

VERONA PHARMA PLC
REPORT AND ACCOUNTS
YEAR ENDED 31 DECEMBER 2007

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael Walker Clive Page Claire Poll Trevor Jones Stuart Bottomley
Company Secretary	John Bottomley
Registered Office	One America Square Crosswall London EC3N 2SG
Company Number	05375156
Auditors	UHY Hacker Young LLP Quadrant House Thomas More Square 17 Thomas More Street London E1W 1YW
Nominated Adviser and Broker	WH Ireland Limited 11 St. James' Square Manchester M2 6WH
Solicitors	Clyde & Co 51 Eastcheap London EC3M 1JP
Principal Banker	Royal Bank of Scotland 1 st Floor Argyll House 246 Regent Street London W1B 3PB
Registrars	Computershare Investor Services plc PO Box 82, The Pavilions Bridgewater Road Bristol BS99 7NH

CORPORATE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

Verona Pharma plc is a life sciences company dedicated to the research, discovery and development of new therapeutic drugs for the treatment of allergic rhinitis (hay fever) and other chronic respiratory diseases such as asthma and chronic obstructive pulmonary disease (COPD), as well as chronic inflammatory diseases.

2007 OPERATIONAL HIGHLIGHTS

22 January 2007	Signed a contract with Onyx Scientific Limited to synthesise the Company's lead compound, RPL554, for projected preclinical and clinical studies.
20 March 2007	Material transfer agreement signed with HepMin Biosciences Pty Ltd for supply of polysaccharides for testing under NAIPs programme.
29 May 2007	Engaged LAB Research Inc. to initiate formal preclinical safety evaluation studies of RPL554.
4 October 2007	RPL554 entered a 28-day experimental toxicology study to demonstrate safety.
6 November 2007	RPL554 entered a second 28-day experimental inhalation toxicology study in another species.
13 November 2007	Expanded drug development portfolio with the launch of a third development programme for a drug for the treatment of coughing.
13 December 2007	Raised £100,000, before expenses, by way of a placing of 2,500,000 new ordinary shares in the Company at 4 pence per share.
Financial	Loss after tax of £1.2 million or 0.84 pence per common share, which includes a non-cash charge of £0.11 million for the cost of issuing share options.
	Cash and cash equivalents at 31 December 2007 of £1.25 million.

SUBSEQUENT EVENT HIGHLIGHTS

8 January 2008	Raised £2,319,333, before expenses, by way of a placing of 57,983,325 new ordinary shares in the Company at 4 pence per share.
26 February 2008	Clinical trial planning underway for RPL554 as experimental inhalation toxicity studies near completion.

CHAIRMAN AND CEO'S JOINT STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

The 2007 year saw Verona Pharma reach a number of important milestones in its quest to discover and develop new drugs for treating respiratory and inflammatory diseases. The main focus for Verona Pharma was its lead clinical candidate, RPL554, an inhibitor of both phosphodiesterase 3 and 4 enzymes. Inhibition of these enzymes is associated with improved respiratory tract function and modulation of inflammatory processes.

In January 2007 the Company contracted Onyx Scientific of Sunderland, UK to produce a chemical batch of the RPL554 compound according to Good Manufacturing Practice (GMP). The batch was delivered in time for the Company's planned preclinical toxicology studies of RPL554 at LAB Research Inc. of Hungary in the second and third quarters of 2007. LAB Research's interim reports from its dose-ranging and repeated exposure studies in two species indicated no notable significant adverse effects with the compound. Other safety and toxicology studies commissioned with companies such as CEREP of France are currently being completed.

Findings so far indicate that RPL554 is an excellent candidate for the proposed human safety and effectiveness trials scheduled to begin mid 2008. Currently we are preparing the necessary documentation to obtain approval from regulators to commence these trials.

Verona Pharma's second project is Novel Anti-Inflammatory Polysaccharides (NAIPs). This programme was established to discover new types of drugs for treating inflammatory diseases such as allergic rhinitis and asthma. So far the programme has been successful in identifying a number of compounds that have the appropriate biological activity in cell-based tests. In order to achieve this we screened numerous compounds obtained from partners such as GlycoMar Limited of Scotland, who we subsequently contracted to perform screening and other tasks. During this time, the Company has further developed relationships with academic groups at King's College London and The University of British Columbia in Vancouver, Canada as well as with one of the leading glycobiochemists at the National Institute for Biological Standards and Control in the UK in an attempt to identify a lead compound suitable for further experimental investigation for potential new drugs.

In November 2007 Verona Pharma further expanded its drug discovery portfolio with a new research programme aimed at intractable cough. Intractable cough has no effective treatment at this time and thus represents a large market opportunity. We have acquired know-how from a North American biotechnology company in return for a small royalty on future sales. We have identified a potential lead compound and are initiating preclinical experimental studies with the hope of moving quickly into preparatory safety and toxicity studies suitable for regulatory purposes.

The Company's administrative and financial positions are sound. Despite uncertain financial markets we recently raised £2.3 million. As of the date of this report, the Company has approximately £3.3 million in cash and cash equivalents.

Verona Pharma's Board of Directors is highly satisfied with progress made during the period. We believe that the Company is in a favourable position to see significant progress with its research programmes in 2008.

On behalf of the Board, we would like to take this opportunity to thank our shareholders for their continued support.

Professor Clive P. Page
Chairman

Professor Michael J. A. Walker
Chief Executive Officer

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors present their annual report together with the audited financial statements and auditors' report for the year ended 31 December 2007.

Principal activity

The Company was incorporated on 24 February 2005. On 18 September 2006 the Company successfully acquired all the shares of Rhinopharma Limited, a private company incorporated in Canada, and changed its name to Verona Pharma plc (the "Company" or the "Parent"). The Parent and Rhinopharma Limited are collectively referred to as the "Group".

The principal activity of the Group is research and development of drugs for the treatment of allergic rhinitis (hay fever) and other chronic respiratory diseases such as asthma and chronic obstructive pulmonary disease (COPD) as well as chronic inflammatory diseases.

Review of the business and future prospects

The Chairman and CEO's joint statement describes the Group's activities and future prospects.

Results and dividends

The Group results for the year are set out on page 13. There was a loss for the year after taxation amounting to £1.2 million (2006: loss of £0.61 million). In view of the loss, the Directors cannot recommend the payment of a dividend.

Key performance indicators ("KPIs")

The key performance indicators for the Group are as follows:

- **Development milestones** – This operational KPI is used by the Board to monitor the performance of the Group's drug candidates through the planned preclinical and clinical studies. Key development milestones achieved in 2007 include having initiated preclinical toxicology studies for the RPL554 programme in the second quarter of 2007, and the launch of a third development programme for a drug for the treatment of coughing in the fourth quarter of 2007.
- **Cash life** – This financial KPI is used by the Board to monitor the Group's burn rate and the timing and requirement for future funding. The average monthly operating cash outflow in 2007 was £111,000 and the net cash position at 31 December 2007 was £1.25 million. On 8 January 2008, the Company raised £2.2 million net after expenses, via a placing. Net cash position after the placing was approximately £3.4 million. Estimated cash life was 18 months as at 31 January 2008 assuming no acquisition of new intellectual properties and based on current cost experience and level of operations.

Principal risks and uncertainties

There is a high level of risk in drug development. The Group's current drug development programmes are at an early stage and the drugs' safety and effectiveness have not yet been established. The RPL554 programme is entering preclinical studies and the NAIPs programme is at the research and development stage. In addition, there are numerous regulatory approvals that must be obtained to test, manufacture and commercialise the proposed drug treatments. Even if such approvals are obtained, there is no certainty that the Group will be able to commercialise the drug treatments on commercially acceptable terms.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

Directors

The following Directors held office during the year:

Michael Walker	(Appointed 18 September 2006)
Clive Page	(Appointed 18 September 2006)
Trevor Jones	(Appointed 18 September 2006)
Claire Poll	(Appointed 18 September 2006)
Stuart Bottomley	(Appointed 24 February 2005)

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families were as follows:

Name	Held at 31 December 2007	Held at 31 December 2006
Stuart Bottomley	8,450,000	6,000,000
Clive Page	5,773,928	5,773,928
Michael Walker	5,705,691	5,705,691
Claire Poll	3,000,000	3,000,000
Trevor Jones	Nil	Nil

Share options

Share options held by directors at 31 December 2007 were as follows:

	At beginning Of period	Granted/ exercised or expired in period	At end of period	Exercise price (£)	Exercisable at end of period
M Walker	2,000,000	Nil	2,000,000	0.05	1,000,000
C Page	2,000,000	Nil	2,000,000	0.05	1,000,000
C Poll	2,000,000	Nil	2,000,000	0.05	1,000,000
T Jones	2,000,000	Nil	2,000,000	0.05	1,000,000
S Bottomley	2,000,000	Nil	2,000,000	0.05	1,000,000
S Bottomley	1,250,000	Nil	1,250,000	0.02	1,250,000

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

Report on Directors' remuneration and service contracts

The Remuneration Committee, consisting of two Non-Executive Directors, and chaired by Prof. Trevor Jones, meets at least once a year (or more frequently as required). The Committee is responsible for the remuneration of the Executive Directors, including their benefits in kind, terms of employment and share options. The Executive Directors also consult the Committee in relation to the remuneration of senior employees and staff share option schemes. The Committee takes account of remuneration paid by other companies of a similar size and comparable industry sector in the UK. The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in other companies. The service contracts of the Directors for director services are subject to a three month termination period. There are separate contracts in place for the provision of consulting services by Prof. Michael Walker, Prof. Clive Page and Claire Poll. The contract for the provision of the services of Michael Walker is with Magic Bullets Enterprises Limited and the contract for the provision of the services of Clive Page is with Gryon Consulting Limited. Both of these contracts specify a termination period of twelve months. The consulting contract with Claire Poll is in her own name and specifies a termination period of three months. Details of the Directors' emoluments for the year for director and consulting services are as follows:

	Fees/basic Salary £	Employers NI £	2007 Total £
Executive			
Michael Walker	60,000	411	60,411
Claire Poll	25,000	Nil	25,000
Non-Executive			
Clive Page	35,000	931	35,931
Trevor Jones	12,500	939	13,439
Stuart Bottomley	12,500	931	13,431
	145,000	3,212	148,212

Pensions

The Group does not operate a money purchase/defined benefit pension scheme for Directors or employees.

Substantial share holders

	Number of Ordinary shares	% of Share Capital
Pinetree Income Partnership	4,653,060	3.17%
David Saint	5,643,648	3.85%
Michael Walker	5,643,651	3.85%
Clive Page	5,649,846	3.85%
Security Services Nominees Limited	5,826,735	3.97%
MLP Investments (Luxembourg)	5,950,000	4.05%
Stuart Bottomley	8,450,000	5.76%
Craig Ian Burton	10,250,000	6.98%
Fidelity International Small Cap Fund	14,000,000	9.54%
Fitel Nominees Limited	18,621,215	12.69%
Pershing Keen Nominees Limited	25,754,477	17.55%

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Supplier payment policy

The Company's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

Political and charitable contributions

There were no political or charitable contributions made by the Company during the year ended 31 December 2007.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs").

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware:

1. there is no relevant audit information of which the Company's auditors are unaware; and
2. the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

UHY Hacker Young LLP were appointed auditors to the Company, and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be proposed at the Annual General Meeting.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

Annual General Meeting

Accompanying this report is the notice of Annual General Meeting of the Company which sets out the resolutions relating to the business which the Company proposes to conduct at the meeting. The meeting will be held at 11.30a.m. on 23 May 2008 at One America Square, Crosswall, London EC3N 2SG.

By order of the Board.

**Prof. Clive Page
Chairman**

Dated 31 March 2008

CORPORATE GOVERNANCE

Board of Directors

The Board meets at regular intervals, normally no less than four times a year. The Board is responsible for approving company policy and strategy. The Board consists of five members, two are executive directors, the remaining three, one of whom is Chairman, are non-executive directors. All non-executive directors are members of both the audit and remuneration committees. The Chairman of the Board is Prof. Clive Page and the Company's business is run by Prof. Michael Walker (CEO), Danny Lowe (CFO) and Dr. Lui Franciosi (COO).

Internal Control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and to review its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to mitigate operational risks.

An Audit Committee has been established, chaired by Stuart Bottomley, which will meet at least twice a year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports prepared by auditors.

At the present time, given the size of the Group, it does not justify to have an internal audit function. The key features of the Group's system of internal control are as follows:

- the Company is headed by an effective Board, which leads and controls the Group;
- there is a clear division of responsibilities in running the Board and running the Group's business;
- the Board includes a balance of executive and non-executive directors; and
- the Board receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties.

The Company has also established a Nomination and Corporate Governance Committee, chaired by Prof. Clive Page. This Committee meets at least once a year and is responsible for overseeing the Company's corporate governance capability, including evaluating the structure, size and composition of the Board and succession planning of Board members and senior management.

Going Concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Board will continue to monitor the progress of the development of its programmes and the financial position in order to ensure that the Group continues to have sufficient funding to continue in business. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

Communication with shareholders

The Board has a strong commitment to the maintenance of good investor relations with its shareholders, and the Directors will make themselves available to answer questions at the Annual General Meeting. Shareholders are encouraged to contact the Company via email or telephone if they have any questions.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF VERONA PHARMA PLC
FOR THE YEAR ENDED 31 DECEMBER 2007**

We have audited the Group and Parent Company financial statements (the "financial statements") of Verona Pharma plc for the year ended 31 December 2007 which comprise the Group income statement, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman and CEO's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF VERONA PHARMA PLC
FOR THE YEAR ENDED 31 DECEMBER 2007**

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' report is consistent with the financial statements.

UHY Hacker Young LLP

Dated 1 April 2008

Chartered Accountants
Registered Auditors
Quadrant House
Thomas More Square
17 Thomas More Street
London E1W 1YW

**GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Research and development		(755,789)	(136,200)
Administration expenses	19	(558,318)	(534,877)
Operating loss	4	(1,314,107)	(671,077)
Finance revenue	6	96,844	62,686
Loss before taxation		(1,217,263)	(608,391)
Taxation	7	-	-
Loss for the period		(1,217,263)	(608,391)
Loss per ordinary share – basic and diluted	2	(0.84)p	(0.79)p

**GROUP BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Notes	31 December 2007 £	31 December 2006 £
ASSETS			
Non current assets			
Tangible assets	12	16,058	17,362
Intangible assets	13	66,626	61,686
Goodwill	15	1,469,112	1,469,112
		<u>1,551,796</u>	<u>1,548,160</u>
Current assets			
Trade and other receivables	9	241,575	52,683
Short-term investment	14	-	1,300,000
Cash and cash equivalents	10	1,252,063	1,063,249
		<u>1,493,638</u>	<u>2,415,932</u>
Total assets		<u><u>3,045,434</u></u>	<u><u>3,964,092</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves attributable to Equity holders			
Called up share capital	16	146,775	144,275
Option reserves		405,313	298,056
Share premium account		4,135,756	4,038,256
Retained losses		(1,799,687)	(582,424)
Total equity		<u>2,888,157</u>	<u>3,898,163</u>
Current liabilities			
Trade and other payables	11	157,277	65,929
Total liabilities		<u>157,277</u>	<u>65,929</u>
Total equity and liabilities		<u><u>3,045,434</u></u>	<u><u>3,964,092</u></u>

The financial statements were approved by the Board on 28 March 2008.

Prof. Clive Page
Chairman

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Notes	2007 £	2006 £
ASSETS			
Non current assets			
Tangible assets	12	16,058	17,362
Intangible assets	13	66,626	61,686
Goodwill	15	1,453,570	1,453,570
		<u>1,536,254</u>	<u>1,532,618</u>
Current assets			
Trade and other receivables	9	321,710	99,954
Short-term investment	14	-	1,300,000
Cash and cash equivalents	10	1,250,276	1,061,036
		<u>1,571,986</u>	<u>2,460,990</u>
Total assets		<u><u>3,108,240</u></u>	<u><u>3,993,608</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves attributable to Equity holders			
Called up share capital	16	146,775	144,275
Option reserves		405,313	298,056
Share premium account		4,135,756	4,038,256
Retained losses		(1,736,881)	(529,480)
Total equity		<u>2,950,963</u>	<u>3,951,107</u>
Current liabilities			
Trade and other payables	11	157,277	42,501
Total liabilities		<u>157,277</u>	<u>42,501</u>
Total equity and liabilities		<u><u>3,108,240</u></u>	<u><u>3,993,608</u></u>

The financial statements were approved by the Board on 28 March 2008.

Prof. Clive Page
Chairman

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Net cash outflow from operating activities	17	(1,204,740)	(351,270)
Cash flow from investing activities			
Interest received		110,758	53,684
Sale/(purchase) of short-term investment		1,300,000	(1,300,000)
Purchase of tangible assets		(5,291)	(14,949)
Purchase of intangible assets		(11,913)	-
Net liabilities assumed from acquisition of subsidiary		-	(15,543)
Net cash inflow/(outflow) from investing activities		1,393,554	(1,276,808)
Cash flow from financing activities			
Proceeds from issue of shares		-	2,043,000
Issue costs		-	(334,081)
Net cash inflow from financing activities		-	1,708,919
Net increase in cash and cash equivalents		188,814	80,841
Cash and cash equivalents at the beginning of the year		1,063,249	982,408
Cash and cash equivalents at the end of the year	10	1,252,063	1,063,249

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Net cash outflow from operating activities	17	(1,170,783)	(317,762)
Cash flow from investing activities			
Interest received		110,756	53,684
Sale/ (purchase) of short-term investment		1,300,000	(1,300,000)
Purchase of tangible assets		(5,291)	(14,949)
Purchase of intangible assets		(11,913)	-
Advance to subsidiary		(33,529)	(51,264)
Net cash inflow/ (outflow) from investing activities		1,360,023	(1,312,529)
Cash flow from financing activities			
Proceeds from issue of shares		-	2,043,000
Issue costs		-	(334,081)
Net cash inflow from financing activities		-	1,708,919
Net increase in cash and cash equivalents		189,240	78,628
Cash and cash equivalents at the beginning of the year		1,061,036	982,408
Cash and cash equivalents at the end of the year	10	1,250,276	1,061,036

**GROUP STATEMENT OF CHANGES IN NET EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital £	Share premium £	Option reserve £	Retained earnings £	Total 2007 £
Balance at 1 January 2006	50,200	903,412	-	25,967	979,579
Issue of shares	94,075	3,668,925	-	-	3,763,000
Issue costs	-	(534,081)	-	-	(534,081)
Share option charge	-	-	298,056	-	298,056
Net loss for the year	-	-	-	(608,391)	(608,391)
Balance at 31 December 2006	144,275	4,038,256	298,056	(582,424)	3,898,163
Issue of shares	2,500	97,500	-	-	100,000
Issue costs	-	-	-	-	-
Share option charge	-	-	107,257	-	107,257
Net loss for the year	-	-	-	(1,217,263)	(1,217,263)
Balance at 31 December 2007	146,775	4,135,756	405,313	(1,799,687)	2,888,157

**COMPANY STATEMENT OF CHANGES IN NET EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital £	Share premium £	Other reserve £	Retained earnings £	Total 2007 £
Balance at 1 January 2006	50,200	903,412	-	25,967	979,579
Issue of shares	94,075	3,668,925	-	-	3,763,000
Issue costs	-	(534,081)	-	-	(534,081)
Share option charge	-	-	298,056	-	298,056
Net loss for the year	-	-	-	(555,447)	(555,447)
Balance at 31 December 2006	144,275	4,038,256	298,056	(529,480)	3,951,107
Issue of shares	2,500	97,500	-	-	100,000
Issue costs	-	-	-	-	-
Share option charge	-	-	107,257	-	107,257
Net loss for the year	-	-	-	(1,207,401)	(1,207,401)
Balance at 31 December 2007	146,775	4,135,756	405,313	(1,736,881)	2,950,963

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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 financial statements have been prepared using the historical cost convention. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

1.2. Basis of consolidation

These group financial statements include the accounts of Verona Pharma plc and its wholly-owned subsidiary Rhinopharma Limited. The purchase method of accounting is used to account for the acquisition of Rhinopharma Limited, and full consolidation of the subsidiary started from 18 September 2006 when control was established. 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. Foreign currency translation

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the income statement.

1.4. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1.5. Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

1.6. Research and development costs

Research costs are charged as an expense in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets generally accepted accounting criteria for deferral and amortisation. At 31 December 2007, no development costs have been deferred.

1.7. Tangible Assets

Tangible assets are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the expected useful lives as follows:

Computer hardware	3 years
Computer software	2 years
Office furniture and equipment	5 years

1.8. Intangible Assets

Patent costs associated with the preparation, filing, and obtaining of patents are capitalised and amortised on a straight-line basis over the estimated useful lives of the patents of ten years.

1.9. Impairment of intellectual properties

The carrying value of patents and goodwill do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialisation of products based on these intellectual properties. Management reviews the intellectual properties for impairment whenever events or changes in circumstances indicate that full recoverability is questionable, and such review is performed on at least an annual basis. Management measures any potential impairment by comparing the carrying value to the discounted amounts of expected future cash flows.

1.10. Financial instruments

(a) Fair values

The carrying amounts of cash and cash equivalents; short-term investment, 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 Company may be unable to recover contractual receivables. The Company is still in the development stage; therefore, no policies are required at this time to mitigate this risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

Financial instruments (continued)

(c) Currency risk

Foreign currency risk reflects the risk that the Company's net assets will be negatively impacted due to fluctuations in exchange rates. The Company has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. At 31 December 2007, cash and cash equivalents include no foreign currency, and accounts payable and accrued liabilities include balances of CAD\$4,822, Euro €10,491, and AUD\$4,400.

1.11. Share based payments

The Company made share-based payments to certain directors and advisers by way of issue of share options. The fair value of these payments is calculated by the Company using the Black-Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

1.12. 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. For option based share based payments management estimate certain factors used in the option pricing model, including volatility, exercise date of options and number of options likely to be exercised. If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007	2006
	£	£
4. Operating loss		
Group		
This is stated after charging:		
Foreign exchange loss	8,430	32,804
Auditors' remuneration		
- Audit -Company	14,000	10,000
-Group	-	4,640
-Total	<u>14,000</u>	<u>14,640</u>
- Non-audit	10,993	550

	2007	2006
	£	£
5. Employee costs		
Group		
Wages and salaries	87,853	36,021
Social security costs	<u>7,000</u>	<u>2,334</u>
	<u>94,853</u>	<u>38,355</u>

Remuneration of Directors is disclosed in the Report on Directors' remuneration.

	2007	2006
	Number	Number
The average number of employees during the year was:		
Group	<u>4</u>	<u>4</u>

	2007	2006
	£	£
6. Finance revenue		
Group		
Bank interest	<u>96,844</u>	<u>62,686</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £	2006 £
7. Taxation		
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(1,217,263)	(608,391)
Multiplied by standard rate of corporation tax of 30.00%	(365,179)	(182,517)
Effects of:		
Non deductible expenses	33,362	94,466
Depreciation and amortisation	4,070	700
Capital allowances	(7,394)	(1,756)
Other tax adjustments	-	-
Tax losses carried forward	335,141	89,107
Current tax charge	-	-
Factors that may affect future tax charges		
<p>At 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 of future profit streams. The contingent deferred tax asset is estimated to be £375,000.</p>		
8. Subsidiary entities		
<p>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 is a drug discovery and development company focused on developing proprietary drug to treat allergic rhinitis and other respiratory diseases.</p>		
9. Trade and other receivables		
Group		
Other receivables	196,737	20,193
Prepayments and accrued income	44,838	32,490
	241,575	52,683
Company		
Other receivables	193,195	16,817
Prepayments and accrued income	43,722	31,873
Amounts due from subsidiary company	84,793	51,264
	321,710	99,954

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007	2006
	£	£
10. Cash and cash equivalents		
Group		
Cash at bank and in hand	152,063	263,249
Cash equivalents	1,100,000	800,000
	<u>1,252,063</u>	<u>1,063,249</u>
Company		
Cash at bank and in hand	150,276	261,036
Cash equivalents	1,100,000	800,000
	<u>1,250,276</u>	<u>1,061,036</u>
11. Trade and other payables		
Group		
Trade payables	98,214	33,556
Other payables	30,770	7,095
Accruals	28,293	25,278
	<u>157,277</u>	<u>65,929</u>
Company		
Trade payables	98,214	10,128
Other payables	30,770	7,095
Accruals	28,293	25,278
	<u>157,277</u>	<u>42,501</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

12. Tangible assets

Group and Company	Computer hardware	Computer software	Office equipment	Total
	£	£	£	£
Cost				
At 31 December 2006	14,133	3,068	911	18,112
Additions:	4,471	820	-	5,291
At 31 December 2007	<u>18,604</u>	<u>3,888</u>	<u>911</u>	<u>23,403</u>
Depreciation				
At 31 December 2006	645	59	46	750
Charge for the year	4,824	1,589	182	6,595
At 31 December 2007	<u>5,469</u>	<u>1,648</u>	<u>228</u>	<u>7,345</u>
Net book value				
At 31 December 2007	<u>13,135</u>	<u>2,240</u>	<u>683</u>	<u>16,058</u>
Net book value				
At 31 December 2006	<u>13,488</u>	<u>3,009</u>	<u>865</u>	<u>17,362</u>

13. Intangible assets

Group and Company	Patents
	£
Cost	
At 31 December 2006	63,267
Additions	11,913
At 31 December 2007	<u>75,180</u>
Amortisation	
At 31 December 2006	1,581
Charge for the year	6,973
Impairment during the year	-
At 31 December 2007	<u>8,554</u>
Net book value	
At 31 December 2007	<u>66,626</u>
Net book value	
At 31 December 2006	<u>61,686</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

14. Short-term investment

The 2006 short-term investment comprised a term deposit with an interest rate of 4.92% which matured in April 2007. Due to the nature and term of the investment the Company did not feel it was subject to fair value of cash flow interest rate risk.

	2007	2006
	£	£
15. Goodwill		
Group		
Goodwill	1,469,112	1,469,112
Company		
Goodwill	1,453,570	1,453,570

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 2007, the Company concluded that no impairment was required.

16. Called up share capital

The movements in the share capital are summarised below:

	Number of shares	£
Authorised:		
10,000,000,000 ordinary shares of 0.1p each	10,000,000,000	10,000,000
Allotted, called up and fully paid		
Shares as at 1 January 2006:	50,200,000	50,200
Shares issued during the year	94,075,000	94,075
As at 31 December 2006	144,275,000	144,275
Shares issued during the year	2,500,000	2,500
As at 31 December 2007	146,775,000	146,775

The following issues of new shares took place during the year ended 31 December 2007:

On 13 December 2007, 2,500,000 0.1 pence ordinary shares were issued fully paid for 4 pence per share.

The following issues of new options took place during the year ended 31 December 2007:

1,280,000 ordinary share options were issued to employees and consultants on 4 July 2007 with an exercise price of 4 pence per option. The options are exercisable on or before 4 July 2012 and 25 per cent. vested immediately upon issue, and the remaining 75 per cent. vesting in equal proportions on the first, second, and third anniversary of the date of grant.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

17. Net cash inflow/(outflow) from operating activities

	2007	2006
	£	£
Group		
Operating loss	(1,314,107)	(671,077)
Cost of issuing share options	107,257	298,056
Increase in trade and other receivables	(102,806)	(34,763)
Increase in trade and other payables	91,348	54,182
Depreciation of tangible assets	6,595	750
Amortisation of intangible assets	6,973	1,582
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(1,204,740)</u>	<u>(351,270)</u>
 Company		
Operating loss	(1,304,242)	(618,133)
Cost of issuing share options	107,257	298,056
Increase in trade and other receivables	(102,141)	(30,771)
Increase in trade and other payables	114,775	30,754
Depreciation of tangible assets	6,595	750
Amortisation of intangible assets	6,973	1,582
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(1,170,783)</u>	<u>(317,762)</u>

18. Related parties transactions

The Company was charged £41,562 (2006: £13,659) by Magic Bullets Enterprises Limited, a company of which Prof. Michael Walker is a Director.

The Company was charged £22,500 (2006: £6,490) by Gryon Consulting Limited, a company of which Prof. Clive Page is a Director.

The Company paid £Nil (2006: £7,889) to Verona Capital Pty Ltd, a company of which Craig Burton was a Director in 2006, for corporate services. In addition, rent and corporate services charge of £Nil (2006: £1,407) was paid to Mirabela Nickel, a company of which Craig Burton was also a Director. Craig Burton resigned as a Director of the Company on 18 September 2006.

The Company paid £Nil (2006: £20,000) to the Directors Stuart Bottomley and Claire Poll for consulting services incurred for the AIM re-admission.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

19. Cost of issuing share options

Included within administration expenses is a charge for issuing share options. The Company granted 1,280,000 (2006: 13,885,500) stock options during the current year with fair value using the Black-Scholes option-pricing model of £107,257 (2006: £193,772).

The 1,280,000 stock options granted in the current year are exercisable at 4 pence per option and the expiry date of these stock options is 4 July 2012.

The following assumptions were used for the Black-Scholes valuation of stock options granted in the current year:

Year/Type	2007	
	Consultants	Employees
Options granted	900,000	380,000
Risk-free interest rate	4.63%	4.63%
Expected life of options	5 years	5 years
Annualised volatility	51.26%	51.26%
Dividend rate	0.00%	0.00%

20. Profit of the parent company

The Parent has taken advantage of the exemption permitted by Section 230 of the Companies Act 1985 not to present a profit and loss account for the year. The Parent's loss before tax for the year was £1,207,401 (2006: loss of £555,447).

21. Control

The Company is not under the control of any individual or group of connected parties.

22. Financial commitments

As at 31 December 2007 the Group and Company were committed to making the following payments under non-cancellable operating leases in the year to 31 December 2008.

	Land and Buildings	
	2007	2006
Operating leases which expire:		
Within one year	22,540	4,800

23. Subsequent events

On 8 January 2008, the Company raised £2,232,511 net, after expenses of £86,822, by way of a placing of 57,983,325 new ordinary shares of 0.1p each in the Company at 4 pence per share.

1,159,666 ordinary share options were issued to WH Ireland Limited, the Company's nominated adviser and broker, on 8 January 2008 with an exercise price of 4 pence per option. The options are exercisable on or before 8 January 2011, and vested immediately.

VERONA PHARMA PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Verona Pharma plc (the "Company") will be held at the offices of Sprecher Grier Halberstam LLP, 5th Floor, One America Square, Crosswall, London EC3N 2SG on Friday, 23 May 2008 at 11.30 am for the following purposes:

Ordinary Business

1. To receive and adopt the report of the directors and the financial statements for the financial year ended 31 December 2007 and the report of the auditors thereon.
2. To approve the Directors' Remuneration Report for the financial year ended 31 December 2007.
3. To re-appoint, as a director of the Company, Professor Clive P. Page, who retires in accordance with Article 25.3 of the Company's Articles of Association and offers himself for re-election.
4. To re-appoint UHY Hacker Young LLP as auditors to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which the accounts are laid before members and to authorise the directors to determine their remuneration.

Special Business

5. To consider, and if thought fit, to pass the following Resolution which is proposed as an Ordinary Resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act"), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £68,184.52 such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2009 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

6. To consider, and if thought fit, to pass the following Resolution which is proposed as a Special Resolution:

THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by Resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be in substitution for any previous powers conferred on the Directors pursuant to the said Section 95 and shall be limited to:

- (a) the allotment of equity securities in connection with an issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be practicable) to the respective number of Ordinary Shares in the capital of the Company held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of further equity securities up to an aggregate nominal amount of £10,237.92,

provided that the power in this Resolution 6 shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted otherwise than in accordance with Section 89 of the said Act after such expiry and the Directors may allot equity securities pursuant thereto as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

J M Bottomley
Company Secretary
14 April 2008

One America Square
Crosswall
London EC3N 2SG

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Should you wish to appoint more than one proxy please return this form and attach to it a schedule detailing the names of the proxies you wish to appoint, the number of shares each proxy will represent and the way in which you wish them to vote on the resolutions that are to be proposed. **To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the Registered Office of the Company, One America Square, Crosswall, London EC3N 2SG by hand or by post, or by fax to +44 (0)20 7544 5565, or by email to benh@sghlaw.com, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).**
2. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those members entered on the register of members at 6pm on 21 May 2008 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.001 each in the capital of the Company held in their name at that time. Changes to the register after 6pm on 21 May 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. **Resolution 3** – Article 25.3 of the Company’s Articles of Association require that one third of the directors of the Company who have held office since the last Annual General Meeting, must retire and, if they are eligible, may offer themselves for re-appointment.
5. **Resolution 5** – As required by the Companies Act 1985, this resolution, to be proposed as an Ordinary Resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the conclusion of the Annual General Meeting to be held in 2009, unless the authority is renewed or revoked prior to such time. In accordance with best practice, and if approved, this authority is limited to a maximum of 68,184,522 Ordinary Shares, which is equivalent to 33.3% of the issued share capital of the Company as at the date of this Notice. This authority replaces the existing authority granted at the general meeting held on 7 January 2008.
6. **Resolution 6** – Section 89(1) of the Companies Act 1985 requires that if the Directors decide to allot unissued Ordinary Shares in the Company the shares proposed to be issued be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders’ pre-emption rights. However, to act in the best interests of the Company the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 89(1). Therefore this resolution, to be proposed as a Special Resolution, and in accordance with institutional shareholder voting guidelines, seeks authority to enable the Directors to allot equity securities up to a maximum of 10,237,916 Ordinary Shares, being equal to 5% of the Company’s issued share capital, as at the date of this Notice. This authority replaces the existing authority granted at the general meeting held on 7 January 2008 and expires at the conclusion of the Annual General Meeting to be held in 2009.

VERONA PHARMA PLC FORM OF PROXY

I/We
of
being a member of the Company, hereby appoint
of.....
or failing him, the Chairman of the Meeting, as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11.30am on 23 May 2008 and at any adjournment thereof.

I/We direct my/our vote as indicated below in respect of the resolutions which are referred to in the Notice convening the Meeting (see note 1 below).

	Ordinary Resolutions	FOR	AGAINST	WITHHELD
Resolution 1	To receive and adopt the report of the directors and the financial statements for the year ended 31 December 2007.			
Resolution 2	To approve the Directors' Remuneration Report for the financial year ended 31 December 2007.			
Resolution 3	To re-appoint Professor Clive P Page as a director of the Company.			
Resolution 4	To re-appoint UHY Hacker Young LLP as auditors.			
Resolution 5	To empower the directors to allot relevant securities pursuant to Section 80 of the Companies Act 1985.			
	Special Resolution			
Resolution 6	To empower the directors to allot equity securities pursuant to Section 95 of the Companies Act 1985.			

Date

Signature

Notes

- Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Should you wish to appoint more than one proxy please return this form and attach to it a schedule detailing the names of the proxies you wish to appoint, the number of shares each proxy will represent and the way in which you wish them to vote on the resolutions that are to be proposed. **To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the Registered Office of the Company, One America Square, Crosswall, London EC3N 2SG by hand or by post, or by fax to +44 (0)20 7544 5565, or by email to benh@sghlaw.com, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).**
- The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
- In the case of a corporation, the form of proxy must be executed under its common seal or the hand of an officer or attorney duly authorised.
- A member may appoint a proxy of its own choice. If the name of the member's choice is not entered in the space provided on the form of proxy, the return of the form of proxy duly signed will authorise the Chairman of the meeting to act as that member's proxy.
- To direct your proxy how to vote on the resolutions mark the appropriate box with an "X". To abstain from voting on a resolution, select the relevant "withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those members entered on the register of members at 6pm on 21 May 2008 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.01 each in the capital of the Company held in their name at that time. Changes to the register after 6pm on 21 May 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.