VERONA PHARMA REPORTS PRELIMINARY RESULTS FOR 2012

REFINED STRATEGIC FOCUS, CLINICAL PROGRESS AND FINANCIAL PRUDENCE

Verona Pharma plc (AIM: VRP), ("Verona Pharma" or the "Company") the drug development company focused on "first-in-class" medicines to treat respiratory diseases, today announces its preliminary unaudited results for the twelve months ended 31 December 2012.

2012 OPERATIONAL HIGHLIGHTS

- Dr. Jan-Anders Karlsson appointed as the Company's Chief Executive Officer on 1 June 2012, as successor to Professor Michael Walker.
- Clinical trial initiated to test the anti-inflammatory properties of the Company's lead drug, RPL554, with respect to COPD at the Medicines Evaluation Unit (MEU) in Manchester, UK.
- New patent granted for RPL554 by the US Patent and Trademark office. The Patent is the fourth patent issued for RPL554 and related compounds in the US.
- Clinical data presented on the bronchodilator effects of RPL554 in patients with COPD at the European Respiratory Society (ERS) annual congress in Vienna.
- Clinical data presented on the bronchodilator effects of RPL554 in asthmatic patients at the International Severe Asthma Forum (ISAF) 2012 meeting in Gothenburg, Sweden.

2012 FINANCIAL HIGHLIGHTS

- Loss after tax of £2.52m (2011: £1.72m) or 0.82 pence (2011: 0.71 pence) per ordinary share.
- Net cash outflows from operating activities during the year of £2.57m, with cash and cash equivalents as at 31 December 2012 of £0.96m (2011: £2.53m).

POST PERIOD HIGHLIGHTS

- Completed a £1.1m share placing and entered into a £5m equity financing facility with Darwin Strategic Limited to provide access to finance ongoing clinical development of the RPL554 and VRP700 programmes and for general corporate purposes.
- Substantial anti-inflammatory effect in COPD-like inflammation demonstrated in clinical study with RPL554 at MEU, Manchester.

Dr. Jan-Anders Karlsson, CEO of Verona Pharma commented, "We are very pleased by the clinical successes achieved to date in the development of both RPL554 and VRP700. While we remain excited by these unique drugs' broad potential in the treatment of respiratory diseases, the Board's refined strategy for the Company focuses us on developing RPL554 to treat patients with severe COPD, and VRP700 to treat chronic, severe cough. It is the Board's view that this focus on significant unmet market needs will potentially shorten the path to commercialisation and afford the greatest opportunity of accelerating shareholder value.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT

INTRODUCTION

Verona Pharma is a development stage company focused on novel, "first-in-class" drugs for patients suffering from respiratory diseases with high unmet medical need.

In the second half of 2012, the Board undertook a comprehensive review of the Company's strategy with the objective of accelerating shareholder value creation. While it was decided to retain a focus on "first-in-class" medicines to treat respiratory diseases, there is now an increased emphasis on optimising value by concentrating initially on therapeutic indications with a clear path to commercialisation and a high unmet medical need. At a later stage, we will seek to widen the use of our medicines via novel formulations and further indications. The Board believes that targeting patients with high unmet medical need will accelerate access to multi-billion dollar commercial markets and increase the flexibility in the timing for achieving attractive commercial partnerships.

Verona Pharma has demonstrated that its lead compound, the dual phosphodiesterase 3 and 4 inhibitor RPL554, is well tolerated and delivers clinically significant bronchodilation in patients with COPD or asthma, and has a unique mechanism of action providing both bronchodilator and anti-inflammatory effects which are expected to be complementary or alternative to existing treatments.

In the revised strategy, the Company plans to bring RPL554 to market with speed and focus. Therefore, it is developing a nebulised formulation of RPL554 as a bronchodilator for patients with severe COPD. COPD is one of the most common lung disorders. Despite regular treatment, these patients currently cost the NHS about £1 billion per annum and around 23,000 patients die every year. COPD is common not only in the UK, but in the rest of the world, and WHO expects this to be the third most common cause of death worldwide by 2020. Patients with severe COPD are not well controlled on existing treatments and RPL554 has potential to be a novel therapy for these patients. To the best of the Company's knowledge, there is no new treatment in development in the same class of drugs, thereby providing RPL554 a unique competitive positioning.

Verona Pharma has also demonstrated that VRP700 has significant anti-tussive activity in the treatment of chronic, severe cough. Cough is the most common symptom in many lung diseases and existing treatments have limited activity. VRP700 has a unique mechanism of action that is different from currently available treatments and, as far as the Company is aware, there are no compounds in development in the same class as VRP700, thereby providing a favorable competitive and commercial position. The Company will therefore continue to develop VRP700 for chronic, severe cough.

RPL554

RPL554 is a dual phosphodiesterase 3 and 4 inhibitor that was selected for clinical development as pre-clinical studies had demonstrated both potent bronchodilator and anti-inflammatory properties. RPL554 is currently being developed as a potential "first-in-class" treatment for patients with chronic respiratory diseases such as COPD and asthma.

RPL554 has successfully passed through a number of early clinical Phase I and II studies. These single and multiple dose studies suggest that RPL554, when inhaled across a range of doses, is an effective bronchodilator in patients with COPD or asthma and is an excellent candidate for further development as a new class of bronchodilator.

The clinical trial with RPL554 in patients with mild to moderate COPD at the Tor Vergata Clinic at the University of Rome was expanded during the reporting period to incorporate more patients to

provide further data. Consistent with the initial part of the study completed in 2011, the magnitude of bronchodilator response produced by the drug was significantly larger than that produced by placebo and appeared to be at least equivalent to that produced by a standard dose of the reference bronchodilator beta2-agonist salbutamol in these patients. Importantly, no safety issues were observed. The data from the trial were reported in an oral presentation by the Principal Investigator, Professor Mario Cazzola, at the European Respiratory Society Annual Congress in Vienna on 4 September 2012.

A separate randomized, double blind, placebo-controlled clinical trial to examine the potential anti-inflammatory effects of RPL554 was conducted at MEU in Manchester during the last year. The trial was conducted in healthy subjects, treated once daily for 6 consecutive days with either inhaled RPL554 or inhaled placebo before being challenged on the last day by an irritant agent that provokes an inflammatory response in their airways.

The primary end point chosen for this exploratory trial was a reduction in the proportion of neutrophil cells, an inflammatory cell type recognised for its central role in COPD and severe asthma, to total inflammatory cells in the sputum, and secondary endpoints included reductions in total inflammatory cell numbers. While there was a strong trend in favour of the primary endpoint, the study narrowly missed reaching statistical significance even though there was a highly significant reduction in the absolute number of neutrophils.

The total number of inflammatory cells in the airways was reduced by over 30% when normalized for sample weight. Furthermore, certain types of inflammatory cells, including neutrophils, macrophages, lymphocytes and eosinophils, were reduced by up to around 75% (normalized for sample weight). Most important in this study however, was the demonstration of a broad and pronounced anti-inflammatory effect after short term (one week) treatment.

The clinical data obtained for RPL554 to date indicate that the drug has a unique combination of bronchodilator and anti-inflammatory properties. Importantly, RPL554 was well tolerated and, consistent with earlier clinical studies, there were no clinically significant cardiovascular or gastrointestinal side effects. The Company plans to continue the development of RPL554, initially as a nebulised drug for severe COPD patients.

VRP700

Cough is the most common symptom of lung disease. Chronic cough of more than eight weeks duration can be a debilitating symptom when associated with severe lung diseases such as asthma, COPD, interstitial lung disease and lung cancer. Unfortunately, currently available cough remedies are recognised as being relatively ineffective, often with significant side effects. There is no novel and effective therapy for treating the severe, dry cough in patients with interstitial lung disease, pulmonary fibrosis or lung cancer. The Company is initially evaluating VRP700 as a possible novel “first-in-class” treatment in patients with chronic cough due to severe lung disease.

During the reporting period, the clinical trial of VRP700 at the University of Florence, Italy that was completed in the second half of 2011 was further analyzed. In this study, inhalation of VRP700 for about 10 minutes very effectively reduced chronic cough in a small group of patients with various forms of severe lung disease. As the result of the study was very positive, a follow-on study in patients with severe, chronic cough due to a different type of underlying lung disease is being planned. Preparations for such study are nearing completion and the study is expected to start in the first half of 2013 with results expected in the first half of 2014.

NAIPs

The Company undertook limited work on the NAIPS programme during the reporting period. This is in line with the Company’s primary objective to focus its resources on the clinical stage assets

RPL554 and VRP700. However, three new patent filings have been made to secure ownership and intellectual property around these novel anti-inflammatory principles.

FINANCIALS

The loss from operations for the year ended 31 December, 2012 was £2.52m (2011: £1.72m). Research and development expenditure, which was expensed as incurred, amounted to £1.67m (2011: £0.94m). The increase in research and development expenditure was primarily due to an increase in the expenditures on the RPL554 programme by £0.56m to £1.31m (2011: £0.75m) and the VRP700 programme by £0.25m to £0.35m (2011: £0.10m). The increase in expenditures on the RPL554 programme was primarily due to: (a) cost associated with the clinical trial at MEU in Manchester to test the anti-inflammatory properties of RPL554 with respect to COPD; and (b) nebulised formulation development with the aim to improve delivery. The increase in expenditures in the VRP700 programme was due to: (a) an increase in the scope of development of the VRP700 series; and (b) cost associated with preparation for the planned confirmatory anti-cough study.

Administrative expenses for the year were £0.91m (2011: £0.90m). The marginal increase of £0.01m over the previous period was primarily due to an increase in general corporate overhead which was partly offset by a decrease in the share-based payments charge.

As at 31 December 2012, the Company had approximately £0.96 million in cash and cash equivalents.

On 31 January 2013, the Company announced that it had raised £1.1 million (gross) from a placing of new shares, and entered into a £5.0 million equity financing facility with Darwin Strategic Limited, a company majority owned by a subsidiary of Henderson Global Investors. In order to fund the future development of the RPL554 and VRP700 programmes, it is expected that the Company will either draw down on such facility or secure financing from other sources.

OUTLOOK

Taking into account the progress achieved in the development of RPL554 and VRP700 and the significant unmet medical need in respiratory diseases, the Board has refined the Company's strategy to focus initially on developing RPL554, with nebulised delivery, to treat patients with severe COPD, and on developing VRP700 to treat chronic, severe cough. It is our view that this focus on significant unmet market needs will afford the greatest prospect of accelerating shareholder value growth.

To implement this revised strategy, the Board has considered it necessary to strengthen the Company's later stage development capabilities. The Company has therefore recently engaged experienced consultants with indepth expertise in developing and bringing new medicines to market, especially novel inhaled treatments for lung disease such as asthma and COPD.

The recently demonstrated significant anti-inflammatory properties of RPL554 in human subjects supports its use in a wider group of patients, and whilst bronchodilation represents the near term focus of Verona Pharma, the Company intends in due course to broaden the therapeutic use of RPL554, including its anti-inflammatory potential and potential for the treatment of asthma.

The dual bronchodilator and anti-inflammatory properties of RPL554 sets it apart from the most commonly used medications for COPD and asthma that have predominantly bronchodilator (beta2 agonists or anti-muscarinic drugs) or anti-inflammatory (inhaled glucocorticosteroids, oral phosphodiesterase4 inhibitor) activities. Thus, RPL554 is the first in a new class of respiratory drugs that combines two important activities in one molecule and therefore may provide unique benefits to patients with respiratory disorders.

The Company believes that RPL554 ultimately has the potential to benefit a much wider group of patients and to be used either alone or in combination with existing medicines. The Company recognises that an experienced and resourceful commercial partner could bring significant value to the development of RPL554 and therefore continues to be involved in business development discussions around the RPL554 programme. However, the Company intends to partner its drug candidates only when it can extract a commercially attractive return for the Company and its Shareholders.

It is recognized that there is a desire for more data around RPL554 in the scientific and medical community and, to that end, the Company will publish and present new pre-clinical and clinical data around RPL554 in scientific meetings in 2013.

The Company will continue to operate with a strong focus and financial discipline. The Company continues to be very positive about its progress to date and its future and looks forward to updating the market on further developments in due course.

Professor Clive P. Page
Chairman

Dr. Jan-Anders Karlsson
Chief Executive Officer

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Research and development		(1,674,977)	(943,478)
Administration expenses	5	(910,372)	(904,194)
Operating loss	3	(2,585,349)	(1,847,672)
Finance revenue		20,177	3,478
Loss before taxation		(2,565,172)	(1,844,194)
Taxation - credit		48,069	124,407
Loss for the year		(2,517,103)	(1,719,787)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,517,103)	(1,719,787)
Loss per ordinary share – basic and diluted	2	(0.82)p	(0.71)p

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	31 December 2012 £	31 December 2011 £
ASSETS			
Non current assets			
Plant and equipment		39,484	6,021
Intangible assets – patents		125,280	114,569
Goodwill	6	1,469,112	1,469,112
		1,633,876	1,589,702
Current assets			
Trade and other receivables		208,051	90,858
Cash and cash equivalents		960,870	2,526,195
		1,168,921	2,617,053
Total assets		2,802,797	4,206,755
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders			
Share capital		307,203	285,844
Share premium		12,447,364	11,466,229
Share-based payment reserve		470,577	510,499
Retained losses		(10,621,672)	(8,211,826)
Total equity		2,603,472	4,050,746
Current liabilities			
Trade and other payables		199,325	156,009
Total liabilities		199,325	156,009
Total equity and liabilities		2,802,797	4,206,755

The preliminary announcement was approved by the Board on 8 April 2013.

Prof. Clive Page
Chairman

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Net cash outflow from operating activities	(2,573,609)	(1,698,220)
Cash inflow from taxation	48,069	124,407
Cash flow from investing activities		
Interest received	20,194	3,451
Purchase of plant and equipment	(46,594)	-
Payments for patents	(27,953)	(28,022)
Net cash outflow from investing activities	(54,353)	(24,571)
Cash flow from financing activities		
Financing costs	12,074	(17,074)
Net proceeds from issue of shares	1,002,494	2,138,641
Net cash inflow from financing activities	1,014,568	2,121,567
Net (decrease) / increase in cash and cash equivalents	(1,565,325)	523,183
Cash and cash equivalents at the beginning of the year	2,526,195	2,003,012
Cash and cash equivalents at the end of the year	960,870	2,526,195

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £	Share Premium £	Option reserve £	Retained losses £	Total £
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
Share issue costs	-	(171,053)	-	-	(171,053)
Share-based payments	-	-	181,343	-	181,343
Transfer of previously expensed share-based payment charge upon exercise of options	-	-	(29,852)	29,852	-
At 31 December 2011	285,844	11,466,229	510,499	(8,211,826)	4,050,746
At 1 January 2012	285,844	11,466,229	510,499	(8,211,826)	4,050,746
Loss for the year	-	-	-	(2,517,103)	(2,517,103)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,517,103)	(2,517,103)
Issue of shares	21,359	1,046,607	-	-	1,067,966
Share issue costs	-	(65,472)	-	-	(65,472)
Share-based payments	-	-	67,335	-	67,335
Transfer of previously expensed share based payment charge upon lapse of options	-	-	(107,257)	107,257	-
At 31 December 2012	307,203	12,447,364	470,577	(10,621,672)	2,603,472

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accounting policies

1.1 General information

The unaudited financial information set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006 but is derived from those financial statements and as such, does not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Statutory accounts for 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have agreed to the issue of these results and expect to issue an unqualified audit report on the 2012 accounts following formal completion of the audit.

The financial information in respect of the year ended 31 December 2011 has been produced using extracts from the statutory accounts prepared under International Financial Reporting Standards. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified.

The financial information presented in this statement has been prepared using accounting policies consistent with International Financial Reporting Standards as endorsed by the European Union. The accounting policies are the same as those published by the Group in the Annual Report & Accounts for the year ended 31 December 2011.

These results were approved by the directors on 8 April 2013. Copies of the 2012 Report and Accounts are being sent to shareholders in due course.

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 for consolidation.

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 on consolidation.

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.

2. Loss per share

Basic loss per share of 0.82p (2011: loss of 0.71p) for the Group is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue of 306,620,807 (2011: 243,445,223). 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 acute and chronic respiratory diseases. At present there are three products: RPL554, VRP700 and NAIPs. RPL554 and VRP700 are in the clinical phase, RPL554 having successfully completed early Phase I and II trials, VRP700 having successfully completed a Phase II trial, and NAIPs is in the basic research phase.

Segment information by operating segment is as follows:

	Clinical 2012	**Clinical 2011**	**Basic research 2012**	**Basic research 2011**
	£	**£**	**£**	**£**
Income statement information				
Research and development	(1,656,444)	(854,654)	(18,533)	(88,824)
Amortisation of patents	(13,567)	(10,228)	(3,676)	(3,675)
Segment loss	(1,670,011)	(864,882)	(22,209)	(92,499)
Statement of financial position information				
Patent	101,743	88,322	23,537	26,247
Goodwill	1,469,112	1,469,112	-	-
Segment assets	1,570,855	1,557,434	23,537	26,247

Reconciliation of segment result	2012	2011
	£	£
Loss per segment – Clinical	(1,670,011)	(864,882)
Loss per segment – Basic research	(22,209)	(92,499)
Total loss for reportable segments	(1,692,220)	(957,381)
Amortisation of non-segment assets	(13,131)	(9,493)
Unallocated administration expense	(879,998)	(880,798)
Group operating loss	(2,585,349)	(1,847,672)

At the end of the financial year, the Group was still in the early development stage and therefore had no turnover in either 2011 or 2012.

Reconciliation of segment assets	2012	2011
	£	£
Assets per segment – Clinical	1,570,855	1,557,434
Assets per segment – Basic research	23,537	26,247
Total assets for reportable segments	1,594,392	1,583,681
Unallocated non-current assets	39,485	6,021
Unallocated current assets	1,168,920	2,617,053
Group total assets	2,802,797	4,206,755

Segment information by geographical segment for 2012 is as follows:

Geographical segment (Group)	United Kingdom	Canada	Total
	£	£	£
Research and development	(1,674,977)	-	(1,674,977)
Administration expenses	(907,557)	(2,815)	(910,372)
Finance revenue	20,177	-	20,177
Loss before taxation	(2,562,357)	(2,815)	(2,565,172)
Tangible assets	39,484	-	39,484
Intangible assets	125,280	-	125,280
Trade and other receivables	207,025	1,026	208,051
Cash and cash equivalents	957,155	3,715	960,870
Goodwill	1,469,112	-	1,469,112
Trade and other payables	(199,111)	(214)	(199,325)
Net assets	2,598,945	4,527	2,603,472

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

4. Group 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.

5. Cost of issuing share options

Included within administration expenses is a charge of £67,335 (2011: £181,343) for issuing share options. The share based payment charge represents the current year's allocation of the expense for relevant share options issued in 2012, 2010, and 2009. All options issued prior to 2009 were fully expensed prior to 2009. The Company grants share options under the Unapproved Share Option Plan (the 'Unapproved Plan') and under tax efficient Enterprise Management Incentive arrangements (the 'EMI Plan').

Under the Unapproved Plan, options are granted to employees, directors and consultants to acquire shares at a price to be determined by the Board. In general, options vest after three years and are exercisable during a period ending ten years after the date of grant. Under the EMI Plan, options are granted to employees and directors who are contracted to work at least 25 hours a week for the Company. The options granted under the EMI Plan will be exercisable at a price and in accordance with a vesting schedule determined by the Board at the time of grant and will have an exercise period of 10 years from the date of grant.

The Company granted 5,000,000 (2011: Nil) share options under the EMI Plan and 600,000 (2011: Nil) share options under the Unapproved Plan during the current year with total fair values estimated using the Black-Scholes option-pricing model of £110,680 (2011: £Nil). The cost is amortised over three years and £18,955 is included in the charge to administration expenses noted above.

On 11 January 2012, 1,950,604 ordinary share options were issued to WH Ireland, the Company's nominated adviser and broker, with an exercise price of 5 pence per option. The options were issued under a Placing agreement and are fully vested and exercisable on or before 7 December 2013.

The following assumptions were used for the Black-Scholes valuation of share options granted in 2012, 2010, and 2009.

	EMI Plan Issued in 2012	Unapproved Plan Issued in 2012	
Year/Type	**Employees**	**Employees**	**Consultants**
Options granted	5,000,000	300,000	300,000
Risk-free interest rate	0.97%	0.97%	0.97%
Expected life of options	10 years	10 years	10 years
Annualised volatility	46.14%	63.51%	63.51%
Dividend rate	0.00%	0.00%	0.00%

	Unapproved Plan Issued in 2010	Unapproved Plan 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%

6. Goodwill

	2012	2011
	£	£
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 2012 the Company concluded that no impairment was required.

7. Subsequent events

In February 2013, the Company completed a placing by issuing 29.0 million shares at 4p per share to raise total gross proceeds of £1.16 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.

The Company has entered into a £5.0 million equity financing facility ("EFF") with Darwin Strategic Limited ("Darwin"), a company majority owned by a subsidiary of Henderson Global Investors. The agreement is subject to certain limited restrictions and at the sole discretion of the

Company the facility can be drawn down at any time over the next three years. Darwin is entitled to subscribe for shares at the average of the three lowest closing bid prices of the Ordinary Shares over the 15 trading days following the subscription notice. In doing so Darwin could acquire a maximum of up to 25% of the Company's enlarged issued share capital following completion of the relevant subscription, or four times the average daily trading volume over the 15 trading days preceding the issue of the relevant subscription notice. As part of this agreement, Darwin was issued warrants entitling it to subscribe separately for up to 5 million Ordinary Shares at 4.8p per share. The warrants are exercisable at any time prior to the expiry of 36 months from the date of the warrant agreement.

8. Directors' report and accounts

Copies of the full report and accounts will be posted to shareholders on or around **1 May 2013**. A copy will be made available on the Company's website (www.veronapharma.com) at the same time.

9. Annual General Meeting

The Company intends to convene an annual general meeting of shareholders on **3 June 2013** 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

For further information please visit www.veronapharma.com or contact:

Dr. Jan-Anders Karlsson, CEO/Professor Clive Page, Chairman	
Verona Pharma plc:	020 7863 3300
Chris Fielding/Nick Field, WH Ireland:	020 7220 1666
Julia Phillips/Simon Conway, FTI Consulting:	020 7831 3113