

VERONA PHARMA PLC

AIM RULES COMPLIANCE POLICY

CONTENTS

Clause		Page
1	INTRODUCTION	2
2	PRINCIPLES	2
3	GENERAL OBLIGATION TO DISCLOSE PRICE SENSITIVE INFORMATION (AIM RULES 10 & 11)	3
4	ROUTINE OBLIGATIONS TO DISCLOSE (AIM RULE 17)	4
5	REPORTING AND FINANCIAL INFORMATION	5
6	RESTRICTIONS ON DEALINGS (AIM RULE 21)	6
7	SUBSTANTIAL TRANSACTIONS (AIM RULE 12)	6
8	TRANSACTIONS WITH RELATED PARTIES (AIM RULE 13)	8
9	MAINTENANCE OF WEB SITE (AIM RULE 26)	9
10	RESPONSIBILITIES	9
	APPENDIX 1	13
	THE AIM RULES FOR COMPANIES	13
	APPENDIX 2	14
	THE AIM RULES FOR NOMINATED ADVISERS	14
	APPENDIX 3	15
	THE AIM DISCIPLINARY PROCEDURES AND APPEALS HANDBOOK	15

1 INTRODUCTION

- 1.1 This document sets out the policy of Verona Pharma plc (the “Company”) on compliance with the AIM Rules for Companies (as amended from time to time) (“AIM Rules”) issued by the London Stock Exchange plc (“LSE”). The policy applies whilst the Company is quoted on AIM.
- 1.2 The Directors are responsible for ensuring compliance by the Company with its obligations under the AIM Rules, which state at Rule 31: “*An AIM Company must ensure that each of the Directors accept full responsibility, collectively and individually, for its compliance with the AIM Rules*”. Sections 3 to 8 of this compliance policy summarise the principal obligations to be observed by the Company. These obligations are contained in the AIM Rules. References to the Rules, or any particular Rule in these sections are references to the AIM Rules or the specific rule of the AIM Rules.
- 1.3 In particular, compliance with the obligations relating to disclosure is regarded by the LSE as essential to the maintenance of an orderly market in securities and ensures that all users of the market have simultaneous access to the same information.
- 1.4 Failure by the Company to comply with the AIM Rules may result in the LSE taking one or more courses of action. These include issuing a warning notice, fining or censuring the Company and suspending trading in or cancelling the admission of the Company’s securities. In each case it is open to the LSE to publish the fact of the measures taken against the Company.
- 1.5 The LSE may from time to time amend the AIM Rules and the Company will be expected to comply with any such amendments.
- 1.6 In addition to the AIM Rules the Company and its Directors should be aware of the AIM Rules for Nominated Advisers (the “Nomad Rules”), setting out the responsibilities and obligations of the Company’s Nomad, and the AIM Disciplinary Procedures and Appeals Handbook, each of which are appended hereto.

2 PRINCIPLES

- 2.1 The Company will comply at all times with the AIM Rules, will maintain in place sufficient procedures, resources and controls to ensure compliance, and will seek advice from its Nominated Adviser (“Nomad”) in this regard, and where appropriate act upon such advice.
- 2.2 The Board will seek advice and guidance without delay from its Nomad at all times in relation to any announcement that the Company may be required to make under the AIM Rules.

- 2.3 The Company is required to provide to the Nomad such information as the Nomad may reasonably request or require to enable it to carry out its responsibilities under the AIM Rules and the Nomad Rules. Specifically the Company must inform the Nomad in advance of any proposed change to the Board of Directors.
- 2.4 The Board will promptly inform the Nomad in respect of any new developments which are not public knowledge concerning a change in (i) the Company's financial condition (ii) the Company's sphere of activity, (iii) the performance of the Company's business or (iv) the expectation of the Company's performance.
- 2.5 The Board will supply any information requested by the Nomad without delay.
- 2.6 The Nomad will be able to contact at least one member of the Board at any time.
- 2.7 The Board will ensure that all the Board Meetings and Shareholders Meetings are properly and accurately minuted. If required, minutes of the meetings will be provided to the Nomad and the LSE.

3 GENERAL OBLIGATION TO DISCLOSE PRICE SENSITIVE INFORMATION (AIM RULES 10 & 11)

- 3.1 The Company is under a general duty to notify an Regulatory Information Service ("RIS") provider (usually undertaken by the Company's Nomad) which is approved by the LSE without delay of any new developments which are not public knowledge and which concern a change in its financial condition, its sphere of activity, the performance of its business or its expectation of its performance and which would, if made public, be likely to lead to a substantial movement in the price of any of its securities. This general duty underlies many of the more specific obligations to make announcements set out in the AIM Rules, but the general requirements are additional to this and may be invoked where none of the specific obligations is relevant.
- 3.2 The Directors must ensure that relevant information is announced to the market as a whole through an RIS provider without delay. The general disclosure obligation is set out in full in rule 11 of the AIM Rules, which are attached at the Appendix to this Document.
- 3.3 The Directors must also make more routine announcements (some of which are contained in more specific obligations in the AIM Rules (see the summary in paragraph 4 below)).
- 3.4 Any announcement must not be misleading, false or deceptive and must not omit anything likely to affect the import of such information and must be notified to an RIS provider no later than it is published elsewhere (Rule 10). However, care should be taken to avoid making a premature announcement when the whole picture cannot be

revealed which might result in the market being misled. Every circumstance must be judged on its merits and early consultation with the Nomad is essential.

- 3.5 In any event, before the Company discloses any information to analysts, it must first discuss the proposed disclosure with its Nomad.

4 **ROUTINE OBLIGATIONS TO DISCLOSE (AIM RULE 17)**

AIM Rule 17 sets out a number of requirements which oblige companies to notify the market on the happening of certain events, and each Director shall ensure that that he discloses to the Company all information of which he is aware and is required to be disclosed pursuant to Rule 17. These include the following:

4.1 **Change in adviser and/or broker**

- 4.1.1 The Company must notify an RIS provider without delay of the resignation, dismissal or appointment of nominated adviser or broker.

4.2 **Notification of changes in shareholdings**

- 4.2.1 The Company must notify an RIS provider without delay of any relevant changes to any shareholdings of significant shareholders (being persons holding 3 per cent or more of a class of quoted securities in the Company) and of any dealings by Directors in the securities of the Company. Such notification should include the information specified in Schedule 5 of the AIM Rules.

- 4.2.2 The Company must require each director to disclose such information to it without delay insofar as that information is known to the director or could with reasonable diligence be ascertained by the director. An RIS provider must be notified "without delay" after receipt by the Company of such information. It is generally accepted that "without delay" requires an RIS provider to be notified as soon as possible and in any event prior to the close of the business day following the day on which information was known or should have been known.

4.3 **Board changes**

- 4.3.1 The Company should notify the Nomad of the intention to appoint a director without delay, allowing sufficient time for appropriate due diligence procedures to be carried out and required disclosure under the AIM Rules to be agreed, prior to the appointment being made.
- 4.3.2 The Company must notify an RIS provider without delay of the resignation, dismissal or appointment of any director.

4.3.3 Such notification must include the date of such occurrence and for an appointment, must include the information on any new director set out in Schedule 2(g) of the AIM Rules, relating to all directorships held by that new director over the previous five years, any unspent convictions, details of bankruptcies, receiverships or any public criticisms of that new director by any statutory or regulatory authorities (see paragraph (g) of Schedule 2).

4.4 **Material changes in performance**

4.4.1 The Company must notify an RIS provider without delay of any material change between its actual trading performance or financial condition and any profit forecast, estimate or projection included in an admission document or otherwise made public on its behalf.

4.5 **Other disclosures**

4.5.1 Other miscellaneous provisions under Rule 17 of the AIM Rules require the Company to notify an RIS provider without delay of such matters as changes in accounting reference dates and reasons for the issue of cancellation of any quoted securities by the Company.

4.5.2 The Company must also notify an RIS provider without delay of any decision to make any payment in respect of its quoted securities (which would include dividends).

5 **REPORTING AND FINANCIAL INFORMATION**

5.1 **Half-yearly reports (AIM Rule 18)**

5.1.1 The Company must prepare a half-yearly report in respect of the six month period from the end of the financial period for which financial information has been disclosed in an admission document, and at least every subsequent six months thereafter (save for the final period of six months preceding its accounting reference date for its annual audited accounts). These must be notified to an RIS provider (rule 18) without delay and in any event within three months of the end of the relevant period.

5.2 **Annual accounts (AIM Rule 19)**

5.2.1 The Company must publish its annual audited accounts prepared in accordance with International Accounting Standards. These must be sent to the holders of the Company's securities without delay and in any

event not later than six months after the end of the financial period to which they relate.

5.3 Publication of documents sent to shareholders (Rule 20)

5.3.1 Any document provided by the Company to the holders of its quoted securities (including the accounts) must be made available on the Company's website pursuant to Rule 26 (see below) and an electronic copy sent to the LSE.

6 RESTRICTIONS ON DEALINGS (AIM RULE 21)

6.1 A number of restrictions are imposed upon dealings in the Company's shares. The Company is required to adopt, maintain and comply with the restrictions set out in Rule 21 of the AIM Rules and to use reasonable endeavors to procure directors and applicable employees will comply. These restrictions are set out in the Company's Share Dealing Code which has been distributed to all Directors and is posted on the Company's website.

7 SUBSTANTIAL TRANSACTIONS (AIM RULE 12)

7.1 Classification

7.1.1 The AIM Rules classify acquisitions and disposals according to the size of the transaction relative to that of the company proposing to make it by reference to "percentage ratios". Broadly, the percentage ratios are the figures resulting from a comparison of each of the respective gross assets, profits, turnover, and consideration to market capitalisation of the company and gross capital. Where any of the percentage ratios equals ten per cent or more, the relevant transaction is deemed a "substantial transaction".

7.1.2 In addition to substantial transactions the concept of "reverse takeover" exists; this is an acquisition or a series of acquisitions in a 12 month period by an AIM quoted company where any percentage ratios of the above is 100 per cent or more or which would result in a fundamental change in the business or in a change in board or voting control of the quoted company.

7.1.3 Transactions of a revenue nature in the ordinary course of business and transactions to raise finance which do not involve a change in the fixed assets of the AIM company are excluded from classification as a substantial transaction. The term "transaction" is not defined and should be interpreted as widely as possible; there may be circumstances where

a transaction is classifiable notwithstanding that no “assets” are being acquired or disposed of. Care should be taken, for example, where the Company proposes to give certain indemnities (ie ones which are exceptional and under which the Company agrees to discharge any liabilities for costs, expenses, commissions or losses incurred by or on behalf of another party whether or not on a contingent basis and under which the maximum liability is either unlimited in amount or where the liability would equal or exceed ten per cent or more of the Company’s profits).

7.2 Aggregation (AIM Rule 16)

7.2.1 Transactions completed during the 12 months prior to the date of the latest transaction and which:

7.2.1.1 are entered into by the Company with the same person or their families;

7.2.1.2 involve the acquisition or disposal of securities or an interest in one particular business; or

7.2.1.3 together lead to a principal involvement in a business activity which did not previously form part of the Company’s principal activities

must be aggregated for the purpose of determining whether the latest transaction falls within AIM Rules 12 to 15 and/or 19.

7.3 Obligation to notify

7.3.1 Substantial transactions and reverse takeovers must be notified to an RIS provider without delay after the terms of the transaction are agreed. The requirements as to the contents of such announcement include (Schedule 4 of the AIM Rules):

7.3.2 particulars of the transaction;

7.3.3 the consideration;

7.3.4 the value of the assets which are the subject of the transaction;

7.3.5 the profits attributable to the assets which are the subject of the transaction; and

7.3.6 the effect of the transaction on the AIM Company.

7.4 Admission documents and shareholder approval

7.4.1 Any agreement which would effect a reverse takeover must be conditional upon shareholder approval being obtained in general meeting and accompanied by the publication of an Admission Document in respect of the proposed enlarged entity and convening the general meeting.

7.4.2 Special requirements apply in the event of a reverse takeover, including, if successful, the need to seek re-admission as a new applicant (rule 14) and a suspension of trading in the Company's securities if it is unable to publish its Admission Document at the same time as it announces the reverse takeover.

8 **TRANSACTIONS WITH RELATED PARTIES (AIM RULE 13)**

8.1 Broadly, "**related party**" means any current or recent director or substantial shareholder (or any associate of either). For these purposes "**recent**" means the 12 month period preceding the transaction and "**substantial shareholder**" means anyone who holds an interest in 10% or more of the voting rights or 10% or more of any class of security quoted on AIM.

8.2 Where any transaction is proposed between the Company and a related party and the relevant percentage ratios equal 5% or more, the Company must make an announcement without delay as soon as the terms are agreed disclosing:

8.2.1 the information specified in Schedule 4 of the AIM Rules;

8.2.2 the name of the related party and the extent of their interest in the transaction; and

8.2.3 a statement to the effect that (with the exception of any director who is involved in the transaction as a related party) the Directors consider, having consulted with the Company's nominated adviser that the terms of the transaction to be fair and reasonable insofar as the holders of AIM quoted securities in the Company are concerned.

8.3 The threshold eliminates certain small transactions but again aggregation may be required.

8.4 If the Company proposes to enter into a transaction which could be a transaction with a related party and there is any doubt as to whether or to what extent the relevant provisions of the AIM Rules apply, the Company must consult its Nomad at an early stage.

9 **MAINTENANCE OF WEB SITE (AIM RULE 26)**

9.1 With effect from 20 August 2007 the Company will be required to maintain a web site on which specified information must be available free of charge. The information required is set out in AIM Rule 26.

10 **RESPONSIBILITIES**

10.1 **Board Meetings**

10.1.1 The Managing Director and Chief Financial Officer are responsible for preparing reports to each meeting of the Board of the Company. Each is required to include in their reports information material to the operations of the Company.

10.1.2 The directors are required, in consultation with the Company Secretary if necessary, to exercise judgment as to whether material presented at Board meetings should be disclosed under the AIM Rules.

10.1.3 There will be a standing item on each agenda headed "Disclosure Requirements".

10.1.4 The Board shall appoint a Designated Director to liaise with the Nomad at all times and in the event that the Designated Director is unavailable make suitable arrangements for another Director to be available providing the Nomad with the appropriate contact details.

10.1.5 The Board must approve all disclosures under this Policy.

10.2 **Between Board Meetings**

10.2.1 The Managing Director and Chief Financial Officer are required to advise the Chairman, Designated Director and the Nomad immediately they become aware of information which they believe should be disclosed under the AIM Rules.

10.2.2 Board members must advise the Chairman, Designated Director and Nomad should they become aware of information which they believe should be disclosed under the AIM Rules. A similar procedure set out in clause 10.1 above will be followed. For the purposes of clauses 10.2.1 and 10.2.2 this shall include but not be limited to:

10.2.2.1 Proposals to pay or make any dividend or other distribution;

- 10.2.2.2 Proposals to alter the Company's capital structure or borrowing requirements;
 - 10.2.2.3 Proposals to acquire or dispose of assets otherwise than in the ordinary course of the Company's business;
 - 10.2.2.4 Proposals that will or might result in a change in the Company's officers;
 - 10.2.2.5 Making any preliminary announcement of final results or announcement of interim results; and
 - 10.2.2.6 Proposals by the Directors to deal in any of the securities of the Company including the exercise of options and/or warrants;
 - 10.2.2.7 Proposals in relation to any resolution to be put to the members, other than ordinary business at Company's Annual General Meetings of the Company.
- 10.2.3 All persons under an obligation under this clause 10.2 are also obliged to ensure that they are conversant with what constitutes information material to the Company's share price, and they should contact the Nomad if they require guidance on this concept.
- 10.2.4 If it is not possible to convene a Board meeting to approve the announcement, a Designated Director and the Chairman of the Board or the Chairman of the Audit Committee must approve the announcement to an RIS provider in conjunction with the Nomad and any press release containing important material information before release to the market. In any event, the announcement shall be sent to all Board members prior to its release.
- 10.3 Standing Requirements**
- 10.3.1 The Board will closely monitor the Company's existing financial reporting procedures. As soon as the Board is aware of any information which may require an announcement to be made under AIM Rule 11, the Nomad will be consulted immediately and an announcement shall be made without delay.
 - 10.3.2 The Board or the Designated Director must as soon as reasonably practicable consult with the Nomad if the Company is considering to enter in to any substantial transaction falling within AIM Rule 12.

- 10.3.3 The Board or the Designated Director must discuss with and take advice from the Nomad and the Company's lawyers before entering into or agreeing to enter in to any transaction with a related party which exceeds 5% in any of the Class Tests and after consultation with the Nomad must issue a notification without delay as soon as the terms of the transaction with a related party are agreed disclosing the matters referred to in AIM Rule 13.
- 10.3.4 The Board or the Designated Director must discuss with and take advice from the Nomad as soon as reasonably practicable on any potential acquisition which may be a reverse takeover as defined by AIM Rule 14.
- 10.3.5 The Board or the Designated Director must discuss and seek guidance from the Nomad in respect of any disposal by the Company, which when aggregated with any other disposals or disposals over the previous 12 months exceeds 75% in any of the class tests as set out in AIM Rule 15.
- 10.3.6 The Board or the Designated Director must discuss with the Nomad and seek guidance in relation to the aggregation of any transactions for the purposes of determining whether AIM Rules 12, 13, 14 and/or 15 apply.
- 10.3.7 The Board or the Designated Director must act without delay and give notice to the Nomad in respect of any matter warranting disclosure under AIM Rule 17 and be responsible for the appropriate announcement to be made.
- 10.3.8 The Chairman will ensure that under the Company's Share Dealing Code no Director or Applicable Employee (as defined in the AIM Rules) will deal in the Company's securities in breach of the Code and in particular ensure that all Applicable Employees who are not Directors have been given a copy of the Code and will acknowledge that they have read and understood it.
- 10.3.9 The Board will provide to the Nomad each month a financial statement and management accounts for the Company and its subsidiaries made up to and as at the end of that month.
- 10.3.10 The Board or the Designated Director will notify the Nomad immediately if it becomes aware of any breach by the Company and/or any director of the AIM Rules and request the advice and guidance of the Nomad concerning all matters relevant to the Company's compliance with the AIM Rules, where appropriate taking that advice into account.

10.3.11 The Board or the Designated Director will provide to the Nomad such information as the Nomad may request to enable compliance with the Nomad Rules.

10.4 Process of Disclosure

10.4.1 Once it has been determined that information must be disclosed, the Company Secretary or a Director is responsible for liaising with the Nomad to agree and approve required disclosure in order for the Nomad to disclose the information to an RIS provider as soon as is practicable

10.4.2 Once an RIS provider has confirmed the release of the information to the market, the Company will post the information on its website and may disseminate the information to the media and/or public. It shall not do so until the confirmation from an RIS provider has been received.

Approved by a Resolution of the Board of Verona Pharma plc on 3 May 2007.

APPENDIX 1

The AIM Rules for Companies

APPENDIX 2

The AIM Rules for Nominated Advisers

APPENDIX 3

The AIM Disciplinary Procedures and Appeals Handbook