per reportable segment – Basic research	26,247	29,843
Total assets for reportable segments	1,583,681	1,569,564
Unallocated non-current assets	6,021	15,513
Unallocated current assets	2,617,053	2,071,820
Group total assets	4,206,755	3,656,897

Segment information by geographical segment for 2011 is as follows:

Geographical segment (Group)	**United Kingdom**	**Canada**	**Total**
	£	**£**	**£**
Research and development	(943,478)	-	(943,478)
Administration expenses	(891,984)	(12,210)	(904,194)
Finance revenue	3,478	-	3,478
Loss before taxation	(1,831,984)	(12,210)	(1,844,194)
Tangible assets	6,021	-	6,021
Intangible assets	114,569	-	114,569
Trade and other receivables	89,810	1,048	90,858
Cash and cash equivalents	2,519,642	6,553	2,526,195
Goodwill	1,469,112	-	1,469,112
Trade and other payables	(155,750)	(259)	(156,009)
Net assets	4,043,404	7,342	4,050,746

Segment information by geographical segment for 2010 is as follows:

Geographical segment (Group)	**United Kingdom**	**Canada**	**Total**
	£	**£**	**£**
Research and development	(1,131,349)	(19,555)	(1,150,904)
Administration expenses	(730,352)	(14,904)	(745,256)
Finance revenue	7,898	-	7,898
Loss before taxation	(1,853,803)	(34,459)	(1,888,262)
Tangible assets	15,513	-	15,513
Intangible assets	100,452	-	100,452
Trade and other receivables	67,730	1,078	68,808

Cash and cash equivalents	1,995,538	7,474	2,003,012
Goodwill	1,469,112	-	1,469,112
Trade and other payables	(206,105)	(243)	(206,348)
Net assets	3,442,240	8,309	3,450,549

4. Taxation

	2011 £	2010 £
Analysis of tax charge for the year		
Current tax:		
UK corporation tax at 26% (2010: 28%)	-	-
Prior year adjustment	(124,407)	-
Foreign taxation	-	4,532
Current tax charge	(124,407)	4,532
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(1,844,194)	(1,888,262)
Multiplied by standard rate of corporation tax of 26.00% (28.00%)	(479,490)	(528,713)
Effects of:		
Non deductible expenses	47,149	11,692
Timing differences not recognised	-	-
Tax losses carried forward	432,341	517,021
Prior year adjustment	(124,407)	4,532
Current tax charge	(124,407)	4,532

The prior year adjustment of £124,407 is a research and development tax credit received in the year (2010: £Nil). The tax credit is a cash refundable tax credit for the PAYE and National Insurance contributions paid by the Company in fiscal years 2009 and 2010.

Factors that may affect future tax charges

As of the balance sheet date, the Group has unused United Kingdom tax losses available for offset against suitable future profits in the United Kingdom. A deferred tax asset has not been recognised in respect of such losses due to uncertainty regarding future profit streams. The contingent deferred tax asset at 25% is estimated to be £2,106,000.

5. Subsidiary entities

The Company currently has one wholly owned subsidiary, Rhinopharma Limited. Rhinopharma Limited is incorporated under the laws of the Province of British Columbia, Canada. Rhinopharma Limited was a drug discovery and development company focused on developing proprietary drug to treat allergic rhinitis and other respiratory diseases prior to its acquisition by the Company on 18 September 2006.

6. Cash and cash equivalents

	2011 £	2010 £
Group		
Cash at bank and in hand	2,526,195	2,003,012
Cash equivalents	-	-
	2,526,195	2,003,012

7. Cost of issuing share options

Included within administration expenses is a charge of £181,343 (£2010: £41,758) for issuing share options. The share based payment charge represents the current year's allocation of the expense for relevant share options issued in 2011, 2010 and 2009, and expense related to the extension of the expiry date for the 10 million directors' options by five years to 18 September 2016. All options issued prior to 2009 were fully expensed prior to 2009.

The Company granted nil (2010: 850,000) share options during the current year with fair values estimated using the Black-Scholes option-pricing model of £Nil (2010: £25,353).

The following assumptions were used for the Black-Scholes valuation of share options granted in 2010 and 2009.

	Issued in 2010	Issued in 2009	
Year/Type	**Employees**	**Employees**	**Consultants**
Options granted	850,000	1,000,000	200,000
Risk-free interest rate	2.75%	5.0%	4.75%
Expected life of options	5 years	5 years	5 years
Annualised volatility	37.35%	75.02%	155.20%
Dividend rate	0.00%	0.00%	0.00%

8. Related parties transactions

The Company was charged £41,125 (2010: £41,307) by Magic Bullets Enterprises Limited, a company of which Prof. Michael Walker is a Director. At the year end the Company owed £Nil (2010: £Nil) to the related party.

The Company was charged £27,000 (2010: £27,000) by Gryon Consulting Limited, a company of which Prof. Clive Page is a Director. At the year end the Company owed £Nil (2010: £Nil) to the related party.

9. Goodwill

	2011 £	2010 £
Group		
Goodwill	1,469,112	1,469,112

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in connection with the acquisition of Rhinopharma Limited in September 2006. The Company has elected to test goodwill for impairment as of 31 December of each year.

Based on the evaluation performed as of 31 December 2011 the Company concluded that no impairment was required.

10. Financial instruments

(a) Fair values

The carrying amounts of cash and cash equivalents, short-term investments, receivables, and accounts payable and accrued liabilities, approximate to fair value due to their short-term nature.

(b) Credit risk

Credit risk reflects the risk that the Group may be unable to recover contractual receivables. The Group is still in the development stage; therefore, no policies are required at this time to mitigate this risk.

(c) Currency risk

Foreign currency risk reflects the risk that the Group's net assets will be negatively impacted due to fluctuations in exchange rates. The Group has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. At 31 December 2011, cash and cash equivalents include €15,602, and accounts payable and accrued liabilities include balances of CAD$12,365, €5,237, USD$40,262 and AUD$650.

(d) Financial risk management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops.

(e) Management of capital

The Group considers capital to be its equity reserves. At the current stage of the Group's life cycle the Group's objective in managing its capital is to ensure that the funds raised meet the research and operating requirements until the next development stage of the Group's suite of projects.

The Group ensures it is meeting its objectives by reviewing its Key Performance Indicators ("KPIs") to ensure its research activities are progressing in line with expectations, controlling costs and placing unused funds on deposit to conserve resources and increase returns on surplus cash held.

(f) Interest rate risk

At 31 December 2011, the Group had cash deposits of £2,526,195 (2010: £2,003,012). The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

Financial Asset	Floating interest rate 2011	Non-interest bearing 2011	Floating interest rate 2010	Non-interest bearing 2010
	£	£	£	£
Cash deposits	2,526,195	-	2,003,012	-

11. Financial information

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 2010. The statutory accounts for the year ended 31 December 2011 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies.

12. Directors' report and accounts

Copies of the full report and accounts will be posted to shareholders on or around **27 April 2012**. A copy will be made available on the Company's website (www.veronapharma.com) at the same time.

13. Annual General Meeting

The Company intends to convene an annual general meeting of shareholders on or around **1 June 2012** at **11:30 am** at One America Square, Crosswall, London EC3N 2SG. A notice to convene the AGM will be dispatched to shareholders at the same time the full report and accounts are dispatched.

ENDS

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